Advances in Marketing

Proceedings of the Annual Meeting of the
ASSOCIATION OF COLLEGIATE MARKETING EDUCATORS

Houston, TX
March 4-8, 2008

Vaidotas Lukosius
Proceedings Editor
Tennessee State University

Maxwell K. Hsu
Program Chair
University of Wisconsin - Whitewater

All authors retain their original copyrights for materials presented in these Association of Collegiate Marketing Educators proceedings and papers are included herein with the permission of the authors. Any reproduction beyond the fair use doctrine recognized by United States copyright statute and case law is prohibited without the explicit permission of the author or authors of material to be reproduced.
EDITORIAL PREFACE

This year I have received over 80 papers to be included in our proceedings. A great variety of marketing topics is featured: from advertising to sports marketing. I sincerely hope that papers and abstracts included will set readers’ curiosity agog.

These proceedings have couple new features. One, we have added the author index. Hopefully, this will help you find authors quickly and painlessly. Second, we have included bookmarks. You can activate those using ‘Bookmark’ option in your Adobe Acrobat reader menu.

I would like to thank everybody who participated in, helped with, and arranged 2008 Association of Collegiate Marketing Educators proceedings. I also gratefully acknowledge all track chairs for their masterful handling of the reviewing process in the given time, and would also like to thank all the reviewers for their expert critiques. I would like to thank all authors for their timely submissions and adherence to our proceedings standards. Without your efforts my task would have been next to impossible.

I wish to acknowledge the assistance of A-CME President Kimball P. Marshall and Program Chair Maxwell Hsu in various aspects of the conference proceedings.

I sincerely hope that everybody who has contributed to 2008 proceedings will continue to do so in years to come. Don’t forget that next years’ conference is just around the corner. I hope that you will have a very productive and creative year with at least one submission for our 2009 conference.

Sincerely,

Vaidotas Lukosius, Ph.D.
Proceedings Editor
Assistant Professor of Marketing
Tennessee State University
MESSAGE FROM THE PRESIDENT

Dear Association Members and Guests,

Welcome to Houston!

Please accept my sincere appreciation for your support of the Association of Collegiate Marketing Educators and your participation in the 2008 Annual Meeting as part of the Federation of Business Disciplines. It is your involvement that makes our Association and annual meeting possible. Through your efforts as authors and reviewers of papers, as discussants in sessions and as workshop presenters and participants, and as track chairs and Association Officers, the ACME achieves its goal of enhancing marketing knowledge and disseminating marketing knowledge through educational programs.

In all scientific fields, knowledge advances through theory, objective research, and reassessment of theory. The work of the members of the Association of Collegiate Marketing Educators is part of this process that transcends national, geographic, and cultural boundaries. The papers presented here represent a sample of our involvement in that process and a wide cross-section of the diverse fields usually placed under the broad heading of Marketing.

Marketing education has become a fundamental requirement for citizens of all countries and for business people and consumers alike as our economic world responds to such challenges as global commerce, instant cross-cultural communications, environmental issues that call into question traditional ways of doing business, and the economic problems that result from productivity increases through technology being offset by rising energy prices that threaten widespread inflation and political instability. To prepare all of us to meet such challenges, and especially today’s youth, is the work of educators and researchers, such as yourselves.

It is my hope that the sharing of new ideas, research findings, and teaching techniques in the forum of the 2008 Annual Meeting of the Association of Collegiate Marketing Educators and the Federation of Business Disciplines will lead a more peaceful world through shared mutual self-interests that result from free and open markets and well-informed buyers in global markets. I thank you for your participation, and I encourage each of you to continue and deepen your involvement with the Association of Collegiate Marketing Educators.

Sincerely,

Kimball P. Marshall, Ph.D.
ACME 2008 President
Professor of Marketing
Alcorn State University
MESSAGE FROM THE PROGRAM CHAIR

Welcome to the 2008 Association of Collegiate Marketing Educators’ (ACME) Conference in Houston, Texas. We have an excellent conference program featuring 85 technical papers and five workshops. A highlight of the conference will be hearing from our 2008 Marketing Educator of the Year, Nancy Albers-Miller, at the March 7th (Friday) Luncheon.

Almost 100 papers were submitted for the conference from around the world. After submission, each track chair would assign the submitted paper to two experienced reviewers. Constructive comments were offered to the authors for them to enhance the quality of their papers. Based on the recommendations from the reviewers, the (co)track chairs decided whether a paper would be accepted for their track and which paper, if any, would receive the “best paper in track” award from a specific marketing track. A panel of five judges then reviewed the ten recommended best papers (among eighteen tracks) and selected a paper for the distinguished research paper award.

Congratulations to the authors of all accepted papers including the “best papers in track” and the distinguished research paper. I am grateful to Nancy Albers-Miller for organizing three workshops, Pat Fountain for heading one workshop, and William Piper for chairing one workshop. The educator of the year award acceptance talk and five workshops will complement the technical papers to provide an outstanding perspective on marketing education and research for all conference participants.

I am indebted to many individuals for contributing to the success of the technical program. First of all, I would like to thank the ACME officers (Kim Marshall, Pat Fountain, Kishwar Joonas, Dennis Emmett) and Vaidotas Lukosius, the 2008 ACME Proceedings Editor, for helping me to put together a great conference program. My sincere thanks are extended to 22 (co)track chairs who shouldered the major responsibilities of soliciting quality submissions in their areas and in finding an army of outstanding reviewers who provided high quality reviews. I would also like to thank all of the authors who submitted papers to the conference.

It was a great honor to serve as the 2008 Program Chair for this leading marketing conference. I would like to extend my sincere thanks to past ACME Presidents Ashish Chandra and David P. Paul III for providing helpful advice, guidance and encouragement throughout the last year. My sincere thanks also go to my colleagues at the University of Wisconsin-Whitewater’s Department of Marketing, who understood my extra work load and suggested reduced within-school service responsibilities in the 2007-2008 academic year. Their understanding and timely help on many issues made my life much easier. Finally, I would like to express my sincere thanks to Michelle Y. Huang, a Chinese visiting scholar currently doing her research work at the University of Wisconsin-Whitewater, for her kind technical and administrative support.

I hope that you will enjoy the strong program of this year’s conference while networking with a group of teaching scholars in Houston! Please plan to join us again next year and help 2009 Program Chair Pat Fountain present another exciting program in his home state –
Oklahoma – as ACME and all of the other associations that make up the Federation of Business Disciplines return to Oklahoma City.

Sincerely,

Maxwell K. Hsu, Ph.D.
ACME 2008 Program Chair
Associate Professor of Marketing
University of Wisconsin-Whitewater
2007-2008 OFFICERS

President: **Kimball P. Marshall**, Alcorn State University
Program Chair: **Maxwell K. Hsu**, University of Wisconsin-Whitewater
VP Membership: **Patrick D. “Pat” Fountain**, East Central University
Secretary: **Kishwar Joonas**, Prairie View A&M University
Treasurer: **Dennis Emmett**, Marshall University
Past President: **David P. Paul III**, Monmouth University
2007-2008 PROGRAM LEADERSHIP TEAM

Advertising and Marketing Communications
Vaidotas Lukosius, Tennessee State University

Assurance of Learning
William S. Piper, Alcorn State University

Business Ethics
Praveen Parboteeah, University of Wisconsin-Whitewater

B2B and New Product Development
Yushan “Sam” Zhao, University of Wisconsin-Whitewater

Consumer Behavior and Customer Relationship Management
Kishwar Joonas, Prairie View A&M University

E-Commerce and Pricing
Vivek S. Natarajan, Lamar University

Healthcare Marketing
Chien-Ping Chen, University of Houston-Victoria

International Marketing and Cross-Cultural Studies
Dilaver Tengilimoglu, Gazi University, Turkey

Logistics and Supply Chain Management (IDEA Academic and Practitioner Tracks)
Ahmet “Ozzie” Ozturk, Marshall University

Marketing Education
Kevin Chiu, Lunghwa University of Science and Technology, Taiwan

Marketing Research
Madhav Pappu, North Carolina A&T State University

Marketing Strategy and Entrepreneurship
Edie Schmidt, Purdue University

Public Policy and Not-for-Profit Marketing
Dennis Bristow, St. Cloud State University

Retailing
Gary H. Chao, Northwestern University

Selling and Sales Management
Vivek S. Natarajan, Lamar University

Services Marketing
G. M. Naidu, University of Wisconsin-Whitewater

Sports Marketing
Irfan Ahmed, Sam Houston State University

Doctoral/Graduate Student Track
Gordon G. Mosley, Troy University

Special Program Chair – Educator Workshop & Research Enhancement Workshops
Andy Stratemeyer, California State University-Fresno

Service-Learning Workshop Coordinator
James J. Zhang, University of Florida

Learning Assurance Panel Coordinator
Guoli Liang, University of Wisconsin-Whitewater

Doctoral/Graduate Student Track Coordinator
Sanjay S. Mehta, Sam Houston State University

Special Program Chair – Educator Workshop & Research Enhancement Workshops
Nancy D. Albers-Miller, Berry College

Service-Learning Workshop Coordinator
Patrick D. “Pat” Fountain, East Central University

Learning Assurance Panel Coordinator
William S. Piper, Alcorn State University

Proceedings Editor
Vaidotas Lukosius, Tennessee State University
AWARD WINING PAPERS

Recipients of the 2008 McGraw-Hill/Irwin Distinguished Paper Award
Beichen Liang, East Tennessee State University

Recipient of the 2008 Prentice Hall Outstanding Educator Award
Nancy D. Albers-Miller, Berry College

“Best Paper in Track” Paper Award Winners
Advertising and Marketing Communication Track
Nancy D. Albers-Miller, Berry College
Caitlyn A. Miller, Berry College

Assurance of Learning Track
Peggy O. Shields, University of Southern Indiana

E-Commerce and Pricing Track
Chien-Ping Chen, University of Houston-Victoria

Services Marketing Track
Kevin J. Shanahan, University of Texas at Tyler
Barbara Ross Wooldridge, University of Texas at Tyler

International Marketing and Cross-Cultural Studies Track
Russell Adams, University of Texas at Brownsville

Sports Marketing Track
Thomas F. Cannon, University of Texas at San Antonio
Jamie Ford, University of Texas at San Antonio

Business-to-Business and New Product Development Track
Kevin Yongchuan Bao, California State University-Fullerton

Selling and Sales Management Track
Blaise J. Bergiel, Nicholls State University
Erich B. Bergiel, University of West Georgia
J Robert Field, Nicholls State University

Doctoral/Graduate Student Track
Huang Yinghua, Xiamen University
Chang Fei, Xiamen University
<table>
<thead>
<tr>
<th>Author</th>
<th>Page(s)</th>
<th>Author</th>
<th>Page(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adams, Russell</td>
<td>260, 430</td>
<td>Glaser-Segura, Daniel A.</td>
<td>228</td>
</tr>
<tr>
<td>Ahmed, Irfan</td>
<td>190</td>
<td>Godwin, Lynn R.</td>
<td>59</td>
</tr>
<tr>
<td>Akinci, Fevzi</td>
<td>217</td>
<td>Gulati, Rajesh</td>
<td>297</td>
</tr>
<tr>
<td>Albers-Miller, Nancy D.</td>
<td>1, 4, 434, 439, 441, 442, 443, 444, 462, 464</td>
<td>Gupta, Ashutosh</td>
<td>435</td>
</tr>
<tr>
<td>Anwar, Syed Tariq</td>
<td>269</td>
<td>Harney, Chris</td>
<td>442</td>
</tr>
<tr>
<td>Atilla, E. Asuman</td>
<td>217</td>
<td>Harrington, Charles</td>
<td>22</td>
</tr>
<tr>
<td>Baack, Donald</td>
<td>90, 210</td>
<td>Howard, Mark</td>
<td>428</td>
</tr>
<tr>
<td>Baird, Thomas</td>
<td>258</td>
<td>Hsu, Maxwell K.</td>
<td>96</td>
</tr>
<tr>
<td>Bao, Kevin Yongchuan</td>
<td>41</td>
<td>Hsu, Shu-Mei</td>
<td>374</td>
</tr>
<tr>
<td>Barnett, Tim</td>
<td>372</td>
<td>Huang, Yinghua</td>
<td>445</td>
</tr>
<tr>
<td>Beck, Mary J. Binning</td>
<td>179</td>
<td>Humphrey, Patricia</td>
<td>301</td>
</tr>
<tr>
<td>Bergiel, Blaise J.</td>
<td>342</td>
<td>Humphreys, Michael</td>
<td>299</td>
</tr>
<tr>
<td>Bergiel, Erich B.</td>
<td>342</td>
<td>Inks, Scott</td>
<td>258</td>
</tr>
<tr>
<td>Bristow, Dennis</td>
<td>297, 299</td>
<td>Isaac, JeDarius</td>
<td>353</td>
</tr>
<tr>
<td>Byon, Kevin K.</td>
<td>393, 395, 397, 399</td>
<td>Jain, Abhinandan K.</td>
<td>303</td>
</tr>
<tr>
<td>Cannon, Thomas F.</td>
<td>401</td>
<td>Johnson, Mary E.</td>
<td>242</td>
</tr>
<tr>
<td>Cason, John</td>
<td>434</td>
<td>Johnson, Mary Elms</td>
<td>254</td>
</tr>
<tr>
<td>Chandra, Ashish</td>
<td>192, 270, 435, 466</td>
<td>Joonas, Kishwar</td>
<td>203</td>
</tr>
<tr>
<td>Chang, Fei</td>
<td>445</td>
<td>Khiewnawawongsa, Sorraya</td>
<td>244</td>
</tr>
<tr>
<td>Chang, Tingo Ya-Ting</td>
<td>96</td>
<td>Kim, May</td>
<td>399</td>
</tr>
<tr>
<td>Chao, Gary H.</td>
<td>295</td>
<td>Laffuente, Esteban</td>
<td>294</td>
</tr>
<tr>
<td>Chen, Chien-Ping</td>
<td>325</td>
<td>Landers, V. Myles</td>
<td>462</td>
</tr>
<tr>
<td>Chen, Gao</td>
<td>20</td>
<td>Lara, Marco A.</td>
<td>252</td>
</tr>
<tr>
<td>Cheng, Fen-Chi</td>
<td>70</td>
<td>Leipnik, Mark</td>
<td>340</td>
</tr>
<tr>
<td>Chiu, Kevin Kuan-Shun</td>
<td>96</td>
<td>Levesque, Peter</td>
<td>110</td>
</tr>
<tr>
<td>Chiu, Kuanpin Philip</td>
<td>96</td>
<td>Liang, Beichen</td>
<td>120</td>
</tr>
<tr>
<td>Cianfrone, Beth A.</td>
<td>413, 415, 417, 428</td>
<td>Liang, Chiu-Ju</td>
<td>141</td>
</tr>
<tr>
<td>Disharoon, Lauren</td>
<td>439</td>
<td>Lin, Chin-Feng</td>
<td>160</td>
</tr>
<tr>
<td>Dixit, Mukund R.</td>
<td>303</td>
<td>Lin, Chyong-Ling</td>
<td>281</td>
</tr>
<tr>
<td>Durand, Roger</td>
<td>435</td>
<td>Lu, Chia-Ying (Doris)</td>
<td>428</td>
</tr>
<tr>
<td>Dyrenfurth, Michael</td>
<td>256</td>
<td>Lucas, Carol</td>
<td>428</td>
</tr>
<tr>
<td>Emge, Angela</td>
<td>301</td>
<td>Lukosius, Vaidotas</td>
<td>13, 294, 338</td>
</tr>
<tr>
<td>Emmett, Dennis</td>
<td>270</td>
<td>Marshall, Kimball P.</td>
<td>319</td>
</tr>
<tr>
<td>Fan, Shih-Ping</td>
<td>374</td>
<td>Mehta, Sanjay S.</td>
<td>340</td>
</tr>
<tr>
<td>Field, J. Robert</td>
<td>342</td>
<td>Miller, Caitlyn A.</td>
<td>4</td>
</tr>
<tr>
<td>Ford, Jamie</td>
<td>401, 419</td>
<td>Mosley, Gordon G.</td>
<td>284</td>
</tr>
<tr>
<td>Gadoua, Kaylin</td>
<td>441</td>
<td>Mouri, Nacef</td>
<td>162</td>
</tr>
<tr>
<td>Ganesh, Jaishankar</td>
<td>162</td>
<td>Mukherjee, Avinandan</td>
<td>466</td>
</tr>
<tr>
<td>Geringer, Susan D.</td>
<td>166</td>
<td>Murray, Lynn</td>
<td>210</td>
</tr>
<tr>
<td>German, Regan</td>
<td>90</td>
<td>Newbold, John J.</td>
<td>190</td>
</tr>
<tr>
<td>Name</td>
<td>Page(s)</td>
<td>Name</td>
<td>Page(s)</td>
</tr>
<tr>
<td>-----------------------------</td>
<td>---------</td>
<td>-----------------------------</td>
<td>---------</td>
</tr>
<tr>
<td>Nof, Shimon Y.</td>
<td>252</td>
<td>Sharma, Dheeraj</td>
<td>258</td>
</tr>
<tr>
<td>Nonis, Sarath A.</td>
<td>164</td>
<td>Shepherd, C. David</td>
<td>299</td>
</tr>
<tr>
<td>Osmonbekov, Talaibek</td>
<td>296</td>
<td>Shields, Peggy</td>
<td>27</td>
</tr>
<tr>
<td>Owens, Deborah L.</td>
<td>169</td>
<td>Srivastava, Prashant</td>
<td>169</td>
</tr>
<tr>
<td>Pappu, Madhav</td>
<td>254, 258</td>
<td>Stratemeyer, Andreas W.</td>
<td>13, 338</td>
</tr>
<tr>
<td>Paul, David P.</td>
<td>192</td>
<td>Swimberghe, Krist R.</td>
<td>468</td>
</tr>
<tr>
<td>Peev, Plamen</td>
<td>188</td>
<td>Taute, Harry A.</td>
<td>13</td>
</tr>
<tr>
<td>Pennington, Mandy</td>
<td>192</td>
<td>Tengilimoğlu, Dilaver</td>
<td>217</td>
</tr>
<tr>
<td>Perry, Nicholas J.</td>
<td>166</td>
<td>Thach, Sharon V.</td>
<td>294</td>
</tr>
<tr>
<td>Phelps, Lonnie D.</td>
<td>179</td>
<td>Tinsley, Dillard B.</td>
<td>171</td>
</tr>
<tr>
<td>Piper, William S.</td>
<td>319</td>
<td>Totten, Jeff W.</td>
<td>179</td>
</tr>
<tr>
<td>Pitts, Brenda G.</td>
<td>428</td>
<td>Uner, Mithat</td>
<td>217</td>
</tr>
<tr>
<td>Powell, Robert</td>
<td>464</td>
<td>Valentine, Sean</td>
<td>372</td>
</tr>
<tr>
<td>Prasad, Rashmi</td>
<td>190</td>
<td>Wang, Weng-Hung</td>
<td>141, 203</td>
</tr>
<tr>
<td>Rabetino, Rodrigo</td>
<td>294</td>
<td>Wingate, Jordan</td>
<td>240</td>
</tr>
<tr>
<td>Roberts, Scott D.</td>
<td>110</td>
<td>Wooldridge, Barbara Ross</td>
<td>390</td>
</tr>
<tr>
<td>Rose, Tina</td>
<td>466</td>
<td>Wu, Chih-Wen</td>
<td>181</td>
</tr>
<tr>
<td>Sambath, Phou</td>
<td>70</td>
<td>Yang, Kisoul</td>
<td>167</td>
</tr>
<tr>
<td>Schibik, Timothy</td>
<td>22</td>
<td>Yeh, Jin-Tsann</td>
<td>281</td>
</tr>
<tr>
<td>Schmidt, Edie K.</td>
<td>244</td>
<td>Zhang, James J.893, 395, 397, 399, 415, 417</td>
<td></td>
</tr>
<tr>
<td>Scott, Regena</td>
<td>256</td>
<td>Zhao, Yushan</td>
<td>20</td>
</tr>
<tr>
<td>Segal, Madhav N.</td>
<td>296</td>
<td>Ziebell, Michael</td>
<td>299</td>
</tr>
<tr>
<td>Seo, Jung-Im</td>
<td>167</td>
<td>Zinkhan, George M.</td>
<td>188</td>
</tr>
<tr>
<td>Shanahan, Kevin J.</td>
<td>390</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
TABLE OF CONTENTS

TEACHER OF THE YEAR AWARD ACCEPTANCE LETTER

THE DIVINE SECRETS OF THE YADA-YADA-YADA TEACHERHOOD ........................................ 1
Nancy D. Albers-Miller, Berry College

ADVERTISING TRACK

CRUDE, IMMORAL, VULGAR AND SENSELESS: AN EMPIRICAL INVESTIGATION OF THE CONTENT OF TELEVISION ADVERTISING ................................................................. 4
Nancy D. Albers-Miller, Berry College
Caitlyn A. Miller, Rome GA

THE CHANGING NATURE OF CONTROVERSIAL ADVERTISING: A CONTENT ANALYSIS STUDY ..................................................................................................................... 13
Harry A. Taute, Utah Valley University
Vaidotas Lukosius, Tennessee State University
Andreas W. Stratemeyer, California State University - Fresno

A MODEL OF ATTITUDE TOWARD ADVERTISING IN GENERAL ............................................ 20
Yushan Zhao, University of Wisconsin at Whitewater
Gao Chen, Shanxi Provincial Academy of Communications Sciences

ASSURANCE OF LEARNING TRACK

ASSURANCE OF STUDENT LEARNING AND FACULTY EVALUATION AND REWARDS: ROOM FOR ALIGNMENT? ........................................................................................................ 22
Timothy Schibik, University of Southern Indiana
Charles Harrington, University of North Carolina – Pembroke

LEARNING OUTCOMES AND STUDENT INPUTS: AN INVESTIGATIVE STUDY INVOLVING BUSINESS STUDENTS .................................................................................. 27
Peggy Shields, University of Southern Indiana

BUSINESS TO BUSINESS TRACK

ORGANIZATIONAL RESISTANCE TO TECHNOLOGICAL INNOVATIONS: AN INFORMATION PROCESSING PERSPECTIVE .............................................................................. 41
Kevin Yongchuan Bao, California State University Fullerton

A PRELIMINARY INVESTIGATION INTO THE ROLE OF PURCHASING FIRM FORMALIZATION ON THE COMPLAINT BEHAVIOR OF PURCHASING MANAGERS . 59
Lynn R. Godwin, University of St. Thomas

xi
CONSUMER BEHAVIOR TRACK

COLLECTIVELY TRAUMATIC EVENTS AND CONSUMER BEHAVIOR ........................................ 61
Gregory S. Black, Texas A&M University – Corpus Christi

THE IMPORTANT FACTORS OF HOTEL PRODUCTS AND SERVICES AS PERCEIVED
BY LEISURE TRAVELERS VISITING ANGKOR WAT ................................................................. 70
Fen-Chi Cheng, Shu-Te University
Phou Sambath, National Cheng Kung University

AN APPLICATION OF THE SERVICE RECOVERY CONCEPT TO THE BANKING
INDUSTRY ...................................................................................................................................... 90
Regan German, Pittsburg State University
Donald Baack, Pittsburg State University

THE RELATIONSHIPS AMONG BRAND PERSONALITY, BRAND PREFERENCES, AND
CUSTOMER PERCEIVED VALUE: AN EMPIRICAL STUDY IN TAIWAN FOR THE
LUXURY GOODS INDUSTRY ........................................................................................................ 96
Kevin Kuan-Shun Chiu, Lunghwa University of Science and Technology
Kuanpin Philip Chiu, Chung Hua University
Maxwell K. Hsu, University of Wisconsin-Whitewater
Tingo Ya-Ting Chang, Lunghwa University of Science and Technology

IDIOSYNCRATIC PRE-ACQUISITION PROCESSES OF FIRST-TIME GUITAR
CONSUMERS ................................................................................................................................ 110
Peter Levesque, Target Corporation
Scott D. Roberts, St. Edward’s University

CULTURAL DIFFERENCES IN AD INFORMATION PROCESSING: THE INFLUENCE OF
ANALYTIC VERSUS HOLISTIC THINKING ................................................................................ 120
Beichen Liang, East Tennessee State University

AN EXPLORATORY INVESTIGATION OF SERVICE ATTRIBUTES AND CUSTOMER
BENEFITS AS DETERMINANTS OF FINANCIAL PERFORMANCE ........................................ 141
Chuang-Ju Liang, National Taiwan University of Science and Technology
Weng-Hung Wang, National Taiwan Ocean University

REVEALING THE CONSUMPTION DECISION-MAKING PROCESS OF THE
ADOLESCENTS ........................................................................................................................... 160
Chin-Feng Lin, National Pingtung Institute of Commerce

ON THE RELATIONSHIP BETWEEN MARKETING ALLIANCES AND THE CONSUMER
.................................................................................................................................................. 162
Nacef Mouri, George Mason University
Jaishankar Ganesh, University of Central Florida
DO BELIEFS PHYSICIANS HAVE ABOUT GENETICALLY MODIFIED PHARMACEUTICALS INFLUENCE THEIR LIKELIHOOD OF PRESCRIBING A BIOPHARMACEUTICAL? AN EMPIRICAL INVESTIGATION

Sarath A. Nonis, Arkansas State University

164

GENERATION Y TIPPING HABITS: A QUANTITATIVE CONSUMER BEHAVIOR STUDY

Nicholas J. Perry, California State University, Fresno
Susan D. Geringer, California State University, Fresno

166

MALE STUDENTS’ SHOPPING BEHAVIORS BASED ON PRODUCT INVOLVEMENT AND BRAND COMMITMENT

Jung-Im Seo, Tennessee State University
Kisoul Yang, University of North Texas

167

PREFERENCE FOR CONSISTENCY AND ITS RELATIONSHIP WITH BRAND COMMITMENT: AN EMPIRICAL INVESTIGATION

Prashant Srivastava, The University of Akron
Deborah L. Owens, The University of Akron

169

MARKETING ‘FLOW’ PRODUCTS FOR SUSTAINABLE CONSUMPTION

Dillard B. Tinsley, Stephen F. Austin State University

171

AN EXPLORATORY STUDY OF CONSUMERS’ ATTITUDES TOWARD FRESH BAGGED LEAFY GREENS CONSUMPTION IN LIGHT OF PRODUCT RECALLS

Jeff W. Totten, McNeese State University
Lonnie D. Phelps, McNeese State University
Mary J. Binning Beck, McNeese State University

179

COMMITMENT, TRUST, CUSTOMER SATISFACTION AND REPURCHASE INTENSIONS: AN ILLUSTRATION FROM BUSINESS-TO–CONSUMER CONTEXT

Chih-Wen Wu, Department of Marketing, National Chung Hsing University

181

MARKETING ETHICS TRACK

ETHICAL ISSUES IN MARKETING: A STAKEHOLDER APPROACH

George M. Zinkhan, University of Georgia
Plamen Peev, University of Georgia

188

MARKETING HEALTHCARE TRACK

THE HOSPICE CARE INDUSTRY: MARKETING CHALLENGES

Irfan Ahmed, Sam Houston State University
John J. Newbold, Sam Houston State University
Rashmi Prasad, University of Alaska Anchorage

190
AN EVALUATION OF GOVERNMENT INVOLVEMENT IN HEALTH CARE SYSTEM .... 192
Ashish Chandra, University of Houston – Clear Lake
Mandy Pennington, Marshall University Graduate College
David P. Paul, III, Monmouth University

A CONCEPTUAL FRAMEWORK OF PATIENT ATTITUDE AND BEHAVIOR IN TAIWAN AND THE U.S.: THE ROLE OF WAIT TIME ................................................................. 203
Kishwar Joonas, Prairie View A&M University
Weng-Hung Wang, National Taiwan Ocean University

SERVICE FAILURE, SERVICE RECOVERY, AND THE HEALTH CARE INDUSTRY: A MODEL AND RESEARCH PROPOSAL ................................................................. 210
Lynn Murray, Pittsburg State University
Donald Baack, Pittsburg State University

THE HUMAN FACTOR IN MARKETING HEALTH CARE SERVICES: RESEARCH ON THE ASSESSMENT OF DOCTORS BY THEIR PATIENTS.............................................. 217
Mithat Uner, Gazi University
Dilaver Tengilimoğlu, Gazi University
E. Asuman Atilla, Gazi University
Fevzi Akinci, Washington State University

AN EXPLORATORY STUDY OF THE EFFECT OF SOCIAL CAPITAL ON SUPPLY CHAIN RELATIONSHIPS IN A TRANSITION ECONOMY: THE CASE OF ROMANIA ............ 228
Daniel A. Glaser-Segura, Our Lady of the Lake University
Laurențiu-Dan Anghel, Academia de Studii Economice

IDEA: LOGISTICS & SUPPLY CHAIN MANAGEMENT TRACK

ASSESSING THE USAGE OF RFID TAGGING FOR LUGGAGE TRACKING ............ 240
Renee M. Hendricks, Purdue University
Jordan Wingate, Purdue University

IS RFID NEAR THE TIPPING POINT? .................................................................... 242
Mary E. Johnson, Purdue University

“GREEN” POWER TO THE SUPPLY CHAIN .......................................................... 244
Sorraya Khiewnavawongsa, Purdue University
Edie K. Schmidt, Purdue University

CONFLICT RESOLUTION IN SUPPLY CHAIN SECURITY ..................................... 252
Marco A. Lara, The University of Texas at Brownsville
Shimon Y. Nof, Purdue University

A CASE FOR WIFI-BASED ACTIVE RFID SYSTEMS ................................................. 254
Madhav Pappu, Tyco Electronics
Mary Elms Johnson, Purdue University
INTEGRATING PLM SOFTWARE INTO SUPPLY CHAIN EDUCATION .................................. 256
Regena Scott, Purdue University
Michael Dyrenfurth, Purdue University

AN EXAMINATION OF ANTECEDENTS OF CUSTOMER SATISFACTION IN E-TAILING ENVIRONMENT .................................................................................. 258
Dheeraj Sharma, Ball State University
Madhav Pappu, Tyco Electronics
Scott Inks, Ball State University
Thomas Baird, Ball State University

INTERNATIONAL MARKETING TRACK

MEXICAN AMERICAN SUSCEPTIBILITY TO INTERPERSONAL INFLUENCE: MAINSTREAM MARKETS .............................................................................................. 260
Russell Adams, University of Texas Brownsville

SLOGANS AND GLOBAL COMPANIES: AN EXPLORATORY STUDY .................. 269
Syed Tariq Anwar, West Texas A&M University

AMERICAN VERSUS FOREIGN MADE DRUG PRODUCTS: IMPLICATIONS FOR PHARMACEUTICAL PRODUCT MARKETERS ..................................................... 270
Dennis Emmett, Marshall University
Ashish Chandra, University of Houston - Clear Lake

EXAMINING THE ROLE OF CULTURAL APPROVAL FOR FEMININITY VISUAL CONSUMPTION IN THE EARLY TAIWAN MEDICINE ADS ........................................ 281
Chyong-Ling Lin, LungHwa University of Science and Technology
Jin-Tsann Yeh, Vanung University

DEVELOPMENT OF TECHNOLOGY IN THE NATIONS OF SUB-SAHARAN AFRICA AND THEIR GROWTH, INCOME, AND FOREIGN DIRECT INVESTMENT .................. 283
Gordon G. Mosley, Troy University
David K. Amponsah, Troy University

ENTREPRENEURSHIP: ORIGINS AND GROWTH IN FOUR LATIN AMERICAN COUNTRIES ........................................................................................................ 293
Sharon V. Thach, Tennessee State University
Vaidotas Lukosius, Tennessee State University
Esteban Lafuente, Autonomous University of Barcelona
Rodrigo Rabetino, Autonomous University of Barcelona

MARKETING MANAGEMENT TRACK

TO BUY OR TO LEASE? ANALYTIC MODEL WITH WEIBULL DISTRIBUTION ...... 294
Gary H. Chao, Kutztown University
MARKETING RESEARCH

USING CONTENT ANALYSIS FOR ASSESSING SKILL, KNOWLEDGE, AND ABILITY DEMANDS WITHIN THE MARKETING RESEARCH INDUSTRY ........................................ 295
Madhav N. Segal, Southern Illinois University Edwardsville
Edmund K. Hershberger, Southern Illinois University Edwardsville
Talaibek Osmonbekov, University of Southern Mississippi

MARKETING EDUCATION TRACK

INFORMATION TECHNOLOGY AND PROFESSIONAL SELLING: WHAT DO THE SALES PEOPLE OF TOMORROW THINK? ................................................................. 296
Dennis Bristow, St. Cloud State University
Rajesh Gulati, Georgia Southern University
Douglas Amyx, Louisiana Tech University

TO BE OR NOT TO BE: THAT ISN’T THE QUESTION! AN EMPIRICAL LOOK AT ON-LINE VS. TRADITIONAL BRICK AND MORTAR COURSES AT THE UNIVERSITY LEVEL ........................................................................................................ 298
Dennis Bristow, St. Cloud State University
C. David Shepherd, Georgia Southern University
Michael Humphreys, Illinois State University
Michael Ziebell, St. Cloud State University

PROCRASTINATION: THE EFFECTS OF DEADLINES AND REWARDS ON REDUCING STUDENT PROCRASTINATION .................................................................................. 300
Patricia Humphrey, Texas A&M University-Texarkana
Angela Emge, Scioto-Paint Valley Mental Health Center

DECISION SHEET AND LEARNING DIARY: NEW TOOLS FOR IMPROVED LEARNING THROUGH THE CASE METHOD ........................................................................... 302
Abhinandan K. Jain, IIM, Ahmedabad, India
Mukund R. Dixit, IIM, Ahmedabad, India

TEACHING STUDENTS TO ANALYZE TEMPORARY PRICE REDUCTION SALES PROMOTION IMPACTS: A “WHAT IF” SPREADSHEET APPROACH FOR EXPERIENTIAL LEARNING ........................................................................................................ 318
Kimball P. Marshall, Alcorn State University
William S. Piper, Alcorn State University

PRICING TRACK

A PUZZLE OR A CHOICE: UNIFORM PRICING FOR MOTION PICTURES AT THE BOX OFFICE .................................................................................................................. 324
Chien-Ping Chen, University of Houston-Victoria
RETAILING TRACK

STATE SPONSORED LOTTERY: RETAILERS ARE FACING ETHICAL ISSUES, BUT AT WHAT COST? ................................................................. 337
Vaidotas Lukosius, Tennessee State University
Andreas W. Stratemeyer, California State University, Fresno

SPATIAL ANALYSIS OF SITE LOCATIONS FOR AWARD WINNING BARBECUE RESTAURANTS ......................................................... 339
Sanjay S. Mehta, Sam Houston State University
Mark Leipnik, Sam Houston State University

SALES AND SALES MANAGEMENT TRACK

SALES TEAMS: A CONCEPTUAL MODEL OF EFFECTIVENESS ..................... 341
Blaise J. Bergiel, Nicholls State University
Erich B. Bergiel, University of West Georgia
J. Robert Field, Nicholls State University

WHEN THEORY MEETS REALITY: THE IMPACT OF LEADER-MEMBER EXCHANGE, TRANSFORMATIONAL AND TRANSACTIONAL LEADERSHIP ON PERFORMANCE 352
JeDarius Isaac, Capella University

HOURS OF ETHICS TRAINING, PERCEIVED ETHICAL CONTEXT, AND SALES AND MARKETING PROFESSIONALS’ SATISFACTION WITH SUPERVISORS AND COWORKERS .................................................................................. 371
Sean Valentine, University of Wyoming
Tim Barnett, Mississippi State University

SERVICES MARKETING TRACK

THE ANALYSIS OF OPEN POLICY CHANGES IN MAINLAND CHINA’S FOREIGN TRAVEL AGENCIES AND THE EFFECTS ON TAIWANESE TRAVEL FIRMS ............ 373
Shih-Ping Fan, National Kinmen Institute of Technology
Shu-Mei Hsu, Xiamen University

SERVICE DELIVERY FAILURE AND ATTRIBUTION IN SELF-SERVICE ENVIRONMENTS ........................................................................ 389
Kevin J. Shanahan, The University of Texas at Tyler
Barbara Ross Wooldridge, The University of Texas at Tyler

SPORTS MARKETING TRACK

CONCEPT AND STRATEGIES OF AMBUSH MARKETING .......................... 391
Kevin K. Byon, University of Florida
James J. Zhang, University of Florida
HOW BAD IS AMBUSH MARKETING? ITS DETRIMENTAL EFFECT ON THE SPONSORSHIP OF INTERCOLLEGIATE SPORTS .......................................................... 393
Kevin K. Byon, University of Florida
James J. Zhang, University of Florida

RECENT STUDIES ON AMBUSH MARKETING .................................................. 395
Kevin K. Byon, University of Florida
James J. Zhang, University of Florida

EXAMINING THE DETRIMENTAL EFFECT OF AMBUSH MARKETING ............ 397
Kevin K. Byon, University of Florida
James J. Zhang, University of Florida
May Kim, University of Florida

THE INTERRELATIONSHIPS BETWEEN VISITOR SPENDING AND RETURN VISITS: AN ANALYSIS OF SPECTATOR SPORT TOURISTS .................................................. 399
Thomas F. Cannon, University of Texas at San Antonio
Jamie Ford, University of Texas at San Antonio

PART I - A NEW MEDIA MARKET: AN EXAMINATION OF SPORT VIDEO GAMES AND ONLINE GAMING .................................................................................. 411
Beth A. Cianfrone, Georgia State University

PART II – MOTIVATIONS TO PLAY SPORT VIDEO GAMES ................................ 413
Beth A. Cianfrone, Georgia State University
James J. Zhang, University of Florida

SPORT VIDEO GAME SPONSORSHIPS AND IN-GAME ADVERTISING: A REVIEW OF LITERATURE ............................................................ 415
Beth A. Cianfrone, Georgia State University
James J. Zhang, University of Florida

TREND ANALYSIS OF WILDLIFE RECREATION PARTICIPATION: A CROSS-REGIONAL COMPARISON .................................................. 417
Jamie Ford, University of Texas at San Antonio

THE “LIVING CLASSROOM” AS A VITAL COMPONENT OF SPORTS MARKETING EDUCATION: BENEFITS OF DEVELOPING PARTNERSHIPS WITH LOCAL SPORTS BUSINESSES .................................................. 426
Brenda G. Pitts, Georgia State University
Beth A. Cianfrone, Georgia State University
Carol Lucas, The Georgia Dome and Georgia World Congress Center
Chia-Ying (Doris) Lu, Barry University
Mark Howard, Georgia State University
STUDENT TRACK

ADAPTATION AND STANDARDIZATION CLARIFICATION- A CRITICAL DEFINITION OF PRODUCT
Russell Adams, University of Texas Brownsville

A HIDEOUS TRUTH BEHIND A CONVENIENT LIE: THE UNFORTUNATE CONSEQUENCES OF LAX LENDING REGULATIONS ON THE MARKET PRICES OF HOUSES
John Cason, Berry College
Nancy D. Albers-Miller, Berry College

VALUES OF MARKETING NON-PROFIT HEALTHCARE ORGANIZATIONS: A CASE REVIEW
Ashish Chandra, University of Houston Clear Lake
Ashutosh Gupta, University of Houston Clear Lake
Roger Durand, University of Houston Clear Lake

NIGHTMARE ON WOM STREET : THE AFFECTS OF POSITIVE WORD OF MOUTH FROM UNFAVORABLE SOURCES
Lauren Disharoon, Berry College
Nancy D. Albers-Miller, Berry College

CONSUMER BEHAVIOR CHARACTERISTICS ASSOCIATED WITH THE SELECTION OF RUNNING STYLE: A COMPARISON OF CASUAL AND COMPETITIVE RUNNER PERSONALITY TRAITS
Kaylin Gadoua, Berry College
Nancy D. Albers-Miller, Berry College

WHAT PRICE SERVICE?
Chris Harney, Berry College
Nancy D. Albers-Miller, Berry College

HIV/AIDS PREVENTION ADVERTISING: IMPLICATIONS ON ATTITUDES AND BEHAVIORS OF HIV/AIDS-INFECTED POPULATIONS
Delphine Hartshorn, Berry College
Nancy D. Albers-Miller, Berry College

EPIDEMIC PROPORTIONS: AN EXAMINATION OF THE ADVERTISING OF FOOD PRODUCTS TO CHILDREN
Drue Hocker, Berry College
Nancy D. Albers-Miller, Berry College

EXPLORING TRAVEL AGENCY RELATIONSHIP QUALITY AND RELATIONSHIP OUTCOMES IN CHINA
Yinghua Huang, Xiamen University
Fei Chang, Xiamen University
DISTORTED PERCEPTION: THE IMPACT OF ADVERTISEMENTS ON MALE BODY IMAGE ................................................................. 460
V. Myles Landers, Berry College
Nancy D. Albers-Miller, Berry College

OBTUSE, MISUSE AND ABUSE: THE CONSUMPTION OF PORNOGRAPHY BY ADOLESCENT USERS ................................................................. 462
Robert Powell, Berry College
Nancy D. Albers-Miller, Berry College

MARKETING CHALLENGES FOR HEALTH CARE PROFESSIONALS AND INSTITUTIONS IN THE ERA OF MAINTAINING PATIENT PRIVACY ............................................ 464
Tina Rose, University of Houston - Clear Lake
Ashish Chandra, University of Houston - Clear Lake
Avinandan Mukherjee, Montclair State University

APPLICATIONS OF STRUCTURAL EQUATION MODELING IN MARKETING AND CONSUMER RESEARCH: DID RESEARCHERS HEED BAUMGARTNER AND HOMBURG’S (1996) ADVICE? ................................................................. 466
Krist R. Swimberghe, Northwestern State University
INTRODUCTION

Roman Statesman, Marcus Porcius Cato, known as Cato the Elder (234 BC - 149 BC), has been credited with saying, “Wise men profit more from fools than fools from wise men; for the wise men shun the mistakes of fools, but fools do not imitate the successes of the wise” (Plutarch 1914, p.329). The comment suggests a sage course of action. In taking heed of this caution, we are encouraged to avoid the mistakes of the ineffective and emulate the successes of the achievers. In implementation, we must separate the foolish from the wise.

For most of us, we entered the profession of teaching with little to no training to be an effective educator. The totality of training for most of us was the observation of a wide range of skills and talents in the delivery of instruction we received while sitting in the classroom as students ourselves. The practical application of Cato’s advice to improving our teaching is to avoid the mistakes we have observed in other teachers and to adopt the approaches which have proven successful for others. In reality, the “fool” and the “wise man” are often one in the same. Frequently, there is a great deal of good and bad to be learned from each example. I will share some of my own observations of wisdom and foolishness.

FOOLS AND WISE MEN

All in the Family

Many instructors pattern their interactions with students similarly to interactions with younger relatives, like a parent or grandparent. Such an approach is both foolhardy and wise. Genuinely caring for students, like a loving relative guiding a child’s development, is an important part of teaching. On the other hand, being overly maternally protective, parentally domineering, pontificating historically about how bad it was in the day, or unrealistically glorifying the golden years is not likely to pave the road to success.

The Double Edge Sword of Discrimination

Merriam Webster’s online dictionary (2008) defines “discrimination” as a “process by which two stimuli differing in some aspect are responded to differently” and as a “prejudicial outlook, action or treatment.” As skilled researchers, we know the value of determining which variables are useful in distinguishing between viable courses of action. Discrimination in the classroom is both wise and foolish.

All students have value; all students are different. Different students learn differently. We need to accommodate student learning by considering all elements of diversity (e.g. age, gender). Good teachers utilize a variety of methods to meet the needs of a wide range of learning styles
(e.g. nonverbal and numeric). This must be done, without prejudicial action or treatment to any one student or group of students, while balancing the demands of keeping the class challenging for the brightest students and achievable for the weakest ones.

**The Numbing of America**

While a firm grounding in the principles of a discipline is an important foundation for our students, the incessantly repetitive teacher droning on and on is tolerable by only those with the most severe cases of insomnia. On the other hand, the fun, likeable teacher using cutting edge technology in such a way as to enhance the classroom experience is a pleasure. Both of these teachers may be responsible for numbing our students. The misuse of wise methods can cause unintended numbing. Numbing our students is foolish.

Technology can add a level of entertainment to the classroom, but should not be utilized simply for the sake of technology. Making the course materials enjoyable should not be done by sacrificing difficult or complicated materials. Obviously, striping a course down to the bare basics and spoon feeding the simplest concepts is problematic regardless of the degree to which method of delivery is boring or entertaining.

**In Class, No One Can Hear you Scream**

Adrenaline is a powerful substance. Encouraging the natural production of adrenaline in our students can be wise or foolish. Setting high performance expectations, establishing appropriate deadlines, and demanding adequate preparation can generate high levels of achievement. On the other hand, publicly denigrating and humiliating students does not encourage success. Setting expectations beyond the skill and training for the course is unfair. Enforcing unrealistic deadlines is unreasonable. There is a wide gap between the brief rise in adrenaline that accompanies excited anticipation and the “fight or flight” adrenaline rush produced by foreboding fear.

**CONCLUDING THOUGHTS**

Scott Adams (1997), in his book based on the popular comic strip *Dilbert*, comments that “Creativity is allowing yourself to make mistakes. Art is knowing which ones to keep.” Effective teachers approach teaching as an ongoing exercise of observation and learning by doing – continually learning from their mistakes and discarding those approaches that do not work.

It is important to keep our students happy and engaged. In marketing, we teach the value of knowing our audience. We connect better with students when we read the same books and/or see the same television and movies. We help our students enjoy class more when we have fun assignments and cutting edge technology. We must understand when students are not learning and make appropriate adjustments.

While students need the freedom to make their own mistakes, students are more comfortable if they know what to expect. We need to establish, communicate and enforce expectations. But remember, having an escape clause allows you to have and show compassion.
On the other hand, I have found that the most rewarding moments in teaching come when students blossom into critical thinkers and accomplish more than they ever dreamed possible. This does not happen when they remain in their comfort zone. It is really important to get our students to face their fears and learn to comprehend that which they believe is incomprehensible. We need to use probing questions that make students think deep and think before they speak. Even fun classes need to have academic value. You want students to walk away with something meaningful, even if they were simply taking an “easy elective.” Perhaps a fool gauges the success of the teacher by short term measures of popularity and immediate levels of retention, while the wise man knows that a teacher’s best achievements are life long lessons, which, like a fine wine, need time to age and mature to achieve full potential.

REFERENCES


CRUDE, IMMORAL, VULGAR AND SENSELESS: AN EMPIRICAL INVESTIGATION OF THE CONTENT OF TELEVISION ADVERTISING

Nancy D. Albers-Miller, Berry College
Caitlyn A. Miller, Rome GA

ABSTRACT

Rating systems are used to inform parent and prospective viewers about the content which will appear in a movie or television program. While rating systems are not infallible they do provide information prior to viewing. Unfortunately, advertisements are not rated. Can a parent feel confident that a child restricted to a particular viewing level will not be exposed to advertising which exceeds the program rating? The purpose of this research is to explore the content of advertisements relative to the TV rating system. Advertisements were assigned ratings based on the program rating criteria. Comparisons between advertisement rating and program ratings are provided. Additionally, advertisements are examined for unrated mature themes.

INTRODUCTION

Tolsoy’s description of Shakespeare’s Hamlet (“what a crude, immoral, vulgar and senseless work”) might have been more aptly applied to television advertising. For decades efforts have been in place to help parents control the content to which their children are exposed (CARA 2006). Some version of the movie rating system has been in place since the 1960s (CARA 2006). As television programming became more diverse, particularly because of the fewer restrictions on cable channels, rating systems were developed for TV programming. The goal of both rating systems was to provide parents and caregivers information about potential programs prior to exposing children to the content. A more detailed description of the rating systems are provided in the next section.

The usefulness or effectiveness of the rating systems has been questioned, but for now, these are the systems which are in place. Regardless of the potential drawbacks and despite the widespread confusion associated with the two rating systems, they are used as an information source for parents and caregivers for making decisions. While programs are rated and the rating is fairly easily accessible to parents, advertisements are not included (TV Parental Guidelines Monitoring Board 2003).

A great deal has been written about children’s advertising. Previous research has confirmed that children are influenced by the advertising they see (Abelman 1989, Bandura 1977, Bush, Martin and Bush 2004, Martin and Bush 2000, Ward 1974, Wilson 1993). Furthermore, advertisements directed toward children do not always contain content which is ideal (Albers-Miller and Miller 2005, Greenberger, Chen and Bean 1998). Unfortunately, as previously mentioned advertisements are not subjected to ratings.
If an advertisement was rated based on the same criteria used to rate programs, would we observe a tendency from advertisers to restrict ad content to the level appropriate for the program? In other words, if a parent restricted their children’s viewing habit based on a program rating would the content restriction be extended to content of the advertisement? Would the advertisements aired during a program be no more objectionable than the program itself? The purpose of this research is to explore the extent to which advertisers match advertising content to the content of the program in which the ad appears. Specifically, the goal of this research is to compare the rating of television programs to a rating of advertisements based on the criteria used to rate TV programming.

**Understanding the Two Rating Systems**

In order to determine an appropriate rating for an advertisement, an understanding of the rating systems are necessary. Obviously, people use the rating systems to determine if content within a given program is objectionable for their children or themselves. Two different rating systems are used; one for theaters and one for television. The rating system for movies shown at movie theaters has been in place since November of 1968 (CARA 2006). The guidelines for television programming were not adopted until 1996 (TV Parental Guidelines Monitoring Board 2003). Live television programming is not rated.

The adoption of two different rating systems is problematic. Because the two rating systems are structured in a similar manner and the codes that are used look similar, confusion appears to arise. Many individual most familiar with the Motion Picture rating system might be surprised on the degree of divergence. Informal discussion with eight parents of children in the age range of 3 to 17 suggests that parents are assuming a greater degree of similarity than actually exists. For example, most of the parents indicated that a TV program with a TV14 rating would have virtually identical content restrictions as a movie with a rating of PG-13. This is a completely inaccurate assumption. In a side-by-side comparison of allowable content, a TV14 rating is most consistent with a movie rating of R. Complete descriptions of both rating systems are provided in Table 1 on the next page.

The TV rating system uses more categories for identifying programs targeting children than the movie rating system. On the other hand, the TV rating system does not use as many variables in the rating of programs. Both systems consider violence, language, dialog and sexual content. The TV rating system does not rate based on “adult” or mature themes. Therefore, a TVPG program might (and sometimes does) contain mature material (e.g. drug use, adultery, homosexuality, etc.). Tables 2 and 3 contain comparisons of the two rating systems following Table 1.
<table>
<thead>
<tr>
<th>Movie Rating</th>
<th>TV Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>G</strong> General Audience - All ages admitted. This signifies that the film rated contains nothing most parents will consider offensive for even their youngest children to see or hear. Nudity, sex scenes, and scenes of drug use are absent; violence is minimal; snippets of dialogue may go beyond polite conversation but do not go beyond common everyday expressions.</td>
<td><strong>TV</strong> General Audience - Most parents would find this program suitable for all ages. Although this rating does not signify a program designed specifically for children, most parents may let younger children watch this program unattended. It contains little or no violence, no strong language and little or no sexual dialogue or situations.</td>
</tr>
<tr>
<td><strong>PG</strong> Parental Guidance Suggested - Some material may not be suitable for children. This signifies that the film rated may contain some material parents might not like to expose to their young children - material that will clearly need to be examined or inquired about before children are allowed to attend the film. Explicit sex scenes and scenes of drug use are absent; nudity, if present, is seen only briefly, horror and violence do not exceed moderate levels.</td>
<td><strong>TV</strong> Directed to Older Children - This program is designed for children age 7 and above. It may be more appropriate for children who have acquired the developmental skills needed to distinguish between make-believe and reality. Themes and elements in this program may include mild fantasy violence or comedic violence, or may frighten children under the age of 7. Therefore, parents may wish to consider the suitability of this program for their very young children.</td>
</tr>
<tr>
<td><strong>PG 13</strong> Parents Strongly Cautioned - Some material may be inappropriate for children under 13. This signifies that the film rated may be inappropriate for pre-teens. Parents should be especially careful about letting their younger children attend. Rough or persistent violence is absent; sexually-oriented nudity is generally absent; some scenes of drug use may be seen; one use of the harsher sexually derived words may be heard.</td>
<td><strong>TV</strong> Directed to Older Children (Fantasy Violence) - For those programs where fantasy violence may be more intense or more combative than other programs in this category, such programs will be designated TV-Y7-FV.</td>
</tr>
<tr>
<td><strong>R</strong> Restricted-Under 17 - requires accompanying parent or adult guardian (age varies in some locations). This signifies that the rating board has concluded that the film rated contains some adult material. Parents are urged to learn more about the film before taking their children to see it. An R may be assigned due to, among other things, a film's use of language, theme, violence, sex or its portrayal of drug use.</td>
<td><strong>TV</strong> Parents Strongly Cautioned - This program contains material that parents may find unsuitable for younger children. Many parents may want to watch it with their younger children. The theme itself may call for parental guidance and/or the program contains one or more of the following: moderate violence (V), some sexual situations (S), infrequent coarse language (L), or some suggestive dialogue (D).</td>
</tr>
<tr>
<td><strong>NC 17</strong> No One 17 and Under Admitted - This signifies that the rating board believes that most American parents would feel that the film is patently adult and that children age 17 and under should not be admitted to it. The film may contain explicit sex scenes, an accumulation of sexually-oriented language, or scenes of excessive violence. The NC-17 designation does not, however, signify that the rated film is obscene or pornographic.</td>
<td><strong>TV</strong> Mature Audience Only - This program is specifically designed to be viewed by adults and therefore may be unsuitable for children under 17. This program contains one or more of the following: graphic violence (V), explicit sexual activity (S), or crude indecent language (L).</td>
</tr>
</tbody>
</table>

Table 2.  
Comparing Rating Systems based on Age Categories of the Rating.

<table>
<thead>
<tr>
<th>Movie Rating</th>
<th>TV Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Appropriate for all (even very young children 2 and older)</td>
<td>G</td>
</tr>
<tr>
<td>Appropriate for all children</td>
<td>G</td>
</tr>
<tr>
<td>Appropriate for young children (ages 7 to 13 – without guidance)</td>
<td>G</td>
</tr>
<tr>
<td>Appropriate for young children with guidance (ages 7 to 13)</td>
<td>G</td>
</tr>
<tr>
<td>Appropriate for adults and children with guidance (ages 7 and older)</td>
<td>PG</td>
</tr>
<tr>
<td>Appropriate for teens and adults with guidance (13 or 14 and older)</td>
<td>PG13</td>
</tr>
<tr>
<td>Appropriate for adults only</td>
<td>R</td>
</tr>
<tr>
<td>Program not rated (includes all live TV)</td>
<td>NR</td>
</tr>
</tbody>
</table>

Table 3  
Comparing Rating Systems based on Actual Allowable Content

<table>
<thead>
<tr>
<th>Movie Rating</th>
<th>TV Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>No Violence, Language, Adult Dialog, Sex or frightening images</td>
<td>G</td>
</tr>
<tr>
<td>No Violence, Language, Adult Dialog, Sex or frightening images</td>
<td>G</td>
</tr>
<tr>
<td>Mild Comedic or Fantasy Violence</td>
<td>G</td>
</tr>
<tr>
<td>More Intense Combative Fantasy Violence</td>
<td>PG</td>
</tr>
<tr>
<td>May be inappropriate for children: contains moderate violence, infrequently language, some dialog, and/or some sex</td>
<td>PG13</td>
</tr>
<tr>
<td>Children should be attended: contains intense violence, strong language, intensely suggestive dialog and/or intense sexual situations</td>
<td>R</td>
</tr>
<tr>
<td>Adult programming: contains graphic violence, indecent language, and/or explicit sexual activity</td>
<td>NC17</td>
</tr>
<tr>
<td>Program not rated (includes all live TV)</td>
<td>NR</td>
</tr>
</tbody>
</table>

For the purposes of this paper, the television rating system was used to assign ratings for advertisements which appeared on television. As indicated in the discussion above, the television rating system is more lax than the movie rating system. Therefore, an ad which obtains a television rating of TV14 would be most comparable to content observed in a movie rating of R; an ad which obtains a television rating of TVMA would be most comparable to content observed in a movie rating of NC-17.

**DATA COLLECTION**

The primary purpose of this research was to examine the extent to which advertising content is consistent with the rating of the program in which it appears. Therefore, it was necessary to identify programs across the ratings, select advertisements which appeared during the programs, content code the advertisements based on the criteria for program rating, and rate the advertisement based on the content. Content for mature themes was also collected.

As previously mentioned, an informal set of eight parents, with children ranging in age from 3 to 17 were consulting during the exploratory stages of this research. This group of
parents assisted in the understanding of parental use and understanding of the rating systems as well as providing valuable insight into which programs parents allow their children to watch. Furthermore, this group of parents provided information regarding their personal perceptions of objectionable or mature viewing content. Parents were individually interviewed to determine objectionable or mature material which they had observed on television. The discussions of mature content were not limited to material which was aired during commercials, but rather all TV broadcasting, including programs and commercials. The identified mature themes ranged from material that some people might find only mildly objectionable (e.g. gambling, cigarette smoking, alcohol consumption) to material that most parents indicated as very objectionable (e.g. abortion, sex, violent crime against children). All of the themes identified were included in the empirical phase of the study. A complete list of the adult themes has been provided in Table 4.

Table 4.
Adult and Mature Themes Identified by Parents.

<table>
<thead>
<tr>
<th>Adult Themes</th>
<th>Mature Themes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alcohol consumption</td>
<td>Gambling</td>
</tr>
<tr>
<td>Anti-alcohol message/product</td>
<td>Abortion (either pro or con)</td>
</tr>
<tr>
<td>Tobacco consumption</td>
<td>Homosexuality (either pro or con)</td>
</tr>
<tr>
<td>Anti-smoking message/product</td>
<td>Non-sexual nudity</td>
</tr>
<tr>
<td>Illegal drug consumption</td>
<td>Sex to sell (e.g. not product related)</td>
</tr>
<tr>
<td>Anti-drug message/product</td>
<td>Sex-related products (including sex aids &amp; Rx)</td>
</tr>
<tr>
<td>Disrespect for authority</td>
<td>Adultery</td>
</tr>
<tr>
<td>Degrading situations</td>
<td>Sexual Abstinence</td>
</tr>
<tr>
<td>Modeling Dangerous Behaviors</td>
<td>Extreme Poverty/Starvation</td>
</tr>
<tr>
<td>Aggression (any nonviolent but forceful behavior)</td>
<td>Discussion of terminal (potentially) illness</td>
</tr>
<tr>
<td>Destructive Behavior</td>
<td>Violent/Disturbing Graphic/realistic</td>
</tr>
<tr>
<td>Non-Product Related Lying</td>
<td>Environmental</td>
</tr>
<tr>
<td>Violence against children (including child to child)</td>
<td>Violent/Disturbing Graphic/realistic Wildlife</td>
</tr>
<tr>
<td>Non-violent crime (e.g. vandalism, truancy, theft)</td>
<td>Violent/Disturbing Graphic/realistic Disaster</td>
</tr>
<tr>
<td>Violent Crime (including Kidnapping/Amber Alert)</td>
<td>Images</td>
</tr>
<tr>
<td>War/Terrorism/Security Threat</td>
<td>Disaster Discussions without Graphic Images</td>
</tr>
<tr>
<td></td>
<td>Other (please specify)</td>
</tr>
</tbody>
</table>

The empirical data for this study were collected using a content analysis of television advertisements across all TV ratings. Programs from all eight types of TV programs were identified. Three of these programming types are designated specifically as children’s programming, including TVY, TVY7, and TVY7FV. Five of these programming types are not designated specifically as children’s programming, including NR (Unrated - Live), TVMA, TV14, TVPG, and TVG.

All of the programs considered for inclusion in this study (even the TVMA) were programs appealing to children. The selection of appealing programs was based on the input from the previously discussed informal group of parents. Selected programs were either programs that these parents allowed their children to watch (e.g. NASCAR, NBA) or were programs that their children had asked to watch (South Park, Adult Swim). Following the compilation of a comprehensive list of programs, three programs from each category were randomly selected.
Because the programs varied greatly in length (from 30 minutes to several hours), the first 12 ads following the start of the program were recorded. This resulted in the inclusion of 36 ads per rating category. In total, this study included 288 advertisements. The advertisements were cropped from the program in which it appeared to avoid any influence on the coders. A single video containing only the 288 advertisements of interest were provided to the coders. The ads were intermixed so that the coders did not view large blocks of ads from the same program rating category. The senior researcher recorded demographic information about the advertisements, including day, air time, program in which the advertisement appeared, and program rating.

As is the common practice with content analysis, coding was conducted using a standardized coding form. The content included on the coding form was developed from the rating system criteria. Mature themes were also provided on the coding form. A list of 30 mature themes was developed based on the interviews with the group of parents from the exploratory phase. Additionally, coders were also asked to identify the age range(s) of the perceived intended audience (all ages, 2 to 6, 7 to 13, 14 to adult or adult only). The age categories were developed from the TV rating age categories. The coders were trained prior to completing the assignment. Coders received writing instructions on how to complete the coding form and were trained by the senior researcher for several practice advertisements until the coder expressed comfort with completion of the task. The two coders were parents with children in the age range of 7 to 11. Parents were selected because they were the most experienced at determining the extent to which content might be perceived as objectionable or too mature for children. The coders had a high degree of agreement with coded responses correlating at 0.9563.

RESULTS

In order to explore the research question, advertisements had to be rated. Based on the coding, all advertisements were assigned a TV rating. In other words, the advertisement was assigned a rating of TVG, TVY7, etc. The ad rating for TVY and TVG were combined because they have virtually identical rating criteria – differing only on target audience.

Most of the advertisements (55.56 percent), across all program ratings, were appropriate for all audiences. For every program rating more than 40 percent of the coded ads were at the general audience rating. This was also true for programs with a TVMA rating (41.67 percent of the ads were rated as TVG/TVY). Encouragingly, the results indicated that more than 80 percent of the ads aired during TVG and more than 50 percent of the ads aired during TVY programs were appropriate for all ages. Furthermore, advertisements which would be rated as TVMA were very rare. Only two ads were coded as containing TVMA level content. Unfortunately, those ads did not run during TVMA programming. One of the ads ran during a TVPG program, the other ran during a Live, unrated program. Table 5 provides the program-by-program counts for the ad ratings.
Table 5.
Advertising Ratings by Program Rating

<table>
<thead>
<tr>
<th>Advertisement Rating</th>
<th>Program Rating</th>
<th>G/Y</th>
<th>TVY</th>
<th>TVY7</th>
<th>TVY7FV</th>
<th>TVPG</th>
<th>TV14</th>
<th>TVMA</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>TVG</td>
<td>29</td>
<td>1</td>
<td>1</td>
<td>5</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>36</td>
<td></td>
</tr>
<tr>
<td>TVY</td>
<td>19</td>
<td>12</td>
<td>3</td>
<td>2</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>36</td>
<td></td>
</tr>
<tr>
<td>TVY7</td>
<td>26</td>
<td>4</td>
<td>4</td>
<td>2</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>36</td>
<td></td>
</tr>
<tr>
<td>TVY7FV</td>
<td>16</td>
<td>9</td>
<td>8</td>
<td>3</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>36</td>
<td></td>
</tr>
<tr>
<td>TVPG</td>
<td>17</td>
<td>5</td>
<td>1</td>
<td>6</td>
<td>6</td>
<td>1</td>
<td>36</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TV14</td>
<td>17</td>
<td>4</td>
<td>0</td>
<td>6</td>
<td>9</td>
<td>0</td>
<td>36</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TVMA</td>
<td>15</td>
<td>3</td>
<td>1</td>
<td>12</td>
<td>5</td>
<td>0</td>
<td>36</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Live</td>
<td>21</td>
<td>5</td>
<td>3</td>
<td>2</td>
<td>4</td>
<td>1</td>
<td>36</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

While the number of G/Y rating advertisements is encouraging, more than 20 percent of the time (22.22 percent) a child watching a program is likely to see an advertisement with content which exceeds the content rating for the program. If parents assuming that live sporting events contain content reasonable for children seven and older this percentage increases to 23.15 percent. A child is most likely to encounter an ad which exceeds the program rating when a parent has restricted viewing to TVY (programming for all children). Almost 50 percent of the ads (47.22 percent) airing during TVY programming exceeded the program rating. Allowing children to watch unrated, live action programming – which includes all live sporting events, is likely to expose the child to potentially inappropriate advertising (rated as TVY7FV or more mature) 27.78 percent of the time. Table 6 provides the percentage of ads which exceeded the program rating, on a rating-by-rating basis.

Table 6
Percent of Over Rating Ads

<table>
<thead>
<tr>
<th>Advertisement Rating</th>
<th>Program Rating</th>
<th>TVY7</th>
<th>TVY7FV</th>
<th>TVPG</th>
<th>TV14</th>
<th>TVMA</th>
<th>Total Over Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>TVG</td>
<td>2.78</td>
<td>2.78</td>
<td>13.89</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>19.44</td>
</tr>
<tr>
<td>TVY</td>
<td>33.33</td>
<td>8.33</td>
<td>5.56</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>47.22</td>
</tr>
<tr>
<td>TVY7</td>
<td>11.11</td>
<td>5.56</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>16.67</td>
</tr>
<tr>
<td>TVY7FV</td>
<td>8.33</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>8.33</td>
</tr>
<tr>
<td>TVPG</td>
<td>16.67</td>
<td>2.78</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>19.44</td>
</tr>
<tr>
<td>Live</td>
<td>8.33</td>
<td>5.56</td>
<td>11.11</td>
<td>2.78</td>
<td>0</td>
<td>0</td>
<td>27.78</td>
</tr>
</tbody>
</table>

Mature themes were also troublesome. The TV rating system does not take into account mature themes when rating programs. As such, mature themes were not considered when assigning ratings to the advertisements. However, mature themes were documented by the coders. Coders looked for 30 mature themes, including violence against a child, non sexual nudity, sex to sell, violent crime, graphic disaster images, etc. Viewers were most likely to encounter mature themes in advertising during TVPG programs, an average of 4.19 mature themes per advertisement. Even during the most general programming, children are likely to be exposed to an average of more than one mature theme per ad. Table 7 provides the average
number of mature themes by programming type.

Table 7.
Average Number of Mature Themes per Ad by Program Rating.

<table>
<thead>
<tr>
<th>Program Rating</th>
<th>Average Number of Mature Themes</th>
</tr>
</thead>
<tbody>
<tr>
<td>TVG</td>
<td>1.583</td>
</tr>
<tr>
<td>TVY</td>
<td>2.778</td>
</tr>
<tr>
<td>TVY7</td>
<td>1.361</td>
</tr>
<tr>
<td>TVY7FV</td>
<td>2.389</td>
</tr>
<tr>
<td>TVPG</td>
<td>4.194</td>
</tr>
<tr>
<td>TV14</td>
<td>3.861</td>
</tr>
<tr>
<td>TVMA</td>
<td>3.917</td>
</tr>
<tr>
<td>Live</td>
<td>3.417</td>
</tr>
</tbody>
</table>

DISCUSSION

The results from this study are concerning, especially for the most diligent parent working to restrict a child’s access to inappropriate material by limiting program viewing. Restricting a child’s access to program using a V-chip or monitoring the program rating does not remove the risk that a child will see content which exceeds the program rating. Even if program rating criteria was applied to advertisements, the number of adult or mature themes which runs during general audience and children’s programming is disturbing.

The TV rating system criteria was problematic for the coders. The coders expressed extreme frustration with the age categories. The age ranges used for coding programs seemed inappropriate for coders. The developmental differences between a 7 year old and a 13 year seemed too wide and awkward. Product advertising tended to cross categories frequently. For example, coders reported that a particular child’s toy might appeal to a 6, 7 or 8 year old. There was discomfort in marking both the 2 to 6 age range and 7 to 13 age range because the toy was inappropriate for both very young children (ages 2 to 3) and inappropriate for preteens and young teens (10 to 13). The coding process generated discomfort with the overall TV rating system.

Future research should expand this research to include a wider geographic area. The data for this study was limited to the programming aired in a major metropolitan area in the southeast. It is conceivable that different results might be obtained in other areas. Additionally, future research might need to include a wider range of programs across each rating. In particular, the results of the “live” programming may not be reflective of all live programming. A NASCAR race was randomly selected for this study. It appears that advertising run during NASCAR is not completely consistent with advertisements during other professional sporting events.

REFERENCES


THE CHANGING NATURE OF CONTROVERSIAL ADVERTISING: A CONTENT ANALYSIS STUDY

Harry A. Taute, Utah Valley University
Vaidotas Lukosius, Tennessee State University
Andreas W. Stratemeyer, California State University - Fresno

ABSTRACT

The authors suggest that typologies of unmentionable products are changing over time. To keep up with this trend it is necessary to understand the trends and the reasons for why these schemes change. The objective of this research is to empirically assess the trends that unmentionable products follow. Authors propose the research methodology and discuss the potential contribution and impact of this research on advertising.

INTRODUCTION

The idea of offensive or irritating advertising is not really new. Wilson and West (1981) introduced the concept of “unmentionables” suggesting that there are product categories which tend to elicit reactions of distaste, disgust, offence or outrage among audiences. The cultural mores and legal restrictions governing, indeed the definition of, these “hard to accept” products and services are changing and marketers are thus well advised to monitor these changes to avoid offending audiences, incurring negative publicity, as well as potential legal ramifications.

Marketers of unmentionable products and services face obstacles not confronted by their counterparts: “Any degree of unmentionability, which inhibits the flow of information, therefore frustrates the marketing process” (Wilson and West 1981). Certain media outlets may be closed to marketers of offensive products (e.g. television to cigarette advertising), images may be restricted in some contexts (e.g. consumption of an alcoholic beverage), and some markets may be socially off-limits to given products (e.g. teens and contraception). However, recent events, such vaccinating children against HPV (human papiloma virus) have gained substantial publicity on the mainstream media, thus, raising questions about the political correctness of a state promoting the benefits of vaccine to childs’ parents.

UNMENTIONABLE PRODUCTS

Wilson and West (1981) define unmentionables as “products, services, or concepts that for reasons of delicacy, decency, morality or even fear tend to elicit reactions of distaste, disgust, offence or outrage when mentioned or when openly presented” (p. 92). Katsanis (1994) defines unmentionables as “products are those which may be offensive, embarrassing, unhealthy, harmful to the environment, sexually oriented, or controversial to some significant segment of the population” (p. 8). In similar vein, Boddewyn and Kunz (1991) define ‘decency’ in advertising as “conformity to recognized standards of propriety, good taste and modesty” (p. 14). Furthermore, academic literature interchangeably uses the terms "unmentionables", "socially
Definitions of unmentionable or controversial products or services are thus rooted in temporal social and legal conventions, what passes as acceptable may vary from one age cohort to another (Triff, Benningfield, and Murphy 1987), from one culture to the next (Shao and Hill 1994a, b). Key to understanding unmentionables is the personal or cultural revulsion that accompanies such advertising; these reactions may be moral, psychological or emotional (Katsanis 1994) and are not easily subject to dissipation or disavowal. For example, Pitt and Abratt (1988) used pleasing or displeasing music to test whether responses to an unmentionable product, condoms, could be altered via classic conditioning. If, as these authors suggest, "unmentionables" simply dominate subjects’ minds and influencing preferences via classical conditioning is futile then conceptions of what is ‘unmentionable’ should be a relatively stable concept within generational cohorts of a community.

**TYPOLOGIES OF UNMENTIONABLES**

As a part of scientific process, typologies (classification schemes) of sensitive, objectionable, or unmentionable subjects in advertising have been refined over time. However, to date, little has been done to bring these together in a comprehensive integrated whole. Initially, Wilson and West (1981) suggest matrix of unmentionables described by two axes ranging from acceptance to rejections by 1) society and 2) individual consumer. Similarly, Shao and Hill (1994a) divide “sensitive products” into either socially embarrassing, such as underwear and condoms, and into socially prohibitive due to legal restrictions, such as alcohol and pharmaceuticals. Their work also suggests that demographic data may be used to segment markets behaving differentially along this continuum.

Katsanis (1994) carried out two focus groups which compiled a list of unmentionables divided into four categories: unhealthy products, environmental products, personal hygiene/sexually oriented products, and personal hygiene/self improvement products. Fahy et al. (1995) survey of 2000 adults revealed 3 categories of sensitive products: alcoholic beverages, products directed at children, and health/sex-related products. Davidson (2003) provides five product categories: cigarettes, alcoholic beverages, firearms, gambling, and pornography that are seen by the public as offensive, inappropriate, or harmful. In contrast, embarrassing products, such as condoms, OTC preparations for hemorrhoids or acne, etc., are not socially disapproved but rather “[consumers] are reluctant to discuss these products freely” (p. 9).

Those categorizing unmentionables by product type or market generally recognize harmful products (guns, alcohol, cigarettes), embarrassing products (personal hygiene, sexual, health), or marketing efforts directed at vulnerable populations (children, adolescents, elderly).
Table 1:  
*Typologies of ‘Unmentionables’*

<table>
<thead>
<tr>
<th>Product typologies</th>
<th>Authors</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) unhealthy products</td>
<td>Katsanis (1994)</td>
</tr>
<tr>
<td>2) environmental products</td>
<td></td>
</tr>
<tr>
<td>3) personal hygiene/sexually oriented products</td>
<td></td>
</tr>
<tr>
<td>4) personal hygiene/self improvement products</td>
<td></td>
</tr>
<tr>
<td>1) socially embarrassing products</td>
<td>Shao and Hill (1994a)</td>
</tr>
<tr>
<td>2) Legally prohibitive products</td>
<td></td>
</tr>
<tr>
<td>1) Socially embarrassing</td>
<td>Shao and Hill (1994a)</td>
</tr>
<tr>
<td>2) Legally restricted</td>
<td></td>
</tr>
<tr>
<td>1) Alcoholic Beverage Products</td>
<td>Fahy et al. (1995)</td>
</tr>
<tr>
<td>2) Products Directed at Children</td>
<td></td>
</tr>
<tr>
<td>3) Health and Sex related products</td>
<td></td>
</tr>
<tr>
<td>1) Gender/Sex related products</td>
<td>Fam, Waller, and Erdogan (2004)</td>
</tr>
<tr>
<td>2) Social/Political groups</td>
<td></td>
</tr>
<tr>
<td>3) Addictive Products</td>
<td></td>
</tr>
<tr>
<td>4) Health and Care products</td>
<td></td>
</tr>
<tr>
<td>1) Sex-related products</td>
<td>Manceau and Tissier-Desbordes (2006)</td>
</tr>
<tr>
<td>2) Death-related products</td>
<td></td>
</tr>
</tbody>
</table>

**DIMENSIONS OF CONTROVERSIAL ADVERTISING**

Controversial ads have been characterized as those which might be embarrassing or offensive to the audience (Rehman and Brooks 1987). A review of offensive advertising literature by Christy (2006) provides a four-dimensional framework, where the advertised product, the execution of advertisement, the medium, and the demographics of target audience are the key components. Offensiveness of advertisements is thus seen as multidimensional construct with two key dimensions: offensiveness of the product/service advertised and the very execution of that advertisement (Barnes and Dotson 1990). Offensiveness of advertised products can thus be understood through several proposed frameworks. For example, self-defense products, such as pepper spray, might depict a violent encounter thus eliciting offensive reaction by a consumer yet the product itself is not perceived as offensive. It is also not necessary to use outright violence or nudity to offend audiences; depicting women in subservient or sexual images is highly objectionable to certain audiences (Christy 2006).

**SOCIATAL NORMS AND ADVERTISING**

Advertising is both a driver and reflective of social change (Zinkhan and Watson 1996). As societal norms, values and mores evolve, it may be possible to observe the ‘mirror’ image of these in print advertising (Sivulka 1997). Others contend that the social images contained in advertising are cyclical in nature and that evidence of social trends is overstated (Fay 2005). Analysis of trends in the frequency, placement, and execution of advertising for unmentionable products may therefore expose changes in the underlying social structures as well as forecast
future modifications to formal and informal advertising codes or it may provide evidence of regularly utilized advertising motifs.

A variety of cultural, demographic and consumer-bound factors, such as population, age, education, disposable income, consumer innovativeness and openness can influence the pace and the magnitude of social change. Advertising research studies have shown that culture is a factor in determining what is offensive in advertising (Phau and Prendergast 2001; Prendergast, Ho, and Phau 2002; Waller 1999). Soley and Kurzbard (1986) and Soley and Reid (1988) looked at changes in sexual advertising over 20 years and discovered that 1) the absolute number of ads, including ads containing sexual elements, has increased, and 2) general-interest magazines have shown an increase in sexually oriented ads. Otis Pease, a historian, predicted that changing sexual attitudes in advertising can be explained through liberalization of societal attitudes and behaviors toward sex.

Three trends in social cognition for controversial or objectionable products are self evident: unmentionables have remained unmentionables (e.g., hard drugs, racial prejudices), unmentionables have become mentionables (e.g., female hygiene produces, vasectomy), and some mentionables have become unmentionables (e.g., fur, cigarettes).

Table 2:
Trends of ‘Unmentionables’

| Trend 1: Unacceptable products/services become acceptable e.g., condoms, confessions via e-mail | Trend 3: Acceptable products/services become unacceptable e.g., fur, cigarettes |
| Trend 2: Unacceptable products/services remain unacceptable e.g., hard drugs, racial prejudices | |

RESEARCH QUESTIONS AND OBJECTIVES

As advertising agencies adopt more stringent ethical standards and try to distance themselves from ‘unmentionables’ due to a possibility of tainted reputation, potential loss of clients, etc. Therefore, it is imperative to understand what is and what is not perceived as unmentionables in advertising. The objective of this research is to empirically assess the trends that unmentionable products follow.

The following research questions are posed:

*RQ1*: What is the frequency with which unmentionable products are depicted in mainstream magazines?
*RQ2*: What kinds of unmentionables are depicted in advertisements?
*RQ3*: In what types of settings are these unmentionables depicted?
*RQ4*: What kinds of appeals are used to promote unmentionables?
*RQ5*: To what extent is the execution of the advertisement offensive?
SUGGESTED METHODOLOGY

Sample

In this study advertisements will be sampled considering the following factors. First, only the print advertisements will be sampled. Second, only the advertisements that date back to 1980 will be included. Third, eight different popular journals will be included. To obtain representative sample, the magazines should cover variety of topics, such as youth, sports, fashion and grooming, African-American lifestyles, etc. The list of the journals will be selected through MRIPLUS.com website (Bailey 2006). The expected number of advertisements to be collected is around 10,000 with 1,000 to be analyzed.

Data Collection and Analysis

Data will be collected by scanning/photographing all advertisements that depict product which has been categorized as ‘unmentionable’. The following variables will be captured through content analysis: rational appeals/emotional appeals (Cutler and Javalgi 1993), level of female nudity and contact (Soley and Kurzbard 1986), portrayal of people (Cutler and Javalgi 1993, Beaudoin 2002, Ferguson, Kreshel, and Tinkham 1990) and offensiveness of execution (Waller 1999).

CONCLUSION AND IMPLICATIONS

The results of this study should be of interest to academics and to practitioners. Survey by Hyman, Tansey, and Clark (1994) shows that research on advertising ethics, including ethicality of advertising practices and ethicalness of ads, is perceived by the reviewers of Journal of Advertising as one of the most important research directions. While the vast majority of researchers look at the general advertising trends and causes that shape cyclicity, only few, e.g. Moon and Franke (1996), have mentioned the ‘unmentionables’ but barely touched on the changing nature such advertising. Practitioners should also gain additional insights regarding the acceptance of controversial advertising used in a mainstream print media. Learning the periodicity of controversial advertising can lead to better understanding between advertising, acceptance and consumption of promoted controversial products/services.

REFERENCES

Davidson, D. Kirk (2003), Selling Sin: The Marketing of Socially Unacceptable Products,


A MODEL OF ATTITUDE TOWARD ADVERTISING IN GENERAL

Yushan Zhao, University of Wisconsin at Whitewater
Gao Chen, Shanxi Provincial Academy of Communications Sciences

EXTENDED ABSTRACT

Since the early 1970s, many studies have explored attitude toward advertising in general (O’Donohoe 1995; Dutta-Bergman 2006; Phillips and Noble 2007). On one hand, the ubiquitous and pervasive presence of advertising has stimulated research by public opinion researchers. Advertising involves both social and economic issues. On the other hand, advertising represents a tremendous investment for firms. Marketing researchers are more concerned with the effectiveness of advertising. Understanding how consumers perceive advertising and effects of advertising has become an important topic for both academicians and practitioners in the business field.

Factor analysis in this study was conducted using the Varimax Method for reducing the original variables to a few common factors such that each factor can explain the intercorrelation among the variables in four separate dimensions: brand equity, means-end chain, website trust and behavioral intention. Once determining the number of retained variables in each factor, the researchers calculated the mean value of each factor as an analytical base for Structural Equation Modeling (SEM).

Research on attitude toward advertising in general is derived from the study of the attitude toward the ad, which has attracted great attention in consumer behavior literature. The construct of attitude toward the ad has an important influence on advertising effectiveness, brand attitudes, and purchase intention. Lutz’s (1985) study is perhaps the most important conceptualization of the construct. In the study, he identified five antecedents of attitude toward the ad: (1) ad credibility, (2) ad perception, (3) attitude toward the advertiser, (4) mood, and (5) attitude toward advertising in general. Attitude toward advertising in general, as one of the five primary antecedents of attitude toward the ad, is important because it is also a major determinant of brand attitude and purchase intention (Lutz 1985; MacKenzie and Lutz 1989). A clear understanding of attitude toward advertising in general is critical for full examination of many theoretical relationships proposed in attitude toward the ad construct.

The study synthesizes the research on the attitude toward the ad and develops a conceptual model for studying attitude toward advertising in general. Four direct and two indirect antecedents of attitude toward advertising in general are identified and their impacts on attitude toward advertising in general are examined. The indirect antecedents are net function and net practice thoughts. The direct antecedents are attitude institution, attitude instrument, beliefs on social effects, and beliefs on economic effects (Muehling 1987). Net function and net practice thoughts affect attitude toward advertising in general through their direct effects on attitude institution and attitude instrument respectively (Lutz 1985; Muehling 1987). The paths
from beliefs on social effects and beliefs on economic effects to attitude toward advertising in general are consistent with Andrews’ (1989) study.

This study is important from the academic perspective, the identification of six antecedents of attitude toward advertising in general and integrating them into one model entails the systematic analysis of attitude toward advertising in general construct and the examination of the relative importance among the relationships. Further, the model can be tested in different cultures and nations. The applicability of the model in different cultures can provide a different perspective to the theory developed in the Western cultures. It is necessary to test the theory in the international context, especially in the present situation of market internationalization.

REFERENCES


ASSURANCE OF STUDENT LEARNING AND FACULTY EVALUATION AND REWARDS: ROOM FOR ALIGNMENT?

Timothy Schibik, University of Southern Indiana
Charles Harrington, University of North Carolina – Pembroke

ABSTRACT

A hot topic of conversation in higher education is the assurance of learning. How can institutions demonstrate to their outside constituencies that students are learning? Given that many of the drivers toward assurance of learning are external to the institution, how might the systems in place to recognize, measure, and reward faculty work respond to this new priority? Should these systems in fact respond to these external pressures? This paper posits answers to these questions and concludes that one way to foster the development of assessment programs is to integrate the assurance of student learning into formative faculty evaluation systems.

INTRODUCTION

Higher education is replete with perceived contradictions. Research versus teaching, scheduling versus advising, teaching versus learning, direct versus indirect measures of student learning, all are topics that have become part of the daily lexicon of college faculty. A principle question to be answered by a new faculty member, especially the tenure-track faculty member, is how should their scarce resources be allocated across competing demands for their time? Is the true priority of their department, school/college or institution truly on student learning or is the reality of the circumstances that some narrow definition of peer-reviewed scholarship takes precedent? What provides a guide to faculty decision-making in these matters? In higher education the answers to these and most other faculty questions can be found in the faculty recognition, reward, and evaluation systems. Ideally, these systems should be aligned with institutional mission, accreditation requirements and college/departmental priorities, providing clear indications of how allocation decisions, like the ones posed above, should be answered.

One of the newer hot topics of conversation in higher education is the assurance of learning. How can institutions demonstrate to their outside constituencies that students are in fact learning? That they are, in fact, learning what the institution purports them to be learning? Are colleges and universities fulfilling their missions to educate students? Assessment of student learning has always been a fundamental part of higher education, but systematic, valid, and reliable reporting of student learning outcomes and the responses to those findings have until recently been closely held “secrets” of institutions. Recent attention by the Federal Government, regional and discipline-specific accrediting bodies, parents of students, and taxpayers has necessitated moving student learning assessment into the spotlight of higher education. Given that many of the drivers of this trend toward assurance of learning are external to the institution, how might the systems in place to recognize, measure, and reward faculty work respond to new priority? Should these systems in fact respond to these external pressures?
This paper will posit answers to these questions. The first section provides a very brief overview of the concepts underpinning the design of faculty reward systems and their alignment with institutional mission. The next section discusses the movement toward assurance of student learning and some of the driving forces behind this effort. The final section presents arguments as to whether or not there are fundamental forces that already align faculty rewards and assurance of learning, or if not, whether it is possible or even desirable to seek alignment.

**FACULTY EVALUATION/REWARDS**

The recognition, evaluation, and rewards associated with faculty work have been a hotly contested matter for many years. There exists a wealth of research and scholarship devoted to the topic. An informal poll of faculty governance bodies would surely reveal that many institutions are struggling with their rewards systems, especially those which involve the student evaluation of teaching. However, the summative and formative aspects of such systems provide ready data and information to elucidate and validate the assurance of learning.

In the widely quoted phrase from one of his seminal works on faculty roles, Ernest Boyer noted that

“a wide gap now exists between the myth and the reality of academic life. Almost all colleges pay lip service to the trilogy of teaching, research, and service, but when it comes to making judgments about professional performance, the three are rarely assigned equal merit ...(Boyer, 1990)”

Reward structures did not, and could be argued to still do not, give equal weight to each part of the holy trinity of teaching, research, and service. So, what are the characteristics of an “appropriate” and effective promotion and tenure (P&T) or reward system? According to Robert Diamond (Diamond, 1999), an appropriate and effective P&T system is one that:

- is aligned appropriately with the institution’s mission statement,
- is sensitive to differences among the disciplines,
- is sensitive to differences among individuals,
- includes an assessment program that is appropriate, perceived to be fair, and workable,
- recognizes that most action takes place at the departmental level and the most specificity in documentation is required there, and
- articulates the characteristics of scholarly work.

How can one be expected to add assurance of learning to the triad when many faculty evaluation systems are perceived as being light on teaching?

**POTENTIAL FACULTY ISSUES WITH THE ASSURANCE OF LEARNING**

Assurances of student learning outcomes have become the buzzwords in higher education over the past several years. Increased calls for public accountability in higher education have produced this focus. Whether emanating from recent efforts by the Department of Education (USDoE, 2006), the joint Voluntary System of Accountability currently being developed by
AASCU and NASULGC (AASCU, 2007), or from the various regional or disciplinary based accrediting agencies, assurance of student learning is on the minds of many college faculty and, it is somewhat safe to say, most college administrators. Is it possible to link this movement towards assurance of learning and faculty evaluation systems? Furthermore, is it possible to relate the basic form of student learning assurance to the other student oriented activities currently in vogue on campuses (e.g., service learning, student engagement, and entrepreneurship)? This section attempts to outline several possible ways to construct these linkages and to suggest possible ways for institutions to begin.

The assurance of student learning involves all parties in the educational enterprise being able to demonstrate that students are learning the stated objectives and material contained in any curriculum. In essence, being able to quantitatively show that students are learning, and that they are learning what the faculty say they are learning. The catch-22 facing many faculty is that most outside agencies will no longer accept course grades as a primary measure of students learning. Whether routed in a mistrust of faculty due to some imagined self-interest bias or because of some deep seated need to have absolute cross-course and cross-faculty comparative data, faculty may be caught in a process that in essence necessitates a justification of their grading.

Given this as a starting assumption, it is quite possible to imagine faculty approaching the assurance of learning with some trepidation. In spite of the fact that learning assurance is being mandated from the outside, faculty already have some internal mistrust of the concept. Clearly, faculty do care about their student’s learning. Many hours are spent by faculty outside of the classroom and laboratory with students, in tutoring, research, service and engagement, and other academic endeavors. When students, particularly students in the major, are not successful academically, many faculty take it personally. Faculty spend a significant amount of time each year in professional development activities designed to increase their pedagogical effectiveness; heighten their awareness of issues regarding learning styles, learning disabilities, and classroom needs; and develop new techniques to reach students (e.g., integrating technology into the delivery of the curriculum). How can institutions take advantage of the innate concern faculty have for their students’ success and wellbeing while still overcoming the faculties’ natural skepticism without resorting to the ever present parental response of “because I said so?”

ALIGNMENT OF FACULTY EVALUATION AND GOALS WITH ASSURANCE OF LEARNING

Trudy Banta, in writing on the characteristics of an effective institutional assessment programs, has suggested that

“a fundamental component of the agenda for assessment scholarship in the near term is to apply all that we have learned from the literature of organizational development, program evaluation, and other fields to the task of encouraging our colleagues on the faculty and in student affairs to embrace assessment as part of their work and use its findings to improve the educational experience for students continuously.” (Banta, 2002)
Thus, Banta is implying that we should help faculty embrace assessment / assurance of learning by focusing on how results can improve learning and by direct connection improve teaching.

The main way to overcome faculty resistance and follow Banta’s suggestion is to directly integrate and align the assurance of learning / assessment into the faculty evaluation system of the institution. More directly, the integration should take place first within the formative portion of the faculty evaluation system, ideally in the formative student evaluation of teaching. The key would be to include assurance of learning as first and foremost a portion of the formative process geared towards improving teaching.

How can faculty utilize the assurance of learning/assessment outcome results to improve their teaching, student learning, and the secondarily the results of their evaluations/rewards? Anywhere that you can measure an impact on student learning offers an opportunity to assure / assess the impact of an activity and to integrate this review into the formative faculty development process. This suggestion is further supported by the fact that recent accreditation criteria from a number of agencies including the National Council for the Accreditation of Teacher Education (NCATE) and the Association to Advance Collegiate Schools of Business (AACSB) have suggested that the assurance of student learning be integrated into faculty evaluation (see for example AACSB, 2007).

So, how do we go about adding assurance of learning to the faculty evaluation / review structure? The key appears to be to link the inclusion back to the faculties’ underlying motivations and core activities. Good faculty members naturally conduct assurance of learning activities on a routine basis. All that is needed is to find a way to increase faculty reporting of learning outcomes beyond grades without significantly increasing faculty work, while convincing faculty this is a normal part of their day-to-day efforts.

One possible method for accomplishing both the task of adding assurance of learning to the faculty evaluation process while not significantly increasing faculty workload might be the adoption of one of the readily available proprietary software solutions for tracking faculty activity that also include the means to track student learning (e.g., the SEDONA systems from Knoxville, TN). They key is that these software packages allow a faculty member a means to both track student learning along with the normal triad of faculty activity in one place.

Whatever means is chosen to accomplish the task, the key to success may simply be tapping into faculties’ underlying desire to improve student learning and their teaching. Convincing faculty that all that is needed is an alternative reporting of activities and not necessarily more activity might be the basic point necessary to get many faculty involved. The added benefit of keeping the connection between assurance of learning and faculty evaluation on the formative or improvement level should foster greater involvement.

CONCLUSION

Clearly, institutions of higher learning will continue to be pressed to develop and
implement valid and reliable methods by which they can measure and validate the true educational impact on students through learning in the classroom. This work will require the employment of multiple assessment methods (both qualitative and quantitative), a continuous attention to measurement and analysis, and the need for continuous faculty professional development. This paper suggests that one way to foster the development of assessment programs is to integrate the assurance of student learning into formative faculty evaluation systems. To accomplish this goal, many conversations must take place between faculty and administration focused mainly on faculty increasing the reporting of what is a natural part of their day-to-day activity, namely teaching and student learning, as opposed to developing entirely new methods for evaluating student outcomes. The authors plan on extending this conceptual work into an empirical study looking at whether or not assurance of student learning / assessment is becoming a portion of faculty evaluative systems and in what manner. There is a need to find out how many, if any, formal faculty evaluations systems have responded to the external demands of assurance of learning and in what ways.

REFERENCES


LEARNING OUTCOMES AND STUDENT INPUTS: AN INVESTIGATIVE STUDY INVOLVING BUSINESS STUDENTS

Peggy Shields, University of Southern Indiana

ABSTRACT

Business students’ role in the learning process is investigated. Recognizing the importance of self-regulated learning and, conversely, work-avoidance orientation, GPA, satisfaction with degree choice and opinion concerning life-long learning were utilized as surrogate measures of learning outcomes. Overall, the results demonstrated a consistent positive association between academic success measures and student efforts, such as self-regulated learning and dedication of time to studying and preparing for classes. Work-avoidance demonstrated a consistently negative association with academic success outcome measures. Educators are encouraged to advocate self-efficacy, appropriate learning strategies and life-long learning to advance student input in the learning process.

INTRODUCTION

Universities have been called on to transform from teaching organizations to learning organizations (Friedman, Friedman and Pollack 2005). In response, accreditation bodies, such as the Association to Advance Collegiate Schools of Business’s (AACSB), have initiated guidelines that require business educators to provide assurances of student learning. Thus, business educators have become obligated to demonstrate students’ learning outcomes.

Business educators and students acknowledge that the professor provides a major input in the learning process (O’Toole, Spoinelli and Wetzel 2000). Undoubtedly, the professor’s enthusiastic and effective communications, both inside and outside the classroom, are important components of the learning process.

However, under what obligation do educational authorities hold students for their own learning? Business students, in order to be successful in the complex business environment, must assume self-responsibility for their self-development (Ritchie and Hammond 2005). While educators may strive to instill a passion for lifelong learning in their students, a portion of the student body may be striving to avoid as much work as possible while pursuing their academic career. At one end of the continuum falls the student who is actively involved and engaged in his/her learning process. At the other end of the continuum is the student who lacks any commitment and assumes no responsibility for their learning. Business students can be proactive and engaged in the learning process or they can lack all initiative and assume no responsibility for their learning (Young 2005). The AACSB guidelines require that evidence be provided to demonstrate that students are actively engaged in their educational experiences. The business educators’ task now becomes to demonstrate that the majority of students are in the involved portion of the continuum.
To better understand the role of the student in learning and subsequence learning outcomes a study was undertaken. Key variables of concern included self-regulated learning strategies, motivational beliefs and work avoidance-orientation. Background information on key concepts will be detailed. The methodology employed in the study will be defined with the findings followed by conclusions and implications for business educators.

BACKGROUND

Self-regulated learning (SRL) has been noted in business education. Accounting educators have recognized the importance of SRL in the development of successful future accountants (Smith 2001 and Schloemer and Brenan 2006). Similar interest has been documented by information systems educators (Chen 2002) and marketing educators (Young 2005). SRL has also been cited as a factor to improve the academic performance of African-American student in business programs (Campbell 2001).

The key to becoming a lifelong learner is the mastery of SRL. Self-regulated learners are those students who pursue personal learning goals. Active participants in the learning process, self-regulated learners have the ability to teach themselves by employing processes that enhance their learning (Schloemer and Brenan 2006). In short, self-regulated learners take control of their own learning (Smith 2001). Self-regulation is one of the best predictors of academic performance (Pintrich and DeGroot 1990).

SRL contains three key elements. The first key element of SRL is goal setting. Students set personal learning goals. The second element is self-monitoring. Students assess their progress towards achieving their learning goals and subsequently modify or alter their behavior as necessary. The last component of SRL is modification of their learning strategy. Students acknowledge any failure to achieve learning goals and consider new approaches to learning (Schloemer and Brenan 2006).

Operating very strategically, a self-regulated learner follows a process. The self-regulated learner defines clear learning goals, determines what needs to be mastered while also controlling the learning environment by minimizing distractions, implements an action plan, seeks assistance, self-monitors his/her progress, evaluates progress towards the self-defined learning goal and makes adjustments in cognitive and regulatory learning strategies until the learning goal is ultimately achieved (Smith 2001).

The key to the process is the individual student’s motivation to learn something specific or to achieve some level of expertise. A self-regulated learner has a personal learning agenda that recognizes freedom of choice and involves making several key decisions. A self-regulated learner must first choose to participate in the learning process. Beyond occasionally attending class, the self-regulated learner intrinsically decides to seek knowledge. Then the self-regulated learner must choose learning strategies deemed most appropriate to achieve learning goals. An additional choice made by the self-regulated learner is to set learning outcomes independent of those set by any outside authority (Smith 2001). The self-regulated learner accepts the responsibility for his/her own learning and achievement of self-defined learning outcomes. In addition, intrinsic value is an important contributor to students choosing to become cognitively
engaged in learning. Self-regulated learners are interested in and value the knowledge to be gained (Pintrich and De Groot 1990).

An additional motivation orientation is the belief that a student has regarding their ability to perform the task, or self-efficacy the belief that one possesses the ability and skills to complete a task. A sense of competence will lead to high quality task engagement (Bandura 1997). Self-efficacy impacts an individual’s persistence to learn a task and affects their perceptions of learning outcomes (Stone and Bailey 2007)

Students who feel incompetent to perform a task will develop maladaptive and helpless behavior (Deci and Ryan 1987). Students who are confident and have a sense of control are more likely to engage in self-regulated learning. However, over confidence can also lead to behavior adjustments, such as less time spent studying, that lead to poorer performance (Nowell and Alston 2007).

Realistically, in terms of motivation, some students will see themselves as capable of doing the work, but perceive no reason for doing it. Some students will pursue a work avoidance goal whereas they consistently avoid putting in effort to do well and do only the minimum necessary to get by and avoid challenging tasks (Seifert and O’Keefe 2001). The achievement goal here is to complete a task with as little effort as possible. Students may adopt a work-avoidant goal orientation as a means of expressing negative attitudes towards the education process, to avoid failure or as a means of coping with a demanding learning situation (Meece, Blumenfeld and Hoyle 1988). These students will initiate effort-minimizing strategies, such as guessing at answers and soliciting help from others. Weaker business students will either read their textbook to reduce anxiety, terminate reading when comprehension becomes difficult or defer reading altogether. Whereas, academically strong students will actively engage in reading their textbooks, will persists when reading becomes difficult and will define action plans to achieve comprehension (Phillips and Phillips 2007).

How students allocate their time is a critical issue. Devoting time to studying is a commitment made by the individual to their education. The literature suggests that students today are more in tune with music, fashion, sports and social opportunities than their educational experiences. In addition, students report they prefer to spend money on entertainment opportunities than on textbooks and tuition (Ferrell and Gonzalez 2004). College students today are spending less time studying and preparing for their classes than previous cohort groups while variables such as motivation and study time still significantly impacts academic performance (Nonis and Hudson 2006).

Essential to SRL and thus being active in the learning process is the incorporation of effective learning strategies, or the mental processes which can be employed to aid in the learning and understanding of something new (Somuncuoğlu and Yildirim 2001). Effective self-regulated learners have a repertoire of learning strategies. The self-regulated learner must also learn which tactic to use in various circumstances. SRL involves metacognitive strategies for planning, monitoring and modifying their cognition (Pintrich and De Groot 1990).

While studies show that the amount of effort an individual student spends, along with the
ability to apply knowledge influence learning outcomes, students and faculty both view the instructor as the most important component of the learning process (Lammers, Kiesler, Curren, Cours and Connett 2005). Given the need for accountability and the assurance of student learning, how can the equilibrium of faculty and student engagement in the learning process be maintained?

**STUDY OBJECTIVES**

In order to further investigate the role of student involvement in the learning process several study objectives were determined. Components of SRL and work avoidance were the variables of primary interest. Self-reported grade point average (GPA), satisfaction with university choice and the belief that their business classes will lead them to be lifelong learners were deemed as suitable surrogate measures of learning outcomes.

Specific study objectives to be pursued were as follows:

1. What is the relationship between the student learning variables (self-efficacy, intrinsic value, work avoidance and SRL strategies) with learning outcomes (GPA, satisfaction with college choice and opinion of lifelong learning) and hours spent studying/preparing?

Given the need to investigate the role of the students’ input into the learning process, the SRL components of self-efficacy with the learning process and appreciation of learning for the sake of learning were variables relevant to this study. Also, in order to be self-regulated learners a variety of learning strategies need to be utilized, thus utilization of different learning strategies needed to be investigated. Work-avoidance orientation and time invested in studying/preparing were included to measure the degree to which the students were willing to dedicated time and effort to their learning.

2. What impact does gender, class standing and major have on self-regulated learning and work-avoidance orientation?

For educators to assist students in the learning process information about differences among different groups of students must be highlighted. Gender, class standing and major would be relevant variables for educational studies.

**METHODOLOGY**

To accomplish the study objectives an investigative study was performed involving 20 business classes in a mid-size Midwestern university. Ten instructors distributed the survey instrument in business classes ranging from freshman-level introductory courses to senior-level capstone courses. The result was a sample of 431 respondents. Sixty-three percent of the respondents were male with a mean age of 22.1.

The survey instrument contained several scales. Self-efficacy (9-items, i.e. ‘Compared with other students in my business classes I expect to do well’ and ‘I am sure I can do an
excellent job on the problems and tasks assigned in my business classes”) and intrinsic value (9-items, i.e. ‘Understanding material in my business classes is important to me’ and ‘ I think that what I am learning in my business classes is useful for me to know’) were measured utilizing components of the Motivated Strategies for Learning Questionnaire (MSLQ) (Pintrich and De Groot 1990). Seven distinct self-regulated learning strategies were measured using two or three item scales (Young 2005).

A five-item composite measure of work-avoidance orientation (i.e. ‘I do only what I need to do to get a good grade’ and ‘I prefer not doing any projects or assignments in classes because to me they only mean extra work’) was devised utilizing prominent items from several studies (Meece, Blumenfeld and Hoyle 1988; Seifert and O’Keefe 2001; Somuncuoglu and Yildirim 2001). In a similar fashion a three-item scale (‘When work is hard I either give up or study only the easy parts’, ‘I find that when the teacher is talking I think of other things and don’t really listen to what is being said’ and ‘Even when the material is dull or uninteresting, I keep working until I finish’) to measure self-regulation was devised.

A modified version of a three-item scale (‘My choice to attend ???I was a wise one’, ‘If I had to do it again, I would attend ???’ and ‘I would recommend ??? to students interested in a business career’) was incorporated to measure satisfaction with university selection (Halstead, Hartman and Schmidt 1994).

Categorical questions were also included in order to aid in the analysis of the data relevant to the study objectives. Gender, age, class standing, major, GPA and an estimate of the number of hours spent studying and preparing for classes per week were collected.

The data was analyzed utilizing a series of ANOVA and T-tests. Mean scores for the relevant student learning variables were compared for significant differences among the three surrogate measures of learning outcomes. In addition, means scores for different studying time groups, gender, class standing and degree major categories were analyzed. The prominent findings and their implications will be discussed.

**FINDINGS**

Initially, the three surrogate measures for learning outcomes (GPA, satisfaction with college choice and lifelong learning opinion) and their relationships with the relevant student learning variables were investigated. Each learning outcome variable will be discussed independently.

**Self-Reported GPA**

As indicated in Table One, three variables produced significantly different mean scores for different GPA levels. Respondents reporting the highest GPAs also reported the highest self-efficacy scores. Students achieving the highest GPAs also had confidence in their abilities to perform well. Whether the high GPAs served as positive reinforcement and contributed to this confidence, or the confidence lead to behavior that generated high GPAs is worthy of investigating. However, it is reconfirming to note that the two variables do coincide. Higher GPA
students also indicate a higher level of self-regulating learning strategies indicating a higher level of personal persistence and adaptation in their learning experiences.

Work avoidance orientation also produced a significantly different score for different GPA levels. The results in Table One represent strong evidence that those with a strong work avoidance orientation generate the lowest GPAs. Those students who try to avoid or minimize work in their learning experiences are also those students who are acknowledged by their instructors with the lowest GPAs.

Table 1
GPA and Student Variables.

<table>
<thead>
<tr>
<th>Student Variables</th>
<th>4-3.70 (n=61)</th>
<th>3.69-3.1 (n=160)</th>
<th>3.09-2.5 (n=164)</th>
<th>2.49 -0 (n=37)</th>
<th>sig. level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Self-Efficacy</td>
<td>52.51</td>
<td>49.60</td>
<td>48.26</td>
<td>47.27</td>
<td>0.003</td>
</tr>
<tr>
<td>Intrinsic Value</td>
<td>50.13</td>
<td>50.42</td>
<td>50.07</td>
<td>49.03</td>
<td>0.844</td>
</tr>
<tr>
<td>Work Avoidance</td>
<td>12.74</td>
<td>13.80</td>
<td>13.85</td>
<td>15.27</td>
<td>0.032</td>
</tr>
<tr>
<td>Learning Strategies</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>rehearsal</td>
<td>11.66</td>
<td>11.24</td>
<td>10.81</td>
<td>11.03</td>
<td>0.091</td>
</tr>
<tr>
<td>organization</td>
<td>7.56</td>
<td>7.61</td>
<td>7.92</td>
<td>7.78</td>
<td>0.739</td>
</tr>
<tr>
<td>elaboration</td>
<td>11.62</td>
<td>11.36</td>
<td>11.40</td>
<td>11.24</td>
<td>0.850</td>
</tr>
<tr>
<td>critical thinking</td>
<td>6.93</td>
<td>6.89</td>
<td>7.08</td>
<td>6.76</td>
<td>0.583</td>
</tr>
<tr>
<td>planning</td>
<td>7.18</td>
<td>7.08</td>
<td>6.96</td>
<td>6.70</td>
<td>0.603</td>
</tr>
<tr>
<td>monitoring</td>
<td>8.03</td>
<td>7.92</td>
<td>7.71</td>
<td>7.40</td>
<td>0.146</td>
</tr>
<tr>
<td>regulating</td>
<td>7.43</td>
<td>7.59</td>
<td>7.21</td>
<td>7.14</td>
<td>0.188</td>
</tr>
<tr>
<td>Self-Regulating</td>
<td>11.68</td>
<td>11.00</td>
<td>10.37</td>
<td>9.73</td>
<td>0.000</td>
</tr>
</tbody>
</table>

The perception of the intrinsic value of learning did not vary among significantly among the GPA groups. Unfortunately, high-achieving students did not appear to value learning, for the sake of learning, more than their cohorts who achieved lower GPAs. The tendency to utilize different learning strategies did not differ amongst different GPA groups either. The achievement of higher GPAs could not be attributed to the utilization of any particular learning strategy.

These results appear to provide strong evidence that confident students who are willing to provide personal effort are acknowledged by superior grades. Whether students are motivated for the grade itself or the learning remains to be seen.

Satisfaction with University Choice

Utilizing the mean score for satisfaction with university choice the respondents were separated into two groups, those with higher levels of satisfaction and those with lower levels of satisfaction. The two satisfaction groups and the scores on the student variables were compared and tested for significance and the results are presented in Table Two. All measures, except for the learning strategy ‘organization’ produced significantly different mean scores for the two groups.
Table 2

**Satisfaction and Student Variables**

<table>
<thead>
<tr>
<th>Student Variables</th>
<th>Low (n=217)</th>
<th>High (n=214)</th>
<th>Sig. level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Self-Efficacy</td>
<td>47.46</td>
<td>51.11</td>
<td>0.000</td>
</tr>
<tr>
<td>Intrinsic Value</td>
<td>47.68</td>
<td>52.64</td>
<td>0.000</td>
</tr>
<tr>
<td>Work Avoidance</td>
<td>14.47</td>
<td>13.07</td>
<td>0.000</td>
</tr>
<tr>
<td>Learning Strategies</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>rehearsal</strong></td>
<td>10.87</td>
<td>11.41</td>
<td>0.019</td>
</tr>
<tr>
<td><strong>organization</strong></td>
<td>7.52</td>
<td>8.02</td>
<td>0.069</td>
</tr>
<tr>
<td><strong>elaboration</strong></td>
<td>10.99</td>
<td>11.82</td>
<td>0.000</td>
</tr>
<tr>
<td><strong>critical thinking</strong></td>
<td>6.78</td>
<td>7.14</td>
<td>0.014</td>
</tr>
<tr>
<td><strong>planning</strong></td>
<td>6.65</td>
<td>7.41</td>
<td>0.000</td>
</tr>
<tr>
<td><strong>monitoring</strong></td>
<td>7.48</td>
<td>8.17</td>
<td>0.000</td>
</tr>
<tr>
<td><strong>regulating</strong></td>
<td>7.07</td>
<td>7.71</td>
<td>0.000</td>
</tr>
<tr>
<td>Self-Regulating</td>
<td>10.40</td>
<td>11.10</td>
<td>0.000</td>
</tr>
</tbody>
</table>

Those respondents indicating the highest level of satisfaction with university choice also indicated the highest level of both self-efficacy and intrinsic value. Students most satisfied with their university choice were also more confident in their abilities at being an effective student and appreciate the value of knowledge. The most satisfied students were also more inclined to utilize all types of learning strategies, with the exception of organization, and to be self-regulated learners.

Again, work-avoidance orientation produced significant results. Those student respondents who indicated the highest level of work avoidance also indicated a lower level of satisfaction with their university choice. Evidently motivation to work is related to satisfaction with university and degree choice.

**Lifelong Learning Opinion**

A five-point Likert scale for the question, “Because of my business education I will be a lifelong learner”, was used to measure a lifelong learning opinion. The majority of the respondents indicated a high level of agreement with the statement. The responses were analyzed along with the student variables in a series of ANOVA tests. The results, presented in Table 3, showed significantly different mean scores for all variables tested.

Those respondents who saw their business education as contributing to their being a lifelong learner also indicated the highest levels of self-efficacy and intrinsic value. Again, work avoidance orientation was highest amongst those with the lowest level of agreement with the statement. Those students who express the least amount of willingness to work for their education don’t expect to be lifelong learners.
Table 3
*Lifelong Learning Opinion and Student Variables*

<table>
<thead>
<tr>
<th>Student Variables</th>
<th>5 (n=159)</th>
<th>4 (n=161)</th>
<th>3 (n=88)</th>
<th>2 (n=13)</th>
<th>1 (n=10)</th>
<th>sig. level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Self-Efficacy</td>
<td>53.11</td>
<td>48.21</td>
<td>45.35</td>
<td>44.08</td>
<td>46.60</td>
<td>0.000</td>
</tr>
<tr>
<td>Intrinsic Value</td>
<td>54.77</td>
<td>49.16</td>
<td>45.88</td>
<td>40.77</td>
<td>42.20</td>
<td>0.000</td>
</tr>
<tr>
<td>Work Avoidance</td>
<td>12.5</td>
<td>14.23</td>
<td>14.61</td>
<td>16.15</td>
<td>16.40</td>
<td>0.000</td>
</tr>
<tr>
<td>Learning Strategies</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>rehearsal</td>
<td>11.79</td>
<td>11.10</td>
<td>10.31</td>
<td>10.23</td>
<td>9.30</td>
<td>0.000</td>
</tr>
<tr>
<td>organization</td>
<td>8.13</td>
<td>8.20</td>
<td>6.83</td>
<td>6.08</td>
<td>5.60</td>
<td>0.000</td>
</tr>
<tr>
<td>elaboration</td>
<td>12.28</td>
<td>11.60</td>
<td>10.24</td>
<td>9.46</td>
<td>8.80</td>
<td>0.000</td>
</tr>
<tr>
<td>critical thinking</td>
<td>7.43</td>
<td>6.88</td>
<td>6.34</td>
<td>6.46</td>
<td>7.00</td>
<td>0.000</td>
</tr>
<tr>
<td>planning</td>
<td>7.62</td>
<td>7.01</td>
<td>6.30</td>
<td>5.92</td>
<td>5.90</td>
<td>0.000</td>
</tr>
<tr>
<td>monitoring</td>
<td>8.49</td>
<td>7.75</td>
<td>7.02</td>
<td>7.15</td>
<td>6.00</td>
<td>0.000</td>
</tr>
<tr>
<td>regulating</td>
<td>7.86</td>
<td>7.45</td>
<td>6.60</td>
<td>6.84</td>
<td>6.30</td>
<td>0.000</td>
</tr>
<tr>
<td>Self-Regulation</td>
<td>11.52</td>
<td>10.89</td>
<td>9.98</td>
<td>9.23</td>
<td>9.80</td>
<td>0.000</td>
</tr>
</tbody>
</table>

The mean scores for two variables indicate some intriguing results. Self-efficacy and critical thinking scores were higher in the lowest level of the agreement categories than the median. Those who disagreed the most with the statement, “Because of my business education I will be a lifelong learner”, also indicated high scores for self-efficacy, or confidence in their ability to be an effective student and the learning strategy involving critical thinking skills. It might appear that the confident independent student does not necessarily perceive their formal education as contributing to their lifelong learning capabilities.

**Hour Spent Studying/Preparing**

Given the nature of the study and the study objectives, students’ commitment to the learning process was measured with another variable. Student respondents were asked to self-report how many hours they spent, on average, studying and preparing for their classes, per week. The self-reported mean was 9.7 hours and a median score of 8 hours was reported. The rule-of-thumb that a student should spend two to three times as many hours outside of class preparing is apparently not relevant for this sample.

To facilitate further analysis, the respondents were segmented into three groups. One hundred thirty-one respondents reported studying five hours, or less per week. An additional 146 respondents reported studying 6-10 hours and the third segment of 117 respondents reported studying 11 hours, or more, per week. A profile of each study commitment segment is presented in Table Four.

The three segments were significantly different on all study variables except the learning strategy critical thinking and self-regulation and satisfaction with university choices (although the last two variables may be considered significantly different at a moderate level of .10, or less). As could be expected, those who study/prepare the least maintained the highest work
avoidance scores. The orientation of unwillingness to invest time and effort into the educational experience was substantiated by self-reported time investment.

Table 4

<table>
<thead>
<tr>
<th>Student Variables</th>
<th>0-5 hrs (n=131)</th>
<th>6-10 hrs (n=146)</th>
<th>11 + hrs (n=117)</th>
<th>sig. level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Self-Efficacy</td>
<td>48.10</td>
<td>48.86</td>
<td>50.79</td>
<td>0.033</td>
</tr>
<tr>
<td>Intrinsic Value</td>
<td>48.57</td>
<td>49.73</td>
<td>52.19</td>
<td>0.003</td>
</tr>
<tr>
<td>Work Avoidance</td>
<td>15.27</td>
<td>13.64</td>
<td>12.37</td>
<td>0.000</td>
</tr>
<tr>
<td>Learning Strategies</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>rehearsal</td>
<td>10.66</td>
<td>11.25</td>
<td>11.50</td>
<td>0.015</td>
</tr>
<tr>
<td>organization</td>
<td>7.22</td>
<td>7.58</td>
<td>8.63</td>
<td>0.000</td>
</tr>
<tr>
<td>elaboration</td>
<td>11.00</td>
<td>11.38</td>
<td>11.99</td>
<td>0.002</td>
</tr>
<tr>
<td>critical thinking</td>
<td>6.84</td>
<td>6.70</td>
<td>7.21</td>
<td>0.124</td>
</tr>
<tr>
<td>planning</td>
<td>6.51</td>
<td>6.88</td>
<td>7.71</td>
<td>0.000</td>
</tr>
<tr>
<td>monitoring</td>
<td>7.53</td>
<td>7.79</td>
<td>8.20</td>
<td>0.002</td>
</tr>
<tr>
<td>regulation</td>
<td>7.18</td>
<td>7.25</td>
<td>7.77</td>
<td>0.012</td>
</tr>
<tr>
<td>Self-Regulation</td>
<td>10.55</td>
<td>10.69</td>
<td>11.14</td>
<td>0.061</td>
</tr>
<tr>
<td>Satisfaction</td>
<td>12.02</td>
<td>12.11</td>
<td>12.74</td>
<td>0.078</td>
</tr>
<tr>
<td>Lifelong Learning</td>
<td>3.94</td>
<td>3.98</td>
<td>4.27</td>
<td>0.008</td>
</tr>
</tbody>
</table>

The current investment of time produced more confident, competent and effective students. The students who reported studying/preparing the most also indicated higher levels of self-efficacy and were more likely to use all study strategies, except critical thinking. Students who committed more hours to studying/preparing were also more likely to foresee themselves as lifelong learners and see the intrinsic value in knowledge.

Gender Differences

In order to understand differences among students, genders were compared on the various study variables. The results of the T-tests are displayed in Table Five. Five of the 14 study variables produced significantly different results when mean scores were compared, such as the fact that males indicated a significantly higher mean score for work-avoidance orientation.

Of the seven learning strategies, females utilized four significantly more than their male counterparts. Female respondents were more likely to utilize organization, planning, monitoring and regulating strategies than male respondents. While only moderately significant (at .07 level), males were more likely to engage in critical thinking learning strategies. This would seem to indicate that females do learning differently than males and have different motivations, especially in business programs. Because females are more likely to utilize more learning strategies they would also be more likely to be self-regulated learners.
Table 5  
*Gender and Student Variables*

<table>
<thead>
<tr>
<th>Student Variables</th>
<th>males (n=273)</th>
<th>females (n=158)</th>
<th>Sig. level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Self-Efficacy</td>
<td>49.10</td>
<td>49.57</td>
<td>0.571</td>
</tr>
<tr>
<td>Intrinsic Value</td>
<td>49.66</td>
<td>50.99</td>
<td>0.113</td>
</tr>
<tr>
<td>Work Avoidance</td>
<td>14.53</td>
<td>12.47</td>
<td>0.000</td>
</tr>
<tr>
<td>Learning Strategies</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>rehearsal</td>
<td>11.04</td>
<td>11.28</td>
<td>0.318</td>
</tr>
<tr>
<td>organization</td>
<td>7.49</td>
<td>8.25</td>
<td>0.007</td>
</tr>
<tr>
<td>elaboration</td>
<td>11.27</td>
<td>11.63</td>
<td>0.122</td>
</tr>
<tr>
<td>critical thinking</td>
<td>7.06</td>
<td>6.78</td>
<td>0.074</td>
</tr>
<tr>
<td>planning</td>
<td>6.86</td>
<td>7.32</td>
<td>0.013</td>
</tr>
<tr>
<td>monitoring</td>
<td>7.69</td>
<td>8.05</td>
<td>0.019</td>
</tr>
<tr>
<td>regulating</td>
<td>7.24</td>
<td>7.64</td>
<td>0.019</td>
</tr>
<tr>
<td>Self-Regulating</td>
<td>10.66</td>
<td>10.90</td>
<td>0.250</td>
</tr>
<tr>
<td>Hours</td>
<td>9.37</td>
<td>10.19</td>
<td>0.233</td>
</tr>
<tr>
<td>Satisfaction</td>
<td>12.15</td>
<td>12.34</td>
<td>0.512</td>
</tr>
<tr>
<td>Lifelong Learning</td>
<td>3.97</td>
<td>4.14</td>
<td>0.083</td>
</tr>
</tbody>
</table>

**Class Standing**

The results in Table Six indicate there is relatively little difference in the study variables among the student respondents of different class standing. Of the variables that produced significantly different results the findings are ambiguous. While intrinsic value of knowledge produced significantly different mean scores, the highest mean was evident among sophomores. The fact that intrinsic value and the lifelong learning opinion decreases, or does not increase significantly, as the student progresses in their educational experience is somewhat disheartening to an educator. In this study a moderately significant difference (.07) was also seen in hours spent studying/preparing. Sophomores reported spending more hours (11.7 hours) studying/preparing than their more academically advanced counterparts (juniors 9.7 hours and seniors 9.2 hours). The challenge of upper-level business courses is not revealed in the commitment levels expressed by these business students.

**Academic Majors**

To further understand and appreciate differences among students and their learning experiences different academic majors were studied. The business students in the study were representative of the business college population. Approximately 16% of the sample was Marketing majors, 34% business/Management majors, 18% Accounting majors, 15% Finance majors, 4% CIS majors and the remaining 13% were nonbusiness majors and/or business minors. The segments representing different academic majors were compared on the study variables and
the results presented in Table Seven.

Table 6
Class Standing and Student Variables

<table>
<thead>
<tr>
<th>Student Variables</th>
<th>Fresh (n=14)</th>
<th>Soph (n=57)</th>
<th>Junior (n=139)</th>
<th>Senior (n=214)</th>
<th>sig. level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Self-Efficacy</td>
<td>44.43</td>
<td>49.56</td>
<td>48.88</td>
<td>49.77</td>
<td>0.206</td>
</tr>
<tr>
<td>Intrinsic Value</td>
<td>48.64</td>
<td>50.86</td>
<td>49.60</td>
<td>49.93</td>
<td>0.000</td>
</tr>
<tr>
<td>Work Avoidance</td>
<td>13.86</td>
<td>12.88</td>
<td>13.58</td>
<td>14.17</td>
<td>0.252</td>
</tr>
<tr>
<td>Learning Strategies</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>rehearsal</td>
<td>9.64</td>
<td>11.12</td>
<td>11.30</td>
<td>11.09</td>
<td>0.131</td>
</tr>
<tr>
<td>organization</td>
<td>8.00</td>
<td>7.58</td>
<td>8.13</td>
<td>7.56</td>
<td>0.416</td>
</tr>
<tr>
<td>elaboration</td>
<td>10.50</td>
<td>11.44</td>
<td>11.45</td>
<td>11.36</td>
<td>0.128</td>
</tr>
<tr>
<td>critical thinking</td>
<td>6.71</td>
<td>6.88</td>
<td>6.96</td>
<td>6.96</td>
<td>0.232</td>
</tr>
<tr>
<td>planning</td>
<td>6.43</td>
<td>6.93</td>
<td>7.19</td>
<td>6.98</td>
<td>0.572</td>
</tr>
<tr>
<td>monitoring</td>
<td>7.00</td>
<td>7.72</td>
<td>7.94</td>
<td>7.80</td>
<td>0.078</td>
</tr>
<tr>
<td>regulating</td>
<td>6.14</td>
<td>7.42</td>
<td>7.54</td>
<td>7.34</td>
<td>0.044</td>
</tr>
<tr>
<td>Self-Regulating</td>
<td>9.71</td>
<td>11.09</td>
<td>10.62</td>
<td>10.76</td>
<td>0.071</td>
</tr>
<tr>
<td>Hours</td>
<td>10.07</td>
<td>11.72</td>
<td>9.74</td>
<td>9.17</td>
<td>0.073</td>
</tr>
<tr>
<td>Satisfaction</td>
<td>12.21</td>
<td>12.46</td>
<td>12.64</td>
<td>11.85</td>
<td>0.063</td>
</tr>
<tr>
<td>Lifelong Learning</td>
<td>3.64</td>
<td>4.04</td>
<td>4.07</td>
<td>4.02</td>
<td>0.544</td>
</tr>
</tbody>
</table>

In general, the students in different majors studied here were not substantially different in regards to the study variables. However, one noteworthy exception is the time commitment to studying/preparing is significantly higher for accounting majors than other majors. In addition, accounting majors indicated a high level of agreement with the opinion that their business education will contribute to them being lifelong learners. These findings corroborate with the discipline’s efforts to instill these values in its students (Smith 2001).

Marketing majors are least likely to be self-regulated learners. Accounting and Finance majors reported the highest tendencies to be self-regulated learners. The correlation with the ability to alter and modify learning strategies and the more analytical disciplines is interesting.
Table 7
Major and Student Variables

<table>
<thead>
<tr>
<th>Student Variables</th>
<th>MKTG</th>
<th>BUAD/ MGT</th>
<th>ACCT</th>
<th>FIN/ ECON</th>
<th>CIS</th>
<th>NON BUS</th>
<th>sig. level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Self-Efficacy</td>
<td>48.86</td>
<td>48.27</td>
<td>51.05</td>
<td>50.64</td>
<td>49.870</td>
<td>48.67</td>
<td>0.163</td>
</tr>
<tr>
<td>Intrinsic Value</td>
<td>51.03</td>
<td>49.07</td>
<td>50.50</td>
<td>51.05</td>
<td>50.130</td>
<td>50.85</td>
<td>0.514</td>
</tr>
<tr>
<td>rehearsal</td>
<td>11.43</td>
<td>11.01</td>
<td>11.54</td>
<td>10.53</td>
<td>11.330</td>
<td>11.23</td>
<td>0.151</td>
</tr>
<tr>
<td>organization</td>
<td>8.96</td>
<td>7.42</td>
<td>7.81</td>
<td>7.45</td>
<td>8.130</td>
<td>7.44</td>
<td>0.006</td>
</tr>
<tr>
<td>elaboration</td>
<td>11.57</td>
<td>11.10</td>
<td>11.55</td>
<td>11.36</td>
<td>12.200</td>
<td>11.92</td>
<td>0.213</td>
</tr>
<tr>
<td>critical thinking</td>
<td>7.04</td>
<td>6.86</td>
<td>6.69</td>
<td>7.03</td>
<td>7.200</td>
<td>7.59</td>
<td>0.079</td>
</tr>
<tr>
<td>planning</td>
<td>7.00</td>
<td>6.96</td>
<td>7.37</td>
<td>6.67</td>
<td>7.200</td>
<td>7.33</td>
<td>0.276</td>
</tr>
<tr>
<td>monitoring</td>
<td>7.80</td>
<td>7.63</td>
<td>8.14</td>
<td>7.80</td>
<td>8.330</td>
<td>7.9</td>
<td>0.178</td>
</tr>
<tr>
<td>regulating</td>
<td>7.47</td>
<td>7.33</td>
<td>7.69</td>
<td>7.08</td>
<td>7.200</td>
<td>7.69</td>
<td>0.276</td>
</tr>
<tr>
<td>Self-Regulating</td>
<td>10.11</td>
<td>10.57</td>
<td>11.28</td>
<td>11.34</td>
<td>11.130</td>
<td>10.64</td>
<td>0.002</td>
</tr>
<tr>
<td>Hours</td>
<td>9.65</td>
<td>8.91</td>
<td>13.05</td>
<td>8.57</td>
<td>7.62</td>
<td>8.59</td>
<td>0.000</td>
</tr>
<tr>
<td>Satisfaction</td>
<td>12.24</td>
<td>11.92</td>
<td>12.85</td>
<td>12.17</td>
<td>12.93</td>
<td>12.05</td>
<td>0.218</td>
</tr>
<tr>
<td>Lifelong Learning</td>
<td>4.13</td>
<td>4.06</td>
<td>4.19</td>
<td>4.12</td>
<td>3.87</td>
<td>3.54</td>
<td>0.013</td>
</tr>
</tbody>
</table>

CONCLUSIONS AND IMPLICATIONS

The results indicate that self-regulated learners in business programs are rewarded with higher GPAs and increased levels of self-efficacy in the learning process. These same rewards are not seen among those with high levels of work-avoidance orientation. The most satisfied students were self-regulated learners, who felt competent in their own learning and did not avoid work. Thus, those students who set their own learning goals and implement strategies and processes to achieve those goals were higher achievers and more satisfied with their university choices.

Students who were more willing to invest time and energy in their learning saw the intrinsic value of learning new knowledge and were likely to continue this investment in themselves and become lifelong learners. An individual’s commitment in their own learning will pay dividends today and tomorrow.

While class standing and major did not produce significant insights into student differences, work-avoidance orientation did differ among certain segments. Males and those students with lower GPAs were less motivated to dedicate effort to their learning.

The implications of this study are represented by the multiple opportunities that emerge for conscientious business educators. First, the highest achieving students did not indicate the highest appreciation for learning new knowledge. The challenge for educators is to encourage the
intrinsic value of learning above the mere attainment of a grade. Students should be encouraged
to focus on learning and not on grades.

Second, satisfaction with university choice should be nurtured. Overall satisfaction with
degree and institution choices can lead to higher levels of self-efficacy in the learning process
and commitment to lifelong learning. Monitoring satisfaction levels and responding to trends
would be a worthwhile strategy. Third, the advantages of lifelong learning are effectively
transmitted through connections with professional organizations and goals.

Fourth, if students can be pursued to invest time and energy now in their learning process
the benefits will be reaped long into the future. Students should be shown that the investment
they make today will pay off in multiple ways in the future. Lastly, there are opportunities for
marketing educators to help students identify the learning strategies that are most effective for
progress in the marketing curriculum. Marketing educators have the opportunity to develop
lifelong learners by encouraging self-regulated learning and by motivating students to commit
effort into their own learning process.

However, perhaps the most interesting observation to be drawn from this study involves
assurance of learning. Self-regulated learners set their own learning goals and develop their own
learning agenda employing a variety of learning strategies. Business educators set learning
objectives involving content and skill development with anticipated outcomes. It would appear
that the key to a complimentary conclusion is that the educators’ goals are congruent with the
self-regulated learners’ individual goals. Communication and consensus between members of
this dyad is critical otherwise measurements of learning outcomes will produce inefficient
returns.

REFERENCES

Performance of African-American Students in a College Business Environment: A
Correlational Study,” Nova Southeastern University, 1-167.
Introduction to Information Systems Course,” *Information Technology, Learning, and
of Personality and Social Psychology*, 53, 1024-1037.
Ferrell, Linda and Gabriel Gonzalez (2004), “Beliefs and Expectations of Principles of
Friedman, Hershey H., Linda W. Friedman and Simcha Pollack (2005), “Transforming a
Satisfaction Formation Process,” *Journal of the Academy of Marketing Science*, 22 (2),
114-129.
Lammers, H. Bruce, Tina Kiesler, Mary T. Curren, Deborah Cours and Brian Connett (2005), “How Hard Do I have to Work? Student and Faculty Expectations Regarding University Work,” *Journal of Education for Business*, 80 (4), 210-213.


ORGANIZATIONAL RESISTANCE TO TECHNOLOGICAL INNOVATIONS: AN INFORMATION PROCESSING PERSPECTIVE

Kevin Yongchuan Bao, California State University Fullerton

ABSTRACT

Many technological innovations have encountered resistance from organizational buyers despite the fact that they are superior to existing technologies. This study aims at developing a theory for this widespread marketing phenomenon. Guided by the motivation-threat-ability (MTA) framework, we identify a comprehensive set of determinants of organizational resistance to superior technological innovations and the moderating variables that operate to mitigate the effects of these antecedents. The research findings provide strategic views on overcoming organizational innovation resistance and offers marketing insights about segmentation and targeting of organizational buyers in technology markets. The theoretical arguments are supported by empirical observations and real cases.

INTRODUCTION

Technological innovations drive the economic growth and are considered the key to the success of many companies. Yet, a large number of innovations failed in the marketplace despite their benefits to the economy and the firms. Research studies have reported a high failure rate in new product introduction (e.g. Crawford 1983; Mahajan, Muller, and Wind 2000). One of the major causes for market failure of innovations is customer resistance to innovation (e.g. Ram 1989; Ram and Sheth 1989). However, the majority of current research in diffusion of innovation is skewed toward adoption of innovation. Marketing researchers long time ago advocated the allocation of research efforts to the phenomenon of innovation resistance (e.g. Gatignon and Robertson 1989; Ram 1987; Sheth 1981). The bulk of research efforts has been concentrated on consumer innovation resistance (Ellen, Bearden and Sharma 1991; Garcia, Bardhi, and Friedrich 2007; Ram 1989; Ram and Sheth 1989). Yet, little attention has been directed to resistance at the organizational level.

The diffusion of many new industrial products encountered resistance from organizational buyers. A recent article in Wall Street Journal reported stories of firms finding it difficult to get their technological innovations adopted by potential organizational customers (Essick 2005). These new products were past winners of the Journal’s annual Technology Innovation Awards. For instance, Sun Microsystems Inc. won the Gold award in 2004 for a wireless protocol technology that can increase the computing speed of supercomputers by up to 100 times. However, the company had a difficult time persuading its business customers to adopt the superior technology. If it is a challenge for the award winners to commercialize their outstanding technologies, imagine how difficult it would be for the other firms to push the innovations to the market. Back to the 1980s’, JIT (just-in-time) production technology
contributed to the success of Japan’s superior manufacturing process. But when it was first introduced in US, few companies had incentives to adopt it (Walleigh 1986).

New industrial technologies are intended to improve the production efficiency and/or enhance the product value of the target organization buyers. The benefits brought about by these technologies seem to ensure their market success. However, we have an opposite observation in the real business world, which leads us to wonder: why do some organization buyers resist adopting innovations that are superior to the existing ones? To address this research question, we develop a robust theoretical framework – i.e. the motivation-threat-ability (MTA) model, which is adapted from the motivation-opportunity-ability (MOA) paradigm in information processing literature (Batra and Ray 1986; MacInnis, Moorman, and Jaworski 1991). We approach the research problem from an information processing perspective based on the premise that a technological innovation is essentially new knowledge or information that can be employed for production or consumption purpose, and organizational purchase decision of the innovation is an information processing outcome.

This study carries important managerial implications. Suppliers in B-to-B markets primarily rely on demographic (e.g. firm size and industry type) and geographic (e.g. location) variables to segment industrial buyers (Griffith and Pol 1994). However, these variables may not be appropriate for segmenting the technology-based industrial markets due to the idiosyncratic characteristics of technological innovations. This paper offers useful segmentation variables for this type of market. Moreover, the research findings can be used by technology vendors to develop effective marketing strategies to overcome organizational buyers’ resistance.

The paper is organized as follows. First, we present a view that innovation resistance is not the mirror image of innovation adoption and illustrate the importance of research on this topic. Second, we describe the MTA conceptual model, within which a systematic framework of determinants and moderators of organizational innovation resistance is presented, together with the propositions illustrating the effects of each factor. Finally, we discuss the managerial implications of this research and suggest ways to overcome organizational buyers’ resistance to technological innovations.

INNOVATION RESISTANCE

Innovation resistance is an example of resistance to change, because an innovation causes changes in either consumption or production (Gatignon and Robertson 1989). Zaltman and Duncan (1977) define resistance to change as “any conduct that serves to maintain the status quo in the face of pressure to alter the status quo” (pp. 63). Resistance to change is a natural response of a human being or an institution to any changes that disrupt the existing equilibrium of living or organizational activities (Watson, 1971; Zaltman and Duncan 1977). In the case of innovation resistance, people resist not to an innovation itself but to the changes that result from it (Schein 1985).

Innovation resistance is not equivalent to non-adoption of innovation or the obverse of innovation adoption (Ram 1987; Gatignon and Robertson 1989; Zaltman and Duncan 1977). In the innovation diffusion process, resistance occurs at a stage preceding adoption, whereas non-
adoption is one of the decision outcomes at the innovation purchase stage (Ram 1987; Woodside and Biemans 2005). If an innovation vendor cannot break through the resistance, adoption of the innovation can be delayed or even ever be realized. Gatignon and Robertson (1989), in the seminal empirical study of organizational adoption of technological innovations, found that almost all determinants of innovation adoption have null effects on innovation rejection. Based on the empirical result, they concluded that innovation rejection is not a “mirror image” of adoption and different factors may operate to influence the rejection decision.

Research studies on innovation resistance mainly direct attentions to consumer side (e.g. Ellen et al. 1991; Ram 1989; Ram and Sheth 1989). Knowledge about organizational resistance is sparse. In the pioneering work on this topic, Woodside (1996) presented a theory that attributes organizational innovation resistance to buyers’ lack of familiarity / purchase experience with a new technology and the defensive actions of marketers of incumbent technology. The explanations, albeit intuitively appealing, seem to be mundane and inadequate in accounting for resistance to superior technological innovations since the explanatory factors are ubiquitously present for any new product introduction. Moreover, the theory carries limited predictive value. Buyer unfamiliarity seems to always exist when an innovation appears, and new technology vendors cannot command competitors in a free market to stop defensive activities. Research efforts are still needed to explore the real causes of organizational innovation resistance. According to a recent literature review, research studies have generated a plethora of findings on the correlates of organizational innovation adoption but little is known about factors that prevents a firm from migrating to the adoption decision (Frambach and Schillewaert 2002).

In this paper, we study organizational resistance to technological innovations, which are defined as new knowledge or know-how employed to develop or produce a product / service (Capon and Glazer 1987; John, Weiss, and Dutta 1999). The scope of this definition covers both product technology, such as modular telecommunication systems, and process technology, such as Just-In-Time (JIT) manufacturing process. Consistent with the concept of resistance to change (Zaltman and Duncan 1977), organizational resistance to technological innovations is defined as “organizational behavior that serves to prevent a firm from purchasing a superior technological innovation and to maintain the status quo”. Resistance to a superior technological innovation is notably counter-intuitive and makes an interesting research topic.

The Motivation-threat-ability (MTA) framework

Marketing literature has shown that adoption of innovation is mainly determined by factors relating to the benefits or values of an innovation (e.g. Dewar and Dutton 1986; Gatignon and Robertson 1989), whereas we speculate to the opposite that the driving forces of innovation resistance are rooted in the costs and risks associated with an innovation and a buyer’s satisfaction with the status quo. According to prospect theory (Kahneman and Tversky 1979), people perceive deviation from the reference point as either gains or losses and weigh losses more than gains in decision making. For an organization in the presence of an emerging innovation, the reference point is just its status quo defined by utilization of the incumbent technology. Migration to a new technology would thus make both the positive and negative outcomes salient. Although not all organizations are risk-averse, it is reasonable to conclude that adopting firms focus on the benefits and values of a technological innovation whereas resisting
firms weigh more the costs and risks or are just content with staying at the status quo. Organization studies have shown – within the prospect theory framework – that reference points influence an organization’s attitude toward risk taking (e.g. Fiegenbaum and Thomas 1988; Fiegenbaum, Hart, and Schendel 1996). During an exploratory interview, the CEO of a medical supplies company informed us that its business customers refused to purchase a new medical diagnostic technology simply because they were more concerned about the negative outcomes associated with the technology.

But, what specific factors give rise to the negative perception of a superior technological innovation? To answer this question, we develop a unified theoretical framework, which draws upon the motivation-opportunity-ability (MOA) paradigm. The MOA model was originally applied in marketing to studies on consumer information processing of brand advertisement (e.g. Batra and Ray 1986; MacInnis, Moorman, and Jaworski 1991). In this framework, motivation refers to consumers’ desire to process brand information in an ad, opportunity refers to consumers’ attention allocated to the brand information, and ability refers to consumers’ proficiencies in interpreting the brand information (MacInnis, Moorman, and Jaworski 1991). This information processing paradigm has also been extended to research on marketing activities of organizations (e.g. Clark, Abela, and Ambler 2005; Wu, Balasubramanian, and Mahajan 2004). For instance, Wu et al (2004) employed this heuristic framework to explore the behavioral rationales for new product delay beyond the preannounced release date.

The adoption of MOA framework for the development of innovation resistance theory is driven by the consideration that the essential ingredient of a technological innovation is scientific know-how employed for production or selling purpose (Capon and Glazer 1987; John, Weiss, and Dutta 1999). Indeed, the technology market features intensive information for buyers (Glazer 1991). Thus, information processing is closely tied in with the purchase decision process of a technological innovation (e.g. Eisenhardt 1989; Weiss and Heide 1993).

The MOA model is adapted in the current research context to incorporate the cost-risk aspects connected with the innovation purchase decision. In the new theoretical framework (MTA), organizational innovation resistance is determined by motivation (whether a firm has an incentive to process information about an innovation), threat (whether any external / internal conditions restrict a firm from processing information about an innovation), and ability (whether a firm has the ability to process information in an unbiased way). This paradigm allows us to identify a comprehensive set of correlates, including psychological (organizational complacency), economic (switching costs), technological (technological uncertainty), political (political threat), organizational (organizational structural characteristics), and strategic factors (market orientation and product championship). Figure 1 exhibits the relationships between these variables and organizational innovation resistance.
An organization can be construed as a homeostatic system that strives to maintain the equilibrium of routine operations (Goldstein 1988, 1989). Past business success is an equilibrium outcome. Yet, it breeds complacency within an organization (Gault 1994; Jayachandran 1999; Harari 1993). The complacency reduces a firm’s motivation to respond to environmental changes (Meyer 1982; Milliken and Lant 1991). But it fulfills an psychological autonomy to sustain the “homeostasis” and equilibrium status of an organization (Watson 1971). When a firm becomes successful in business, it tends to be complacent with the performance of existing technologies that contribute to the success. A superior new technology can be used to improve a firm’s production efficiency or increase product value to customers. But it portends the disturbance of
organizational equilibrium and thus the discontinuity of the status quo. Due to the complacency, a firm lacks the incentive to process useful information about the benefits of the new technology. Resistance to the innovation ensues consequentially.

Organizational complacency is a less studied construct in research related to organizational behavior. It is defined in this paper as the satisfaction with the performance of current technologies. The complacency factor was the most threatening and the most prevalent contributor to the downfall of many US industries (Walleigh 1986). When just-in-time (JIT) manufacturing technology was first introduced, few US companies were interest in adopting and implementing it in the production process despite the many benefits offered by this technology. One of the excuses was: “Our factory is operating okay already. We don’t need to put in the effort to convert our operations to JIT.” (Walleigh 1986, pp. 50). If the customers of JIT were companies that continuously commits to quality improvement, the technology would encounter the least resistance (Walleigh 1986). In one of the aforementioned examples, Sun Microsystems met with marketing difficulty for its high-powered protocol technology that can accelerate the computing speed of supercomputers. Following the complacency argument, one explanation for the resistance is that the industrial customers of Sun Microsystems are just satisfied with the current computing speed and hence do not have the incentive to upgrade. An empirical finding on consumer innovation resistance parallels the positive effect of complacency on organizational innovation resistance. The study shows that when customers are satisfied with the performance of existing technologies, they tend to resist a technological innovation (Ellen, Bearden, and Sharma, 1991). The reason is that satisfaction with current performance encourages repetition of the current consumption behavior and mitigates a person’s motivation to make any changes. This explanation echoes the rationales underlying organizational buyer’s innovation resistance. Based on the theory and the evidence, we argue that:

P1: The higher the organizational complacency, the more likely the organizational resistance to a technological innovation.

Organizational complacency constitutes a psychological barrier to organizational adoption of a superior innovation. By contrast, switching costs are the economic constraint that reduces a firm’s incentive to consider new technologies. In industrial markets, switching costs refers to any costs that result from an organizational buyer’s decision of changing either a vendor or a product and have been found to influence the purchase decision of technological products and systems (e.g. Heide and Weiss 1995; Stremersch et al 2003). This study focuses on the change in technology used by an organization. Therefore, switching costs are defined as any costs that are incurred for an organizational buyer due to the technology substitution.

The technology replacement results in at least three forms of switching costs. First, a company accumulates invisible investments over time in utilizing a technology, such as tacit know-how, and transaction-specific assets. These intangible investments are usually treated as organizational assets (Teece 1981; Williamson 1985). A new technology may not be compatible with the assets invested for the incumbent technology. The incompatibility between technologies can turn the assets into obsolete investments. Second, if the new technology comes from suppliers other than the existing vendor, a firm may have to forego the business relationship with the existing vendor and establish an entire different set of norms and working routines with the
new supplier (Heide and John 1990). Third, the technology substitution requires investments in learning and adapting on the part of organizational members to the application of new technology (Jackson 1985).

Organizational buyers foreseeing switching costs are reluctant to pursue the technological change (Jackson 1985) and thus lack incentives to acquire information about the new technology. Research in high-technology marketing shows that switching costs do affect industrial customers’ incentive of market information search for the purchase of technological innovations. Weiss and Heide (1993) and Heide and Weiss (1995) provided empirical validation that the vendor- and compatibility-related switching costs both reduce the information search efforts and restrict a buyer’s consideration set to existing vendors. Although the literature does not touch on the effect of the learning-based switching cost, we expect that it also causes a disincentive to search beyond the existing portfolio of technologies or vendors. A case in point is the legend of IBM customers strongly resisting the conversion of IBM computer models back in the 1980s, when IBM was considering to migrate to a new mainframe system – i.e. the 360 computer family (Jackson 1985). Despite the offering of new capabilities in networking and database management that proved important to the customers, the company encountered abrupt resistance to this new model from its lead customers, who raised the excuse that the conversion would cause massive extra investments and adjustment efforts. The above analysis and example clearly support the following proposition:

\[ P2: \] The higher the switching costs associated with technology substitution, the more likely the organizational resistance to a technological innovation.

The Moderating role of market orientation

One of the main considerations of a marketing firm to purchase a technological innovation is to enhance the value of a product/service to end consumers, which is an importance source of competitive advantages in a marketplace. For instance, the microprocessor technology is an indispensable component of computers and the upgrades of microprocessors continuously add values to computer users. The importance of consumers is reflected in the classic marketing construct – i.e. market orientation, which refers to a business philosophy that a marketing firm should understand customers’ current and future needs and take actions to satisfy them (Kohli and Jaworski 1990; Narver and Slater 1990). Market orientation consists of three dimensions: generation of market intelligence, dissemination of market intelligence, and responsiveness to market intelligence. Market intelligence refers to information about customers’ needs and preferences. Generation of market intelligence means that a firm collects information about customers and analyzes it to get a thorough understanding of customers’ preferences. Dissemination of market intelligence means that the customer information is communicated and shared within an organization so that every functional unit obtains the knowledge. Responsiveness means that a firm acts on the acquired information to cater to the customers’ needs through inter-functional coordination of organizational tasks and activities such as production and marketing.

Given that the ingredients of market orientation center on information acquisition and utilization, it is reasonable to speculate that an organization constantly engaged in these activities
becomes sensitive to market information and has a strong motivation to acquire the information to better satisfy customers’ needs. For a prospective buyer of technological innovation, market orientation may increase its awareness of the benefits of the superior product. It may also mobilize a firm to be more innovative and more willing to accept innovations (Han, Kim, and Srivastava 1998). The receptivity to innovation is likely to cultivate a pro-change organizational culture (Hurley and Hult 1998). This will help a buyer break through the organizational inertia caused by complacency and concerns for costs of change. As shown previously, organizational complacency and switching costs contribute to innovation resistance because a buyer lacks the motivation to change and is reluctant to abandon prior investments in the existing technology. The incentive problems become less severe in the presence of market orientation. To the extent that market orientation reduces the incentive barrier, it can expand the consideration set of an organizational buyer and consequently alleviate the effects of organizational complacency and switching costs.

For example, Dell, recently announced that it would forgo the long-time business relationship with Intel in one of its high-end servers and switch to AMD Opteron chip in order to improve the company’s sagging sales and market share (Darlin 2006). AMD Opteron is a microprocessor considered to be superior to its rival Intel. Asked about the reasons for the switch, the company’s chief executive, Mr. Rollins, explained that “the company had been watching the market to see what customers who buy its servers wanted... A.M.D. was very successful, so we are using it” (Darlin 2006). The story clearly exemplifies the moderating effect of market orientation. The reasoning and the evidence lead us to postulate that:

P3a: The higher the market orientation, the less the effect of organizational complacency on the likelihood of organizational resistance to a technological innovation.

P3b: The higher the market orientation, the less the effect of switching costs on the likelihood of organizational resistance to a technological innovation.

**Technological environment and political conditions**

Market of technological innovations possesses a unique characteristic that is absent in the other product markets – i.e. technological uncertainty, which consists of two dimensions: technological velocity and technological heterogeneity (Eisenhardt 1989; Weiss and Heide 1993). The first dimension refers to the rate of change in product features or performance of a technological innovation. For instance, since the first generation of Intel chips, the speed of the microprocessor has increased exponentially over the years. The second dimension of technological uncertainty refers to the co-existence of different industrial technologies serving similar functions. For example, organizational buyers in the global telecommunications industry are commonly confronted with a wide range of choice of telecommunications systems (Stremersch et al 2003). These two dimensions of technological uncertainty have been found to influence organizational buyers’ purchase process and their choice of technology suppliers (e.g. Heide and Weiss 1995; Stremersch et al 2003).

We contend that they also affect a buyer’s attitude toward a new technological
innovation. First, a high pace of technological change can cause obsolescence of the knowledge embedded in a technology (Eisenhardt 1989). As a result, the value of a technological innovation becomes time sensitive – that is, the technology deemed superior today may turn to be less valuable tomorrow. This may restrain a buyer from considering the new technology. For example, Weiss (1994) found that a greater pace of quality upgrades in a technological innovation makes it more likely for a buyer to suspend the adoption decision. Second, the diverse availability of technologies in a marketplace creates the difficulty for a buyer to optimize the product choice. One defining feature of technology markets is the existence of multiple standards and a lack of “dominant design” (Anderson and Tushman 1990). The choice among heterogeneous technologies increases the search efforts and information processing requirements for an organizational buyer (Weiss and Heide 1993), which add more resisting forces for an innovation. Therefore, we speculate that:

P4: The higher the technological uncertainty, the more likely the organizational resistance to a technological innovation.

The uncertain environment in a technology market imposes an external threat to a buyer. The internal threat (i.e. political threat) originates from a technological innovation itself and refers to the negative influences on an organizational power structure. Research in marketing rarely examines the innovation purchase process from a political perspective. Yet, it is evident that organizational politics and innovations are intertwined. Studies show that the political structure of an organization features implicit rules and the hierarchy of management power; the rules and power are inherently embedded in the innovation development, adoption, or implementation process (Frost and Egri 1991; Hardy and Dougherty 1997). Integration of a technological innovation into an organization system may disturb the power equilibrium because utilization of an innovation requires possession of different expertise and may put the power legitimacy under scrutiny of organizational members whose vested interests are built on the existing technology. As such, the political threat may prevent a buyer from discerning the innovation benefits. The fear caused by the threat can be overwhelmingly felt by the top management team (Zaltman, Duncan, and Holbek 1973). As Schon (1967) put it,

“If the president came up through the business and draws his confidence from his intimate knowledge of the details of the present operation, technological innovation may throw him onto completely unfamiliar ground. He understood the old business; he does not understand the new one. How can he manage if he does not understand the business he is in?” (p. 68)

Moreover, innovation creates disorders and disrupts the working mechanism of the existing organizational systems. In response, interest groups within an organization are forced to involve themselves in political contests for the preservation of control and power (Frost and Egri 1991). As a result, resistance to an innovation follows. This view is supported by a case study on machine tool automation (Frost and Egri 1991). As an important linkage in the manufacturing production process, machine tool automation once was achieved through the application of either the Record Playback (R/P) or the Numerical Control (N/C) innovation. Managers were in favor of the N/C technology since it enabled them to gain control over production. In contrast, the R/P technology relied on the skills of workers and hence allowed them to share the control power. To
sustain the exclusive control over the manufacturing process, corporate management teams in many companies such as GE and Ford Motor mounted their political efforts to cancel the experiments of the competing R/P technology. This case illustrates how organizational decision makers orchestrate political resistance to an innovation based on political interests. Based on the theory and the evidence, we propose that:

P5: The higher the political threat, the more likely the organizational resistance to a technological innovation.

The moderating role of product championship

One of the reasons for market failure of many technological innovations is a lack of influential product champions (Chandy and Tellis 1998). Product champions are individuals with certain personal traits in favor of new ideas or technologies, such as leadership charisma, risk taking, political astuteness, and innovativeness (Howell and Higgins 1990). A formal definition of product champion is "a member of an organization who creates, defines, or adopts an idea for a new technological innovation and who is willing to risk his or her position or prestige to make possible the innovation's successful implementation" (Maidique 1980, p. 64). A number of research studies show that product champions play the pivotal role in the success of an innovation (e.g. Chandy and Tellis 1998; Ettlie, Bridges, and Keefe 1984). Product champions contribute to the success of an innovation because they are enthusiastic with and capable of promoting the generation and diffusion of new ideas and innovations.

In the context of organizational purchase of technological innovations, product champions serve to mitigate both the external threat of technological uncertainty and the internal political threat by framing the innovation information in a positive perspective for organizational buyers. This particular function is due to the unique characteristics of product champions. First, product champions are technology savvy in the sense that they carry sound knowledge of a technology (Chakrabarti 1974). Second, product champions are innovators and receptive to new ideas. People differ with respect to their readiness to accept new products. Rogers (2003) classifies people with this type of characteristics into five groups: innovators, early adopters, early majority, late majority, and laggards. Product champions belong to the group of innovators, who are the most venturesome and risk-taking (Howell and Higgins 1990). Third, product champions exhibit the characteristics of transformational leaders – leaders who are able to articulate vision, instill faith and loyalty, inspire and mobilize followers to pursue elevated goals (Bass 1985; Howell and Higgins 1990). To persuade followers to espouse the creative ideas and new technologies, product champions rely on a variety of influence tactics, such as rational justification, expression of enthusiasm and confidence, and informal exchange of information with potential coalition members (Dean 1987; Howell and Higgins 1990). These qualities of product champions – i.e. technological knowledge, innovativeness, and persuasion tactics combine to reduce the effects of technological uncertainty and political threat on organizational innovation resistance.

As shown previously, the effect of technological uncertainty arises because it engenders the risk of technological obsolescence and incurs extra information search costs and processing efforts on the part of a buyer. Product champions serve to combat these negative influences and
facilitate the migration of technology use. Specifically, they enable a marketing firm to: 1) better understand the values of a technological innovation, and 2) reduce the search costs and efforts on new technologies (e.g. Chakrabarti 1974; Maidique 1980). For example, IBM was traditionally an assembler of computer components. In 1960s, it invented its own computers – i.e. the legendary IBM 360 computer system family based on an innovative micro-circuitry technology. The product success was largely attributed to IBM managers who promoted the application of this new technology at that time (Maidique 1980).

The effect of political threat on organizational innovation resistance arises because a technological innovation can cause disorder and disturbance to the power and prestige of interest groups with a firm. Product champions are not only apt at technology but also astute in organizational politics (e.g. Dean 1987; Howell and Higgins 1990). For example, in a case study of NASA innovations, Chakrabarti (1974) found that product champions possess high interpersonal skills and have the acumen of dealing with different types of people. The political prowess facilitates them to win coalitions and overcome decision makers’ concerns about potential threats necessitated by a new technology to their power and status. Consequently, it attenuates organizational resistance to NASA innovative instruments during product developments based on these technologies. These arguments and evidences lead us to propose that:

P6a: The higher the influence of product champions, the less the effect of technological uncertainty on the organizational resistance to a technological innovation.

P6b: The higher the influence of product champions, the less the effect of political threat on the organizational resistance to a technological innovation.

Structural characteristics of organizational systems

Research studies have shown that organizational structure affects the innovation purchase process in an organization (e.g. Kimberly and Evanisko 1981; Zmud 1982). According to the literature, an organization's structural characteristics consist of three main dimensions: formalization, centralization, and specialization (Olson, Slater, and Hult 2005; Walker and Ruekert 1987). Formalization refers to the degree to which formal rules and procedures govern the decision making process and the job performance in an organization. Centralization refers to the hierarchy of decision authority and control in an organization. Specialization refers to the division of tasks and activities in an organization and the degree to which each department of the organization specializes in these tasks and activities. The structural characteristics of an organization determines its ability of information processing. Marketing research suggests that the information processing ability influences the appropriate functioning of organizational systems (Moorman 1995). We contend that it also constitutes one of the governing forces for organizational innovation resistance.

The relationship between the structural characteristics and innovation resistance stems from their effects on organizational information processing of a technological innovation. In a highly formalized organization, rules and policies standardize tasks and activities. Although the
standardization is useful for achieving organizational efficiency, it lacks flexibility and
responsiveness to an environmental change (Ruekert, Walkerm and Roering 1985; Zaltman et al
1973). As a result, the rigid rules and operating procedures may prohibit a buyer from seeking
new information in a marketplace. For example, Heide and Weiss (1995) found that
formalization constrains an organizational buyer’s ability to acquire and utilize new information
related to computer workstations and leads to a continuous dependence on the relationship with
its existing vendors. By the same token, formalization may drive a buyer to resist any changes
caused by a technological innovation.

Centralization influences organizational information processing in a different way but
gives rise to a similar outcome. A highly centralized organization is characterized by the
concentration of decision power at upper management levels, which inhibits the channel of
communications from the other organizational members. Thus, centralization may induce
decision makers to consider only information in favor of the existing conditions of an
organization and filter out any negative feedback about the status quo of an organization. When it
comes to purchasing a new technology, centralization may cause a firm to ignore the beneficial
changes brought by a new technology and focus instead on the costs and risks of the changes. As
a result, a highly centralized firm may strongly object to the incorporation of a technological
innovation into the organizational systems. A stream of empirical research shows that
centralization either has a negative impact on organizational innovation adoption or does not
make any difference (Dewar and Dutton 1986; Gatignon and Robertson 1989; Kimberly and
Evanisko 1981). The findings may hint at the positive correlation between centralization and
innovation resistance. To summarize the effects of formalization and centralization, we develop
the following propositions:

P7: The higher the degree of formalization, the more likely the organizational
resistance to a technological innovation.

P8: The higher the degree of centralization, the more likely the organizational
resistance to a technological innovation.

The moderating role of specialization

The positive effects of formalization and centralization positive arises mainly because
they restrict an organization’s ability to acquire and process information about a technological
innovation in an unbiased manner. At a given level of formalization and centralization, however,
specialization or division of tasks and expertise improves the information acquisition and
processing functions and facilitates the diffusion of information about a technological
innovation. As a result, it reduces the effects of formalization and centralization on
organizational innovation resistance. The moderating effect of specialization is rooted in its
quality of adaptiveness, which refers to the ability to respond rapidly to the changing
environmental conditions (Ruekert et al. 1985; Walker and Ruekert, 1987). This benign outcome
of a specialized structure is due to the following characteristics of specialists. First, specialists
are more knowledgeable of their task areas and hence better understand the beneficial impacts of
a new technology on the business operation of a firm. Second, specialists have more access to
information sources beyond the domain of an organization (Ruekert, Walker, and Roering 1985),
such as business conferences and trade shows. The information exchange may make them more innovative and receptive to new ideas in accomplishing their tasks. Because access to both positive and negative information allows an organizational buyer to evaluate a new technology in an unbiased way, a specialized organizational structure is likely to expand the consideration set of technologies and enables decision makers to discern the benefits of a superior innovation. Thus, we propose that:

P9a: The higher the degree of specialization, the less the effect of formalization on the organizational resistance to a technological innovation.

P9b: The higher the degree of specialization, the less the effect of centralization on the organizational resistance to a technological innovation.

SUMMARY AND CONCLUSIONS

Organizational innovation resistance is a barrier to diffusion of innovations. It becomes more the rule than the exception that technological innovations encounter resistance from potential customers when they are introduced into a marketplace. The innovation manufacturers are baffled by this phenomenon (Essick 2005). Yet, the current literature is fraught with studies on innovation adoption (Frambach and Schillewaert 2002). Although innovation resistance seems on an intuitive level to be the mirror image of adoption, Gatignon and Robertson (1989) presented empirical evidence refuting this naïve thought. Other studies add to the same view by showing that resistance is a distinct stage preceding adoption in the innovation process (Ram 1987, 1989; Woodside and Biemans 2005). Clearly, innovation resistance and adoption are different marketing phenomena, both of which are worth research efforts.

Current research on innovation resistance focuses on consumer resistance to technological products. Innovation resistance at the organizational level receives inadequate examination. This study aims to address the deficiency. Based on an information processing perspective, it develops a unified theoretical framework (i.e. the MTA model) to accommodate the dramatically diverse explanatory variables. This new overarching framework is multifaceted and comprehensive in itself, encompassing the psychological, economic, technological, political, structural, and strategic aspects of the innovation process of an organizational buyer. The theoretical arguments about the effects of these factors are supported by insights from related literature, real-life examples, and case discussions. A recent literature review on organizational innovation adoption scanned all possible explanatory variables that have been examined in prior research (Frambach and Schillewaert 2002). Notably, the determinants of innovation resistance identified in this study, for the most part, are different from those of innovation adoption in the literature. This may also suggest that innovation resistance and adoption are driven by contrasting forces and mechanisms.

Managerial implications

As elaborated previously, the determinants of innovation resistance pertain to organizational information processing of a technological innovation. Therefore, information is the key to breaking through the resistance barrier and promoting diffusion of innovations among
industrial customers. This view is consistent with the “far-from-equilibrium” approach proposed by Goldstein (1988) to counteract resistance to change. According to his theory, organizational resistance to change functions to sustain the organizational equilibrium, but also deprives an organization of the ability to adapt to any changes. When an organization starts to engage in intensive information exchanges with outside environments, the environmental changes would be absorbed in the organizational systems such that an organization becomes sensitive, responsive, and adaptive to the changes and eventually deviates from the original equilibrium.

The critical role of information offers clues to overcoming innovation resistance for both technology suppliers and buyers. On the part of buyers, they should be active in market research and collect information to keep abreast of the change in consumer preference and new technologies. To the extent that the incoming information challenges the assumptions and existing perception of a firm about itself and the environment, it may destroy the foundation of organizational complacency and dispel concerns for switching costs. In the example of Dell, the company forsook the long-time partnership with Intel for one of its servers and switched to AMD microprocessor. The decision was driven by information of customer purchase behavior in the server market and knowledge of the superiority of the AMD product (Darlin, 2006).

For innovation vendors, we suggest that they seek endorsements and supports from product champions and technology experts. Product champions are both technically capable and politically astute for promoting new technologies, whereas technology experts are capable of improving the organizational information processing ability by enhancing information exchanges of an organization with its external environments. Product champions can be found inside an organizational buyer (Chandy and Tellis, 1998). They do not necessarily reside at the top management level. Employees at the middle ladder such as product line managers can also wield influential forces (Maidique, 1980). Moreover, the vendors should downplay the properties of a new technology that may arouse a buyer’s concerns for technological obsolescence and dissolution of core competency, or pose threats to the vested interests and power of decision makers. Marketers of superior innovations develop a habit of trumpeting fanfare of the products’ relative advantages but often times ignore the disruptive impacts of changes caused by innovations. To avoid backfiring, marketing efforts need to add reassurance to a buyer that the changes are manageable and the vested interests of affected groups can be preserved.

In addition to strategies of overcoming innovation resistance, this study also provides useful insights on market segmentation and targeting for technological industrial products. Literature on business-to-business marketing has proposed a variety of segmentation variables for industrial markets, such as demographics, operating variables, purchasing approaches, situational factors, and personal characteristics (Bonoma and Shapiro, 1983) and new methods of segmentation that encompass such criterion as psychographic (File and Prince 1996) and strategy type adopted by a firm (Verhallen, Frambach, and Prabhu 1998). The explanatory factors identified in this study expands the scope of segmentation variables, especially for high-technology industrial markets. The technology vendor can then target particular buyers with favorable characteristics along one or a combination of these dimensions. For instance, a seller may choose buyers that exhibit little complacency, are less formalized or centralized, and are influenced by product champions.
Limitations and future research

This study develops a theory to explain organizational resistance to technological innovations. Because the explanatory variables are identified within the unifying MTA framework, we may leave out some important antecedents of innovation resistance. Although they are beyond the domain of the theoretical structure, they may carry additional explanatory power. Second, a technological innovation may encounter resistance not only at the purchase decision making stage but also at the implementation stage during the process of admitting an innovation within an organization (Zaltman, Duncan, and Holbek 1973). After an innovation is purchased, an organization has to make sure that the new technology can be put into use; otherwise, the adoption decision would generate little value. Future research needs to examine innovation resistance that affects the implementation of an innovation within a firm. Finally, an empirical study is necessary to test for the external validity of the conceptual framework. This paper is a precursor and lays down the theoretical foundation for the test.

REFERENCES


A PRELIMINARY INVESTIGATION INTO THE ROLE OF PURCHASING FIRM FORMALIZATION ON THE COMPLAINT BEHAVIOR OF PURCHASING MANAGERS

Lynn R. Godwin, University of St. Thomas

EXTENDED ABSTRACT

The formalization of an organization, and more specifically the formalization of the complaint process, is of importance in modeling industrial buyer behavior. Formalized procedures for complaint handling may leave little room for individual factors to have an impact upon the process.

With this study, an operational definition of formalization corresponding to that discussed by Aiken and Hage (1966) was utilized. They defined formalization as “the degree of work standardization and the amount of deviation that is allowed from standards” (p. 499).

The construct of formalization was measured utilizing scales constructed by Aiken and Hage (1966). The seven-item Likert-type scale measures two dimensions of formalization. The first dimension represents the extent to which a job necessitates the consultation of rules for performance and is termed the index of job codification (FORMALJC). The second dimension reflects the extent to which workers are observed for violations of rules. This two-item measure is termed the index of rule observation (FORMALRO). Aiken and Hage noted that in their use of the instrument, the two aspects of formalization were not related.

Two waves of a mail questionnaire (approximately four weeks apart) were directed to a national sample of 2,000 purchasing managers. A total of 317 usable questionnaires were returned for a 15.9 percent response rate.

Formalization was investigated with regard to the extent to which it was related to various outcomes of the complaint behavior process. These outcomes included interpersonal relationship variables (interpersonal solidarity and hostility), future intentions variables (complaint intentions and repurchase intentions), expectations, satisfaction, and retained anger.

Correlational analyses were performed in order to ascertain whether or not any statistically significant associations existed between firm formalization and the outcome variables of interest.

Formalization is characterized (in part) by the extent to which a purchasing manager must consult a set of rules relating to appropriate performance (job codification). The presence of such a set of policies and procedures (FORMALJC) does not (at least in this study) evidence any impact on the measured outcome variables.

The extent to which workers are observed for violations of rules (FORMALRO) was,
however, statistically significantly related to a variety of outcome variables. FORMALRO was negatively statistically significantly correlated with interpersonal hostility (INTHOSTL). It could be argued that purchasing managers have lower levels of interpersonal hostility due to the fact that they are afraid (due to increased levels of supervision regarding rules of engagement) to evidence such hostility. On the other hand, it likewise could be argued that an adherence to rules (again due to supervisory concerns) distances purchasing managers from the process to such an extent that personal hostility is minimized (regardless of the outcome from the complaint process). Interpersonal solidarity (INTSOLID), however, was not associated (significantly) with formalization (FORMALJC, FORMALRO).

Retained sentiments of anger and hostility (RETDANR), on the other hand, were significantly associated in a positive direction with increased rule observation (FORMALRO). The supervision that forced rule adherence in purchasing managers may have, indeed, served the additional function of inhibiting cathartic responses of anger (on the part of purchasing managers). It could be that this anger, which had no appropriate outlet given the purchasing managers’ adherence to rules, resulted in an internalization and retention of negative feelings.

Similarly, overall satisfaction (OVERSAT) was negatively statistically significantly associated with FORMALRO. Higher levels of rule observation were associated with negative levels of overall satisfaction. Perhaps, again, purchasing managers were inhibited and felt unable to take actions which might have resulted in higher levels of satisfaction. Confirmation of expectations (CONFIRM), which was also negatively correlated with FORMALRO in a statistically significant manner, might also have been impacted for similar reasons.

Repurchase intentions (REINT) were not statistically significantly associated with either job codification (FORMALJC) or rule observation (FORMALRO). Other factors such as environmental munificence or contractual obligations may have minimized the role of formalization here. Likewise, no statistically significant associations were found between relational satisfaction (RELATSAT) and formalization.

SELECTED REFERENCE

COLLECTIVELY TRAUMATIC EVENTS AND CONSUMER BEHAVIOR

Gregory S. Black, Texas A&M University – Corpus Christi

ABSTRACT

The purpose of this research is to evaluate differences in consumer perception before and after national traumatic events such as the terrorist attacks that took place on September 11, 2001. The authors found a significant difference in consumer ethnocentrism, patriotism, time management, attitude toward regulation of business, and product quality following the terrorist attacks. These differences impact consumer purchase decision processes and become important to businesses that are targeting these consumers with their product offerings. In addition, marketing managers’ understanding of change in consumer perceptions and attitude should impact how consumer products are marketed.

INTRODUCTION

The focus of this study is to measure the impact of national traumatic events, such as the terrorist attacks of 9/11/01, on the psyche of the American consumer. The goal of the study is to ascertain what change in attitude toward ethnocentrism, patriotism, regulation of business, time management, and perception of product quality may have been precipitated by national traumatic events. The specific objective is to determine if any change in these variables leads to consumer purchase behavior change.

Regardless of our individual cultures, ethnicities and home countries, events such as those occurring September 11, 2001 precipitated significant changes in our way of life. It doesn’t matter where we live, our personal economic status, our education level, or our occupation, our way of life is altered. We live in a new and less certain world that impacts how we work, play, interact with others, and choose products that we consume. Our existence now is confronted by a foreboding feeling and sense of threat to our well being. We experience a lingering feeling that something could happen to us, to those we love, or to those we have learned to care for in the global community. How do we help others cope with this ongoing sense of danger and insecurity? How do we help ourselves and each other be resilient and caring in the face of tragedy, grief, danger, and anger? How have these events and their aftermath affected consumer attitudes and behaviors?

The relative peace, stability and safety most Americans experienced insulated us from most major cultural upheavals (Anderson, 2002). Americans have not been faced with such a sudden and all-pervasive intrusion on our society and way of life since the Japanese attacked Pearl Harbor on December 7, 1941. The assassination of President Kennedy on November 22, 1963 also impacted the American feeling of well-being. Following Kennedy’s assassination, widespread symptoms of depression and anxiety were reported among the general American public (Sheatsley and Feldman, 1964), and 80% of U.S. citizens felt that they had lost someone very dear and close to them (Greenstein, 1965). Similar to the events of September 11, 2001, the
assassination of a national leader can be considered a collective trauma. Collective trauma allows individuals to better cope with the personal impact by knowing of others’ reactions, and by actively developing an expressive sense of fellowship in grief (Klingman, 2001).

The intent of terrorism goes beyond the immediate death and injury of victims. The ultimate goal of terrorism is the emotional consequences that are felt by the survivors (Larkin, 2001). Two thoughts emerge in this study: What impact did the terrorist attacks have on American consumers? Is it possible that the long-term impact was opposite of what the terrorists anticipated and desired?

One study on the Oklahoma City bombing found evidence that a cultural baseline is used by traumatized people for adaptation to the crisis and some characteristics found in the cultural baseline are actually strengthened by the crisis (Sprang, 1999; Stein, 1999). Another study found that survivors in three traumatic events—a tornado, a plane crash, and a mass shooting—were likely to report personal growth as a result of the experience (Paul, 1998). If the findings of that study can predict people’s reactions to other similar collectively traumatic events, certain American values may actually have been strengthened by the terrorist attacks on September 11, 2001. These values are important predictors of consumer behavior and the possibility that they have been strengthened, or otherwise altered, should be of much interest to marketing researchers and practitioners alike.

The impact on consumer attitudes is best established by pre and post measures. Fortunately, data on these consumer attitudes and values were collected just prior to the events on September 11, 2001. After the terrorist attacks, it seemed that the mindset, values, and attitudes of the American public, all of whom are consumers, changed. Accordingly, data were collected again from a similar population a short time after the events (Spring, 2002). Thus, this enabled the authors to test hypotheses concerning these changed values and attitudes.

**HYPOTHESES**

**The Impact of Collective Trauma on Consumer Attitudes and Values**

Five attitudes and values are identified as key variables impacted by the collective trauma inflicted by the terrorists. Ethnocentrism, patriotism, attitude toward regulation of business, importance of product quality, and time management are values that may change and thus influence the consumer decision process. A model depicting these variables is shown in Figure 1.

**Consumer Ethnocentrism.** Consumer ethnocentrism is adapted from the general concept of ethnocentrism introduced at the beginning of the 1900s (Sumner, 1906). A more contemporary description suggests a psychosocial construct with relevance to individual personalities (Levine and Campbell, 1972). An accepted definition of ethnocentrism is the extent to which people view their own group as the center of the universe, to interpret other social units from the perspective of their own group, and to reject persons who are culturally dissimilar while blindly accepting those who are culturally like themselves (Booth, 1979; Worchel and Cooper, 1979). American consumer ethnocentrism is specifically defined as the “the beliefs held by American consumers about the appropriateness, indeed morality, of purchasing foreign-made products”
Researchers found that consumer ethnocentrism provides the consumer with a feeling of identity and belongingness (Shimp and Sharma, 1987). Additionally, when diverse groups are brought together, the need for ethnic articulation and clarity increases and leads to increases in consumer ethnocentrism (Roosens, 1995). Researchers show that such internal factors within a country, such as economic recession, high unemployment, and rapid technological and organizational change, are thought to increase consumer ethnocentrism (Witkowski, 1998). A logical extension of this thought suggests that the terrorist attacks also increase consumer ethnocentrism. Uncertainty has been created in American’s minds because of the terrorist attacks and because of the continuous media coverage of possible threats. Based on the above discussion, the following hypothesis is offered:

H1: The ethnocentrism of American consumers increased as a result of the terrorist attacks on September 11, 2001.

**Consumer Patriotism.** While ethnocentrism is a negative judgment of cultures and ethnicities, patriotism is a positive construct. One might well be a super patriot and still dislike or negatively judge members of other ethnic groups, races and cultures (Heaven et al., 2001). In addition, consumer patriotism has been found to be a strong predictor of whether consumers buy foreign or domestic products (Han, 1988). A simple definition of consumer patriotism is “consumers’ emotions toward domestic products and against foreign products” (Han, 1988, p. 26).
Reacting to perceived consumer patriotism in America, beginning in the 1980s, an increasing number of U.S. companies employed patriotic advertising to combat foreign competition (Han, 1988). Following the terrorist attacks, domestic companies show a marked increase in patriotic advertising. Companies that can demonstrate their products are made in the United States are attempting to take advantage of the perceived increase in consumer patriotism in America (Gelb, 2002). Companies feel the increase in consumer patriotism makes patriotic advertising of increased significance to American consumers. This phenomenon exemplifies the use of “cause-related marketing” (Varadarajan and Menon, 1988). In these times of concern about one’s well being, a researcher suggests “if nothing substantive distinguishes your offering from that of competitors, it is better to be one of the flag wavers” (Gelb, 2002, p. 68). Gelb also suggests that even when a company’s product possesses distinct features that separate it from a competitor’s product, not utilizing the patriotic theme in advertising may harm the company in that consumers may perceive it to be nonpatriotic. Thus, some of the same reasons suggesting an increase in ethnocentrism also apply to patriotism. Therefore, this evidence suggests the following hypothesis:

H2: The patriotism of American consumers increased as a result of the terrorist attacks.

**Consumer Attitude toward Government Regulation of Business.** An additional attitude that appears relevant is consumer attitude toward government regulation of the economy and business. The overall attitude of the consumer toward government controls of business since the 1930s is one of opposition to such controls (Shapiro and Gilroy, 1984). However, these same authors also acknowledge that the public’s attitudes toward regulation are partially based on their perceptions of economic stability. During times of economic instability or downturn, the American public’s attitudes toward government regulation of business can be expected to be more positive because they believe that the government can protect them from at least part of the uncertainty created by the economic conditions.

The terrorist attacks brought about almost immediate economic uncertainty. Investors, for example, became concerned about the stability of the stock market. In addition, consumers seem to accept regulation in the airline industry; demonstrate a heightened concern about controlling our borders; show a concern about people from other countries working in the United States; and are concerned about foreigners coming to the U.S. to attend school. Researcher define the consumer attitude toward business as “the degree to which a person favors greater government control of business practices that can harm consumers rather than depending upon business to regulate itself” (Carlson and Grossbart, 1988, p. 81). Therefore, the American consumer attitudes toward government regulation of business should increase in response to this uncertainty. In the face of an enemy and a situation that many find difficult to comprehend, people will likely turn to the government for protection. Thus, the following is hypothesized:

H3: The attitudes toward government regulation of business held by American consumers increased as a result of the terrorist attacks on September 11, 2001.

**Consumer Attitudes toward Product Quality.** Of interest to researchers are consumer attitudes toward product quality this attitude is defined as the general attitudes that consumers
have about the quality of current product offerings in the marketplace (Gaski and Etzel, 1986). These researchers note that these consumer attitudes can change very quickly and they propose a “validated index of general consumer sentiment toward marketing practice that is regularly or periodically reported to the marketing/consumer research community” (p. 72).

It is a common practice for companies to incorporate extrinsic cues into their advertising. Consumers use these cues to form attitudes and perceptions of a company’s products (Dean, 1999; Kirmani and Rao, 2000). Researchers found that high advertising expenditures may lead to more positive perceptions of quality for those companies’ products (Kirmani, 1990, 1997; Kirmani and Wright, 1989).

Following the terrorist attacks, many companies, including non-American companies, advertised their products in such a way as to show support for the American public. Because Americans were struggling in the face of this collective trauma, they sought anchors they perceived to be solid and supportive. Enough companies showed their support and commitment to the American people that these consumers’ attitudes toward the current state of product quality in general became more positive. This evidence suggests the following hypothesis.

H4: The attitude toward product quality of American consumers increased following the terrorist attacks on September 11, 2001.

**Consumer Propensity for Time Management.** The allocation of one’s time is critical in people’s attempts to maintain a balance in their roles and commitments. Consumers must distribute their time among various activities such as work, family, community, religion, and recreation. When people choose to devote time to such identity-affirming activities as pro-social and pro-family activities that make their self-image more positive, they may experience conflict between these various roles (Jex and Elacqua, 1999; Thompson and Bunderson, 2001).

Consumers could put more emphasis on time management to overcome the demands of a career to indulge in these types of activities. Consumer propensity toward time management can be defined simply as a consumer’s tendency to schedule activities and organize time (Lumpkin and Darden, 1982).

The terrorist attacks, like most traumatic situations in people’s lives, caused people to reevaluate their time priorities. Often in these situations, families, charity work, and doing things for oneself, become more important. The utilization of time management may allow one to successfully engage in both the prior priorities and the new priorities. Finding the time to activate the newer priorities contributes to one’s feeling of well-being (Staats and Horner, 1999).

American consumers searched desperately after the attacks for mechanisms to restore their sense of well-being. One of the mechanisms they could employ is more emphasis on time management. Therefore, the following hypothesis is proposed:

H5: The propensity toward time management of American consumers increased as a result of the terrorist attacks.
METHODOLOGY

Data Collection

The pre-measure data was gathered from 108 student subjects enrolled in upper division and graduate business courses at a major university in the southwestern United States. The post-study data was obtained from 92 similar students at another major university in the southwest. The student demographics of the population of the two universities are similar. Since the research is exploratory in nature, a student sample is appropriate (Calder, Phillips, and Tybout, 1981). Also, the students in the sample are enrolled in business courses and are knowledgeable and informed on the issues of concern in the study (Asher, 1988; Cox, 1980). In addition, these students also experienced life in America before and after the terrorists attacks. Finally, though many marketing scholars are sometimes critical about using student samples, recent evidence has indicated that student samples are becoming more like the general population because of the ever-increasing numbers of non-traditional students (James and Sonner, 2001). Therefore supporting the representativeness of the sample, 41% of the students used in this sample were non-traditional.

Questionnaire Development and Measure Purification

Review of recent literature was used by the authors so that measures that were already developed and validated were used to measure the constructs. Thus, the focus of the study is on the purpose of the study rather than on validating the scales used in the study. The measures for consumer ethnocentrism and consumer patriotism were developed by Shimp and Sharma (1987); the measure for consumer attitude toward government regulation of business came from Carlson and Grossbart (1988); the measure for consumer attitude toward product quality emerged from Gaski and Etzel (1986); and the measure for consumer propensity toward time management came from Arora (1982).

<table>
<thead>
<tr>
<th>Hypothesis #</th>
<th>R²</th>
<th>B</th>
<th>Std. Error</th>
<th>t statistic</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1</td>
<td>.134</td>
<td>.729</td>
<td>.132</td>
<td>5.542</td>
</tr>
<tr>
<td>H2</td>
<td>.025</td>
<td>.354</td>
<td>.158</td>
<td>2.233</td>
</tr>
<tr>
<td>H3</td>
<td>.032</td>
<td>.237</td>
<td>.092</td>
<td>2.575</td>
</tr>
<tr>
<td>H4</td>
<td>.020</td>
<td>.174</td>
<td>.086</td>
<td>2.027</td>
</tr>
<tr>
<td>H5</td>
<td>.041</td>
<td>.432</td>
<td>.149</td>
<td>2.893</td>
</tr>
</tbody>
</table>

*Significant at the .05 level  **Significant at the .01 level

The independent variable, used in the before and after studies were operationalized by creating a dummy variable. All measures for the dependent variables included at least three items to enable the authors to assess reliability using Cronbach’s alpha (Cronbach, 1951). Using exploratory factor analysis and reliability analysis, the scales were reduced to the best possible
unidimensional measures. Note that all measure of the dependent variables are reliable (Cronbach’s alpha > .70) with the exception of the measures for consumer attitude toward government regulation of business and consumer attitude toward product quality. Regardless of these results, the authors elected to include these variables in the study because of the possibility that significant and interesting findings might result in hypotheses testing.

RESULTS

The five hypotheses of this study were tested using OLS regression. The results were also confirmed by using simple t-tests that compared the means of the variables of the before and after September 11, 2001 measures. The results included support for all of the hypotheses. See Table 1 for a summary of the results of hypotheses testing.

The terrorist attacks of September 11, 2001 impacted consumer attitudes and values. These attacks increased both consumer ethnocentrism (t = 5.542, p < .01) and consumer patriotism (t = 2.233, p < .05), supporting H1 and H2. Likewise, support was found for H3 suggesting that the terrorist attacks made consumers have a more favorable attitude toward government regulation of business (t = 2.575, p < .05). Consumer attitude toward product quality (t = 2.027, p < .05) and consumer propensity toward time management (t = 2.893, p < .01) were both more positive following the terrorist attacks, supporting both H4 and H5.

CONCLUSIONS AND DISCUSSION

In this article, the authors explored the possibilities that the collective trauma initiated by the terrorist attacks caused transformations in the values and attitudes of American consumers. As predicted, both consumer ethnocentrism and consumer patriotism increased as a result of these terrorist attacks. American consumers are likely to be more cautious about buying products they know to be made in foreign countries. They may correctly or incorrectly assume that American businesses would not support such activities. Increased patriotism by American consumers result in an increase in sales of American-made products without any prejudice shown toward other cultures and the products made in other countries. However, increased consumer ethnocentrism may result in possible anti-foreign-made products actions taken by American consumers. The implications for marketers is that it is probably not a good time to promote the fact that a product is made, engineered, or assembled outside the United States. The positive country-of-origin influence once enjoyed by some foreign companies for certain products (e.g., German automobiles) is likely to be weakened by this increase in American consumer patriotism and ethnocentrism.

Support was found for American consumers becoming more favorable toward government regulation of business. It is understandable for consumers to become more favorable toward government regulation of business when they feel like only the government can protect them from further attacks. The airline industry and related industries will receive more government scrutiny and regulation, as will other companies involved in technology transfers and other business with foreign countries.

The terrorist attacks also have made American consumers care more about product
quality than they did before. They have likely become more sensitive to being used by companies who appear to have no concern for the quality of the products sold to consumers. Consumers will not only see the need to become more responsible themselves (propensity toward time management), but they will want to see organizations become more responsible (product quality). In addition, consumers may feel more uncertain about their lives, their security, and their longevity, so they are gaining a higher propensity for time management. Additionally, this trauma has caused Americans to consider new priorities, such as putting more emphasis on family and pro-social activities, while still trying to remain successful at their jobs. Producers of time-saving products can take advantage of this time to promote this characteristic of their products. Also, it seems to be a great time for companies to promote their product quality.

REFERENCES


THE IMPORTANT FACTORS OF HOTEL PRODUCTS AND SERVICES AS PERCEIVED BY LEISURE TRAVELERS VISITING ANGKOR WAT

Fen-Chi Cheng, Shu-Te University
Phou Sambath, National Cheng Kung University

ABSTRACT

Angkor Wat, an archaeological site among the top 9 World Heritage Sites in South East Asia, is now an emerging tourist destination worldwide. Similarly, hotel industry in the city is booming dramatically. Hence, this paper examined the important hotel attributes sought by leisure travelers. The questionnaire, designed in seven different languages, was distributed to 500 international travelers at the exit of the Angkor Wat. The results show that mature travelers require more luxury and comfortable hotel products and services and prefer certain hotel attributes of room amenities, services and conveniences, and specialty services over those sought by younger travelers. However, younger travelers value price attributes and general amenities more importantly than mature travelers do.

INTRODUCTION

Tourism is now one of the world’s fastest growing economic sectors and one of the world’s largest industries, accounting for over one-tenth of worldwide economic activity. According to the World Travel and Tourism Council, tourism accounts for 10.7 percent of the world’s gross domestic product, 11.9 percent of global capital investment, and 11.3 percent of worldwide consumer spending (WTTC 2005). However, it is important to note that a major contributor to the tourism industry is leisure travel, which includes both domestic and international travel (Duman 2002). Leisure and recreation now accounts for 62% of international tourism, with business tourism accounting for 18%, and the remaining 20% include other motives such as visiting friends and relatives, religious purposes/pilgrimages, health treatment and others (Business sector roundtable 2001).

The reduced workweek has given people greater opportunities to travel (Gray & Liguori 1980). Over the past decade, leisure trips have grown as nearly twice the rate of business trips (2.9 versus 1.6 percent) (Powers & Barrows 1999). Knowles (1996) stated that there has been a growth in leisure rather than business-related travel, particularly, independent travel rather than escorted tours. Nevertheless, pleasure travel already accounts for about half of trips to hotels (Powers 1995). Moreover, Chon and Sparrowe (2000) stated that personal and leisure travel accounts for 56 percent of all hotel stays.

Like many other countries, Cambodia considers tourism a major vehicle for its economic development (Siphan 2000). The Angkor Wat of Cambodia, after its inclusion into the UNESCO’s list of World Heritage Sites in late 1992, has become one of the world’s most famous
tourist destination and Asia’s top tourist destination (Brooke 2004; Rooney 1999). Indeed, in the 1960s Cambodia was one of the most popular tourist destinations in south-east Asia (Lam 1998). However, Cambodia has been isolated from the world for more than two decades because of strife and turmoil until the country opened its door to outside world again in 1991 (Sloan 2004), and since then the number of tourists has increased dramatically from 25,012 in 1991 to 1 million for the first time in 2004 and reached 1.7 million in 2006 and the international tourist arrivals in Cambodia are estimated to be 3.12 million by 2010 (WTO in Asia and the Pacific 2004; Tourism Statistical Report 2006). Without any intervention, the number of visitors to Angkor Wat could rise to more than 4.3 million by 2020 (Anan & Piore 2006). However, it is important to note that the majority of international tourists visiting Cambodia is leisure travelers.

With the tourism boom, the hotel industry has increased at a similar rate. In 1995, there were just only 8 hotels with 315 rooms in Siem Reap Angkor and several guesthouses (Soubert & Hay 1995). However, the number of hotels in Siem Reap increased to 32 and guesthouses to 54 with a capacity of 1400 rooms in 2000 (Siphan 2000). Now there are more than 100 hotels and hundreds other establishments in Siem Reap Angkor serving tourists of all budgets, ranging from a few dollars to thousand dollars ("Why is everyone going to Cambodia?" 2006). Furthermore, more hotels and other establishments are now in planning stages (Wood & Leray 2005).

The tourism industry of Cambodia makes up the country’s biggest share in services export, and its trade surplus represents almost the same amount as that of the garment industry (Samnang & Hach 2004). Tourism is one of the two main sectors which the Cambodia economy mainly depends on and the second largest revenue earner (US$ 1.1 billion in 2005) for Cambodia after garment manufacturing (US$ 2.3 billion), and the drive to attract more tourists would undoubtedly be welcomed by the growing hospitality industry (Singh 2006; Weggel 2006). This fast growth of foreign tourists shows a bright future for the hospitality industry in Cambodia, especially in Siem Reap.

Chart 1
Foreign Tourist Arrivals in Cambodia from 1996-2006

<table>
<thead>
<tr>
<th>Year</th>
<th>Foreign Tourists</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996</td>
<td>260,489</td>
</tr>
<tr>
<td>1997</td>
<td>218,843</td>
</tr>
<tr>
<td>1998</td>
<td>286,524</td>
</tr>
<tr>
<td>1999</td>
<td>367,743</td>
</tr>
<tr>
<td>2000</td>
<td>466,365</td>
</tr>
<tr>
<td>2001</td>
<td>604,919</td>
</tr>
<tr>
<td>2002</td>
<td>786,524</td>
</tr>
<tr>
<td>2003</td>
<td>701,014</td>
</tr>
<tr>
<td>2004</td>
<td>1,055,202</td>
</tr>
<tr>
<td>2005</td>
<td>1,421,615</td>
</tr>
<tr>
<td>2006</td>
<td>1,700,041</td>
</tr>
</tbody>
</table>
LITERATURE REVIEW

Consumer Behavior Theory

Like other consumer decisions, the selection of hospitality facilities and services is influenced by a variety of factors. Engel, Blackwell and Miniard (1990) and Williams (1982) stated that consumer behavior theory indicates that consumers’ purchasing decisions and level of satisfaction are influenced by consumer characteristics and outside stimuli. The characteristics of consumers like age, gender, background and outside stimuli such as products and services offered by hotels, most likely influence consumer behavior and satisfaction level of travelers. In addition, cultural, social, personal and psychological characteristics are also factors which influence consumer decisions (Kotler, Bowen, & Makens 1999). More than that, search qualities, experience qualities, and credence qualities are attributes that influence consumer decisions (Reid and Bojanic 2001). As consumer satisfaction is directly influenced by the availability of customer services, the provision of quality customer service has become an increasingly important concern of businesses (Berry 1988; Berry & Parasuraman 1991).

Leisure Travelers’ Desires for Hospitality Services

The ability to meet the needs of hospitality customers is crucial in today’s competitive environment, so hotels must keep abreast of consumers’ changing preferences (especially those of their target markets) and the latest demographic trends (Abbey 1998). As the leisure market is a large and complex segment, hotel managers need to know what their targets are seeking for. According to a research by Callen & Bowman (2000), younger travelers perceive the components of services, conveniences, and general amenities more important than older travelers. However, the composite of ‘security and price’ was considered important by both mature travelers and young travelers (Ananth, DeMicco, Moreo, & Howey 1992; Atkinson 1988; Knutson 1988). Leisure travelers desires a comfortable room regarding air quality and living environment maintained by the latest technology (Olsen, Tse, & West 1998). Moreover, most people when they are paying for a hotel room expect cleanliness (Atkinson 1988; Weissinger 2000). Leisure travelers in mid-price and luxury hotels name recreational facilities as an important consideration (Knutson 1988). Room facilities such as better lighting, safety features in the bathrooms, easy to handle door knobs, and supporting mattresses and chairs are considered important for customers (Ruys & Wei 1998). Furthermore, a swimming pool is the overwhelming amenity of preference for leisure guests (Watkins 2003).

The baby boomer market, who have both the discretionary income and the time to enjoy travel and dining out, prefer hotels that emphasize safety and security to those that lack these features (Abbey 1998). Brand name and design features are assumed to be important to older travelers as well (Wuest, Emenheiser, & Tas 1998). Moreover, efficient and friendly service is another important hotel attribute which senior travelers want (Withiam 1994). Moreover, two-income families, who have time pressures, though sensitive to price/value comparisons, generally seek value for their money rather than low-cost recreational experience (Powers & Barrows 1999). More importantly, leisure travelers look for ease and convenience in travel and find special packages (Abbey 1998).
Wuest et al. (1998) stated that older travelers perceive value and security to be the most important. Koss (1994) suggested that older travelers want clean, comfortable rooms and public areas. However, older travelers are less concerned with specialty and recreational services. They may actually perceive these services to be related to the lack of other, more important features (Wuest et al. 1998).

Leisure Travelers and the Hospitality Industry

The two main market segments for most hotels are business and leisure travelers (Knowles 1996). However, the leisure travel market is the largest segment comprised of persons taking both the typical one- or two-week vacations and shorter weekend trips (Go & Pine 1995). The leisure traveler market is a large, complex, and valuable source of business for lodging properties. Growth in this market is expected to continue in coming years due to extended holidays, four-day workweeks for a growing number of employees, and increase in the number of dual-career families, longer life expectancies, and increased discretionary income (Abbey 1998). According to Walker (1999), leisure travel is forecast to increase due to a favorable economic climate, which in turn produces increased discretionary income. Many people now have more leisure time and higher levels of education, and the cost of travel has remained constant or dropped, compared to inflation and other costs combined. Leisure market may consist of seniors, retired couples, families with children, lone travelers, college students, middle-age couples without children—all with different price sensitivities and seeking different hotel services to satisfy their specific needs (Enz, Potter, & Siguaw 1999).

Singles, couples, and families purchase hospitality products for myriad reasons including rest, relaxation, fun, adventure, escape from boredom, visiting friends and relatives, and the get-away-from-it-all syndrome (Shaw & Morris 2000). The mature market is generally considered to be pleasure travelers aged 50 and over. The 60+ mature travelers have more time to travel, more flexibility when they choose to travel, and more discretionary income to spend on travel. Moreover, the economic success of the baby boomers has made them major consumers of leisure and recreation activities, not only as observers but also as active participants (Stutts & Wortman 2006). Calver, Vierich, & Phillips (1993) remarked the older age groups are increasingly seeking leisure activities that provide a learning and/or cultural experience, such as visiting a historic property or a concert. Most noticeably, the mature market has increased 12 percent between 1990 and 2000 and will increase another 27 percent between 2000 and 2010 (Powers 1995).

Seniors are especially important to the lodging industry. Many older people have the time and money to travel more often, stay longer, and, if retired, travel more easily at any time of the year than young travelers (Abbey 1998; Calver et al. 1993). Demographers estimate that by the year 2050, one in three people in the United States will be 55 years or older. Moreover, the seniors’ market in Europe will number about 100 million, many of whom will doubtless be avid international travelers (Powers & Barrows 1999; Abbey 1998). Similarly, the middle-age group (35-45) generally means higher income and a greater propensity to travel. This age group travels most, whether for business or pleasure, and is most likely to use hotels and to take longer trips (1000 miles and over) and close behind them are the 45-54-year olds (Powers & Barrows 1999).

Group leisure markets include the mature market as well as leisure associations, travel
clubs, family reunions, weddings, bar mitzvahs, and so forth. These groups sometimes make their own arrangements and sometimes work with a travel agent. Regardless, they are major players in the growing leisure segment of the hospitality industry (Shaw & Morris 2000).

**Angkor Wat**

Angkor Wat means *city of temples* in the Khmer language (Yoshiaki 1993). Angkor Wat was built in the first half of the 12th century with an estimated time of construction of about 30 years between 1113 to 1150 by the king Suryavarman II (Chandler 1993; Rooney 1999). Some archeologists estimated that during construction, 10,000 people, in addition to 700 elephants, willingly carved and carried the sandstone bricks used to build these enormous towers each day (Rodriguez-Albizu 2004).

Angkor rose to the forefront of the international press following its inclusion on UNESCO’s list of World Heritage Sites in late 1992 (Faiola 2007; Gross 2007; Rooney 1999). Angkor was famous for several reasons: the extent of its empire, encompassing parts of present-day Vietnam, Thailand, and Laos; its brave warriors whose wars of conquest greatly expanded the empire; its architectural splendor as seen in its magnificent temple complexes; and its magnificent irrigation works which brought agricultural prosperity to the land (Sodhy 2004). Angkor Wat, in its beauty and state of preservation, is unrivaled. Its mightiness and magnificence bespeak a pomp luxury surpassing that of a Pharaoh or a Shah Jahan, an impressiveness greater than that of Pyramids, an artistic distinctiveness as fine as that of the Taj Mahal (Rooney 1999).

Today, Angkor is Cambodia’s largest tourist attraction (Faiola 2007). Angkor Wat is an archaeological site among the top 9 World Heritage Sites in South East Asia and fast becoming one of Asia’ top tourist destinations (Hall & Ringer 2000). This complex, one of the most important and largest archeological parks in the world, is the site that gives Cambodia its reputation and prestige as a tourist destination worldwide (Wood & Leray 2005). With Angkor Wat, Cambodia’s tourism and hospitality industry is a promising industry.

**Research Purpose and Questions**

The purpose of this study was to investigate leisure travelers’ perceptions of the importance of hotel products and services. More specifically, the intent of this study was to examine the perceived importance of hotel products and services by international leisure travelers visiting Angkor Wat, using a modified version of an existing research instrument. The research questions include the following. What are the important hotel attributes required by leisure travelers? And what are hotel attributes sought by younger travelers and those sought by mature leisure travelers? Therefore, this study was designed to answer the following research objectives:

1. To identify specific hotel products and services valued highly important by international leisure travelers visiting Angkor Wat;
2. To determine the differences and similarities of hotel products and services sought by mature travelers and younger travelers; and
3. To identify and rank hotel products and services categories valued by leisure travelers.
METHODS

In this study, leisure travelers were operationally defined as people traveling for non-work purposes and paying for their own accommodation; in some cases these are ‘off-duty’ corporate travelers sometimes accompanied by a spouse (Go & Pine 1995). Perceptions of hotel customer services were operationally defined as the degree to which leisure travelers place importance on various customer services and hospitality products in promoting their level of satisfaction when staying in a hotel.

The questionnaire’s instructions asked respondents to rate the importance of 58 hotel attributes that might be taken into account when deciding to stay, using a 5-point itemized rating scale ranging from 1 = not very important to 5 = very important. Those 58 attributes, shown in Table 5, represent a cross-section of hotel attributes from the Ananth, et al. (1992) scale. Since the scale was already shown to be valid and reliable, only few minor changes in the instrument have been made. Modifications were intended only for the ease of reading and responding to the questions, and were not substantive in nature. The questionnaire was originally designed in English and translated by Dongguan Hengtong Translation Co., Ltd., China and by Pyramid Translation Company, Cambodia, into Japanese, traditional Chinese (Taiwan), simplified Chinese (Mainland China), Korean, French, and Spanish as the tourists from these countries are all among the top ten in terms of the number of tourists visiting Angkor Wat.

Random and convenient samplings were used to collect the data from international leisure travelers in front of the Angkor Wat. Every three international tourists who left Angkor Wat in the morning from 6-9 a.m. was asked to fill in the questionnaire. Also, every international tourist who took a rest on the causeway in the afternoon from 3-6 p.m. was asked to fill in the questionnaire. The total 500 self-administered surveys were distributed to different travelers and groups of travelers from February 2-17, 2007.

Additionally, to entice travelers to fill in the questionnaires, a postcard of Angkor temples with a Thank You Note at the back page was given to any respondent who filled out the questionnaire at the survey site. In an attempt to randomize an otherwise self-selected sample, every selected visitor was approached and asked if s/he would participate in the study. If s/he agreed, the researcher then pre-screened the travelers by asking if s/he stayed in hotel in Siem Reap Angkor over night. If s/he did, the researcher then handed the respondent a clip board with the questionnaire attached to it. If s/he did not, then the researcher thanked him/her and declined the participation, explaining that the respondents must stay overnight in a paid hotel to fill out the questionnaires. After the cessation of data collection, reliability measures, descriptive statistics, analysis of variance, and factor analysis results were obtained to address the purposes of this study.

RESULTS

Out of the 500 questionnaires administered to the international leisure travelers, 493 were returned. A total of 450 questionnaires out of 493 were usable, yielding a response rate of 91.27%.
Survey Results

Since the definition of the mature travelers was inconsistent in the previous research, 55 years of age was used as the cutoff point to distinguish younger travelers (less than 55 years of age) and mature travelers (55 years of age or older). Table 1 contains a summary of the age, gender, marital status and some other demographic characteristics of the respondents. A review of the demographic data showed that 64.6 percent of the respondents belonged to the younger group, while 35.4 percent belonged to the mature one. The result of the study also indicated that 50.9 percent were males and 49.1 percent were females and the number of males and females in both groups was almost the same. Analysis of the income and education indicated that the majority of mature group had an income and education higher than the younger group did. Fifty-seven (57) percent of younger travelers were single and 39 percent were married, while just over 80 percent of mature travelers were married, followed by 11.3 percent widowed, 5.7 percent separated (divorced) and only 2.5 percent single.

Table 2 contains a summary of the traveler behavior of the respondents. The study showed that nearly all of the respondents (95%) came to visit Cambodia only one time during the past five years and 43 percent of them stayed in Cambodia between 1 to 3 nights and 42 percent between 4 to 6 nights and 7 percent each between 7-9 nights and more than 9 nights respectively. An analysis of the hotel type also indicated that almost half of the respondents (49%) stayed in mid-price/standard hotels, 37 percent in economy hotels, and 14 percent in luxury/upscale hotels. Table 2 showed that 54.5 percent of all respondents came to Cambodia by package tour, while 45.5 percent came on their own.

Data Analyses

The modified version of the questionnaire from Ananth, et al. (1992) was determined to be useful for measuring the importance of hotel products and services for a different sample. The data were entered and statistically analyzed using SPSS Version 12.0. With a Cronbach’s α of 0.95, the 58-item scale was considered reliable for measuring the importance of hotel products and services as perceived by leisure travelers visiting Angkor Wat, Siem Reap. Moreover, a variety of other tests were performed to determine significant differences in age groupings and relative importance of the attributes. Frequencies and cross-tabulations were performed on the descriptive data. Those techniques helped in establishing the percentages and mean of the respondents for each demographic variable or the question asked. The means of the attributes were used to determine the order of importance, with 1.0 indicating not important at all and 5.0 indicating very important. Any significant difference in the attributes between the two age groups was also observed. A probability level of 0.05 was used. A summary of the results of the test of significance with a mean greater than 3.5 is illustrated in Table 3. The data were further analyzed using factor analysis and analysis of variance because significant differences existed.
Table 1
*Summary of Survey Sample by Age, Gender, and Other Demographic Characteristics*

<table>
<thead>
<tr>
<th>Attributes</th>
<th>Under 55 Years old</th>
<th>55 Years or older</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number</td>
<td>Percent</td>
<td>Number</td>
</tr>
<tr>
<td><strong>Gender</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>145</td>
<td>49.8</td>
<td>84</td>
</tr>
<tr>
<td>Female</td>
<td>146</td>
<td>52.2</td>
<td>75</td>
</tr>
<tr>
<td>Total</td>
<td>291</td>
<td>100</td>
<td>159</td>
</tr>
<tr>
<td><strong>Employment</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employed full-time</td>
<td>241</td>
<td>82.8</td>
<td>66</td>
</tr>
<tr>
<td>Employed part-time</td>
<td>19</td>
<td>6.5</td>
<td>4</td>
</tr>
<tr>
<td>Retired</td>
<td>0</td>
<td>0.0</td>
<td>80</td>
</tr>
<tr>
<td>Unemployed</td>
<td>5</td>
<td>1.7</td>
<td>0</td>
</tr>
<tr>
<td>Others</td>
<td>26</td>
<td>8.9</td>
<td>9</td>
</tr>
<tr>
<td><strong>Income</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>&lt;$5,000</td>
<td>32</td>
<td>11.0</td>
<td>2</td>
</tr>
<tr>
<td>$5,000-10,000</td>
<td>58</td>
<td>19.9</td>
<td>12</td>
</tr>
<tr>
<td>$10,001-30,000</td>
<td>80</td>
<td>27.5</td>
<td>9</td>
</tr>
<tr>
<td>$30,001-50,000</td>
<td>69</td>
<td>23.7</td>
<td>22</td>
</tr>
<tr>
<td>$50,001-70,000</td>
<td>30</td>
<td>10.3</td>
<td>39</td>
</tr>
<tr>
<td>$70,001-90,000</td>
<td>7</td>
<td>2.4</td>
<td>33</td>
</tr>
<tr>
<td>&gt;$90,000</td>
<td>15</td>
<td>5.2</td>
<td>42</td>
</tr>
<tr>
<td><strong>Marital Status</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Single</td>
<td>166</td>
<td>57.0</td>
<td>4</td>
</tr>
<tr>
<td>Married</td>
<td>114</td>
<td>39.2</td>
<td>128</td>
</tr>
<tr>
<td>Separated (divorce)</td>
<td>9</td>
<td>3.1</td>
<td>9</td>
</tr>
<tr>
<td>Widowed</td>
<td>2</td>
<td>0.7</td>
<td>18</td>
</tr>
<tr>
<td><strong>Education</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>&lt;high school</td>
<td>4</td>
<td>1.4</td>
<td>1</td>
</tr>
<tr>
<td>High school</td>
<td>35</td>
<td>12.0</td>
<td>17</td>
</tr>
<tr>
<td>Associate degree</td>
<td>14</td>
<td>4.8</td>
<td>5</td>
</tr>
<tr>
<td>Bachelor</td>
<td>157</td>
<td>54.0</td>
<td>50</td>
</tr>
<tr>
<td>Master</td>
<td>71</td>
<td>24.4</td>
<td>51</td>
</tr>
<tr>
<td>Doctor (Ph.D)</td>
<td>10</td>
<td>3.4</td>
<td>35</td>
</tr>
<tr>
<td><strong>Country/Region</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Asean</td>
<td>27</td>
<td>9.3</td>
<td>1</td>
</tr>
<tr>
<td>Asia &amp; Oceania</td>
<td>145</td>
<td>49.8</td>
<td>57</td>
</tr>
<tr>
<td>Europe</td>
<td>96</td>
<td>33.0</td>
<td>50</td>
</tr>
<tr>
<td>The Americas</td>
<td>23</td>
<td>7.9</td>
<td>51</td>
</tr>
</tbody>
</table>
Table 2

Summary of Travel Behavior of Respondents

<table>
<thead>
<tr>
<th>Attributes</th>
<th>Under 55 Years old</th>
<th>55 Years or older</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number</td>
<td>Percent</td>
<td>Number</td>
</tr>
<tr>
<td>Number of trips in Cambodia in the last five years</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 time</td>
<td>274</td>
<td>94.2</td>
<td>154</td>
</tr>
<tr>
<td>1-3 times</td>
<td>13</td>
<td>4.5</td>
<td>5</td>
</tr>
<tr>
<td>6-7 times</td>
<td>2</td>
<td>0.7</td>
<td>0</td>
</tr>
<tr>
<td>Over 7 times</td>
<td>2</td>
<td>0.7</td>
<td>0</td>
</tr>
<tr>
<td>Duration of the trip</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1-3 days</td>
<td>102</td>
<td>35.1</td>
<td>93</td>
</tr>
<tr>
<td>4-6 days</td>
<td>145</td>
<td>49.8</td>
<td>46</td>
</tr>
<tr>
<td>7-9 days</td>
<td>16</td>
<td>5.5</td>
<td>18</td>
</tr>
<tr>
<td>Over 9 days</td>
<td>28</td>
<td>9.6</td>
<td>2</td>
</tr>
<tr>
<td>Cost of room per night</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>&lt;$50</td>
<td>134</td>
<td>46.0</td>
<td>9</td>
</tr>
<tr>
<td>$50-75</td>
<td>64</td>
<td>22.0</td>
<td>32</td>
</tr>
<tr>
<td>$76-100</td>
<td>50</td>
<td>17.2</td>
<td>36</td>
</tr>
<tr>
<td>$101-125</td>
<td>7</td>
<td>2.4</td>
<td>8</td>
</tr>
<tr>
<td>$126-150</td>
<td>32</td>
<td>11.0</td>
<td>20</td>
</tr>
<tr>
<td>&gt;$150</td>
<td>4</td>
<td>1.4</td>
<td>54</td>
</tr>
<tr>
<td>Types of Hotel</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Economy</td>
<td>150</td>
<td>51.5</td>
<td>15</td>
</tr>
<tr>
<td>Mid-price (standard)</td>
<td>129</td>
<td>44.3</td>
<td>91</td>
</tr>
<tr>
<td>Luxury (Up-scale)</td>
<td>12</td>
<td>4.1</td>
<td>53</td>
</tr>
<tr>
<td>Means of Travel</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>On my own</td>
<td>176</td>
<td>60.5</td>
<td>29</td>
</tr>
<tr>
<td>By package tour</td>
<td>115</td>
<td>39.5</td>
<td>130</td>
</tr>
<tr>
<td>Traveling Companions</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Alone</td>
<td>34</td>
<td>11.7</td>
<td>3</td>
</tr>
<tr>
<td>With Spouse</td>
<td>69</td>
<td>23.7</td>
<td>88</td>
</tr>
<tr>
<td>With spouse and kid(s)</td>
<td>22</td>
<td>7.6</td>
<td>7</td>
</tr>
<tr>
<td>With friends</td>
<td>130</td>
<td>44.7</td>
<td>36</td>
</tr>
<tr>
<td>With colleagues</td>
<td>9</td>
<td>3.1</td>
<td>0</td>
</tr>
<tr>
<td>Other</td>
<td>27</td>
<td>9.3</td>
<td>25</td>
</tr>
</tbody>
</table>

Factor analysis was used as a transition to a more-simplified analysis of variance. Principle Component Factor Analysis with VARIMAX rotation on the scale items provides insight into data sets by reducing them to fewer factors. The current array of data yielded five factors from the original 58 attributes; and each of the factors had an Eigenvalue greater than 1.5 and the average loading factor of four categories is greater than 0.50, while the average loading factor of one factor is just greater than 0.40. The five new categories are: (1) room amenities, (2) general amenities, (3) services and conveniences, (4) specialty services, and (5) price and
security. Table 5 shows Eigenvalues (EV), variance, and cumulative variance and summarizes the loadings for each item of those five factors (See Table 5).

The Results

The research analysis suggests the respondents’ rating showed a moderate-to-high level of importance for the majority of the hotel products and services which are included in the scale. Means for the 58 items in the scale ranged from 1.73 to 4.83 out of the scale 1.0 to 5.0, with 1.0 indicating not important at all and 5.0 very important. In both age categories, 24 attributes have a mean of more than 3.50 (see Table 3). The analysis also showed that 11 attributes including cleanliness of accommodation and property, friendliness and politeness of staff, convenient location of hotel, firmness of mattress, soundproof room, nonsmoking rooms, well-lit public areas and hallways, express checkout, good value for money spent, in-room temperature control and airport transportation have a mean greater than 4.0 for both younger travelers and mature travelers.

Both younger travelers and mature travelers rate several attributes equally important, three of which have a mean greater than 4.50 for both groups: cleanliness of accommodation and property has the highest mean, 4.77 for younger group and 4.83 for mature group; friendliness of staff, 4.70 for younger group and 4.77 for mature group; and convenient location of hotel, 4.47 for younger group and 4.55 for mature group. Moreover, other attributes such as firmness of mattress, soundproof room, express checkout, 24-hour video security, legible and visible sigh in public areas, restaurants and security personnel on floor, bedside controls, easily maneuvered door handle, swimming pool, with a mean greater than 3.0, are almost equally important to the two groups of travelers. Therefore, those attributes should be considered as important attributes and evaluated carefully by hoteliers.

However, 33 hotel attributes out of the 58-item in the scale are perceived differently by younger and mature groups. Mature travelers value more attributes in 3 factors (room amenities, services and conveniences, and specialty services) more importantly than do the younger travelers. By comparison, younger travelers value more attributes in two factors (price and security, and general amenities) more importantly than mature travelers do (see Table 4).

A few attributes such as concierge services, valet parking and services, special restaurants, free complementary newspapers, in-house library, secretarial services, kid playgrounds, meeting room are relatively low importance across both age categories. However, tie-in with airline frequent program, luxury-size room, health facilities, smaller portion of food are in high importance with a mean of more than 3.0 for mature traveler and in low importance for younger travelers.
Table 3
List of Hotel Attributes and Ranking, with a Mean of Greater than 3.50

<table>
<thead>
<tr>
<th>Attributes</th>
<th>Under 55 years Mean</th>
<th>55 years or older Mean</th>
<th>Probability</th>
<th>Significant difference between age groups</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Cleanliness of accommodation &amp; property</td>
<td>4.77</td>
<td>4.83</td>
<td>0.168</td>
<td></td>
</tr>
<tr>
<td>2. Friendliness &amp; politeness of staff</td>
<td>4.70</td>
<td>4.77</td>
<td>0.122</td>
<td></td>
</tr>
<tr>
<td>3. Convenient location of hotel</td>
<td>4.47</td>
<td>4.55</td>
<td>0.193</td>
<td></td>
</tr>
<tr>
<td>4. Firmness of mattress</td>
<td>4.36</td>
<td>4.43</td>
<td>0.334</td>
<td></td>
</tr>
<tr>
<td>5. Soundproof room</td>
<td>4.29</td>
<td>4.46</td>
<td>0.132</td>
<td></td>
</tr>
<tr>
<td>6. Nonsmoking rooms</td>
<td>4.29</td>
<td>4.50</td>
<td>0.029 *</td>
<td></td>
</tr>
<tr>
<td>7. Well-lit public areas, hallways</td>
<td>4.25</td>
<td>4.42</td>
<td>0.017 *</td>
<td></td>
</tr>
<tr>
<td>8. Express checkout</td>
<td>4.25</td>
<td>4.22</td>
<td>0.665</td>
<td></td>
</tr>
<tr>
<td>9. Good value for money spent</td>
<td>4.24</td>
<td>4.09</td>
<td>0.077</td>
<td></td>
</tr>
<tr>
<td>10. In-room temperature control</td>
<td>4.24</td>
<td>4.50</td>
<td>0.002 **</td>
<td></td>
</tr>
<tr>
<td>11. Airport transportation</td>
<td>4.12</td>
<td>4.52</td>
<td>0.000 ***</td>
<td></td>
</tr>
<tr>
<td>12. Internet connection in room</td>
<td>4.09</td>
<td>3.39</td>
<td>0.004 **</td>
<td></td>
</tr>
<tr>
<td>13. Price of accommodation</td>
<td>4.03</td>
<td>3.68</td>
<td>0.000 ***</td>
<td></td>
</tr>
<tr>
<td>14. Loud fire alarm</td>
<td>3.96</td>
<td>4.14</td>
<td>0.034 *</td>
<td></td>
</tr>
<tr>
<td>15. Large-size bed</td>
<td>3.80</td>
<td>4.29</td>
<td>0.000 ***</td>
<td></td>
</tr>
<tr>
<td>16. 24-hour video security</td>
<td>3.74</td>
<td>3.69</td>
<td>0.598</td>
<td></td>
</tr>
<tr>
<td>17. Elevators</td>
<td>3.65</td>
<td>4.15</td>
<td>0.000 ***</td>
<td></td>
</tr>
<tr>
<td>18. Full service restaurant</td>
<td>3.64</td>
<td>4.25</td>
<td>0.000 ***</td>
<td></td>
</tr>
<tr>
<td>19. Legible, visible sigh in public areas,</td>
<td>3.64</td>
<td>3.75</td>
<td>0.232</td>
<td></td>
</tr>
<tr>
<td>restaurants</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>20. Cable TV</td>
<td>3.61</td>
<td>4.02</td>
<td>0.001 **</td>
<td></td>
</tr>
<tr>
<td>21. Remote control for TV</td>
<td>3.55</td>
<td>3.79</td>
<td>0.046 *</td>
<td></td>
</tr>
<tr>
<td>22. Security personnel on floors</td>
<td>3.52</td>
<td>3.57</td>
<td>0.630</td>
<td></td>
</tr>
<tr>
<td>23. Laundry services</td>
<td>3.52</td>
<td>3.77</td>
<td>0.008 **</td>
<td></td>
</tr>
<tr>
<td>24. Night light in bathroom</td>
<td>3.52</td>
<td>3.72</td>
<td>0.034 *</td>
<td></td>
</tr>
</tbody>
</table>

1 The scale use is: 1 = not very important to 5 = very important
* = significance at 0.05 (“Different”)
** = significance at 0.01 (“More Different”)
*** = significance at 0.001 (“Most different”)
### Table 4

**List of Hotel Attributes Valued Differently by Younger and Mature Travelers**

<table>
<thead>
<tr>
<th>Attributes</th>
<th>Under 55 years Mean</th>
<th>55 years or older Mean</th>
<th>Probability</th>
<th>Significant difference between age groups</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Nonsmoking rooms</td>
<td>4.29</td>
<td>4.50</td>
<td>0.029</td>
<td>*</td>
</tr>
<tr>
<td>2. Well-lit public areas, hallways</td>
<td>4.25</td>
<td>4.42</td>
<td>0.017</td>
<td>*</td>
</tr>
<tr>
<td>3. In-room temperature control</td>
<td>4.24</td>
<td>4.50</td>
<td>0.002</td>
<td>**</td>
</tr>
<tr>
<td>4. Airport transportation</td>
<td>4.12</td>
<td>4.52</td>
<td>0.000</td>
<td>***</td>
</tr>
<tr>
<td>5. Price of accommodation</td>
<td><strong>4.03</strong></td>
<td><strong>3.68</strong></td>
<td><strong>0.000</strong></td>
<td>***</td>
</tr>
<tr>
<td>6. Loud fire alarm</td>
<td>3.96</td>
<td>4.14</td>
<td>0.034</td>
<td>*</td>
</tr>
<tr>
<td>7. Large-size bed</td>
<td>3.80</td>
<td>4.29</td>
<td>0.000</td>
<td>***</td>
</tr>
<tr>
<td>8. Elevators</td>
<td>3.65</td>
<td>4.15</td>
<td>0.000</td>
<td>***</td>
</tr>
<tr>
<td>9. Full service restaurant</td>
<td>3.64</td>
<td>4.25</td>
<td>0.000</td>
<td>***</td>
</tr>
<tr>
<td>10. Cable TV</td>
<td>3.61</td>
<td>4.02</td>
<td>0.001</td>
<td>**</td>
</tr>
<tr>
<td>11. Remote control for TV</td>
<td>3.55</td>
<td>3.79</td>
<td>0.046</td>
<td>*</td>
</tr>
<tr>
<td>12. Laundry services</td>
<td>3.52</td>
<td>3.77</td>
<td>0.008</td>
<td>**</td>
</tr>
<tr>
<td>13. Night light in bathroom</td>
<td>3.52</td>
<td>3.72</td>
<td>0.034</td>
<td>*</td>
</tr>
<tr>
<td>14. Room’s visual decoration</td>
<td>3.48</td>
<td>3.70</td>
<td>0.022</td>
<td>*</td>
</tr>
<tr>
<td>15. Free Internet connection in room</td>
<td><strong>3.48</strong></td>
<td><strong>3.06</strong></td>
<td><strong>0.004</strong></td>
<td>**</td>
</tr>
<tr>
<td>16. Bathroom amenities</td>
<td>3.46</td>
<td>3.86</td>
<td>0.000</td>
<td>**</td>
</tr>
<tr>
<td>17. Special discount available</td>
<td><strong>3.43</strong></td>
<td><strong>3.21</strong></td>
<td><strong>0.044</strong></td>
<td>*</td>
</tr>
<tr>
<td>18. All-suits rooms</td>
<td>3.37</td>
<td>3.58</td>
<td>0.045</td>
<td>*</td>
</tr>
<tr>
<td>19. Early dining hours</td>
<td>3.33</td>
<td>3.62</td>
<td>0.010</td>
<td>*</td>
</tr>
<tr>
<td>20. Free handicapped environment</td>
<td><strong>3.13</strong></td>
<td><strong>2.82</strong></td>
<td><strong>0.007</strong></td>
<td>**</td>
</tr>
<tr>
<td>21. 24-hour room service</td>
<td><strong>3.10</strong></td>
<td><strong>2.83</strong></td>
<td><strong>0.015</strong></td>
<td>*</td>
</tr>
<tr>
<td>22. Medical facilities</td>
<td>3.09</td>
<td>3.42</td>
<td>0.002</td>
<td>**</td>
</tr>
<tr>
<td>23. Extra blankets</td>
<td>3.06</td>
<td>3.41</td>
<td>0.002</td>
<td>**</td>
</tr>
<tr>
<td>24. Larger than normal bath</td>
<td>3.04</td>
<td>3.43</td>
<td>0.000</td>
<td>***</td>
</tr>
<tr>
<td>25. Free breakfast</td>
<td>3.02</td>
<td>3.28</td>
<td>0.028</td>
<td>*</td>
</tr>
<tr>
<td>26. Luxury-size rooms</td>
<td>2.97</td>
<td>3.31</td>
<td>0.001</td>
<td>**</td>
</tr>
<tr>
<td>27. Health facilities</td>
<td>2.93</td>
<td>3.25</td>
<td>0.002</td>
<td>**</td>
</tr>
<tr>
<td>28. Entertainment in lounge, bar</td>
<td><strong>2.90</strong></td>
<td><strong>2.67</strong></td>
<td><strong>0.017</strong></td>
<td>*</td>
</tr>
<tr>
<td>29. Smaller portion of food</td>
<td>2.88</td>
<td>3.13</td>
<td>0.008</td>
<td>**</td>
</tr>
<tr>
<td>30. Valet parking and services</td>
<td>2.52</td>
<td>2.74</td>
<td>0.045</td>
<td>*</td>
</tr>
<tr>
<td>31. Sauna</td>
<td><strong>2.50</strong></td>
<td><strong>2.11</strong></td>
<td><strong>0.000</strong></td>
<td>***</td>
</tr>
<tr>
<td>32. In-house library</td>
<td><strong>2.31</strong></td>
<td><strong>1.99</strong></td>
<td><strong>0.003</strong></td>
<td>**</td>
</tr>
<tr>
<td>33. Free Parking</td>
<td>1.78</td>
<td>2.07</td>
<td>0.028</td>
<td>*</td>
</tr>
</tbody>
</table>

Note: Data in **bold** indicate attributes that are more important to younger travelers than mature travelers.

The scale used is 1= “Not very important” to 5= “Very important”

* = significance at 0.05 “Different”

** = significance at 0.01 “More different”

*** = significance at 0.001 “Most different”
Table 5
Factor-Analysis Summary

<table>
<thead>
<tr>
<th>Factors</th>
<th>EV</th>
<th>Variance</th>
<th>Cumulative</th>
<th>Components</th>
<th>Loadings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Room amenities</td>
<td>15.0</td>
<td>26.03</td>
<td>26.03</td>
<td><strong>Cable TV</strong></td>
<td>0.709</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Large-size bed</td>
<td>0.658</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Remote control for TV</td>
<td>0.637</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Luxury-size rooms</td>
<td>0.580</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Soundproof rooms</td>
<td>0.573</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Bathroom amenities: shampoo, soap…</td>
<td>0.569</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Non-smoking rooms</td>
<td>0.521</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>In room temperature control</td>
<td>0.496</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Room’s visual decoration</td>
<td>0.479</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>All-suits rooms</td>
<td>0.475</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Firmness of mattress</td>
<td>0.470</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Larger than normal bath</td>
<td>0.471</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Bedside controls</td>
<td>0.444</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Swimming pool</td>
<td>0.641</td>
</tr>
<tr>
<td>General Amenities</td>
<td>3.92</td>
<td>6.77</td>
<td>32.80</td>
<td>Sauna</td>
<td>0.672</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Secretarial services</td>
<td>0.582</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Quiet lounge, bar</td>
<td>0.569</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Elevators</td>
<td>0.560</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Free parking</td>
<td>0.547</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>In-house library</td>
<td>0.547</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Free complementary newspapers</td>
<td>0.541</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Concierge services</td>
<td>0.536</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Meeting rooms</td>
<td>0.536</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Kid playgrounds</td>
<td>0.515</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Entertainment in long, bar</td>
<td>0.514</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Car-rental and airline reservation</td>
<td>0.505</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Tie-in with airline frequent traveler program</td>
<td>0.481</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Special restaurants</td>
<td>0.479</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Recreation facilities</td>
<td>0.477</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>24-hour coffee shops</td>
<td>0.454</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Free internet connection in room</td>
<td>0.356</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Free breakfast</td>
<td>0.340</td>
</tr>
</tbody>
</table>
Table 5 (continued)

*Factor-Analysis Summary*

<table>
<thead>
<tr>
<th>Factors</th>
<th>EV</th>
<th>Variance</th>
<th>Cumulative</th>
<th>Components</th>
<th>Loadings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Services &amp; Convenience</td>
<td>2.74</td>
<td>4.73</td>
<td>37.54</td>
<td>24-hour room services</td>
<td>0.560</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Dietary menus</td>
<td>0.765</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Medical facilities</td>
<td>0.744</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Health facilities</td>
<td>0.657</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Free handicapped environment</td>
<td>0.642</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Early dining hours</td>
<td>0.582</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Extra blankets</td>
<td>0.571</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Legible, visible sign in public areas…</td>
<td>0.510</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Smaller portions of food</td>
<td>0.489</td>
</tr>
<tr>
<td>Specialty services</td>
<td>2.17</td>
<td>3.74</td>
<td>41.29</td>
<td>Laundry services</td>
<td>0.536</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Convenient location of hotel</td>
<td>0.505</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Valet parking and services</td>
<td>0.415</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Airport transportation</td>
<td>0.455</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Express checkout</td>
<td>0.446</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Easily maneuvered door handles</td>
<td>0.437</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Night light in bathroom</td>
<td>0.416</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Full service restaurants</td>
<td>0.404</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Cleanliness of accommodation and property</td>
<td>0.374</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Friendliness and politeness of staff</td>
<td>0.372</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Loud fire alarm</td>
<td>0.680</td>
</tr>
<tr>
<td>Price and Security</td>
<td>1.97</td>
<td>3.41</td>
<td>44.70</td>
<td>Special discount available</td>
<td>0.609</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>24-hour video security</td>
<td>0.522</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Security personnel on floor</td>
<td>0.496</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Well-lit hallways, public areas, restaurants,</td>
<td>0.491</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Good value for money spent</td>
<td>0.438</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Price of accommodation</td>
<td>0.412</td>
</tr>
</tbody>
</table>
CONCLUSIONS AND IMPLICATIONS

Conclusions

Success in hotel business mainly depends on understanding the key factors in determining customer satisfaction (Poon & Low 2005). Hence, the purpose of this research was to explore the important attributes of hotel products and services sought by international leisure travelers visiting Angkor Wat with two different age categories: younger travelers aged less than 55 years old and mature travelers aged 55 or older.

Both younger and older travelers similarly perceive almost a dozen of attributes such as cleanliness of accommodation and property, friendliness and politeness of staff, convenient location of hotel, firmness of mattress, soundproof room, express checkout, legible & visible sigh in public areas, restaurants, and security personnel on floors to be highly important. In comparison, older travelers require more luxury and comfortable hotel products and services and prefer some certain amenities related to security & safety, services & convenience, and specialty services over those preferred by younger travelers; those attributes include non-smoking room, well-lit public areas and hallways, in-room temperature control, airport transportation, loud fire alarm, large-size bed, elevators, full-service restaurants, Cable TV, remote control for TV, laundry services, night light in bathroom, room’s visual decoration, bathroom amenities, all-suit room, early dining hours, medical facilities, larger than normal bath, luxury-size room, health facilities and smaller portion of food.

On the other hand, younger travelers are more price-sensitive than mature travelers are and prefer more attributes in two factors: price and security and general amenities over mature travelers. Younger travelers perceive price of accommodation, special discount available, good value for money spent, 24-hour room service, free Internet connection in room, quiet lounge and bar, recreation facilities, car-rental and airline reservation more important than mature travelers do.

Some of the respondents also repeated some special attributes in our open-ended question. Those attributes are tea/coffee facilities in room, pillow quality, professional map, and connection with professional tourist guides for Angkor. Since many travelers, especially younger travelers come to visit Angkor on their own, they may need professional map and/or professional tourist guides on their arrival. Hence, hotel managers should take these attributes into consideration as they are the result of the open-ended question, which means that the respondents volunteered the information without being prompted; the homogeneous response certainly should have great meaning for marketing and operational decisions.

Implications

From the findings of this research, we can see that the differences exit among the attributes sought by young travelers and those sought by mature travelers. The analysis of the demographic characteristics of both groups of travelers shows that mature travelers are a group of people who is an excellent target for lodging industry; they have more saving, more free and
leisure time, and more desire to travel. Therefore, they require more specific and luxury hotel attributes than do the young travelers. Mature travelers are also frequent users of in-house restaurants, and can be extremely loyal, generating both repeat business and word-of-mouth referrals (Abbey 1999).

In comparison, younger travelers travel less for pleasure than mature travelers do (despite an indication by younger group that they enjoy traveling). The reason they travel less may be due to their family obligation or work obligation (Ananth et al. 1992). Also, younger travelers tend to pay less money for hotel accommodation than the mature travelers do. However, to improve financial performance, hotel companies often target multiple customer segments by expanding their hotels’ product features and services (Enz et al. 1999). Likewise, commercial lodging managers representing both chain and/or independent properties should recognize the important attributes older travelers and younger travelers place. With this knowledge in mind, hoteliers should make every single effort to provide products and services deemed important by their segments. Fortunately, most hotels have already offered the highly valued products and services required by a variety of segments. And it is also important to note that most attributes valued highly important by mature travelers are somewhat important to younger travelers as well. Consequently, offering a few more products and services for mature travelers and young travelers can also attract other travelers such as business travelers and business travelers on extended business or leisure trips.

Since most mature travelers come to Cambodia by package tour, attributes related to price such as price of accommodation and/or special discount available are not in high importance to them as they have already paid for package tour which covers hotel rooms, meals in restaurants, tourist guides and the some other necessary products and services during the whole trip. However, the majority of younger travelers and some mature travelers come to Cambodia on their own; therefore, they are more price-sensitive. Hence, hoteliers should consider some attributes with regard to price such as price of accommodation, special discount available, good value for money spent, and 24-hour room service highly important for those groups of travelers. Then, if hotels launch some pricing strategies such as promotional pricing, giving consumers discounts during low season or giving consumer discounts if the guests come after 10 p.m. or 12 p.m.; penetration pricing, setting price lower compared to the competitors; psychological pricing, the retail prices are often expressed as “odd price” and a little less than a round number, for example US$49.99; value pricing, charging a fairly low price for a high-quality offering; and/or going-rate pricing (Kotler 2000), hotels may be able to attract more young customers as well as mature travelers who travel on their own. Especially, hotels may attract more guests during the low season.

Security and safety is a major factor for both categories of travelers as Cambodia has just emerged from the decades of civil war. Hence, hoteliers, especially domestic hotels, should take every effort to make sure that their guests feel extremely safe and secure by offering security personnel on floor, 24-hour hotel guard, loud fire alarm, 24-hour video security, well-lit hallways, public areas, and restaurants and garage. Similarly, room amenities is also valued highly important by both groups; hoteliers should also offer specific room amenities (firmness of mattress, pillow quality, Cable TV, remote control for TV, soundproof room, non-smoking rooms, bath room amenities, in-room temperature control, large-size bed, and room visual
decoration necessary for their guests to make sure that guests have a comfortable night sleep and satisfied stay with hotels.

Most importantly, having a strong connection with tour companies both local and overseas is a very good strategy to attract hotel guests. Because most travelers come to Cambodia by package tour, they don’t need to choose hotels by themselves. By the way, the package tours arrange the hotels for them. Therefore, hotel managers should make a good deal with both local and oversea package tours and inform them that the hotels offer any kind of hotel products and services which their guests want. More importantly, since most travelers value cleanliness of accommodation and property, friendliness of staff, convenient location of hotels, firmness of mattress, soundproof room, non-smoking room, well-lit public areas and hallways, express checkout and good value for money spent, hotels need to ensure that the qualities of these hotel attributes are maintained at an acceptable level by constantly reviewing customers’ feedback; the hotel management and the entire hotel staff should have a total commitment to keeping every element of the property spotless and make the guests feel special at any time after they arrive at the hotels.

LIMITATIONS AND FUTURE RESEARCH

There are three major limitations associated with this study that need to be highlighted. The first limitation is the instrument of the study. Although the questionnaire of this study was designed in English and translated into other six languages, the questionnaire was not translated into the native language of each respondent. Therefore, problems may have occurred when those respondents, whose questionnaire was not translated into their mother-tongue, filled in the English questionnaires. The second limitation is the cultural differences of respondents. The respondents come from 27 different countries of 4 regions: ASEAN, Asia and Oceania, Europe and the Americas; consequently, people from different nations and cultures may have different requirements for hotel products and services. Furthermore, different raking of hotels normally provides different service quality to the travelers. Those staying in 4-star or 5-star hotels will, of course, obtain and require much better service quality than two- or three-star hotels.

Therefore, additional research needs to be done to continue to extend and generalize these findings. The future research is needed to determine to what extent older consumers are really different from travelers of other market segments. It is also important to study the importance of hotel products and services perceived by travelers from different nations and cultures such as Asian travelers and Western travelers. It is also important to study to what extent leisure travelers are satisfied with Siem Reap Angkor Hotels. Finally, mature-traveler research and younger-traveler research using a larger sample or equal size between younger and mature travelers are needed.

REFERENCES


Tourist statistical report: 2006, Phnom Penh: Ministry of Tourism


AN APPLICATION OF THE SERVICE RECOVERY CONCEPT
TO THE BANKING INDUSTRY

Regan German, Pittsburg State University
Donald Baack, Pittsburg State University

ABSTRACT

This paper is an exploratory study that examines the application of the service failure and recovery concepts. These concepts were taken from a marketing perspective and applied in the management setting. Data was collected from a banking institution where employees indicated the four concepts of service recovery which are promptness, courtesy, effort and their professionalism, accounted for satisfaction between the employees and customers of the institution. Implications for management theory and practice are then drawn.

INTRODUCTION

There is a variety of situations in which the study of one academic discipline can be helpful in understanding another. This is especially true with the disciplines of management and marketing. Many academic management and marketing departments share the same departmental name, chairperson, and facilities, even though the literature between the two departments does not always overlap. This can be helpful in relating two disciplines regarding the subject matter or theoretical development, where there is an overlap between fields. Management and marketing fields share the same concerns regarding the area of interpersonal relationships between employees and customers. Both academic disciplines believe communication among these persons is crucial for business success.

This exploratory study attempts to apply the marketing concept of service recovery (Hart, Heskett, and Sasser, 1990) to the field of management and the banking industry. The goal is to provide insight as to how conflicts may be contained and resolved in a positive, short-term manner, eliminating the possible long-term effects of service failure damaging an institution. Conflicts arise in both disciplines: marketing and management. These conflicts can form between employees, supervision, or even customers. This study focuses on conflict between employees of a banking institution and individual customers.

Service recovery is a company’s response to a service failure. It is a business procedure that must be designed and implemented properly within an organization to achieve success. An example of a service failure includes a situation when a customer has experienced a bad encounter with a firm and complains. The firm’s employees should make every effort to rectify the situation, which is known as service recovery. Effective service recovery has the potential to build positive feelings toward the firm following a negative encounter (McCullough and Bhardwaj 1992). For this reason, it is very important to make sure everyone in the institution is aware of the correct procedures that must be carried out in a service failure situation.
This study explains service failure and service recovery in greater detail, outlines the tactics used, and reports the results of their application in a banking setting. Implications for the field of management and theory are then drawn.

BACKGROUND

Services to be Delivered

This study focuses on a specific bank in a small town in the Midwest. The banking institution studied focuses on 10 service standards when conducting daily operations. Banks provide many services. Each of these services should be delivered with a great deal of care. In this bank, standards were developed regarding proper delivery of services. The standards are as follows:

1. Use the customer’s name during a transaction.
2. Welcome customers with a smile and a sincere greeting.
3. Give customers your full attention.
4. Whoever hears the complaint, owns the complaint.
5. Return all emails and voicemail the same day.
6. Present a professional, polished appearance.
7. Have a basic understanding of every product and service.
9. Handle every transaction with confidentiality, efficiency and accuracy.
10. Be an ambassador for the bank.

These standards are posted at every desk or telling station in the bank. Employees are mandated to always follow these ten standards when providing services to or for customers. “Above and Beyond” is the slogan at the institution regarding customer satisfaction. However, in an instance where there has been a service failure, employees are also mandated to follow procedure.

Service Failure

In the field of marketing, a service failure occurs when a customer’s expectations of perceived service are not met. Bad hair cuts, rush orders that arrive late, and poorly cooked meals at restaurants are prominent examples of service failures. When these events occur, a variety of negative consequences are often the result. Research suggests that an unhappy customer will tell approximately eleven people about a negative experience, while only telling six about a positive one (Hart et al 1990). Also, customer dissatisfaction is related to brand switching, or the finding of a new company to do business with (Clow and Erdem 1998; Warren and Gilbert 1993).

The primary issue regarding service recovery is how the customer perceives the company’s response to the service failure. For example, when someone has experienced a bad product or service and complains, the firm has a chance to correct the situation in a way that will lessen the impact of the negative experience. The way in which the business reacts to the
situation can improve a customer’s drastically bad experience.

Discourtesy, laziness, lack of effort, and unprofessional behaviors were the leading reasons for employee-customer conflicts. Any customer who has been treated with disrespect may hold a grudge towards the institution. Unmotivated employees are subject to annoying the customer who believes their needs are not being treated as important as they believe should be. Reductions in these sources of conflict seems likely to reduce the organizations overall conflicts.

A customer will consider four factors when dealing with a service failure experience within an institution. These factors include: (1) who is responsible for their dissatisfaction, (2) the magnitude of the dissatisfaction, (3) whether or not the dissatisfaction could have been prevented, and most importantly, (4) what is being done to fix the situation (Folkes, Keletsky, and Graham 1987). The fourth element mentioned above, what is being done to fix the situation, is known as service recovery.

Service Recovery

Modern marketers know that customers who have been dissatisfied with a company can be recovered. There are four common tactics that are used in service a recovery situation. These tactics include promptness, courtesy, effort and a professionalism of the employee (Hoffman, Kelley, and Rotalsky 1995). The effectiveness of these four concepts is what leads to either customer retention or loss.

Promptness refers to the customer receiving a quick response even when the reply is unsatisfactory. There is influential evidence which suggests that a negative response will not have as much power or dissatisfactory impact if it is delivered quickly (Johnston and Hewa, 1997). Courtesy includes politely listening to the complaint and then rendering a respectful or polite response. Effort describes the perception of whether or not the employee is, or was, trying hard to find a way to fix the problem even when he or she fails. Professionalism is the perception of whether or not the employee knows what he or she is doing. The presence of the employee’s detachment associated with not taking a complaint personally while seeking to find an acceptable outcome is also taken strongly into consideration (Hoffman et al 1995).

It is important to note the objectives of service at the studied banking institution. The objective of the service recovery plan is to respond to the incident promptly. Responding promptly allows for a greater sense of professionalism of the employee. If the employee is unaware of the answer notifying key personnel is the next crucial step. By notifying the supervisor of the situation the employee has opened up the situation to a higher authority so the incident is not only between the customer and the employee.

EXPLORATORY STUDY

The present research is based on a marketing approach dedicated to the issue of service recovery from a manager’s expectation of employees and those actions actually executed from employees. Information was collected from a small group of employees and the president at a banking institution in a small Midwestern town. Employees were interviewed in discussing the
procedures they believed should occur in a service failure situation and compared to the steps the employees actually take during an active recovery situation. Standard service recovery procedures were the concepts examined in these interviews. Two concepts were investigated:

1: Manager’s views of service recovery procedures and employees’ views will be positively related.
2: Manager’s views of service recovery procedures and employees’ views will be negatively related.

Measures

Satisfaction among the manager and employees regarding service recovery procedures was measured based on the corresponding answers in the interviews. The interviews were given to Jeff Johnson, President, Angela Catron, Teller Manager, Heather Curry, Loan Officer, and Rhonda Hill, Lead Teller. These interviewees were asked to respond to what they believed to be the bank’s standard procedures of service recovery and then were compared to the recovery process in real time.

Analysis

These concepts were analyzed using the answers received during the interviews conducted in late June 2007. Each interviewee was asked what he or she would do in a service failure situation, such as having a customer angry over a check not being cashed, being turned down for a loan, or a misunderstanding between employee and customer. The interviews consisted of what they believed the standard procedures should be in a service recovery situation, and what the employee actually does when the situation arises.

The manager was then interviewed regarding what he believed were the standard procedures the employees should take when performing a service recovery procedure. The three interviews of the employees were compared to the manager’s for similarities or differences regarding the service recovery process.

Results

The first concept received tremendous support with a positive relationship between the manager’s and employees’ perceptions of service recovery procedures. When asked the proper procedures regarding service recovery, both the manager and employees provided the same answers. The procedures discussed were nearly identical when handling these situations. Professionalism and promptness were both mentioned numerous times.

The second concept received little support. However, the employees’ actions during the service recovery process varied a bit from the standard procedures. The minimal actions, such as documenting the complaint while the situation was occurring versus documenting it after the situation took place, varied slightly in real time. The promptness, effort, professionalism and courteousness of the situation were perceived as exceptional.
DISCUSSION

The basic finding of this research is support for the concept that service recovery can be a positive factor when a manager and his or her employees agree regarding their perceptions of service recovery. Previous research indicates that by simply responding promptly to a customer during a service failure influences the situation the most powerfully. Both the manger and employees regarded a satisfactory recovery from a system failure would help lead to customer retention.

IMPLICATIONS FOR MANAGEMENT PRACTICE

The most general implication which can be drawn from this study is that company managers and employees must know and recall the same procedures regarding service recovery. The service recovery techniques of promptness, courtesy, effort and professionalism should be used whenever an internal employee has a negative encounter with a customer of which must be resolved.

The most direct application of service recovery techniques is in the area of conflict resolution. It should be noted that in marketing literature, Johnson and Hewa (Johnston and Hewa 1997) describe what are called retaliatory behaviors connected with service failures. These include nursing a grudge, complaining to others, and trying to turn them against the firm, withholding opportunities for business and other vengeful activities. In the banking service areas, which are connected to this particular study, retaliatory behaviors might include writing letters to the city newspaper degrading the banking institution, filing complaints at the bank where the conflict arose, or even filing a lawsuit or legal action.

It is important to note that the application of service recovery techniques cannot be considered the only procedure needed to manage a business efficiently. Service recovery procedures are reserved for incidents, conflicts, and problems in the service area.

Luthans (Luthans, Rosengrantz, and Hennessey 1985) and his colleagues draw the distinction between effective managers who facilitate subordinate and organizational success, and successful managers who achieve promotions and rise through the ranks of the organization. It seems plausible that given such a distinction, an effective manager is one who would be the most likely to engage in service recovery efforts.

At the least, the application of the service recovery technique program to management issues is a reminder of the value of looking outside the field for new and influential ideas. The goal is to help practicing managers create a consistent culture in which employees are most likely to feel comfortable, appreciated and driven to succeed for themselves and the employer organization.

REFERENCES


THE RELATIONSHIPS AMONG BRAND PERSONALITY, BRAND PREFERENCES, AND CUSTOMER PERCEIVED VALUE: AN EMPIRICAL STUDY IN TAIWAN FOR THE LUXURY GOODS INDUSTRY

Kevin Kuan-Shun Chiu, Lunghwa University of Science and Technology
Kuanpin Philip Chiu, Chung Hua University
Maxwell K. Hsu, University of Wisconsin-Whitewater
Tingo Ya-Ting Chang, Lunghwa University of Science and Technology

ABSTRACT

Companies in luxury goods industry are truly global in scope because they manufacture products in different countries and sell these goods to various continents. They also exist in a highly competitive environment where manufacturers are strictly dependent on marketing and promotion in order to sell merchandise to an identified cluster of individuals. Moreover, they usually spot the same market segment and cannibalize market share with one another. Therefore, market segmentation plays a significant role for firms to reach customers, as well as potential buyers, more efficiently.

Consumers in luxury goods industry purchase not only high-quality products but also prestige and social status. Additionally, they rely more on established brand names and the images these brand names express when procuring products. A brand is one of the most important assets that a corporation owns. It is also a short cut which transmits promise, acceptance, trust, and hope to customers. However, research on the symbolic use of brands in the luxury goods industry in Taiwan has remained limited due to a lack of empirical study. Therefore, the purposes of this study are as follows: (1) to investigate the relationship between brand personality and brand preference in the luxury goods industry, (2) to explore customers’ perceived value of luxury goods with respect to different brands, and (3) to understand the market segments of the luxury goods industry in Taiwan.

Due to limited sample size, demographic characteristics were not able to be used as market segmentation tools. However, the relationship between brand personality and brand preference was moderately supported. Brand preferences were also partially associated with variation in customers’ perceived value.

INTRODUCTION

The luxury goods industry was defined as “a collective term for companies selling besides high-quality products- principally status, emotional benefits, prestige, and exclusivity as well as the dream of separation from the ordinary may be customary since the mid 1980’s” (Konigs and Schiereck, 2006, p. 3). Since then, this theoretical phrase might have outlined the conception and perception of this industry by customers.
The luxury goods industry has dramatically extended business activities into various perspectives. All luxury brands have significantly expanded commercial operations into “premier branded fragrances, cosmetics, jewelry, watches, leather goods, and fashion wear with estimated sales of over US$130 billion per year” (Internet references 1). Moreover, the overall revenue was expected to achieve a record of almost US$ 200 billion by the end of 2006 (Passariello, 2006). On the other hand, the leather goods sector had greater profit margin than that in the ready-to-wear division: profitability of leather goods brands (close to 30%) is effectively nearly 3 times the amount of that in the apparel segment (10%) (Berg, 2004). Therefore, the leather goods sector turned to be the concentration of this study.

Companies in luxury goods industry are truly global in scope because they manufacture products in different countries and sell these goods to various continents. They also exist in a highly competitive environment where manufacturers are strictly dependent on marketing and promotion in order to sell merchandise to an identified cluster of individuals. Moreover, they usually spot the same market segment and cannibalize market share with one another. Therefore, market segmentation plays a significant role for firms to reach customers, as well as potential buyers, more efficiently.

Consumers in luxury goods industry purchase not only high-quality products but also prestige and social status. Additionally, they rely more on established brand names and the images these brand names express when procuring products. A brand is one of the most important assets that a corporation owns. It is also a short cut which transmit promise, acceptance, trust, and hope to customers. However, research on the symbolic use of brands in the luxury goods industry in Taiwan has remained limited due to a lack of empirical study.

Researchers proposed that brand personality boosts consumer preference and usage (Sirgy, 1982), induces emotions in consumers (Biel, 1993), and has a positive relationship with levels of trust and loyalty (Fournier, 1994). These propositions can be empirical tested by using the Brand Personality Scale (Aaker, 1997). Supposedly, this knowledge would contribute to an investigation of the symbolic use of brands. Moreover, antecedents and consequences of brand personality have been given much awareness but slight practical examination. However, an understanding of how brand personality influences consumers’ preferences has remained intangible. Practically, this study would offer examination on the variables that influence brand personality and those that were manipulated by brand personality.

Consequently, the postulated model of this study is provided as Figure 1.

![Figure 1. The Postulated Model of this Study.](image-url)
Accordingly, the purposes of this study are as follows: (1) to investigate the relationship between brand personality and brand preference in the luxury goods industry, (2) to explore customers’ perceived value of luxury goods with respect to different brands, and (3) to understand the market segments of the luxury goods industry in Taiwan.

LITERATURE REVIEW

This chapter reviews studies related to the following constructs in this study: (1) Brand Preference, (2) Brand Personality, and (3) Customer Perceived Value.

Brand Preference

“Customers buying products are buying utility, function, and performance as much as image and status” (Terpstra and Sarathy, 1997, p. 375). Actually, Customer merchandise has implications more than their utilitarian, functional, and commercial significance (Czikszentmihalyi and Rochberg-Halton, 1981; Ericksen, 1996; Leigh and Gabel, 1992; Levy, 1959; Mick, 1986). Consumers do not “consume products for their material utilities but consume the symbolic meaning of those products as portrayed in their images” (Elliot, 1997, p. 286).

Therefore, the acquired goods are not only “bundles of attributes that yield particular benefits” (Holt, 1995, p. 1) but also indications of symbolic meanings to the public. Consumers are more likely to use brands to express how they are either similar to or different from people of their in-group (Markus and Kitayama, 1991).

Bhat and Reddy (1998) also reported that brands have practical and emblematic importance for consumers. The emblematic importance, which is attached to brands, is often broadcasted via the use and consumption of brands (Gottdeiner, 1985; McCracken, 1986). Consequently, there seems to be a noteworthy relationship between brand images, consistent with the emblematic importance of brands, and consumers’ self images (Zinkham and Hong, 1991). Individuals are more likely to buy brands whose personalities intimately match their own self images (Schiffman and Kanuk, 2000). Similarly, consumers express themselves by selecting brands whose personalities are recognized to be consistent with their own personalities (Aaker, 1999; Kassarjian, 1971; Sirgy, 1982).

In many circumstances, consumers’ self image influences his/her purchase decisions (Zinkham and Hong, 1991) In other words, consumers use products to illustrate, maintain, and reinforce their self concepts to themselves (Sirgy, 1982; Wallendorf and Arnould, 1988; Zinkham and Hong, 1991). Therefore, “purchase and consumption are good vehicles for self-expression” (Jamal and Goode, 2001, p. 483).

Previous research indicated that self image/self expression affect consumers’ product preferences and their purchase intentions (Ericksen, 1996; Mehta, 1999). For example, Ericksen (1996) found a significant relationship between self image and intention to buy an American automobile (Ford Escort). Based on this finding, it might be inferred that “individuals prefer brands that have images compatible with their perceptions of self” (Jamal and Goode, 2001, p. 483; Belk, et. al., 1982; Ericksen, 1996; Solomon, 1983; Zinkham and Hong, 1991). Moreover,
this self image consistency strengthen positive attitude toward products and brands (Ericksen, 1996; Sirgy, 1982, 1985, 1991; Sirgy, et. al., 1997). Specifically, “the more similar a consumer’s self-image is to the brand’s image, the more favorable their evaluations of that brand should be” (Graeff, 1996, p. 5).

**Brand Personality**

Contrary to product-related attributes, which refer to be performance-oriented for customers, brand personality seems to be representative/self-expressive oriented (Keller, 1993). Brand personality refers to “the set of human characteristics associated with a brand” (Aaker, 1997, p. 347). Moreover, researchers found that brand personality facilitates a consumer to articulate his/her self (Belk, 1988), an ideal self (Malhotra, 1988), or exact aspects of the self (Kleine, Kleine, and Kerman, 1993) via the use of a brand. Additionally, this concept was the essential determinant of consumer preference and usage (Biel, 1993).

Brand personality can be shaped and influenced by any direct/indirect contact that the consumer has with the brand (Plummer, 1985). The direct influences included the brand’s user imagery, which is defined as “the set of human characteristics associated with the typical user of a brand” (Aaker, 1997, p. 348); the firm’s workers and/or boss; and the brand’s endorsers. On the other hand, the indirect influences contained product-related features, product category relationships, brand name, mark or emblem, and other marketing mix elements (Batra, Lehmann, and Singh, 1993).

Moreover, according to Levy (1959, p. 12), brand personality consisted of demographic characteristics such as gender (“Usually it is hard to evade thinking of inanimate things as male or female”), age (“Just as most, people usually recognize whether something is addressed to them as a man or a woman, so are they sensitive to symbols of age”), and class (“The possession of mink is hardly a matter of winter warmth alone”). Some examples are provided as follows. First, in the tobacco industry, “Virginia Slims tends to be thought of feminine, whereas Marlboro tends to be perceived as masculine” (Aaker, 1997, p. 348). Second, in the pc business, “Apple is considered to be young, and IBM is considered to be older” (Aaker, 1997, p. 348). Third, based on the various pricing policies in relation to different department stores, “Saks Fifth Avenue is perceived as upper class, whereas K-mart is perceived as blue collar” (Aaker, 1997, p. 348).

**Customer Perceived Value**

Value has been recognized as “the fundamental basis for all marketing activity” (Halbrook, 1994, p. 22). Value has also been stated as “a cognitive-based construct which captures any benefit-sacrifice discrepancy in much the same way disconfirmation does for variations between expectations and perceived performance” (Patterson and Spreng, 1997, p. 421). Therefore, it is the outcome of a cognitive assessment procedure. Moreover, it is an affective evaluative reaction (Oliver, 1996).

Customer perceived value in commerce marketplace was defined as “the trade-off between the multiple benefits and sacrifices of a supplier’s offering, as perceived by key decision-makers in the customer’s organization, and taking into consideration the available
alternative suppliers’ offerings in a specific use situation” (Eggert and Ulaga, 2002, p. 110). That is, there existed three elements in this definition: “(1) the multiple components of value, (2) the subjectivity of value perceptions and (3) the importance of competition” (Eggert and Ulaga, 2002, p. 109).

First of all, the multiple benefits refer to a mixture of product/service attributes and/or technological support available related to a specific use condition (Monroe, 1990). The multiple sacrifices were occasionally illustrated in monetary forms (Anderson, et al., 1993). Secondly, customers’ perceived value is subjective, not objective (Kortge and Okonkwo, 1993). In other words, different customers might have a variety of perceived values for consuming the same product/service. Thirdly, customers’ perceived value is associated with competition on the market. Competitors generate sustainable competitive advantage by means of bringing a better trade-off between utilities and sacrifice in a merchandise/service.

Alternatively, customer perceived value was consisted of a “take” factor- the benefits a purchaser obtained from the vendor’s contribution- and a “give” factor- the buyer’s costs (financial and/or non-monetary) of receiving the offering (Dodds, 1991; Zeithmal, 1988). Even much of the precedent studies have emphasized product quality as the primary “take” factor and price as the “give” factor (Grewal et al., 1998; Lichtenstein, Netemeyer, and Burton, 1990; Zeithmal, 1988). But, “service is also a logical driver of perceived value” (Parasuraman and Grewal, 2000, p. 169). For the reason that outstanding before/after sale services provided by the seller really increase the benefits obtained (the take factor) and also “decrease the buyer’s non-monetary costs, such as time, effort, and mental stress” (the give factor) (Parasuraman and Grewal, 2000, p. 169). Consequently, customer perceived value was composed of “service quality, product quality, and price” (Parasuraman and Grewal, 2000, p. 169).

**Service Quality**

Perceived service quality was defined as the discrepancy between “expected quality and experienced quality” (Gronroos, 2000, p. 67). Expected quality refers to the expectations of the customer; experienced quality is “the outcome of a series of internal decisions and activities” (Gronroos, 2000, p. 101). In other words, customers’ subjectivity has a significant influence on perceived service.

Based on a concrete background of empirical and conceptual research, Gronroos (2000, p. 81) provided a list of The Seven Criteria of Good Perceived Service Quality: “professionalism and skills” (i.e., service providers have required knowledge to offer skills in order to solve customers’ problems in a professional way), “attitudes and behavior” (i.e., service providers are considerate of/friendly to customers), “accessibility and flexibility” (i.e., service providers are easy and adaptive for customers to reach), “reliability and trustworthiness” (i.e., service providers are dependable and honorable), “service recovery” (i.e., service providers are willing to correct mistakes as soon as they can), “serviscape” (i.e., customers feel comfortable in the environment related to the service process), “reputation and credibility” (i.e., service providers can be trusted by customers).

**Product Quality**
Generally speaking, people buy products to satisfy needs and wants. That is, consumers would like to obtain a mixture of utilities when they procure items for consumption, and different customers seem to acquire a variety of benefits from the same kind of goods. In order to supply the benefits for consumers, marketers need to successfully incorporate the components that constitute a product. These components include “product features (quality, design, branding, and packaging) and customer service (purchase services and usage services)” (Bearden, Ingram, and LaForge, 2001, p. 185). Product quality refers to “how well a product does what it is supposed to do as defined by the customer” (Bearden, Ingram, and LaForge, 2001, p. 186).

**Price**

The price of a product/service can be analyzed associated with customers’ quality expectations and/or their past experiences. If the price is judged too expensive, consumers might not purchase. A low price policy causes poor positioning and neglected opportunities. However, price appears to be a standard for quality in some circumstances. “A higher price level equals a better quality in the minds of customers, especially when the service is highly intangible” (Gronroos, 2000, p. 80).

**METHODOLOGY**

In order to collect primary data for this study, “mall intercept” (Churchill, 1995, p. 378) was utilized during Mar. 2007 in some prestigious department stores in Taipei, Taiwan. With “self-administered questionnaires and returned envelopes” offered (Churchill, 1995, p. 377), one thousand individuals were randomly selected and they voluntarily participated in this study.

**Measurement and Scale**

**Brand Personality**

A Brand Personality Scale is generalizable across product categories (Aaker, 1997). This scale “enables researchers to understand the symbolic use of brands in general vs. the symbolic use of brands within a particular category” (Aaker, 1997, p. 348). Moreover, it also provides “theoretical insights into when and why consumers buy brands for self-expressive purposes” (Aaker, 1997, p. 348). Using a 7-point Likert scale, respondents were asked “to think of each brand as if it were a person” (Aaker, 1997, p. 350) but evaluate the degree to which the set of human characteristics describes the specific brand.

**Brand Preferences**

Respondents were asked to mark their brand preferences in this following manner: “agnes b., ANNA SUI, ANYA HINDMARCH, AIGNER, ARMANI, BALLY, BCBGMAXAZRIA, Balenciaga, Blumarine, BOSS, BOTTEGA VENETA, BURBERRY, BVLGARI, Calvin Klein, Cartier, CELINE, CHANEL, Chloe, COACH, Dior, DKNY, DOLCE&GABBANA, Dunhill, D&G, ESCADA, ETRO, FENDI, FURLA, GIVENCHY, GIANFRANCO FERRE, GUCCI, HERMES, HUNTING WORLD, ISSEY MIYAKE, Jean Paul GAULTIER, Kenneth Cole,
KENZO, LOEWE, LOUIS VUITTON, MARC JACOBS, Max Mara, miu miu, MONTBLANC, MOSCHINO, NINA RICCI, Paul Smith, Paul & Joe, PLEATS PLEASE, PRADA, Pringle, Salvatore Ferragamo, SONIA RYKIEL, TOD’S, TRUSSARDI, vanessabruno, VALENTINO, VERSACE, VERSUS, Vivienne Westwood, Yohji YarnamotY (Y-3), YSL, and others” (Internet references 2).

Customer Perceived Value

As illustrated by Parasuraman and Grewal (2000, p. 169), customer perceived value was composed of “service quality, product quality, and price.” Therefore, this construct was measured by Perceived Quality Indicators (Dodds, Monroe, and Grewal, 1991), Perceived Value Indicators (Dodds, Monroe, and Grewal, 1991), and A Multi-Dimensional Scale for Measuring the Perceived Value of a Service (Petrick, 2002). Respondents were asked to use 7-point Likert scales (1= strongly disagree to 7= strongly agree) to rate every variable in those measurements.

Research Hypotheses

Based on the literature discussed above, the hypotheses of this study are as follows:
1. There existed a significant relationship between brand preferences and respondents’ demographic characteristics.
2. There existed a significant relationship between brand personality and respondents’ brand preferences.
3. Brand preferences were significantly associated with variation in customers’ perceived value.

Statistical Analysis Methods

Statistical analysis (i.e., Chi-square & ANOVA) methods were implemented respectively.

RESULTS

The random sampling method used in this study rendered a total of 202 returned questionnaires. Of the 202 responses received, 186 were identified as usable. Therefore, the total response rate for this study was 18.6 percent.

For testing Hypothesis 1- “There existed a significant relationship between demographic characteristics and respondents’ brand preferences,” Chi-square was used to determine whether there existed significant discrepancy in different groups (i.e., gender, age, income level, etc.). However, this hypothesis was not supported. The limited sample size can’t meet the requirement (expected count in each cell is at least 5) for using this statistical analysis method (Anderson, Sweeney, and Williams, 1999).

For testing Hypothesis 2- “There existed a significant relationship between brand personality and respondents’ brand preferences,” ANOVA was used to determine whether there existed significant discrepancy in the group means. Results showed that significant differences were identified between brand preference and brand personality. Those differences were
presented among down to earth (p < 0.075), real (p < 0.053), trendy (p < 0.033), cool (p < 0.034), up-to-date (p < 0.05), secure (p < 0.094), intelligent (p < 0.036), successful (p < 0.064), leader (p < 0.062), confident (p < 0.011), upper class (p < 0.009), feminine (p < 0.073), masculine (p < 0.015), tough (p < 0.005), and rugged (p < 0.002). Therefore, Hypothesis 2 was partially supported.

For testing Hypothesis 3- “Customers’ perceived value was significantly associated with variation in brand preferences,” ANOVA was used to determine whether there existed significant disparity in the group means. Results indicated that significant differences were identified between Brand Preference and Customer Perceived Value. Those differences were presented in Perceived Product Quality dimension (the workmanship of product, p < 0.009; quality of product, p < 0.008; and dependability of product, p < 0.059), Product Perceived Value domain (the product is considered to be a good buy, p < 0.100), and Service Quality Perceived Value facet (outstanding service quality, p < 0.065 and emotional response of gives me happiness, p < 0.100). Therefore, Hypothesis 3 was partially supported.

DISCUSSION, IMPLICATIONS, AND CONCLUSIONS

Discussion of the Research Findings

Hypothesis 1 states that there existed a significant relationship between brand preferences and respondents’ demographic characteristics. This hypothesis was not supported due to limited sample size.

Hypothesis 2 announces that there existed a significant relationship between brand personality and respondents’ brand preferences. This hypothesis was moderately supported. Those differences were identified among a variety of brands in down to earth (p< 0.075), real (p< 0.053), trendy (p< 0.033), cool (p< 0.034), up-to-date (p< 0.05), secure (p< 0.094), intelligent (p< 0.036), successful (p< 0.064), leader (p< 0.062), confident (p< 0.011), upper class (p< 0.009), feminine (p< 0.073), masculine (p< 0.015), tough (p< 0.005), and rugged (p< 0.002).

Regarding brand personality domain, these brands (CELINE, DOLCE & GABBANA, Dunhill, HERMES, Max Mara, & Yohji Yamamoto) were highly evaluated (mean ≥ 6) for down to earth. Moreover, these brands (Blumarine, CELINE, DOLCE & GABBANA, HERMES, KENZO, & Yohji Yamamoto) were exceedingly assessed (mean ≥ 6) for real. Additionally, these brands (ANNA SUI, Blumarine, Cartier, CELINE, DOLCE & GABBANA, HERMES, MARC JACOBS, Salvatore Ferragamo, & Yohji Yamamoto) were greatly appraised (mean ≥ 6) for trendy. As well, these brands (DOLCE & GABBANA, HERMES, Salvatore Ferragamo, & Yohji Yamamoto) were vastly estimated (mean ≥ 6) for cool. Further, these brands (ANNA SUI, Blumarine, Cartier, CELINE, DOLCE & GABBANA, HERMES, MARC JACOBS, Vivienne Westwood, & Yohji Yamamoto ) were radically judged (mean ≥ 6) for up-to-date. In addition, these brands (Blumarine, DOLCE & GABBANA, HERMES, Salvatore Ferragamo, & Yohji Yamamoto) were considerably reviewed (mean ≥ 6) for secure. Also, these brands (Blumarine, HERMES, Salvatore Ferragamo, & TOD’s) were noticeably considered (mean ≥ 6) for intelligent. Besides, these brands (Blumarine, BOSS, Cartier, DOLCE & GABBANA, HERMES, Salvatore Ferragamo, TOD’s, & Yohji Yamamoto) were obviously measured (mean
for successful. Above and beyond, these brands (Cartier, CELINE, DOLCE & GABBANA, HERMES, MONTBLANC, Salvatore Ferragamo, & Yohji Yamamoto) were visibly estimated (mean $\geq 6$) for leader. More to the point, these brands (Blumarine, BOSS, Cartier, CELINE, DOLCE & GABBANA, HERMES, MARC JACOBS, Salvatore Ferragamo, TOD’s & Yohji Yamamoto) were evidently valued (mean $\geq 6$) for confident. Likewise, these brands (ANNA SUI, Blumarine, Cartier, CELINE, DOLCE & GABBANA, LOEWE, Salvatore Ferragamo, TOD’s & Yohji Yamamoto) were evidently valued (mean $\geq 6$) for upper class. Similarly, these brands (Blumarine, Cartier, CELINE, LOEWE, Salvatore Ferragamo, & Yohji Yamamoto) were markedly appreciated (mean $\geq 6$) for feminine. In the same way, these brands (Blumarine, DOLCE & GABBANA, HERMES, & Yohji Yamamoto) were patently esteemed (mean $\geq 6$) for masculine. Correspondingly, these brands (Blumarine, HERMES, KENZO, LOEWE, LOUIS VUTTON, MARC JACOBS, MONTBLANC, Salvatore Ferragamo, TOD’S & Yohji Yamamoto) were patently esteemed (mean $\geq 6$) for tough. Above and beyond, these brands (Blumarine, BOSS, DOLCE & GABBANA, D&G, HERMES, KENZO, LOEWE, LOUIS VUTTON, MARC JACOBS, MONTBLANC, NINA RICCI, Salvatore Ferragamo, TOD’S & Yohji Yamamoto) were patently esteemed (mean $\geq 6$) for rugged.

Hypothesis 3 declared that brand preferences were significantly associated with variation in customers’ perceived value. This hypothesis was partially supported. Those differences were presented in Perceived Product Quality dimension (the workmanship of product, p < 0.009; quality of product, p < 0.008; and dependability of product, p < 0.059), Product Perceived Value domain (the product is considered to be a good buy, p < 0.100), and Service Quality Perceived Value facet (outstanding service quality, p < 0.065 and emotional response of gives me happiness, p < 0.100).

Regarding Perceived Product Quality dimension, these brands (ANNA SUI, ARMANI, BALLY, Blumarine, BURLBERRY, BVLGARI, CELINE, CHANEL, DOLCE & GABBANA, HERMES, LOEWE, LOUIS VUTTON, MARC JACOBS, Max Mara, MONTBLANC, NINA RICCI, Salvatore Ferragamo, TOD’S, Vivienne Westwood) were highly evaluated (mean $\geq 6$) for the workmanship of product.

Moreover, those brands (ANNA SUI, ARMANI, BALLY, Blumarine, BOSS, BURLBERRY, BVLGARI, CELINE, CHANEL, Dior, DOLCE & GABBANA, HERMES, LOEWE, LOUIS VUTTON, MARC JACOBS, Max Mara, MONTBLANC, NINA RICCI, Salvatore Ferragamo, TOD’S, Vivienne Westwood) were greatly appraised (mean $\geq 6$) for the quality of product. Additionally, this group of brands(ANNA SUI, ARMANI, BALLY, Blumarine, BOSS, BVLGARI, CELINE, HERMES, LOEWE, LOUIS VUTTON, Max Mara, MONTBLANC, PRADA, Salvatore Ferragamo, and TOD’S) were significantly estimated (mean $\geq 6$) for the dependability of product. On the other hand, ANNA SUI, ARMANI, BALLY, Blumarine, BVLGARI, CELINE, HERMES, LOEWE, LOUIS VUTTON, Max Mara, MONTBLANC, Salvatore Ferragamo, and TOD’S were extensively considered (mean $\geq 6$) for all 3 variables in this dimension.

Concerning Product Perceived Value domain, these brands (Blumarine, CELINE, D&G, HERMES, Salvatore Ferragamo, and TOD’S) were exceedingly assessed (mean $\geq 6$) for the
product is considered to be a good buy. Therefore, different brands did not make a significant variation in this domain.

On the subject of Service Quality Perceived Value, these brands (BALLY, Blumarine, BVLGARI, HERMES, and Salvatore Ferragamo) were remarkably reviewed (mean $\geq 6$) for outstanding service quality. Moreover, those brands (BVLGARI, HERMES, PRADA, and Salvatore Ferragamo) were extraordinarily examined in the emotional response of gives me happiness. Alternatively, HERMES, PRADA, and Salvatore Ferragamo were comprehensively estimated (mean $\geq 6$) in both variables in this subject.

Managerial Implications

Even “demographic characteristics explain 2/3rds of everything, they help predict which products will be in demand” (Foot, 1996, p. 2); however, the relationship between brand preferences and demographic characteristics was not supported due to limited sample size.

“A brand is made up of three things: what a company sells, what a company does, and what a company is” (Davis, 2000, p. 4). For examples, the brand 3M was significantly famous for innovation, the brand Hallmark was extensively well-known for caring, and the brand FedEx was widely famed for guaranteed delivery. On the other hand, the brand Disney was drastically associated with fun and family entertainment and the brand Nike was considerably related to individual performance (Davis, 2000). The findings of this study were consistent with this citation and these instances.

Regarding what a company sells, the scope of this study was limited in only luxury leather goods. Other possible products provided by brands listed in this study were not taken into consideration.

On the subject of what a company is, customers did have various perceptions in brand personality among different brands. Therefore, companies might incorporate these findings in their integrated promotional strategies for advertising. The efficiency of this advertising approach shall be measured with precision.

On the topic of what a company does, consumers did have different, but not significant, recognition in customer perceived value among various brands. Consequently, firms shall use highly appraised customer perceived value variable/s as competitive advantage/s for increasing market share, profit, and brand image.

Limitations

Due to restricted budget for this study, it was not sufficient to mail thousands of questionnaires for data collection. A relative low response rate, as well as limited sample size, was a major potential limitation of this study. This is a typical disadvantage carried by mail questionnaires (Churchill, 1995). Using a larger number of questionnaires initially could have resulted later in a greater amount of usable questionnaires. On the other hand, some brands had only 1 response for every variable. This sample might not be able to represent the real
population. Results of this study need to be explained with caution.

**Suggestions for Future Research**

First of all, this study might need to be replicated without those brands which had only 1 response for every variable. A relative greater number of replies as well as fewer brands in the future statistical manipulation might cause different significant relationships. Moreover, the influence of brand shall be compared with other marketing mix elements in order to understand the comparative power of these variables for consumption.

**REFERENCES**


IDIOSYNCRATIC PRE-ACQUISITION PROCESSES OF FIRST-TIME GUITAR CONSUMERS

Peter Levesque, Target Corporation
Scott D. Roberts, St. Edward’s University

ABSTRACT

This project explores the pre-acquisition behaviors of consumers as they are deciding to buy a first guitar. This pre-purchase phase includes a catalyst event for the interest in playing guitar as well as the actual process of deciding on which guitar will be purchased. Schultz Klein and Hubbert (1993) noted a similar catalyst event with consumers considering adopting a meat-free diet, calling that defining moment a touchstone experience. Through interviews with first-time guitar consumers, we gained insight into the decision making process and the factors that shape a consumer’s behavior when approaching and making this type of purchase.

INTRODUCTION

Growth in U.S. guitar sales is huge. An analysis of the stock of Guitar Center, the largest U.S. retailer of musical equipment with over $2 billion in annual sales, shows the company’s price grew over 800% in the period from July 1999 to July 2005. The Nasdaq composite increased approximately 50% over the same time period (finance.yahoo.com).

This study, while not macro in nature, nonetheless explores consumer guitar buying and suggests that the buying process of a complicated, high involvement consumer product might be enhanced and made easier with retailer’s help. The focus is on consumers and the process they go through leading up to the actual purchase.

METHOD

Exploration of the Commonly-Known

Both authors are guitar players, and both own many guitars, accumulated over time. This personal knowledge, along with some review of “how-to” guitar buying guides, led us to develop a series of interview questions related to buying a first guitar. We developed a number of a priori themes which were thought to be relevant to the guitar pre-acquisition phase, including some sort of an event that initiated the process, motivation, barriers to entry, the individual decision making process, available resources to allocate to the purchase, and attitudes.

To begin to understand guitar purchasing, we used several common online forums that discuss the process of “how to buy a guitar.” Within these forums, several themes appeared again and again. Notably, the topics of sound, playability, feel, name brand and price were the most repeated topics on websites such as wholenote.com, soyouwanna.com, guitar.about.com, and wiki.how.com. This pre-data knowledge search allowed us to shape interview questions that
would help extract information on these subjects. Of course, before trying to determine how a person goes through the process of buying a guitar and the influences on that process, we had to discover why the person wanted a guitar in the first place. Finding this not only gave insight as to what initiated and motivated the guitar buying process, but also helped us connect that event to how it shaped the process.

In addition to the articles that focused on first time guitar buying, we also researched articles that focused on auxiliary facets of guitar buying, including guitar collecting, second-and-on guitar purchases, and the use of eBay. While not specifically correlated to the study’s aims, these sources did offer insights into the process being studied and contextual richness to topics that eventually became interview questions for first time guitar purchase process.

Data Collection and Analysis

The questions explored were derived from the online buying guides, from general principles of consumer behavior (those applicable to the guitar buying process), and were also drawn from the personal ideas experiences of both authors. Although these questions were asked in every interview, based on the nature of the conversations that would result from these questions, other supplementary questions were asked from interview to interview. This allowed the interviews to evolve in concert with our understanding of the phenomenon being studied, an acceptable application of qualitative research techniques (Belk, et al 1988; Denzin and Lincoln 2005).

Data for the study were collected via a series of in-depth interviews with people who had gone through the guitar buying process, and specifically focused on their first guitar. The interviews ranged from and sixty to ninety minutes. Six interviews were conducted to gather information as to what started the interest in guitar in general, leading up to the process they went through when they bought their first guitar. The informants to the study were all male, and ages ranged from 19-45. Current guitar skill levels ranged from beginner to expert. Those sampled were chosen via their availability and recruited through word of mouth, snowball style. The questions asked and follow-ups/probes are recorded in Appendix A.

Fieldnotes were handwritten or word-processed during the interviews. Interview data were analyzed in an ongoing fashion, as they were gathered and as the interviews finished, the authors immersed themselves in the data seeking patterns and insights into the process of buying the first guitar.

FINDINGS

Catalyst Events

An early expectation was that most people had an interest in guitar and decided to take it up because of social influences. Based on the age when most people (males predominate) decide to start playing (in the teen years, largely), the rationale is that you can play in a band and maybe get the accolades of others (girls). This assumption proved to be flawed from very early on in the data gathering. In most cases, pinpointing what exactly led to interest in playing the guitar and wanting to buy one was a very personal decision based on a desire to express creativity. For
example, Albert’s catalyst event that led to the desire to purchase a guitar had been passively growing as a function of years of being around other music. Around the time after his last child was born, coupled with a time in his life, which he described as an "organic" period, he became infatuated with the sound of acoustic guitars. Unlike any of the other people interviewed, Albert purchased his first guitar at a fairly mature age, 42. With a combination of timing, interests in related products/ideas (organic sound of the guitar), the means to purchase a guitar, being a fan of music in general and the feeling that he would regret not getting one and learning to play, Albert’s catalyst events came from a host of different places.

In the case of Roy, the seeds of having in interest in guitar started when he was five years old. He reported that after seeing the movie La Bamba, he was immediately interested in playing. Before the purchase of his first "real" guitar, Roy was introduced to music in the way many kids are, he was given a toy guitar. Over the years, and after taking several years of elementary music lessons on trumpet, Roy decided to change instruments. The moment that led to his actual interest in getting a real guitar was two-fold. It started with his interest in the current music of the day (which he said was Smashing Pumpkins and Nirvana) and also the decision between being offered, by his parents, to take karate lessons or guitar lessons. With an interest in learning to play the songs he heard on the radio and the offer to get a guitar and lessons, Roy chose to get a guitar and thus started his search for a guitar.

Phil’s initial drive to get a guitar came from school influence. The actual event occurred when Phil was registering for classes and needed to find a class that offered one credit. With limited choices that interested him, he noticed a one-credit university class offering guitar lessons. Phil said during the interview, "... I thought it was a cool instrument to learn to play and chicks dig it, (ha ha)." Phil signed into the class and then needed to buy a guitar, which began his guitar buying process.

Doug’s catalyst event leading to his interest in actively looking to purchase a guitar came out of his desire to play an instrument that could be transported more easily. He had been involved with playing live music starting at age 14 playing keyboards, trumpet, bass or percussion. But after performing with keyboards, and having to lug more and more equipment from gig to gig, Doug saw that guitar players had limited gear to transport. This led to his decision making process for purchasing a guitar.

Pat’s moment for deciding to buy his first guitar was not unlike Roy’s, with the exception that Pat was not offered to take guitar lessons. Instead, Pat wanted to learn to play songs he was listening to. At the time, Pat had a friend who lived next door who played guitar. Additionally, Pat was getting into Blink 182 and similar pop-punk bands and wanted to play those songs. For his birthday, he asked to get a guitar and his parents agreed. This started the decision making process for Pat to buy his first guitar.

Larry’s catalyst to buy his first guitar came after being given a guitar. Larry is a singer and he wanted to be able to accompany the songs he wrote. The guitar seemed like a compatible instrument to match up with his singing. The event that led to his first purchase came out of his girlfriend going to Colorado. With an interest in writing a song for her and recording it, Larry knew he needed to get a better guitar than what he already had use of. This directly led to him
starting the process of purchasing his first guitar.

The Decision Making Process

After having established the desire to purchase a guitar, the decision making process began for each person. Although they probably were not wittingly making use of some theoretical paired-comparison analysis / decision making method, the interviewees all were similar in the structure of how they went through the process. In Albert’s case, after the goal was established, there was a process of information searching. During the interview, he explained that over the years he had passively been learning about guitars through magazines and the Musician’s Friend catalogs his drummer son received in the mail. Also, he talked about having gathered information by being around bands and music in general. His active gathering of information began by stopping into a small guitar store and getting information from the owner. Albert was also able to try out the guitars he was interested in. With this experience and the subsequent information, he was able to evaluate possible guitars that he might likely buy. Albert’s primary strategy was to narrow down his choices based on price, the sound of the guitar (based on trying them in the store), the information he obtained through the guitar store he visited, and through reading through catalogs and visiting their respective online sites.

The next step, after having gathered information on the guitar, was evaluating the options based on the criteria Albert had established. By using eBay as a means to search for guitars in the same price range and similar characteristics that he wanted, Albert was able to have more of a choice in what guitar he got. The next part of the decision, because the means of getting the guitar was an online auction, did not allow Albert to simply choose the best option, but instead he had to bid. In his case, as he told me in the interview, he lost a couple of auctions at the last minute. This led to him altering the last step of the process because he did not want to lose an auction again. The final step, after having won the auction, led him to wonder if he had made the choice in haste. This was the process Albert went through in deciding which guitar he would buy. His first guitar purchased through this auction was a used Seagull acoustic guitar, which he described as a “poor-mans” Martin,” referring to a more expensive and prestigious guitar he considered the gold standard for acoustics.

Doug's decision making process started with setting his goal of getting a guitar that sounded cool that he could play gigs with. Having had the influence of previous musical expertise, Doug’s ear for what he wanted the guitar to sound like was more specific. His process for getting a cool sounding guitar started by going to music stores and trying out guitars. Because this was the late 1970's, most shops had limited guitars for sale and there was not as much access to guitar information. Doug relied on playing guitars, asking other musicians for their input, and looking at what was available to collect information on his choices. The criteria Doug set were that the guitar had to be playable. Though price had some effect on his decision, the driving factor was really the sound of the guitar. The next step in the decision process was evaluating the guitars that he liked and he could afford. He ended up going into a guitar shop in Tennessee, tried out a Fender electric 12-string guitar, and really liked the sound. Hearing the rich sound that the guitar produced, he negotiated the price of the guitar and traded in a keyboard for $500, paid the difference and had the guitar. This decision process was more abbreviated then Albert’s simply because of the availability of information and outlets to get a guitar. We asked what the process
would be like now for Doug and he stated that he would definitely research online for information and look at guitar reviews. He reported he has a friend named Lou who is an avid guitar collector and is an expert in guitars. He said that if he was actively looking to buy a guitar now, he would rely heavily on Lou for information for the guitar, but it would still come down to what guitar sounded the coolest.

Larry's decision making process started with setting the goals of getting a guitar that was "inexpensive but not cheap, and it had to look good too." After having set those criteria, Larry started to gather information on different guitars that would achieve the goals. He said that he started looking based on recommendations of a trusted, guitar-playing friend. The friend had recently purchased an Alvarez acoustic guitar and was satisfied with the sound and playability of the guitar. Based on this suggestion, Larry had a starting point for gathering information. He said he looked at several acoustics in a few guitar stores and asked the sales associates about quality and brands. He then continued to research guitars online through websites and web-retailers. The criteria grew to include reviews of the guitar. Based in these criteria, Larry evaluated three guitars he had narrowed his search down to. He ended up buying an Alvarez acoustic electric in the same store where the friend had bought his guitar. His final decision came down to the look of the guitar. He bought this guitar new in 2002.

Roy's decision making process was heavily influenced by the involvement of his father. Roy started off the process by setting the goal that he wanted a decent guitar to learn on but that it had to be a "strat-shaped" guitar (this common design is a modification of the classic Fender Stratocaster model, first introduced in the 1950s), as influenced by his watching the Ritchie Valens story in the movie La Bamba. With no prior knowledge of guitars, Roy and his father went to a music store together to look for a guitar. They relied heavily on the salesperson to help navigate them toward a guitar that was within the criteria they had in mind. Roy’s father was paying for the guitar and set a limit on how much he would pay. Working first within a budget, the next criterion was playability and then style. With the criteria set, the next step in the process was picking out viable options within that criteria set. The guitar sales associate helped answer any questions about the differences between the guitars that Roy or his father asked. On the first visit to a store, Roy picked out a guitar to buy. The process seemed premised on Roy’s father’s belief that this was going to be a phase, so the purchase was made without a great deal of care. The result of this process led Roy to buy a used Yamaha Raptor, a strat-style guitar, for $250 in 1994. Despite the lack of faith Roy’s father had in him sticking with playing, Roy has since purchased a new guitar and spent months researching and trying out a variety of Fender Stratocasters.

Pat’s process for deciding what guitar he would buy was similar to Roy’s because of the parental influence. The goal set for this process was to acquire a decent sounding acoustic guitar for as little investment as possible; this was primarily due to the fact that Pat’s mother was paying for the guitar. Neither Pat nor his mother had any expertise with guitars prior to the purchase. Once Pat had made the decision to pursue guitars and asked for one for his birthday, the process to gather information took place the day of the purchase in the guitar store. Pat reported when he went into the guitar store he played a few guitars that his mother had selected to be in the price range, and got the one he liked based on the sound and look of the guitar. This situation was very much like Roy's, in that Pat's mother had little faith that Pat would stick with
playing guitar. In 1997, Pat purchased a Samick acoustic guitar in New Hampshire for $80. Pat
was also asked about the difference between now and then as to what his guitar buying process
would be like today. He explained that with today's access to so much information, coupled with
more knowledge about guitars he had gained over the years, he would be able to make a better
qualitative assessment on what would be a good guitar. Pat has bought several other guitars since
then with his own money.

Phil's first guitar was purchased when he was in sixth grade but could not recall enough
of the specifics so the interview focused on his first memorable guitar purchase. The decision
making process Phil went through to acquire this guitar started by setting the goal of getting an
inexpensive guitar that was cool looking. The time frame for getting the guitar also played an
important role in this process because Phil needed the guitar immediately for his class. The
process began with some abbreviated research of online guitar stores to get an idea of price and
style. Next, Phil looked for physical stores to go to so he could try out guitars. But, with many of
the stores far away, Phil opted to not go to the stores and decided to search for a guitar using
eBay because he felt he could get a decent guitar for less money. Based on the price range
criteria and color, Phil searched eBay for a day and found a Blue, Jay Tursier 6-string acoustic for
$100. In his decision making process, Phil did little evaluation of options because he was unable
to try out the guitar. This was our only informant who purchased a guitar without playing it or
one of its type before buying.

Motivations

The motivation to purchase a guitar seemed to satisfy a utilitarian need in some cases,
and in others it was a hedonic need. Another motivation of our informants’ guitar purchases was
the need for achievement. Individuals with a high need for achievement strongly value personal
accomplishment (Solomon 2007). In almost every case, the interviewees expressed a high need
for having an outlet for creativity, sometimes with an accompanying social or self-esteem
benefits sought.

Both Roy and Pat expressed that the motivation to go through the process was highly
related to their desire to be able to create music that they heard bands play. Neither wanted to
merely listen to the music. Rather, they felt a need to be able to play music for themselves.
Albert’s motivation was twofold, in that he felt a need to create. But it also came from the idea
that if he didn't start to play now, he may regret it later. Larry and Doug both had motivations
stemming from a desire to create and write songs, but their purchase was also highly affected by
a responsibility to a time frame. In Larry's case, he had to purchase a guitar to be able to write
songs before his girlfriend returned from Colorado. Doug had to purchase a guitar to be able to
play gigs. Phil's motivation to purchase the guitar was caused by his need to fulfill a school
requirement first, but as the interview showed he had an interest in creating and learning to play
for relaxation, as well.

Barriers to Entry

Barriers to entry had a great deal of influence on the decision making and purchase
processes of these first-time guitar consumers. After an initial purchase, the level of guitar
expertise generally goes up and a heightened interest in knowing about the guitar occurs. There is even a condition referred to as Guitar Acquisition Syndrome, in which guitar players feel the need to buy something to quell the craving of having a new piece of gear (steelbender.com). So after the first guitar purchase, the process changes for many reasons, affected by prior buying experience and product use experience. For the first guitar, barriers to entry include price of the instrument and what the person can afford, guitar knowledge, expertise with guitars, the limited information available about guitars, and ability to evaluate that information once obtained. Not one of the interviewees bought the guitar on a whim, their decision processes took consideration. This was attributed to the nature of the purchase and the cost involved.

Other barriers to entry were apparent in the interviews that were with people who bought their guitar before the internet. If the person was looking to get information about the guitar it would take more effort to find. In the case of Larry and Albert, they had the opportunity to make use of the internet for research. This helped lower the barriers to entry for them, in that they were able to gain more expertise about guitars more easily. During Albert's and Larry's interviews, there was a common sentiment that when doing research into the technical aspects of guitars, it can become daunting and confusing to decide what is relevant to the first purchase. In the case of Pat, Roy, and Phil, they left the expertise component up to the guitar salesman. For Doug, his knowledge of musical instruments in general and what he wanted for the guitars sound helped limit the expertise he felt he needed.

In every interview there was a commonality that for the first guitar the barrier to entry was price and information. With the idea that the investment may turn out to not be worthwhile (and they lose interest in playing), the price had to be relatively low but not so low that the guitar was completely awful. After the price and information barrier, the next barrier to purchasing a guitar is choosing all the specific attributes of the guitar to purchase.

**Attitudes**

Value expression seems correlated to the attitude that influences guitar purchasing. In the value-expressive function of attitudes, a person forms a product attitude not because of its objective benefits, but because of what the product says about him or her as a person, following Bem’s Self Perception Theory (1972). The attitude toward guitars, as expressed by informants, was that the guitar is a product that allows the person to express a creative side and provides an experience they feel represents their creativity through practice and performance. The informants did not initially have a strong preference for one brand over another, but instead acted on the basis of limited knowledge and then formed an evaluation only after the product has been purchased or used.

For first time guitar buyers, the knowledge of guitars is limited and the behavior is a result of the idea that guitar will help allow the person to create music. The next step is to go play the guitar/buy the guitar and then evaluate based on those experiences. All informants followed this sequence. It was only after getting to play the guitar that they could establish how they felt about the guitar rather than what they believed it to be. Albert, Phil, and Pat all expressed that they thought the learning process would take less time and their guitar playing abilities would improve more quickly – a feeling that could derive only after having played. Roy, Larry and
Doug had an idea of what guitar playing would be like, but still did not show strong brand preferences in the early part of the buying process.

CONCLUSION

Not surprisingly, a large part of the first guitar purchase has to do with price. If there exists a desire to play guitar, stemming from any number of catalyst events, the person will get a guitar. But because of the barriers to entry, especially knowledge of the instrument and what the possible longevity of interest will be, the price of the guitar becomes one of the most, if not the most important consideration in a first guitar. The reasons most informants play guitar came from a desire to create songs and play for themselves.

A marketing opportunity that could result from this knowledge, coupled with the knowledge that price and expertise play a major role, would be to market to new guitar players with the idea that they can learn how to purchase a guitar and overcome the risks that they perceive to be related to the purchase. Educating consumers by removing some of the intrinsic problems with purchasing a guitar, a product they would not ordinarily know a lot about, would allow them to feel more comfortable and confident about their first guitar.

Recently, Schwartz (2004) complained of too much choice in many product categories. A quick search of the online Musician’s Friend retail website (www.musiciansfriend.com) reveals that within the single category of “solid body electric” guitars, narrowed down by only considering the top ten brands, there are over 800 choices of styles and models. And typing “guitar” into an eBay search produced over 70,000 auction items (September 24th, 2007). Surely newcomers to a product category that kind of assortment would benefit from help in the buying process.

REFERENCES

http://finance.yahoo.com
http://guitar.about.com/library/weekly/aaO12301a.htm
http://www.mindtools.com/pages/article/newTED_02.htm
http://www.musiciansfriend.com
http://www.steelbender.com


APPENDIX A - Interview Protocol

1. Tell me about your guitar, please.

2. What made you decide to pursue guitars, what was the allure (versus other instruments)?

3. What were the influences that shaped the leading up to the actual purchasing of the guitar (friends influence, for girls, personal interest, etc)?

4. How long have you been playing?

5. How did you get started looking at guitars?

6. What are some words that describe guitar playing to you/ what is your feeling toward guitar playing (association)?

7. Did you take lessons for guitar playing? (If so, for how long?) Can you tell me about that and its effect of you and your guitar playing/interest?

8. Have you bought other, guitar related items? What was that process like for deciding what to buy?

9. How much knowledge do you have about guitars?

10. What is your level of expertise with guitars with respect to playing/general knowledge about guitar types, quality, etc?

11. Can you describe, in detail and relative time span, how you would go about getting a new guitar? Start with the initial driving force behind starting the process.

12. Please explain either a hypothetical process you can think you would go through, or the actual process you went through/can recall.

13. What need or desire did buying a guitar fulfill?

14. Would you identify yourself as a guitar player? Did you ever?

15. Do you play any other instruments/sing? What is your level of musical knowledge?

16. Sex: M/F

17. How old are you?

18. Annual Household Income:
   - Under $10,000
   - $10,000-$20,000
   - $20,001-$30,000
   - $30,001-$45,000
   - $45,001-$60,000
   - $60,001-$75,000
   - Above $75,000
CULTURAL DIFFERENCES IN AD INFORMATION PROCESSING: THE INFLUENCE OF ANALYTIC VERSUS HOLISTIC THINKING

Beichen Liang, East Tennessee State University

ABSTRACT

A great deal of research posits that East Asians tend to think holistically and Westerners tend to think analytically. This paper explores whether different mental processes are employed by East Asians and Westerners when reading and processing verbal information in printed ads. My findings indicate that East Asians tend to use a holistic approach to process verbal information when reading analytic ads, whereas Westerners tend to use an analytic method to process verbal information when reading both holistic and analytic ads. It also was found that the analytic-holistic dichotomy tends to be deeper when participants are exposed to high-risk products.

INTRODUCTION

Recent research in consumer behavior has shown that culture has a great effect on information processing. However, Monga and John (2007) argue that much of the existing research focuses on the cultural influence on views of self (e.g., Aaker and Maheswaran 1997; Aaker and William 1998; Han and Shavitt 1994; Wang et al. 2000). Few scholars have paid attention to the effect of different ways of thinking regarding consumer behavior (e.g., abstract vs. concrete thinking, Ng and Houston 2006; analytic vs. holistic thinking, Monga and John 2007).

Studies have shown that East Asians (e.g., Chinese, Japanese, and Koreans) and Westerners (e.g., Americans) differ in terms of styles of thinking (Choi, Nisbett, and Norenzayan 1999; Nisbett et al. 2001; Peng and Nisbett 1999). For example, East Asians tend to think holistically and pay more attention to the context and relationships among the elements in the context. But Westerners tend to think analytically and pay more attention to the dispositions. Therefore, different ways of thinking may influence how consumers process the information in ads with different types of information. However, only a few researchers have investigated such effects, even though analytic and holistic variation has a strong foundation in literature as diverse as ethnography, philosophy, psychology, and history. So, the purpose of this paper is to investigate the effects of analytic and holistic thinking on information processing, specifically, how individuals with analytic or holistic thinking process information in ads.

THEORETICAL BACKGROUND

Analytic vs. Holistic Thinking

Scholars in many disciplines have found that people in East Asian cultures have a
relatively holistic cognitive orientation, whereas people in Western cultures have an analytic one (Choi, Nisbett, and Norenzayan 1999; Nisbett et al. 2001; Peng and Nisbett 1999). Holistic thinking is defined as “involving an orientation to the context or field as a whole, including attention to relationship between a focal object and field, and a preference for explaining and predicting events on the basis of such relationships” (Nisbett et al. 2001, p. 293). Analytic thinking is defined as “involving detachment of the [focal] object from its context, a tendency to focus on attributes of the object in order to assign it to categories, and a preference for using rules about the categories to explain and predict the object’s behavior” (Nisbett et al. 2001, p. 293).

The different ways of thinking are due primarily to different views of self (Markus and Kitayama 1991). Westerners have an independent view of self, so they emphasize attention to the self, the appreciation of one’s uniqueness from others, and the importance of asserting the self. In contrast, East Asians have an interdependent view of self, so they stress attention to others, and the importance of interdependent relationships and harmony with others (Markus and Kitayama 1991; Singelis 1994). If the self is seen as independent, individual behavior should be relatively consistent across different situations (Lee, Hallahan, and Herzog 1996). Therefore, gaining insight into others’ dispositional characteristics should help understand and predict their behaviors. As a result, Westerners tend to direct their attention to internal attributes (Nisbett et al. 2001). In comparison, individual behaviors should vary in different situations if the self is seen as interdependent. Thus, context factors should be more important than dispositional factors in understanding and predicting others’ behaviors. Therefore, East Asians tend to direct their attention to context or whole systems (Nisbett et al. 2001).

East Asians live in a high context society (Hall 1977) and think that they are only one part of a large and complicated world with many role relations, so they tend to direct their attention outside themselves and toward the whole social environment (Nisbett et al. 2001). Thus, it is necessary to consider more important or even possible elements in the whole, more relations among objects, and more relations between parts and the whole (Nisbett et al. 2001). In contrast, Westerners live in a low context society (Hall 1977), with fewer and less significant social relations, so attention tends to be directed toward themselves and toward their unique internal attributes. So, it is important to separate the object from its context, to infer category membership of the object from its properties, and to infer how rules apply to categories.

From ancient times, East Asians viewed the world as “a collection of overlapping and interpenetrating stuffs or substances” (Hansen 1983, p. 30) and because they saw the world as “interpenetration and continuous, their attempts to understand it caused them to be oriented toward the complexities of the perceptual or conceptual field taken as a whole” (Moore 1968, p. 3). For East Asians, the individual object was “not a primary conceptual starting point” (Moser, 1996, p. 169), and “the background scheme [of East Asian thinking was] that of mass substances rather than that of objects and properties” (Hansen 1983, p. 31). East Asians believe that within a whole system, everything is related to everything else to some extent. Therefore, it is not the part but the whole that exists. Parts exist only within the whole, in which they are embedded (Munro 1985). Parts are linked together, like “the ropes in a net” (Munro 1985).

In contrast, people from Western cultures tend to see the world as a collection of discrete
objects (Nisbett et al. 2001). Rooted in the thinking of ancient Greeks, Westerners view the world as composed of “objects which are understood as individuals or particulars which instantiate or ‘have’ properties” (Hansen, 1983, p. 30).

A considerable body of research supports the analytic-holistic framework (e.g., Abel and Hsu 1949; Masuda and Nisbett 2001; Morris, Nisbett, and Peng 1995; Morris and Peng 1994). Abel and Hsu (1949) presented the Rorschach cards to European Americans and Chinese Americans. They found that the responses of Chinese participants were based on all aspects of the card or its Gestalt. In comparison, the responses of American participants were based on a single aspect of the card. Masuda and Nisbett (2001) found that when exposed to realistic animated scenes of fish and other underwater objects, Japanese were more likely than Americans to pay attention to relatively peripheral, nonsalient, or background information and relations between fish and other animated objects.

Analytic and holistic thinking also can be demonstrated by a well-established finding called “correspondent bias” (Gilbert and Malone, 1995) or “fundamental attribution error” (FAE; Ross 1977) – the tendency to see behavior as an outcome of the actor’s dispositions and to ignore important situational determinants of the behavior. Numerous studies have found that Westerners are more likely to make dispositional attributions while East Asians tend to make situational/contextual attributions. The cultural difference in FAE is very strong because the result from different studies is consistent across different behaviors (prosocial and deviant behaviors, and successes and failures), different targets (friends, acquaintances, and strangers), and different countries (United States or England compared with India, China, Korea, or Taiwan) (Lee, Hallahan, and Herzog 1996).

Morris and Peng (Morris, Nisbett, and Peng, 1995; Morris and Peng 1994) analyzed the explanations of two similar tragedies that occurred in the USA in an English language newspaper and in a Chinese newspaper. They found that the English newspaper attributed the incident wholly to the presumed mental instability and other negative dispositions of the murders (e.g., “the man was mentally unstable,” and “he has a short fuse”) whereas causal explanation by the Chinese newspaper of the same events focused on situational, contextual, and even societal factors that might have been at work (e.g., “did not get along with his advisor,” and “followed the example of a recent mass slaying in Texas”). Morris and Peng asked American and Chinese university students to explain the events and found the same attribution patterns.

**HYPOTHESES**

According to the Elaboration Likelihood Model (ELM; Petty and Cacioppo 1979) and the Heuristic Systematic Model (HSM; Chaiken 1980), under high involvement situations (high relevance or risk), people are motivated to engage in diligent deliberation of attribute-relevant information (e.g., arguments) in the ad. In contrast, when viewers lack sufficient motivation (because of low relevance or risk) or ability (because of personal traits or external interference), persuasion follows a peripheral route by which people base their attitude and evaluation on attribute-irrelevant information or peripheral cues (e.g., a picture’s attractiveness, source characteristics, music, message sidedness, etc.). Thus, neither holistic nor analytic thinking toward ad copy would be activated in low involvement situations because the viewers may pay
most of their attention to the peripheral cues and little or no attention to product arguments. In contrast, under a high involvement situation, people engage in diligent deliberation of the attribute-relevant information (e.g., arguments) in the ad (Petty and Cacioppo 1979; Chaiken 1980). Thus, this paper was based on high involvement situation.

For East Asians, it is not the part but the whole that exists. Thus, East Asians look at everything “in its totality, not in parts” (Moore 1968, p. 3). So, when exposed to ads with product attribute information only (henceforth termed “analytic ad”), East Asians tend to think holistically to consider and generate additional factors not provided in such ads. For them, although product attribute information is very important, it alone is far from enough to support evaluation, judgment, and decision-making. Therefore, they consider additional information not provided in analytic ads, such as additional attribute information, brand, reputation, price, availability, etc., and generate thoughts related to peripheral cues in ads because failing to consider even a minor factor, may result in a bad judgment or purchasing decision. Thus, East Asians tend to think broadly.

Since Westerners tend to think analytically (Nisbett et al. 2001), they pay more attention to product attribute information. For Westerners, product attribute information is the predominant factor influencing their evaluation, judgment, and purchasing decision. For them, thinking about an attribute in isolation is quite normal because they tend to focus on the analytic parts, not the holistic totality. Thus, when exposed to analytic ads, Westerners will not think broadly to consider holistic factors but think narrowly and deeply on dispositional factors. Studies also show that Westerners’ analytic thinking is quite stable across different situations (Choi and Nisbett 1998) and that Westerners still tend to think analytically even when the situational factors are made more salient (Abel and Hsu 1949; Ji, Peng, and Nisbett 2000; Masuda and Nisbett 2001; Park, Nisbett, and Hedden 1999). So, even when exposed to ads with holistic information (e.g., ads with product attribute, price, availability, company information, etc., henceforth termed “holistic ad”), analytic thinkers still will pay most attention to attribute information and treat the information not related to the attribute as ignorable noise. Thus, there should be no significant differences in terms of the number of thoughts related to attributes and the presented product between the analytic and holistic ads for Westerners.

Since East Asians tend to think broadly and Westerners tend to think narrowly, I assume that East Asians will generate more holistic thoughts than Westerners but Westerners will generate more analytic thoughts than East Asians. But this argument suggests a direct cross-cultural comparison of the total number of thoughts generated when exposed to analytic ads. However, such comparison may be contaminated because members from these two cultures may have a different number of baseline thoughts across situations (Alden, Stayman, and Hoyer 1994; Douglas 1980; Hui and Triandis 1985). An appropriate approach to address this issue is to use the “comparison of inferences” method, which argues that, in the cases of nonequivalence across cultures, hypotheses should be tested through within-culture comparison (Alden, Stayman, and Hoyer 1994). Therefore, if the main effect of culture is significant, my hypothesis regarding cultural effect on different ads may be tested by comparing holistic ads with analytic ads within a culture. When East Asians are exposed to holistic ads, the holistic way of thinking of East Asians will not be “exacerbated” because such ad presentation matches their tendency of holistic thinking, so that they are less likely to think holistically. Therefore, I hypothesize:
H1: Compared with holistic ads, analytic ads will increase for East Asians (a) the number of thoughts related to the product attributes, (b) the number of thoughts related to advertised product.

When East Asians read holistic ads, the need to generate and consider “missing” information is low; however, for analytic ads, East Asians try to fill in these missing pieces of information. What types of information will they generate to fill this gap? Consider the following distinction: “within-brand” thoughts are those that add to presented information by focusing only on the presented brand; and “between-brand” thoughts are those that add to the presented information by relating the presented brand to other brands. Given East Asian tendency to think holistically, and given a general human tendency to reduce the cost of thinking, it is expected that analytic ads will trigger “within-brand” thinking and holistic ads will trigger “between-brand” thinking. Therefore, I hypothesize:

H2: Compared with holistic ads, analytic ads will increase the number of within-brand thoughts for East Asians.

Finally, because of the tendency of Westerners to think analytically, they will generate many attribute-related thoughts. Since East Asians tend to think holistically, they will generate many thoughts related to the advertised product. Therefore, I expect:

H3: The ratio of “product attribute thoughts” to “product-related thoughts” should be higher for Westerners.

STUDY 1

Design

The purpose of Study 1 is to test whether culture has an effect on consumers’ information processing. To test my hypotheses, a 2 (culture: Chinese vs. American) x 2 (ad: analytic vs. holistic ad) between subject factorial design was used.

Stimulus Material

A digital camera was used as the target product because consumers may be quite familiar with it (88% of Chinese and 85% of Americans in this study owned one; \( \chi^2 (1, N = 119) = 0.184, p > .1 \), so subjects’ ways of thinking would not be limited in a situation where little knowledge about the product exists. A fictitious name (Clasa) was used to minimize the effect of prior experience with established brands. Ad stimuli were adapted from a real ad in a magazine to increase the external validity. In the ad, a man sitting in a sailing boat is taking the picture of dolphins jumping out of the water.

Aaker and Maheswaran (1997) have shown that ELM is robust across cultures, and both Chinese and Americans pay more attention to product arguments carefully under high
involvement situation, so processing strategies (central or peripheral route) between different cultures should not be a major concern. This argument also has been supported by findings in this study.

Participants and Procedures

Sixty-one Caucasian American students and 58 Chinese students in a large Midwest university were selected. All Chinese participants are of Chinese ethnic origin, born and raised in Mainland China. The Chinese participants were required to be in the U.S. for less than six months to ensure that acculturation had not occurred to a significant degree. All American students were born and/or raised in the U.S. The study procedures used by Aaker and Williams (1998) and Petty, Cacioppo, and Schumann (1983) were adapted to increase the involvement. First, in the following cover story, participants read:

A large-scale consumer electronics manufacturer is planning to introduce a new brand of digital camera to the U.S. (and China) market—named Classa. The manufacturer would like to know what U.S. (and Chinese) consumers think about the camera before it is introduced. In the next month, the manufacturer will be asking consumers in large cities in the Midwest area, including Chicago, to test the digital camera, to list the attributes that make this new brand of digital camera unique from other digital cameras they have tried, and to test the advertisement. We will give you an example of the potential print advertisement created for Classa. We want to know your feelings and your thoughts about the brand as well as the advertisement. You are in a small group of students whose opinions will be evaluated. Because your opinions are very important to us, we will be offering you a gift for your valuable view.

After reading the cover story, participants were given the print advertisement in which types of information were manipulated, followed by a series of questions regarding participants’ thoughts and comments about the ad and brand. Finally, participants completed a set of manipulation checks and a holistic thinking measurement scale (Choi et al. 2003).

Independent Variables

Cultural Orientation. Past studies suggest that Chinese tend to think holistically, whereas Americans tend to think analytically (Abel and Hsu 1949; Morris, Nisbett, and Peng 1995; Morris and Peng 1994). Therefore, American and Chinese students in a large Midwest university participated in this study.

Types of Information. The analytic and holistic ads were manipulated by using different types of information in the ad. The analytic ad contained four pieces of product attribute information—vibration reduction (VR), 8.1 megapixel, bright 2.5 inch LCD, 3.5X optical zoom—in addition to brand and model information. I chose these four attributes because they were presented in the real ad on which my study was based. Moreover, the ads of digital cameras in magazines and on the Internet also highlight these key attributes. Third, in Pilot Study 1, I asked 14 Caucasian American students and 14 Chinese students to list the attributes of the digital camera. Resolution, screen, and zoom were among the top five most listed features for both Americans and Chinese. Holistic ads contained price information ($349.99), availability
information (available at Circuit City and Best Buy), company information (address, www.classausa.com, 1-800-4-CLASSA) as well as information on four basic product attributes mentioned above. Price, availability, and company information, etc., were very common in ads in East Asian cultures (Hong, Muderrisoglu, and Zinkhan 1987; Madden, Caballero, and Matsukubo 1986; Rice and Lu 1988).

**Dependent Variables**

*Cognitive Responses.* Two bilingual raters who were blind to the purpose of this study coded the cognitive responses as attribute-related thoughts or product-related thoughts. Disagreements were solved by discussion between them. Attribute-related thoughts are thoughts related to attributes such as resolution, zoom, camera size/shape/design, functions/features, memory type, LCD, battery, wireless transmission and printing, etc. I defined these features as attribute-related thoughts because they are inherent parts of the real product. Second, they are features identified by manufacturers and retailers (e.g., Canon, Nikon, Best Buy, Circuit City, Microcenter, resellerratings.com, etc.), and students in pilot Study 1. Product-related thoughts are those related to presented products, such as brand name, price, availability, etc., but not related to attributes or the picture in the ad. I defined these thoughts as product-related thoughts because they are augments of the product. Moreover, in Pilot Study 1, nobody listed them as attributes. Third, after checking the web sites of the above-mentioned manufacturers and retailers, I did not find any sites listing them as attributes. Raters also coded the thoughts as either within-brand thought or between-brand thought, where within-brand thoughts are those related to the advertised brand only and between-brand thoughts are those involving other brands.

**Results**

The hypotheses were tested initially based on a 2 (culture: American vs. Chinese) x 2 (ad: analytic vs. holistic ad) x 2 (expertise: expert vs. novice) ANCOVA with years of owning a digital camera as covariate. Participants completed a three-item expertise questionnaire on a 7-point Likert scale from 1 (strongly disagree) to 7 (strongly agree), and those with average score on expertise equal to or larger than 4.0 were classified as expert. However, the effects of expertise and covariate generally were not significant. Unless otherwise specified, the three-way ANCOVA collapsed to a two-way ANOVA, and df = 1, 115.

**Manipulation Check.** Participants completed the ten-item holistic measurement scale on a 7-point Likert scale from 1 (strongly disagree) to 7 (strongly agree). As anticipated, the responses to the holistic thinking scale (Cronbach’s α = 0.64) showed that Caucasian Americans were significantly less holistic than Chinese (M<sub>American</sub> = 4.69, M<sub>Chinese</sub> = 4.97; F (1, 117) = 5.605, p < .05). Reliability was a little low. However, the reliabilities of cultural difference measurement scales generally are low (see Singelis 1994 for detailed review).

**Attribute-Related Thought.** The inter-judge reliability was 93% for attribute-related thought (conflicts were solved by discussion). A 2 (culture) x 2 (ad) x 2 (expertise) ANCOVA with number of attribute-related thought as the dependent factor revealed only a marginal main effect of expertise (M<sub>novice</sub> = 0.42, M<sub>expert</sub> = 0.82; F (1, 110) = 3.335, p < .08). Although experts generated more attribute-related thoughts than novices, the effect of culture was not mediated by
expertise. So a 2 (culture) x 2 (ad) ANOVA was conducted again. A 2 (culture) x 2 (ad) ANOVA
with number of attribute-related thought as dependent factor revealed no significant main effect
or interaction effect (see Table 1 for means and standard deviations). H1a was not supported.

Product-Related Thought. A 2 (culture) x 2 (ad) ANOVA with number of product-related
thought as the dependent factor was conducted (see Table 1 for means and standard deviations).
A significant main effect of culture (F = 10.292, p < .01) and ad (F = 4.530, p < .05) emerged. A
significant interaction effect also emerged (F = 5.007, p < .05; see Figure 1). Chinese generated
more product-related thoughts than Americans (M_{Chinese} = 0.90, M_{American} = 0.48). Four contrasts
were analyzed since the interaction was significant. Chinese generated more product-related
thoughts when exposed to the analytic ad than when exposed to the holistic ad (M_{analytic ad} = 1.17,
M_{holistic ad} = 0.61; F = 9.310, p < .01). H1b was supported. But for American participants, there
was no significant difference between the analytic and the holistic ad (M_{analytic ad} = 0.47, M_{holistic ad}
= 0.48; F = .006, p > .1), so H1b was supported.

Within- versus Between-Brand Thought. Thoughts were classified into either within-
brand or between-brand thought. Inter-judge reliability was 94%. A 2 (culture) x 2 (ad) ANOVA
with number of within-brand thoughts as the dependent variable was conducted (see Table 1 for
means and standard deviations). A significant main effect of ad (F = 7.342, p < .01) emerged. A
significant culture x ad interaction effect also emerged (F = 17.161, p < .01; see Figure 2). Four contrasts
were analyzed since the interaction effect was significant. Pooled error was used.
Chinese generated more within brand thoughts when exposed to the analytic ad than when
exposed to the holistic ad (M_{analytic ad} = 3.03, M_{holistic ad} = 1.71, F = 22.907, p < .01). H2 was
supported. For American participants, there was no significant difference between the analytic ad
and the holistic ad (M_{analytic ad} = 2.00, M_{holistic ad} = 2.28; F = 1.053, p > .1). H2 was also supported.

In order to examine H2 closely, I conducted z-tests to compare the ratios of within-brand
thought to total thought (WBR; see Figure 3). Chinese were more likely to generate more within-
brand thought when exposed to the analytic ad than when exposed to the holistic ad (p_{analytic ad} =
93.9%, p_{holistic ad} = 73.4%, z = 3.672, p < .01). But for American participants, there was no
significant difference between these two types of ad. H2 was supported.

Ratio of Attribute-Related to Product-Related Thought. As expected, for the analytic ad,
the ratio of attribute-related thought to product-related thought is significantly higher for
American participants (p_{American} = 1.46; p_{Chinese} = 0.63; \chi^2 (1) = 3.922, p < .05; see Figure 4).
However, for holistic ad, there is no significant difference between American and Chinese
participants (p_{American} = 1.57; p_{Chinese} = 0.88; \chi^2 (1) = 1.384, p > .2). So H3 was only partially
supported.
Table 1
Study 1 Results: Means and Standard Deviations

<table>
<thead>
<tr>
<th>Thought</th>
<th>Americans</th>
<th></th>
<th></th>
<th>Chinese</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Analytic Ad</td>
<td>Holistic Ad</td>
<td>Analytic ad</td>
<td>Holistic Ad</td>
<td></td>
</tr>
<tr>
<td>Attribute</td>
<td>0.69(0.93)</td>
<td>0.76(1.21)</td>
<td>0.73(0.94)</td>
<td>0.54(0.88)</td>
<td></td>
</tr>
<tr>
<td>Product</td>
<td>0.47(0.57)</td>
<td>0.48(0.57)</td>
<td>1.17(0.79)</td>
<td>0.61(0.83)</td>
<td></td>
</tr>
<tr>
<td>Peripheral</td>
<td>1.06(0.88)</td>
<td>1.28(0.88)</td>
<td>1.33(0.80)</td>
<td>1.14(0.80)</td>
<td></td>
</tr>
<tr>
<td>AP(^1)</td>
<td>1.46</td>
<td>1.57</td>
<td>0.63</td>
<td>0.88</td>
<td></td>
</tr>
<tr>
<td>Within-Brand</td>
<td>2.00(1.24)</td>
<td>2.28(1.31)</td>
<td>3.03(0.81)</td>
<td>1.71(0.66)</td>
<td></td>
</tr>
<tr>
<td>WBR(^2)</td>
<td>90.1%</td>
<td>90.4%</td>
<td>93.8%</td>
<td>78.1%</td>
<td></td>
</tr>
<tr>
<td>n</td>
<td>32</td>
<td>29</td>
<td>30</td>
<td>28</td>
<td></td>
</tr>
</tbody>
</table>

NOTE. – Standard deviations are in parentheses.
Ratio of attribute-related thought to product-related thought
\(^2\). Ratio of within brand thought to total thought

Figure 1. Study 1 results: Culture x ad interaction for product-related thought
Figure 2. Study 1 results: Culture x ad interaction for within-brand thought

Figure 3. Study 1 results: Ratio of within-brand thought
Discussion

My findings add to several confirmations of theoretically expected cultural differences in information processing. Chinese engage in broadly cognitive elaboration and tend to generate more thoughts (product-related) when exposed to analytic ads than when exposed to holistic ads. However, Americans are less likely to do so. Moreover, analytic ads, compared with holistic ads, lead Chinese to generate more within-brand thoughts. But such an effect does not exist for Americans.

Findings also show that holistic thinking is the dominant way of thinking for Chinese, while analytic thinking is the dominant one for Americans. However, both Chinese and Americans engage in two ways of thinking. Americans engage in holistic thinking and Chinese engage in analytic thinking to some extent.

STUDY 2

Krull (1993) and Lee, Hallahan, and Herzog (1996) found that when persons can devote more cognitive effort to the events they want to explain, the extremity of persons’ initial way of thinking will be attenuated. Americans may engage in more holistic thinking while East Asians may engage in more analytic thinking. So Study 1 had a limitation because it used only a camera as a target product to check the effect of culture (analytic vs. holistic) on information processing, and ignored the fact that different products may involve different degrees of risk. High-risk products such as automobiles, jewelry, appliances, etc., involve large amounts of money, complicated decision-making process, etc. Thus, consumers may invest much more time and effort to search information, evaluate the alternatives, and consider more factors when making purchasing decisions for high-risk products than for medium-risk products such as a camera, television, watch, etc. As a result, Westerners may engage in greater holistic thinking when they need to make purchasing decisions for high-risk products. Similarly, East Asians may engage in
greater analytic thinking. So the difference between Westerners and East Asians in terms of product-related thought and attribute-related thought should be weaker in high-risk product situations than in medium-risk product situations. Therefore, I expect:

H4: Compared with ads of medium risk products, ads of high risk products will increase (a) for Westerners the number of product-related thought, and (b) for East Asians the number of attribute-related thought.

H5: Compared with ads of medium risk products, ads of high risk product will make the difference between Westerners and East Asians weaker in terms of (a) the number of product-related thought, and (b) the number of attribute-related thought.

Subjects and Design

In order to test my hypotheses, a 2 (culture: American vs. Chinese) x 2 (risk: medium vs. high) between-subject factorial design was used for this study. Thirty-eight American and 41 Chinese students were selected.

Stimuli

An online ad of a car was adapted for this study. In the ad, a car is parked beside a house and there are trees and clouds in the background. A pretest showed that the background was comparable with that used in Study 1. A fictitious name (Classa) was used to minimize the effect of prior experience with established brands. Moreover, only the analytic ad was used in this study because Study 1 had shown that the holistic way of thinking of Chinese is not activated when exposed to holistic ads. The analytic ad for the car contained four pieces of attribute information: 205 horsepower 2.4 liter engine, Bose audio system, Vehicle stability system, keyless access with push-button start. Although only horsepower and audio system were among the top two most listed features in Pilot Study 2, the other two features also are common in real ads. Moreover, no students in Pilot Study 2 mentioned brand, price, etc., as attribute information. The analytic ad for the digital camera that was used in Study 1 was used again in this study.

Procedure

The procedure was identical in most degrees to that used in Study 1. Participants completed a vividness and risk measurement scale in this study.

Independent Variables

Cultural Orientation. Chinese and American students were selected as participants in this experiment.

Degree of Risk. A car was identified as a high-risk product and a digital camera was identified as a medium-risk product by Mueller (1987). So, degree of risk was manipulated by using the car for high-risk products and the camera for medium-risk products. Participants were
asked to rate whether the purchase of a car/digital camera involves a large amount of risk/money/time/effort, and complicated decision-making process on a 7-point Likert scale from 1 (strongly disagree) to 7 (strongly agree).

**Dependent Variable**

Two bilingual raters, blind to the purpose of this study, were used to code the cognitive responses into attribute-related, product-related, or peripheral thoughts. Conflicts were solved by discussion.

**Results**

The hypotheses were tested based on a 2 (culture: U.S. vs. China) x 2 (risk: medium vs. high) ANOVA (and unless otherwise specified, df = 1, 75)

*Manipulation Checks.* Participants completed the ten-item holistic measurement scale on a 7-point Likert scale from 1 (strongly disagree) to 7 (strongly agree). As anticipated, the responses to the holistic thinking scale (Cronbach’s α = 0.72) showed that Caucasian Americans were significantly less holistic than Chinese (M_{American} = 4.69, M_{Chinese} = 4.99; F(1, 77) = 4.119, p < .05).

Participants completed the four-item vividness scale to compare the backgrounds of these two ads. As expected, responses to the vividness scale (Cronbach’s α = 0.72) revealed no significant effect. Therefore, background should not be a major concern influencing the information processing strategy in two different ads.

Third, responses to the risk measurement scale were reliable (Cronbach’s α = 0.93). As expected, 2 (culture) x 2 (riskiness) ANOVA with mean of risk scale as a dependent variable only showed a significant main effect of ad (M_{high} = 5.31, M_{medium} = 3.25; F(1, 75) = 90.212, p < .01). So the purchasing of a car is riskier than that of a digital camera.

A 2 (culture) x 2 (risk) ANOVA with number of total thought as the dependent variable was conducted. Only a significant main effect of ad emerged (M_{camera} = 2.78, M_{car} = 3.33; F = 4.444, p < .05). Therefore, participants devoted more cognitive effort when exposed to ads for high risk products than when exposed to ads for low risk products.

*Attribute-Related Thought.* Inter-judge reliability was 94% for attribute-related thought. A 2 (culture) x 2 (riskiness) ANOVA with attribute-related thought as the dependent variable was conducted (see Table 2 for means and standard deviations). A significant main effect of culture (F = 4.769, p < .05) and ad (F = 11.350, p < .01) emerged. Americans generated more attribute-related thought than Chinese (M_{American} = 1.34, M_{Chinese} = 0.85; F = 4.769, p < .05). Participants generated more attribute-related thought when exposed to the ad of a car than when exposed to the ad of a camera (M_{camera} = 0.73, M_{car} = 1.46; F = 11.350, p < .01). In contrast to my expectation, cultural difference in the high-risk product category was stronger rather weaker. An interaction effect also emerged (F = 4.336, p < .05; see Figure 5). Four contrasts were conducted since the interaction was significant. For Chinese, there was no significant difference between
the car ad and the camera ad ($M_{\text{camera}} = 0.71, M_{\text{car}} = 1.00; F = 0.860, p > .1$) although Chinese generated a little more attribute-related thoughts when exposed to the ad of car. Americans generated more attribute-related thoughts when exposed to the ad of a car than when exposed to the ad of a camera ($M_{\text{camera}} = 0.74, M_{\text{car}} = 1.95; F = 14.322, p < .01$). H4b and H5b were not supported.

*Product-Related Thought.* The inter-judge reliability for product-related thought was 89%. A 2 (culture) x 2 (riskiness) ANOVA with number of product-related thought as the dependent variable was conducted. Only a significant main effect of culture ($M_{\text{American}} = 0.45, M_{\text{Chinese}} = 1.17; F = 22.605, p < .01$) emerged. Chinese considered more holistic information than Americans. For Americans, there was no significant difference between the ad of camera and the ad of car ($M_{\text{camera}} = 0.42, M_{\text{car}} = 0.47; p > .1$). The cultural difference was not weakened. H4a and H5a were not supported.

**Discussion**

Surprisingly, the findings of this study showed that cultural variation was deeper rather than weaker in the high-risk product category. Americans engaged in more analytic thinking when facing high-risk products whereas there was no significant difference for Chinese between medium and high-risk products although Chinese engaged in a little more holistic thinking. Moreover, pilot study 2 also excluded a possible explanation that participants may be more familiar with the car (participants in pilot study 2, Americans and Chinese, listed about the same number of attribute for the digital camera and car; digital camera: $M_{\text{American}} = 5.9, M_{\text{Chinese}} = 6.1; p > .1$; Car: $M_{\text{American}} = 5.4, M_{\text{Chinese}} = 5.5; p > .1$). This surprising finding may be due to the nature of the purchase. In order to make a wise purchase decision, consumers pay more attention to the attributes of the product.

According to the multistage theory (Gilbert 1989; Gilbert, Pelham, and Krull 1988; Kahneman 2003) and findings of Krull (1993) and Lee, Hallahan, and Herzog (1996), the extremity of thinking in fast, automatic, and effortless step 1 may be attenuated by a deliberately monitored and controlled cognitive process in step 2. However, this model was not supported in this study even though both Chinese and Americans engaged in another way of thinking to a slight degree. It is quite likely that individuals are accustomed to think by habit and it is not easy to change a habit, especially a thinking habit, in a natural situation. Another possible explanation is that individuals in this study didn’t think hard enough so that their habitual thinking pattern did not register a change. However, the latter argument is less plausible because participants were measured to have invested much time to read the ad and then generated several thoughts related to the ad.
Table 2  
*Study 2 Results: Means and Standard Deviations*

<table>
<thead>
<tr>
<th></th>
<th>American</th>
<th></th>
<th>Chinese</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Camera</td>
<td>Car</td>
<td>Camera</td>
<td>Car</td>
</tr>
<tr>
<td>Thought</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Attribute</td>
<td>0.74(0.65)</td>
<td>1.95(1.22)</td>
<td>0.71(0.72)</td>
<td>1.00(1.21)</td>
</tr>
<tr>
<td>Product</td>
<td>0.42(0.51)</td>
<td>0.47(0.61)</td>
<td>1.05(0.67)</td>
<td>1.30(0.86)</td>
</tr>
<tr>
<td>Peripheral</td>
<td>1.37(0.76)</td>
<td>1.11(0.88)</td>
<td>1.24(0.62)</td>
<td>0.85(0.67)</td>
</tr>
<tr>
<td>n</td>
<td>19</td>
<td>19</td>
<td>21</td>
<td>20</td>
</tr>
</tbody>
</table>

NOTE. – Standard deviations are in parentheses.

Figure 5. Study 2 results: Culture x ad interaction for attribute-related thought

STUDY 3

Although Study 1 found cultural differences in ad information processing by using the analytic ad and the holistic ad, findings of Study 1 may be subject to the criticism that the analytic way of thinking of Westerners is not activated because four important pieces of attribute information were presented in the ad. So the purpose of this study is to check the difference between analytic ads with only one piece of attribute information (henceforth “AA1”) and analytic ads with four pieces of attribute information (henceforth “AA4”). Namely, this study was to check whether analytic thinking of Westerners would be inactivated when they were exposed to AA4.

Since Westerners tend to think about attributes in isolation, given their tendency to focus on the analytic parts, not the holistic, they may engage in analytic processing, or piecemeal processing, no matter whether exposed to AA4 or AA1 (ads without any attribute information
are rare in the U.S.). Therefore, I expect that for Westerners, there is no significant difference in terms of attribute-related thought between AA1 and AA4. In contrast, when exposed to AA1, holistic thinking of East Asians may be exacerbated because they will consider additional attribute information not contained in the ad. Therefore, I hypothesize:

H6: There will be no significant difference in terms of the number of attribute-related thought between AA1 and AA4 for Westerners.

H7: Compared with AA4, AA1 will lead East Asians to generate a greater number of attribute-related thought.

Design

To test my hypotheses, a 2 (culture: American vs. Chinese) x 2 (ad: AA1 vs. AA4) between-subject factorial design was used.

Stimuli

The analytic ad used in Study 1 was adapted for this study (86% of Chinese and 93% of Americans in this study owned a digital camera; \( \chi^2 (1, N = 82) = 0.402, p > .1 \)). The AA4 was the same as the analytic ad used in Study 1, but the AA1 contained only one piece of attribute information, vibration reduction (VR).

Subjects and Procedure

Forty Caucasian American students and 42 Chinese students in a large Midwest university who had not been in previous studies were selected. The procedure was identical in most respects to that used in Study 1.

Results

The hypotheses were tested based on a 2 (culture: American vs. Chinese) x 2 (ad: AA1 vs. AA4) ANOVA (and unless otherwise specified, df = 1, 78).

Manipulation Check. As expected, responses to the holistic thinking scale (Cronbach’s \( \alpha = 0.70 \)) showed that Caucasian Americans were significantly less holistic than Chinese (\( M_{\text{American}} = 4.61, M_{\text{Chinese}} = 4.91; F(1, 80) = 4.775, p < .05 \)).

Attribute-Related Thought. Inter-judge reliability was 93% for attribute-related thought. A 2 (culture) x 2 (ad) ANOVA with attribute-related thought as the dependent variable revealed no significant effect, although both Americans and Chinese generated a little more attribute-related thought when exposed to the AA1. Neither Americans nor Chinese engaged in significantly greater cognition when exposed to the AA1. H6 was supported but H7 was not supported.
Product-Related Thought. Inter-judge reliability was 91% for product-related thought. A 2 (culture) x 2 (ad) ANOVA with amount of attribute-related thought as the dependent variable showed only a significant main effect of culture ($M_{\text{Chinese}} = 1.28$, $M_{\text{American}} = 0.55$; $F = 21.564$, $p < .01$). The finding in Study 1 was repeated. Americans are more analytic and Chinese are more holistic.

<table>
<thead>
<tr>
<th>Table 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Study 3 Results: Means and Standard Deviations</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>American</th>
<th></th>
<th></th>
<th>Chinese</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>AA1</td>
<td>AA4</td>
<td>AA1</td>
<td>AA4</td>
<td>AA1</td>
<td>AA4</td>
</tr>
<tr>
<td>Thought</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Attribute</td>
<td>0.85(0.81)</td>
<td>0.68(0.78)</td>
<td>0.85(0.75)</td>
<td>0.50(0.76)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Product</td>
<td>0.55(0.69)</td>
<td>0.55(0.60)</td>
<td>1.45(0.83)</td>
<td>1.10(0.72)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Peripheral</td>
<td>1.25(1.29)</td>
<td>1.05(1.00)</td>
<td>1.25(0.64)</td>
<td>1.40(0.75)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>n</td>
<td>20</td>
<td>20</td>
<td>20</td>
<td>22</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

NOTE. – Standard deviations are in parentheses.

Discussion

The findings in this study excluded a possible explanation that the analytic way of thinking of Americans may be inactivated in AA4. Americans tend to think about attribute information in isolation. Therefore, the findings in Study 1 should be supported. However, this study did not support my expectation that Chinese would generate a greater amount of attribute-related thought when exposed to AA1. This shows that Chinese still tend to think holistically, not analytically.

GENERAL DISCUSSION

My findings add several confirmations of theoretically expected cultural differences in information processing, attitude, and memory. Moreover, my studies also found some surprising results. In Study 1, I found that Chinese engage in broader cognitive elaboration and tend to generate more holistic thoughts (product-related thought) when exposed to analytic ads than when exposed to holistic ads. However, Americans are less likely to do so. Americans tend to think analytically. So the ratio of attribute-related to product-related thought is higher for me. Moreover, analytic ads, compared with holistic ads, lead Chinese to generate more within-brand thought. But such an effect does not exist for Americans. Study 2 found that cultural variation tends to be deeper rather than weaker in the high-risk product category. Study 3 enhanced the finding in Study 1 by comparing American and Chinese responses to AA1 and AA4.

My findings extend the findings in cross-cultural psychology by showing that the holistic-analytic framework also holds in verbal information processing. Moreover, my findings show the situation in which the holistic thinking of Chinese is inactivated or at least not salient. Third, my study shows that both Americans and Chinese may engage in two ways of thinking. Fourth, my findings also suggested that the two-step model might not work as many scholars expected, at least in this study. So the two-step model should be changed to a three-step model (see Figure 6). Step 1 should be a fast and automatic cognitive process that is governed by habit
of thinking. Individuals may engage in greater cognitive elaboration given different situations (e.g., Choi and Nisbett 1998; Lee, Hallahan, and Herzog 1996), different goals (e.g., Krull 1993; Quattrone 1982), different motivations, the use of different priming techniques (e.g., Monga and John 2007), and availability of mental resources; however, they will extend their habitual thinking mode in step 2. In step 3, individuals may engage in deliberate elaboration so that they may use another way of thinking to some extent. However, many individuals may not reach this step because they are not accustomed or motivated to think harder. Some individuals may reach step 3 after controlling their cognitive process deliberately or after specific training to do so.

Figure 6. The model of analytic-holistic framework

My results contribute to the set of growing findings in cross-cultural consumer behavior by applying the analytic-holistic framework in a marketing context, especially in information processing. Although there is a strong foundation of the analytic-holistic framework in cross-cultural psychology, its application in a marketing context, especially in information processing,
is very limited. Monga and John’s study (2007) is the only recent example of using the analytic-holistic framework in a marketing context to examine the evaluation of brand extension.

My findings also add to the consumer research literature by showing that consumers from different cultures respond differently toward ads with different types of information. Prior studies paid more attention to effects of vividness, color, layout, information consistency, etc., on information processing. However, my findings show that ads with different types of information may have different effects on readers. Analytic ads tend to encourage Chinese to think elaborately while holistic ads have no such effect.

My study used only students to check the effect of culture on information processing. So generalization to other age groups should be cautious. Second, my study relied only on two products—digital camera and car—so the generalization of findings to other categories may not be reliable. Future studies should examine cultural variations in other product categories. Third, my study used only Chinese participants in the East Asian category, so future research should examine the effect of culture on information processing by using participants from other East Asian cultures, such as Koreans or Japanese. Fourth, my study did not examine situations in which habitual modes of thinking would be attenuated. Fifth, future study should study when individuals may change their ways of thinking.

REFERENCES


21–38.


Hansen, Chad (1983), Language and Logic in Ancient China, Ann Arbor, MI: University of Michigan Press.


AN EXPLORATORY INVESTIGATION OF SERVICE ATTRIBUTES AND CUSTOMER BENEFITS AS DETERMINANTS OF FINANCIAL PERFORMANCE

Chiung-Ju Liang, National Taiwan University of Science and Technology
Weng-Hung Wang, National Taiwan Ocean University

ABSTRACT

With the increased of the Balanced Scorecard, this study develops and empirically tests a model examining the relations among customer perspective (product attribute, benefit, customer satisfaction, trust, commitment and customer behavioral loyalty) and financial perspective (financial performance). Based on a sample collected from PC school, the largest information education services institute in Taiwan, it appears that customer perspective does have positively significant effects on financial performance, which is proposed by the BSC (Balanced Scorecard) and SPC (Service Profit Chain). Besides, the findings suggest that customers purchase information education services with different benefits, all of which come with specific attributes, hence result in different levels of customer satisfaction and behavioral sequence, and which is important in reinforcing customers’ repurchase intentions and corporate financial performance.

INTRODUCTION

Since the 1980s, many scholars have relied more on non-financial measures for both managing and evaluating organizations (Johnson and Kaplan, 1987; Berliner and Brimson, 1988; Rappaport, 1999). Some of these studies have sought to link specific non-financial measures to financial performance and the results often find significant relations (Banker, Potter, and Srinivasan, 2000; Behn and Riley, 1999; Ittner and Larcker, 1998). In the meantime, one of the objectives of these studies is to examine the process and impact of management with non-financial performance measures, specifically in the context of the balanced scorecard (BSC), which is a comprehensive system of performance measurement.

The BSC, which was popularized by Kaplan and Norton (1992, 1993, 1996, 1996a, 1996b), has been adopted widely around the world and was regarded as a superior integration of non-financial and financial measures of performance. It identifies not only four related perspective of activity that may be critical to nearly all organizations and all levels within organizations: (1) learning and growth perspective, (2) internal processes perspective, (3) customer perspective, and (4) financial perspective, but also seeks to link these measures into a model that accurately reflects cause-and-effect relations among categories and individual measures. Meanwhile, in order to understand how organizational resources translate into added value, Kaplan and Norton (2000, 2001, 2001a, b, 2004) suggest visually mapping the causal relationships into a strategy map, which are regarded as tools to chart how intangible assets are converted into tangible outcomes.
While a better understanding of value creation can then be used as the basis for validation as well as decision-making (Ittner and Larcker, 2003), we believe that causal approaches such as strategy maps could benefit from a better understanding of how resources interact to create value. Nevertheless, although well experimental work assesses how individuals response to reports containing financial and non-financial data (Lipe and Salterio, 2000), these are only the part of strategy maps, not included all perspectives of BSC, on performance measurement and management.

With this study we aim to demonstrate the importance of interdependency between customer perspective and financial perspective. Intend to examine whether the linkages of measures in each perspective follow the direction that Kaplan and Norton (2004) suggests. In addition, while Banker et al. (2000)'s research linked the relations of non-financial performance through the apply of customer satisfaction and financial performance, which was felt to need refinement, the first objective in this study is to summarize existing evidence about the behavioral sequence of relationship marketing at the individual customer level. Second, to provide a framework illustrating how strategy links non-financial measures to financial perspective, and the impact of particular behaviors that indicate customer loyalty. Third, to suggest a research agenda whereby information about individual-level behavioral sequence of relationship establishment and customer satisfaction data may provide ongoing evidence of the impact of attributes and benefits on behavioral sequence and financial performance. Fourth, to offer a strategy map of Information services Industry and identify the cause-and-effect relationships between customer perspective and financial perspective to expose gaps in the strategies and take early corrective action.

CONCEPTUAL FRAMEWORK

The balanced scorecard strategy maps, provides a framework to illustrate how strategy links consumer perspective process to financial perspective process (Kaplan and Norton, 2004). Besides, Banker et al. (2000)'s research linked the relations of customer satisfaction and financial performance, which was found to need refinement. We propose that customer satisfaction could not ensure future consumption behavior, which was only a summation of the psychological status of past consumption experience. Repeat buying behavior represents loyalty, which is a function of customer satisfaction, commitment and trust.

Figure 1 is a conceptual model that depicts the behavioral sequence of behavioral loyalty as intervening variable between customer perspective and financial perspective. The first part of this study is that customer behavioral loyalty can be achieved if customers are satisfied, having trust and commitment on retailers; the second portion of the model is at the level of the individual customer and proposes that benefits of which attributes bring forth and customer satisfaction are positively related with respect to information education services. The third portion of this model proposes that benefits are determinants of whether a customer ultimately remains with or defects from a company. In a word, the customer perspective process creates and delivers the customer value by benefits (functional, symbolic, and experiential). In the same manner, our conceptual model shows that financial outcomes can be achieved only if customers exhibit their loyalty. Therefore, we construct a part of strategy map and specific hypotheses are presented in the following sections.
Attributes, Benefits and Customer Satisfaction

Measuring the key attributes of the product or service provided is necessary, but it is not sufficient for improving customer satisfaction. Customer satisfaction studies need to include an extra level of measurement -- one that focuses on the functional and emotional (symbolic and experiential) benefits that are powerful purchase motivators.

Most satisfaction studies are one-quadrant, focusing on tangible, strategic attributes of a product or service. Much research attention is paid to identify these attributes and query existing and potential customers about the "most important" items responsible for their overall satisfaction and purchase decision. However, we propose that not only are these "most important" items just some of the influences on customer satisfaction, these items often are not the real or most powerful purchase motivators.

Attributes Measurement

There exists a general agreement that a service comprises a complex bundle of explicit and implicit attributes (Gronroos, 1984; Parasuraman, Zeithaml and Berry, 1985) and that the 22 items composing the SERVQUAL scale (Parasuraman et al., 1988) are good predictors, but not the only predictors, of service quality (Brown, Churchill and Peter, 1993; Cronin and Taylor, 1992).
Though different authors have highlighted dichotomies among these attributes (Gronroos, 1984; Johnston, 1995; Driver and Johnston, 2001), these attributes simply focus on service quality. Consequently, Keller (1999) further defines “attributes” as those descriptive features that characterize a product or service, such as what consumers think the product or service is or has and what is involved with its purchase or consumption. According to Keller (1999), attributes can be divided into two categories, product-related attributes and non-product-related attributes.

Product-related attributes in this study, such as the price, content and promotion program of information education services, are defined as a product’s essence composition or a service’s requirements and are what determine the nature and level of product performance. Non-product-related attributes in this study, courteousness and user imagery for example, are regarded as those that may affect not only the purchase or consumption process but also the performance of product and/or service indirectly. Non-product-related attributes mainly rise from the marketing mix and methods by which the product/service is marketed.

**Accessing Benefits**

The concept of benefits segmentation rests on the idea that consumers select products/services on the basis of the benefits they desire (Gutman, 1982). According to Gwinner, Gremler, and Bitner (1998), their findings reveal that relational benefits could be categorized into three distinct types: confidence, social, and special treatment benefits, which have significant correlations with loyalty and satisfaction. Additionally, Beatty, Coleman, Reynolds, and Lee (1996) observe that the benefits customers claimed to receive from these types of relationships appeared to fall into two primary categories: functional benefits or social benefits, which have been suggested by others (Berry, 1995; Dwyer, Schurr and Oh, 1987; Gwinner et al., 1998).

Consequently, Keller (1999) proposes that benefits can be further distinguished into three different categories according to the underlying motivations to which they relate: functional benefits, symbolic benefits, and experiential benefits. Based on past studies, we classify relationship benefits as Keller (1999) has defined. In this study, functional benefits are intrinsic advantages of product or service consumption and usually correspond to product-related attributes. These benefits are often linked to fairly basic motivations such as financial premium, safety needs, planning, and value-added services from alliance.

Symbolic benefits are the more extrinsic advantages of product or service consumption and usually correspond to non-product-related attributes, especially user imagery. Symbolic benefits relate to underlying needs for social approval or personal expression, interpersonal action and outer-directed self-esteem. Thus, consumers may value the prestige, exclusivity, or fashionability of a service or product because of how it relates to their self-concepts. Experiential benefits relate to what it feels like to use the product or service and can correspond to both product-related and non-product-related attributes such as user imagery, convenience, “feel good” experiences with a retailer, and a customer’s own life.

Attributes are observable. They can be easily seen and measured, like the tip of an iceberg. The motivations behind these attributes—and their benefits—are like the rest of the iceberg. However, they can be identified and measured. Measuring benefits as well as attributes
provides appraisals that are momentous to product or service improvements. As benefits are added, enhancing these motivators increases customer retention and loyalty levels, and helps in recruiting new customers. Therefore, measuring the real motivators of purchase explains why benefits are important, strengthening the research results, and we further make hypotheses as follow:

H1a. A higher perceived level of product-related attributes leads to a higher perceived level of functional benefits.
H1b. A higher perceived level of product-related attributes leads to a higher perceived level of symbolic benefits.
H1c. A higher perceived level of product-related attributes leads to a higher perceived level of experiential benefits.
H2a. A higher perceived level of non-product-related attributes leads to a higher perceived level of functional benefits.
H2b. A higher perceived level of non-product-related attributes leads to a higher perceived level of symbolic benefits.
H2c. A higher perceived level of non-product-related attributes leads to a higher perceived level of experiential benefits.

Integrating Attributes and Benefits Measurement to Access Customer Satisfaction, Trust, Commitment and Behavioral Loyalty

Satisfaction with the relationship is regarded as an important outcome of buyer-seller relationships (Smith and Barclay, 1997). We define relationship satisfaction as a consumer's affective state resulting from an overall appraisal of his or her relationship with a retailer (Anderson and Narus, 1990).

Since attributes that bring forth benefits needed by customer further lead to customer satisfaction, researchers have considered the argument that relationship benefits are helpful in improving customers’ behavioral loyalty (Berry and Parasuraman, 1991; Berry, 1995). De Young (1996) proposes that the more individualized marketing tactics are, the higher customer satisfaction will be. Wulf, Odekerken-Schroder and Iacobucci (2001) and Odekerken-Schroder, Wulf and Schumacher (2003) also suggest that attributes and benefits of services would affect relationship quality through customer satisfaction. Furthermore, many researchers also point out that relationship bonding tactics do have positive effects on customer satisfaction (Gengler, Leszczyc and Popkowski, 1997; Geyskens, 1998).

Customer satisfaction research can drive business priorities and measure performance and return on investment (ROI), by incorporating and tracking benefits that result from tangible product or service attributes. To do this, companies should determine what the important benefits are for their customers. A more rigorous approach is to probe for benefits on different dimensions that correspond to different values, such as security, identity, imagery, dignity, relationships, and renewal. Therefore, it is hypothesized that:

H3a. A higher perceived level of functional benefits leads to a higher level of customer satisfaction.
H3b. A higher perceived level of symbolic benefits leads to a higher level of customer satisfaction.
H3c. A higher perceived level of experiential benefits leads to a higher level of customer satisfaction.

Henning-Thurau and Klee (1997) suggested that relationship quality was the main factor that affects customers' repurchasing behavior. Besides, Wulf et al. (2001) and Odekerken-Schroder, et al. (2003) also suggested the same results.

The development of trust is thought to be an important result of investing in dyadic buyer-seller relationships (Gundlach, Achrol, and Mentzer, 1995). Crosby, Evans, and Cowles (1990) thought that trust was a conviction when customers developed a tacit understanding with sellers. Therefore, we could infer that trust was the main element to develop high-level relationships, especially during the initial period of relationship development.

Commitment is generally regarded to be an important result of good relational interactions (Dwyer et al., 1987). Morgan and Hunt (1994)'s Commitment-Trust theory suggested that commitment and trust were the main variables that make relationship marketing successful. Besides, Moorman, Desphande, and Zaltman (1993) suggested that customers who are committed to a relationship might have a greater propensity to act because of their need to remain consistent with their commitment. In line with this, Bennett (1996) argues that the strength of customers' commitment depends on their perceptions of efforts made by the seller. In our study, we used satisfaction, trust, and commitment as our main measurements of relationship quality.

Henning-Thurau and Klee (1997) suggested that relationship quality is an antecedent of repeat purchase behavior. Morgan and Hunt (1994) find empirical support for the relationship between a customers' commitment and acquiescence, propensity to leave, and cooperation, all of which can be regarded as behavioral outcomes of relationships. In the mean time, some empirical evidence has also been found for relationships between dimensions of relationship quality and behavioral loyalty (Bolton, 1998; Dick and Basu, 1994). Therefore, we suggest the following:

H 4. A higher level of customer satisfaction leads to a higher level of trust.
H 5. A higher level of trust leads to a higher level of commitment.
H 6. A higher level of commitment leads to a higher level of customer behavioral loyalty

Financial Performance

Operating profit is the financial performance measure to motivate managers to improve owners' satisfaction (Banker et al., 2000; Lipe and Salterio, 2000; Engström, 2003; Banker, Chang, Pizzini, 2004). In addition, Heskett, Jones, Loveman, Sasser, Jr., and Schlesinge (1994), early SPC conceptualizations and tests were focused on retention and revenue maximization with no explicit consideration of the cost of service quality efforts. Besides, customer satisfaction is considered a key short-term measure that is a leading indicator of long-term performance (Hauser, Simester, and Wemerfelt, 1994). In our study, we adopt the variables of ascertain
repurchase, highly cost-profit appreciation of service provided, and being impervious to competitors as our measurements of financial performance. Therefore, it is hypothesized that:

H 7: A higher level of customer behavioral loyalty leads to a higher level of financial performance.

**METHODOLOGY**

**Sample description**

Information Education is a very prevalent service in Taiwan, people participate these programs for obtaining occupational certifications such as MCSE, MOUS, JAVA SCJP, and MCDST. These certifications are not only widely approved in the international information industry, but also recognized as essential conditions for career enhancement.

Therefore, in order to observe the behavioral sequence of relationship marketing and relationship quality, we selected the largest information education services institute in Taiwan (PC School,, which has a market share in (year) of about 35 %, followed by Secondary Information Education Services with 15%, and others about 2-3% respectively), which is anticipating going public in 2005, is chosen. The sample company PC School founded in 1986, now has 600 employees, 100 professional lecturers, 500 part time lecturers, accumulated members more than 500,000 people, 94 directly owned branch stores and 6 value-added flagship stores. PC school’s main services include computer education training, professional identification training (professional training for obtaining occupational identification), corporate training, website construction and on-line education courses (e-learning).

With the cooperation of PC school, a total of 2000 surveys were mailed randomly to the members of PC school who had participated in at least one course during the time period from Feb. 2002 to Apr. 2002. A reminder letter was mailed approximately one week after the questionnaire. To avoid demand effects, participants did not know the researcher personally. The respondents were guaranteed that all answers were anonymous.

The final sample size was 933, yielding a response rate of 46.7%. Our sampling method was successfully in soliciting respondents with varied personal and firm characteristics. Respondents varied in sex (female, 54.4%; male, 45.6%), age (≤24 years of age, 30%; 25-36 years of age, 55.6%; ≥37 years of age, 14.4%), education (≤high school diploma, 2.4%; senior high school, 14%; university, 77%; graduate school, 6.6%), and average monthly income (≤25000, 43.3%; 25000-45000, 42.7%, ≥45000, 14%). Finally, the membership type includes (platinum-card member, 91.5%; member by hour, 4.2%; member by course, 2.7%; others, 1.6%).

**Measures development**

The items related to all variables are included in Table 1 and 2. Most measures represent a combination and synthesis of past formulations revealing comparable reliability scores (see Appendix). Self-administrated questionnaires are used for all measures. The independent variables of our research are attributes, including product-related and non-product-related
attributes. In the case of the dependent variable is financial performance. Intermediate variables include benefits, relationship satisfaction, trust, commitment, and behavioral loyalty. Five-point Likert-type scales were used for all measures in Table 1 and Table 2.

Table 1
Measurement Model and Confirmatory Factor Analysis: Exogenous Constructs

<table>
<thead>
<tr>
<th>Exogenous constructs</th>
<th>Item-Construct Loading</th>
<th>Cronbach’s Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Standardized</td>
<td>t-value</td>
</tr>
<tr>
<td>Product-related attributes:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. PA1</td>
<td>0.55</td>
<td>15.87</td>
</tr>
<tr>
<td>2. PA2</td>
<td>0.45</td>
<td>12.13</td>
</tr>
<tr>
<td>3. PA3</td>
<td>0.73</td>
<td>20.69</td>
</tr>
<tr>
<td>4. PA4</td>
<td>0.63</td>
<td>17.26</td>
</tr>
<tr>
<td>Non-product-related attributes:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. NPA1</td>
<td>0.67</td>
<td>21.54</td>
</tr>
<tr>
<td>2. NPA2</td>
<td>0.66</td>
<td>21.41</td>
</tr>
<tr>
<td>3. NPA3</td>
<td>0.74</td>
<td>24.74</td>
</tr>
<tr>
<td>4. NPA4</td>
<td>0.80</td>
<td>28.11</td>
</tr>
<tr>
<td>5. NPA5</td>
<td>0.78</td>
<td>26.87</td>
</tr>
<tr>
<td>6. NPA6</td>
<td>0.69</td>
<td>23.20</td>
</tr>
</tbody>
</table>

Table 2
Measurement Model and Confirmatory Factor Analysis: Endogenous Constructs

<table>
<thead>
<tr>
<th>Endogenous Constructs</th>
<th>Item-Construct Loading</th>
<th>Cronbach’s Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Standardized</td>
<td>t-value</td>
</tr>
<tr>
<td>Functional Benefits:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. FB 1</td>
<td>0.75</td>
<td>-</td>
</tr>
<tr>
<td>2. FB 2</td>
<td>0.72</td>
<td>21.51</td>
</tr>
<tr>
<td>3. FB 3</td>
<td>0.67</td>
<td>20.03</td>
</tr>
<tr>
<td>4. FB 4</td>
<td>0.65</td>
<td>19.31</td>
</tr>
<tr>
<td>Symbolic Benefits:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. SB 1</td>
<td>0.47</td>
<td>-</td>
</tr>
<tr>
<td>2. SB 2</td>
<td>0.69</td>
<td>13.53</td>
</tr>
<tr>
<td>3. SB 3</td>
<td>0.72</td>
<td>12.31</td>
</tr>
<tr>
<td>Experiential Benefits:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. EB 1</td>
<td>0.83</td>
<td>-</td>
</tr>
<tr>
<td>2. EB 2</td>
<td>0.82</td>
<td>28.72</td>
</tr>
<tr>
<td>3. EB 3</td>
<td>0.79</td>
<td>27.43</td>
</tr>
</tbody>
</table>
Table 2 (continued)

Measurement Model and Confirmatory Factor Analysis: Endogenous Constructs

<table>
<thead>
<tr>
<th>Endogenous Constructs</th>
<th>Item-Construct Loading</th>
<th>Cronbach’s Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Standardized</td>
<td>t-value</td>
</tr>
<tr>
<td>Customer Satisfaction:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. CS 1</td>
<td>0.84</td>
<td>-</td>
</tr>
<tr>
<td>2. CS 2</td>
<td>0.85</td>
<td>35.15</td>
</tr>
<tr>
<td>3. CS 3</td>
<td>0.86</td>
<td>30.39</td>
</tr>
<tr>
<td>4. CS 4</td>
<td>0.69</td>
<td>23.48</td>
</tr>
<tr>
<td>Trust</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Trust 1</td>
<td>0.89</td>
<td>-</td>
</tr>
<tr>
<td>2. Trust 2</td>
<td>0.91</td>
<td>45.32</td>
</tr>
<tr>
<td></td>
<td>0.89</td>
<td>38.57</td>
</tr>
<tr>
<td>Commitment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Commitment 1</td>
<td>0.57</td>
<td>-</td>
</tr>
<tr>
<td>2. Commitment 2</td>
<td>0.59</td>
<td>21.70</td>
</tr>
<tr>
<td>Customer loyalty</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Loyal 1</td>
<td>0.76</td>
<td>-</td>
</tr>
<tr>
<td>2. Loyal 2</td>
<td>0.57</td>
<td>18.69</td>
</tr>
<tr>
<td>Financial Performance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. FP 1</td>
<td>0.78</td>
<td>-</td>
</tr>
<tr>
<td>2. FP 2</td>
<td>0.63</td>
<td>19.24</td>
</tr>
<tr>
<td>2. FP 3</td>
<td>0.67</td>
<td>21.15</td>
</tr>
</tbody>
</table>

Data Analysis Method and Data Examination

In our data examination process, we deleted cases incorporating missing values prior to data analysis. Second, we tested the assumptions underlying the use of structural equation modeling. With respect to sample size (Anderson and Gerbing, 1988), we used somewhat larger sample sizes given the risk of moderate normality violations. Normality was tested by means of PRELIS2 based on the skewness and kurtosis of the observed variables (Bollen, 1989). All the samples revealed significant kurtosis and skewness p-values for most observed variables. Finally, we tested for the existence of univariate and multivariate outliers. Our analyses revealed there exists nearly none outliers.

Following Anderson and Gerbing’s (1988) work, the models are tested using a two-stage structural equation model. First, we performed Confirmatory Factor Analysis (CFA) to evaluate construct validity regarding convergent and discriminate validity. In the second stage, we performed path analysis to test the research hypotheses, a procedure becoming common in studies (Li and Calantone, 1998; Chaudhuri and Holbrook, 2001).

Overall Model Evaluation
In Table 3, we report the values of the fit statistics. The chisquares are significant (p < 0.05); (Bollen, 1989), a finding not unusual with large sample sizes (Doney and Cannon, 1997). The values for CFI, NNFI, root mean square error of approximation (RMSEA), and standardized root mean residual (SRMR) are acceptably close to the standards suggested by Hu and Bentler (1995, 1999): 0.95 for CFI and NNFI, 0.06 for RMSEA, and 0.08 for SRMR. Given that these batteries of overall goodness-of-fit indices were accurate and that the model was developed on theoretical bases, and given the high level of consistency across samples, no re-specifications of the model were made. This enables us to proceed in evaluating the measurement and structural models.

**Measurement Model Evaluation**

We assessed the quality and adequacy of our measurement models by investigating unidimensionality, convergent validity, reliability, discriminant validity, and metric equivalence. First, unidimensionality was assessed on basis of principal component analysis performed on all items. As all items loaded 0.65 on the hypothesized factor and maximally 0.30 on the other factors, we can conclude that unidimensionality for each of the constructs was obtained. Second, convergent validity was supported as a result of the fact that the overall fit of the models was good, that all loadings were highly statistically significant (p<0.05). Third, reliability was supported as a result of the fact that all Cronbach alpha values exceeded 0.70, indicating acceptable reliability levels (Nunnally, 1978). Moreover, as can be derived from Table 1 and 2, all of the composite reliability measures are equal to or above 0.60, corresponding to Bagozzi and Yi’s (1988) minimum values of 0.60. As a result, we can conclude that all constructs yield satisfactory reliabilities.

Fourth, CFAs were used to test the adequacy of the measurement model. We used separate CFAs for attributes, benefits and relationship behavioral sequence (customer satisfaction, trust, commitment, behavioral loyalty, and financial performance). We estimated the proposed measurement model using LISREL 8.52 (Joreskog and Sorborn, 1989, 1993). The results indicate reasonable overall fits between the model and the observed data. As is shown in Table 3, for the attributes construct CFA models, and relationship outcomes construct CFA models or even the full model fit of measurement models (GFI) are all higher than 0.90 (Bagozzi and Yi, 1988). Besides, NNFI and CFI are far exceed the recommended .90 threshold levels (Bollen, 1989; Hu and Bentler, 1995). These results demonstrated that the data reasonably fit the model again.

<table>
<thead>
<tr>
<th>Table 3</th>
<th>Goodness of fit statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Model/Construct</strong></td>
<td><strong>χ²</strong></td>
</tr>
<tr>
<td>Exogenous</td>
<td>125.96</td>
</tr>
<tr>
<td>Endogenous</td>
<td>922.26</td>
</tr>
<tr>
<td>CFA-Overall</td>
<td>1371.08</td>
</tr>
<tr>
<td>Sequential path model</td>
<td>1131.02</td>
</tr>
</tbody>
</table>
The Path Model and Hypothesis Testing

Table 4 presents the assessment of overall model fit and the tests of research hypotheses. For our conceptual model, the estimated structural paths are visualized in Figure 2 and show the hypothesized relationships between latent constructs and their corresponding standardized path coefficients. In our conceptual model, significant path coefficients are thick-lined in the figure and all significant relationships between latent constructs are in the hypothesized direction. A second evaluation of the structural model is related to testing each of the hypotheses previously formulated. In our empirical results, product-related and non-product-related attributes consistently lead to benefits, which positively affected customer satisfaction, trust, relationship commitment, consumer’s behavioral loyalty, ultimately influencing retailer’s financial performance (support for hypotheses 1a, 1b, 2a, 2b, 2c, 3b, 3c, 4, 5, 6, and 7).

![Diagram](image)

Note: Numbers in parenthesis are t-values, others are standardized path coefficients

*Figure 2. Results of hypothesized framework.*
Table 4

*Empirical Results of the Proposed Model*

<table>
<thead>
<tr>
<th>Causal Path</th>
<th>Hypothesis</th>
<th>Expected Sign</th>
<th>Path Coeff.</th>
<th>t-value</th>
<th>Assessment (p≦.05)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product-related attributes → Functional Benefits</td>
<td>H 1a</td>
<td>+</td>
<td>0.36</td>
<td>5.97</td>
<td>s.</td>
</tr>
<tr>
<td>Product-related attributes → Symbolic Benefits</td>
<td>H 1b</td>
<td>+</td>
<td>0.23</td>
<td>3.52</td>
<td>s.</td>
</tr>
<tr>
<td>Product-related attributes → Experiential Benefits</td>
<td>H 1c</td>
<td>+</td>
<td>0.00</td>
<td>0.03</td>
<td>n.s.</td>
</tr>
<tr>
<td>Non-Product-related attributes → Functional Benefits</td>
<td>H 2a</td>
<td>+</td>
<td>0.66</td>
<td>11.13</td>
<td>s.</td>
</tr>
<tr>
<td>Non-Product-related attributes → Symbolic Benefits</td>
<td>H 2b</td>
<td>+</td>
<td>0.75</td>
<td>9.69</td>
<td>s.</td>
</tr>
<tr>
<td>Non-Product-related attributes → Experiential Benefits</td>
<td>H 2c</td>
<td>+</td>
<td>0.90</td>
<td>14.52</td>
<td>s.</td>
</tr>
<tr>
<td>Functional Benefits → Satisfaction</td>
<td>H 3a</td>
<td>+</td>
<td>-0.03</td>
<td>-0.27</td>
<td>n.s.</td>
</tr>
<tr>
<td>Symbolic Benefits → Satisfaction</td>
<td>H 3b</td>
<td>+</td>
<td>0.42</td>
<td>3.06</td>
<td>s.</td>
</tr>
<tr>
<td>Experiential Benefits → Satisfaction</td>
<td>H 3c</td>
<td>+</td>
<td>0.40</td>
<td>5.54</td>
<td>s.</td>
</tr>
<tr>
<td>Satisfaction → Trust</td>
<td>H 4</td>
<td>+</td>
<td>0.93</td>
<td>29.84</td>
<td>s.</td>
</tr>
<tr>
<td>Trust → Commitment</td>
<td>H 5</td>
<td>+</td>
<td>0.95</td>
<td>15.88</td>
<td>s.</td>
</tr>
<tr>
<td>Commitment → Loyalty</td>
<td>H 6</td>
<td>+</td>
<td>1.05</td>
<td>15.58</td>
<td>s.</td>
</tr>
<tr>
<td>Loyalty → Financial Performance</td>
<td>H 7</td>
<td>+</td>
<td>1.03</td>
<td>22.22</td>
<td>s.</td>
</tr>
</tbody>
</table>

Note: $\chi^2 (445) = 1131.02$, p=0.0000, RMSEA=0.041; GFI=0.93, AGFI=0.91; CFI=0.99; NFI=0.99; NNFI=0.99.

**DISCUSSIONS AND CONCLUSIONS**

PC school is the largest information education services company in Taiwan. With the coming era-of-Internet, companies in the information education services industry face their unprecedented challenge.

**Symbolic and Experiential Benefits Brought with Satisfaction**

When discussing with attributes, results show that non-product-related ones have significantly positive effects on all the three symbolic benefits, especially symbolic ones. Therefore, managers should invest in training professional, courteousness, and reliable service employees – the trainings include ways to inform customers on the length of time required for a particular service and so on. As to benefits, results show that not only experiential benefits such as an on-line inquiring system (e-service) and establishing of infrastructure, but also symbolic benefits including imagery of PC School and perceived investment of PC School are significantly positive benefits for customer satisfaction.
The results stated above show that both symbolic and experiential benefits are the main sources that bring forth customer satisfaction, and attributes that have significant influence on each benefits are all non-product-related attributes. Therefore, with the coming era of e-learning, sellers that want to catch new customers or retain existing users of information education should not only provide high quality services but also preferential treatments with symbolic and experiential benefits.

**A Concern Regarding Relationship Quality and Behavioral Loyalty**

Regarding an endogenous construct of relationship quality, all paths coefficients are significant. Therefore, we can infer that once a customer is satisfied with the benefits brought from attributes, trust regarding a service provider’s honesty improves, along with commitment to the retailer. Besides, the results also show that trust has positive effects on commitment, so do commitment on behavioral loyalty. Therefore, we could reason that the more trust and commitment customers have for PC School, the greater the loyalty and repurchase intention customers exhibit.

**Customer Perspective Positively Significant Influenced Financial Performance**

As is supported by the BSC, the relationship between customer perspective and financial performance indeed has not only significant but also positively. In addition, our conceptual linkage between customer behavioral loyalty and financial performance is proven also, which is a pick up from Banker (2000). In the past literature, researchers focused on a concern of customer satisfaction as the leading indicator of financial performance. Our research suggests that customer satisfaction ensure repeat buying behavior only when they first have trust and commitment in the service provider. Therefore, the hypothesis that customer behavioral loyalty leads to financial performance is a significant finding for managers. The scope of customer buying behavioral sequence and role is an essential determinant of financial performance. Furthermore, the results show that customer loyalty does lead to positively influence on financial performance. Therefore, managers should segment their customers effectively into several groups, so as to get both efficient results and excellent financial performance.

Attributes identified in traditional satisfaction studies are only the tip of the iceberg (Cronin and Taylor, 1992; Parasuraman et al., 1985, 1988, 1991, 1993, 1994). While some studies linked to operational characteristics, others are linked to discrete performance attributes, such as reliability, speed of service, functionality, porter friendliness and more. The persisting problem is that attempting to customer satisfaction with such attributes is no guarantee that overall satisfaction will increase. The real motivators driving customer satisfaction or choice have not been identified. Furthermore, unseen and un-served motivators add insight into less visible areas, such as customer confidence, personal productivity, feeling successful, feeling relaxed and comfortable. Therefore, these are areas that businesses need to address to increase effectiveness.

**CONTRIBUTIONS AND MANAGERIAL IMPLICATIONS**
In the emerging Information Technology industry of Taiwan, PC School continues to be a dominant force. From the conclusions stated above, we could infer that even if management were serious about targeting investment dollars to improve consumer satisfaction, without a full understanding of why customers buy, such efforts might not be fruitful. Managers should treat consumers as partners as they offer original services or in their quest for successful new services, while reciprocation of behavior will foster a positive atmosphere, remove barriers of risk, and enable relationships to move forward, finally leading to better financial performance.

This study was aimed at investigating the potential role of a retailer’s relationship investments in influencing consumer attitudes, behavior and their relations with financial performance. To our knowledge, it is the first study that demonstrates the effect of relationship investments and buying behavior on financial performance in Information Education Services setting. In our samples, the results indicate that providers can influence consumer buying behavior by rewarding consumers for their patronage. In addition, it also shows that customer behavioral loyalty has a significant positive effect on provider's financial performance.

While the development and sustainability of loyalty is increasingly difficult to achieve today and is still surrounded with ambiguity regarding its underlying determinants, we believe that our research makes a significant contribution to relationship marketing theory in two unique and different ways. First, our model contributes to the existing literature by specifying how information education services providers can guide consumer perceptions of the relationship investments by applying at least two groups of attributes and providing three kinds of benefits. Prior studies have rarely investigated the role of such attributes and benefits relations in shaping consumer relationships. Second, our study demonstrates why information education services providers benefit from investing in consumer relationships by assessing the impact of relationship investments on relationship outcomes and ultimately on consumer behavioral loyalty. We tested these two research questions comprehensively and rigorously by conducting the study within a newly born information education services institution.

From the part of financial performance and customer perspective, most studies often mentioned conceptually deserved, and are still surrounded with ambiguity regarding its measurements in marketing literature. Therefore, we believe that the other significant contribution our research makes to relationship marketing theory and the BSC is that we integrate and test rigorously the relationship customer perspective and financial perspective. Finally, our study confirmed the relationship between customer behavioral loyalty and service provider's financial performance.

REFERENCES


## APPENDIX

<table>
<thead>
<tr>
<th>Construct</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Attributes</td>
<td>Gronroos, 1984; Parasuraman, Zeithaml and Berry, 1985, 1988; Brown, Churchill and Peter, 1993; Cronin and Taylor, 1992; Johnston, 1995; Driver and Johnston, 2001; Keller, 1999</td>
</tr>
<tr>
<td>Benefits</td>
<td>Gutman, 1982; Gwinner, Gremler, and Bitner, 1998; Beatty, Coleman, Reynolds, and Lee, 1996; Berry, 1995; Dwyer, Schurr and Oh, 1987; Keller, 1999</td>
</tr>
<tr>
<td>Relationship Satisfaction</td>
<td>Anderson and Narus, 1984; Smith and Barclay, 1997; Larson, 1992; De Young, 1996; Wulf et al., 2001; Odekerken-Schroeder et al., 2003</td>
</tr>
<tr>
<td>Trust</td>
<td>Doney and Cannon, 1997; Geyskens et al., 1996; Moorman et al., 1992; Morgan and Hunt, 1994; Wulf et al., 2001; Odekerken-Schroeder et al., 2003; Gundlach, Achrol, and Mentzer, 1995</td>
</tr>
<tr>
<td>Commitment</td>
<td>Dwyer et al., 1987; Bennett, 1996; Wulf et al., 2001; Moorman et al., 1992; Odekerken-Schroder et al., 2003; Morgan and Hunt, 1994; Hennig-Thurau and Klee, 1997</td>
</tr>
<tr>
<td>Behavioral Loyalty</td>
<td>Bolton, 1998; Morgan and Hunt, 1994; Dick and Basu, 1994; Hennig-Thurau and Klee, 1997; Heskett et al., 1994</td>
</tr>
</tbody>
</table>
REVEALING THE CONSUMPTION DECISION-MAKING PROCESS OF THE ADOLESCENTS

Chin-Feng Lin, National Pingtung Institute of Commerce

EXTENDED ABSTRACT

This study attempts to understand whether the purchase intention of adolescent will be influenced by the information provided on the sporting goods websites. Thus, the purposes of this study are: 1) to construct a model called “the consumption decision-making process of the adolescents (CDMPA)”, 2) to explore Internet consumption cognition structures of the adolescent toward particular sporting goods, 3) to confirm the validity of the CDMPA model and 4) to deduce adolescent Internet consumption behavior and implication based on the results of the CDMPA model.

In this study, some variables were determined by a literature search and the questions in the questionnaire fell into four dimensions. The first dimension concerned brand equity which included 7 measurements. The second dimension adopted the Means-end chain (MEC) measurements (Gutman, 1982) including 7 attributes, 13 consequences and 7 value variables. The third dimension concerned website trust with 6 measured variables. The last dimension concerned behavioral intentions having 6 measurements. To verify the consumption decision-making process of the adolescents, the study selected respondents who have online shopping abilities and experiences.

Factor analysis in this study was conducted using the Varimax Method for reducing the original variables to a few common factors such that each factor can explain the intercorrelation among the variables in four separate dimensions: brand equity, means-end chain, website trust and behavioral intention. Once determining the number of retained variables in each factor, the researchers calculated the mean value of each factor as an analytical base for Structural Equation Modeling (SEM).

Compared with the initial classifications of brand equity (Aaker, 1996) and website trust (McKnight et al., 2002), the classifications of this study are consistent with those of the previous researches. The brand equity includes “brand awareness” and “brand association”; and the website trust involves “trust intention”, “credibility” and “benevolence”. Furthermore, attribute, consequence and value are the key components in the MEC dimension. Attributes can be classified by “easy search”, “providing information”, “promotion” and “product description.” Consequences consist of “negative feelings”, “reliability”, “useful information” and “convenience.” Personal values involve “excitement and safety”, “self confidence” and “relationships with others.” Finally, the behavioral intentions are formed by “sharing with members” and “intention to purchase”. Following the factor analysis, a total of 243 valid samples were used to reveal the sequence of consumption decision making of the adolescents by looking at the results of the Structural Equation Modeling (SEM).

This study uses the maximum likelihood estimation (MLE) to estimate the parameters for
understanding the degree of model fit. Through the analytical results of Amos program, the indexes of model fit (GFI=0.941; AGFI=0.905; RMR=0.041) indicated that the model fits are good and acceptable. That is, the consumption decision-making process of the adolescents (CDMPA) proposed in this study is quite acceptable. The overall model fit is good and most of the relationships between the construct and the dimension are significant. To evaluate the relationships between constructs, only “personal value” and “website trust” have an indirect effect, and the rest of the constructs, on the other hands, have direct effects. Although brand equity did not have a direct impact on “website trust” and “behavioral intention” dimensions, the model fit (GFI=0.910; AGFI=0.896; RMR=0.052) among “brand equity”, “website trust”, and “behavioral intention” dimensions can be considered acceptable. In other words, the researchers only can conclude that brand equity have an indirect impact on “website trust” and “behavioral intentions”.

This study contributes to reveal and confirm the consumption decision-making process of the adolescents (CDMPA). The CDMPA model cannot only be used to reveal the Internet consumption habits of adolescents but also can provide website owners with adolescence preference for designing their web advertisements. Once marketers obtain the information regarding the cognitive contents and preferences of consumers toward a particular product or brand, they will be able to understand the process of how the target consumers transform their product cognition into purchase activities, in order to formulate effective marketing strategies in the competitive Internet environment.

ACKNOWLEDGEMENTS

The author wishes to acknowledge the financial support of this paper by the National Science Council, Taiwan. No.: NSC 95-2416-H-251-018-MY3.

REFERENCES

ON THE RELATIONSHIP BETWEEN MARKETING ALLIANCES AND THE CONSUMER

Nacef Mouri, George Mason University
Jaishankar Ganesh, University of Central Florida

EXTENDED ABSTRACT

Strategic alliances are increasingly being used by business organizations in the pursuit of their diverse strategic objectives. The last two decades have seen an upsurge in alliance formation and the trend is set to continue. It is no surprise then that academic research on strategic alliances has burgeoned in the last decade. Scholars have addressed issues as diverse as alliance formation, alliance partner selection, alliance form selection, partner relationships and maintenance, network particularities, and alliance performance. At the time when advances were made in the theoretical and managerial aspects of strategic alliances, significant efforts in furthering our understanding of consumer behavior was taking place among consumer researchers (Oliver et al. 1997). Customer value and customer satisfaction research streams in particular, have witnessed significant developments in the last decade. As these three research streams progressed however, parallels between the three areas have not been investigated. While the literature focuses on how strategic alliances might be of value to participating firms, it largely overlooks the questions of whether and how alliances impact the consumer, particularly customer value and customer satisfaction. As Rindfleisch and Moorman (2003) note, “little is known about the effect of interfirm relations on the marketing environment, including their impact on a firm’s customers, and...research on the impact of organizational collaborative activities on customers is scant at best.”

The objective of this research is to fill this gap and extend knowledge on the relationship between strategic alliances and consumer behavior. We do so by merging the strategic facet of the literature on interorganizational relationships with the two complementary research traditions in consumer behavior, customer value and customer satisfaction (Babin et al. 1994; Hirschman and Holbrook 1982). Focusing on marketing alliances, we develop a conceptual framework that explains the process by which alliances impact customer value, customer satisfaction, as well as post-purchase behavioral outcomes. To this end, the study centers around the following three questions:

- What value, if any, do consumers derive from organizational marketing alliances?
- Do different types of alliances generate different types of value for the consumer?
- How does the value generated from alliances affect customer satisfaction and post-purchase behavior?

Both survey and experimental data were collected to test the hypotheses of the study. Results show that marketing alliances generate both utilitarian and hedonic value for customers. This relationship is moderated by the type of alliance under consideration such that functional alliances generate more utilitarian value and symbolic alliances generate more hedonic value.
Customer value in turn is positively related to customer satisfaction and plays a mediating role in the relationship between marketing alliances and customer satisfaction.

Findings also indicate that while monitoring and ensuring customer satisfaction is important in all cases, it becomes of paramount importance in the presence of alliances. Results show that the positive relationship between satisfaction and loyalty/word of mouth, and the negative relationship between satisfaction and intentions to switch are strengthened in the presence of alliances. The higher stakes involved make it that managers should pay closer attention to customer satisfaction levels when they engage in alliances.

The increase in the relationship between satisfaction and loyalty/word of mouth in the presence of marketing alliances also indicates that firms can manipulate this relationship through their strategic decisions and actions. Future research should explore the array of strategies that play this role. Firms would be well served to use their limited resources in the pursuit of strategies most conducive to strengthening this relationship, and thus most beneficial to their performance.

SELECTED REFERENCES

DO BELIEFS PHYSICIANS HAVE ABOUT GENETICALLY MODIFIED PHARMACEUTICALS INFLUENCE THEIR LIKELIHOOD OF PRESCRIBING A BIOPHARMACEUTICAL?
AN EMPIRICAL INVESTIGATION

Sarath A. Nonis, Arkansas State University

EXTENDED ABSTRACT

Factors considered as important by physicians in prescribing drugs has important considerations to several constituencies such as patients, pharmaceutical companies, public health advocates, government agencies, and insurance companies in terms of using their health care resources more efficiently and making more informed decisions. While literature on factors that influence a physician’s decision to prescribe a drug is abundant (Spiller, 2002), findings of these studies are limited in terms of making generalizations especially with regards to the class of drugs. This study takes a different tact by focusing on the factors considered important by physicians in prescribing a genetically modified pharmaceuticals or biopharmaceuticals. The study focuses on investigating two specific relationships: (1) beliefs physicians have about genetically modified pharmaceuticals and the likelihood of them prescribing a biopharmaceutical, and (2) the moderating effect of “importance placed in the decision making process when prescribing a drug as to the drug being genetically modified or not” on the above (1) relationship.

Data for the research was collected through a mail survey. The sample frame consisted of the Medical Society Membership Directory of Physicians. A random sample of 800 physicians was selected and a cover letter explaining the purposes of the research together with the survey was mailed to them. One hundred and seventy five (175) usable surveys were returned resulting in a response rate of 23%. Twenty six bipolar adjectives measuring the physician’s overall belief toward biopharmaceuticals were used to measure the independent variable. Outcome variable, behavioral intention of prescribing a biopharmaceutical was measured using a scale that included five bipolar adjectives developed by researchers such as MacKenzie, Lutz, and Belch (1986). Importance of the medicine being a biopharmaceutical in the decision making process of prescribing a drug used as the moderator variable was measured using 3 items where responses varied between 1 “not important” to 7 “very important” (the three items were; “whether the medicine was genetically modified or not,” “whether the medicine is a biopharmaceutical or not,” and “whether the medicine was plant-based or animal based”).

Means, standard deviations, correlations, and reliability coefficients for each of the study variables are provided in table 1. As can be seen, reliability coefficients for all study variables are acceptable as per Nunnally (1978). Table 1 also show the correlation between beliefs physicians have about biopharmaceuticals and their intentions of prescribing these products to be strong and significant ($r = 0.64$, $p < 0.05$). This result supported hypothesis 1.
When testing hypothesis 2, the subgroup comparison approach was used (Sharma, Durand, and Gur-Arie, 1981). For the total sample, the predictor variable beliefs accounted for 41% of the variation in intention to prescribe a biopharmaceutical when subjected to regression analysis. However, sharp differences in the $r^2$ values for the two subgroups were observed. When importance was low, beliefs explained only 29% of the variation in intention to prescribe a biopharmaceutical, but when importance was high, beliefs explained 56% of the variation in intention to prescribe a biopharmaceutical. To see if the set of regression coefficients for the two groups were significantly different, the Chow test (Chow 1960) was performed. Results revealed the two set of coefficients to be significantly different ($F = 7.14, p < 0.05$) for the two group. These results supported hypothesis H2.

SELECTED REFERENCES


GENERATION Y TIPPING HABITS: A QUANTITATIVE CONSUMER BEHAVIOR STUDY

Nicholas J. Perry, California State University, Fresno
Susan D. Geringer, California State University, Fresno

ABSTRACT

When people go out to eat they generally leave a tip, but why? Generation Y, due to their high discretionary income and lifestyles, eat out more often and for various reasons that that of any previous generation. Through this study Generation Y was surveyed in order to determine factors that influence their tipping behaviors. The study supports findings of previous studies in relation to aspects of service quality and consumers’ frequency of dining out and how these factors relate to tipping behavior. However, the study’s findings were inconsistent with previous research concerning food quality and tipping behavior.
MALE STUDENTS’ SHOPPING BEHAVIORS BASED ON
PRODUCT INVOLVEMENT AND BRAND COMMITMENT

Jung-Im Seo, Tennessee State University
Kisoul Yang, University of North Texas

EXTENDED ABSTRACT

The fashionable apparel market is no longer exclusively for women. It is a man’s market, too. Current textile companies realize that men’s apparel markets are as big as women’s markets. Hence, a number of women’s marketers are expanding their collections into men’s wear in order to capture male customers (Moore, Doyle, & Thomas, 2001).

In recent years, more men’s apparel fashion shows and print and broadcast media have furnished information on men’s conception of fashion. Thus men have become more interested in fashion. Men today are much more concerned about their appearance. Many apparel manufacturers and retailers indicate that men’s apparel has been the area in the fashion industry with the largest growth (Moore, Doyle, & Thomas, 2001). Moreover, shopping is not “women’s work” anymore. More men are shopping for their apparel at traditional stores or on the Internet (Otnes & McGrath, 2001).

The purpose of this study is to investigate the influence of product involvement on the consumer behaviors of college male students in regard to their and brand commitment, product orientations, information sources, store attitudes, and patronage behaviors. This study specifically focuses on the button down shirt. This study explores how retail stores preferences, product orientations, and information sources affect shopping behaviors toward clothing.

The distribution of button-down shirt involvement indicated that college students in a large southeastern university have deep interest in their clothing and appearance. Most students had a high button-down shirt involvement sum scores. The average sum score of the involvement was 34.6 with a range 8 to 56. Cronbach’s alpha coefficient of brand commitment was 0.7466 that the college students were considered their clothing brand. The brand commitment was the indicator of consumers’ repeating brand choice and decision-making.

Product involvement and brand commitment are important constructs in marketing and retailing fields because the two constructs are helping to develop the marketing strategies and to maintain market share. The correlation relationship between product involvement and brand commitment is weak in male students. Hence, this study confirmed previous studies that the two constructs of product involvement and brand commitment are different concepts. The two constructs were conceptually distinct (Traylor, 1981; Warrington & Shim, 2000).

This study indicated that male college students who have high product involvement are likely to buy their clothing at the department stores and specialty stores to express their own individuality. In order to reduce the shopping risks, college students are more likely to purchase the brand name button-down shirt in department and specialty stores. A specialty store is the interest place in high brand commitment college students. However, discount stores are less
interesting places to the high brand commitment consumers. An interesting finding of this study is that the Internet is another shopping choice for clothing in current consumers, but it is not an attractive shopping choice for male college students. Hence, retailers need to create the Internet market strategies and to improve their product and brand image on the Internet to capture the young consumers.

The study found that male consumers highly interested in both direct (people) and indirect (media) information sources while they were shopping their button-down shirt based on the increasing levels of product involvement and brand commitment. Because most respondents were young and single, they were highly accepted the direct and indirect information (Lumpkin, 1985; Shim & Kotsiopulos, 1992). Consumers who had high product involvement considered image and design attributes when they made decisions to purchase a button-down shirt. The high level of brand commitment consumers was more likely considered the image attributes than design attributes when they purchased a button-down shirt.

REFERENCE


PREFERENCE FOR CONSISTENCY AND ITS RELATIONSHIP WITH BRAND COMMITMENT: AN EMPIRICAL INVESTIGATION

Prashant Srivastava, The University of Akron
Deborah L. Owens, The University of Akron

ABSTRACT

Customer loyalty can give an important competitive advantage to companies (Dick and Basu 1994). In markets, which are becoming increasingly competitive, building loyalty in consumers is becoming a key factor in winning market share (Lowenstein 1997), and the key to long term, sustainable competitive advantage (Aaker 1996). Loyal customers lower a firm’s acquisition costs. The proliferation of new brands, increased use of sales promotions, the explosion of alternative forms of distribution and a reduction in advertising impact, make maintaining brand commitment, increasingly difficult.

The concept of commitment provides an essential basis for distinguishing between brand loyalty and other forms of repeat purchasing behavior (Jacoby and Chestnut 1978). Jacoby and Chestnut (1978) suggest that brand loyalty has been viewed and measured as an attitudinal concept, a behavioral concept, and simultaneously as a behavioral and attitudinal concept. To distinguish between these brand loyalty constructs, a new construct of brand commitment is used within this study. Brand commitment is attitudinal loyalty (Dick and Basu 1994). It is possible to buy a brand again and again, but not be committed to it.

This study examines the roles of particular traits on brand commitment. More specifically this study investigates the personality traits of 1) preference for consistency (PFC), 2) resistance to change, 3) agreeableness 4) introversion 5) openness to experience and 6) conscientiousness on consumers’ brand commitment. The study was conducted with 125 participants who were students enrolled in undergraduate business courses at a large Midwestern university. The study dealt with soft drink consumption. No significant relationship was found between preference for consistency and resistance to change, or preference for consistency and brand commitment, whereas a significant relationship was found between resistance to change and brand commitment. The elemental traits of agreeableness and conscientiousness were found to be positively related to preference for consistency.

As predicted, and consistent with the model, a close relationship between brand loyalty and brand commitment was found. Hence, it is suggested that in order to maximize returns, it is necessary to have not only brand loyal but brand-committed customers. Brand commitment should be viewed as a long-run end pursued to achieve long-run competitive advantage. It is a good predictor of loyal consumers and positively influences the customer retention rate. Promotional efforts should be used as a strategic tool to improve customers’ commitment to the brand and enhance their retention over time (Martin and Goodell 1991).
REFERENCES

Jacoby, Jacob and David B. Kyner (1973), "Brand Loyalty vs Repeat Purchasing Behavior," Journal of Marketing Research, 10 (February), 1-9.
MARKETING ‘FLOW’ PRODUCTS FOR SUSTAINABLE CONSUMPTION

Dillard B. Tinsley, Stephen F. Austin State University

ABSTRACT

‘Flow’ is an enjoyment that humans experience when they become engrossed in overcoming a real challenge that is within their capabilities. Products designed to offer flow, while consuming few material resources, will facilitate sustainability and increased quality of life in a society. Social marketing and macromarketing are involved because of governmental interest in such goals.

INTRODUCTION

The concept of ‘sustainability’ as a business goal has been advocated for a number of years by many experts with concerns about the Earth’s environment, especially those concerned about depletion of natural resources. Different people define sustainability in different ways; and some see different implications in such terms as sustainable business, sustainable consumption, and sustainable development. For example, the United States Energy Department has a Center of Excellence for Sustainable Development; and the United Nations Department of Economic and Social Affairs has a Sustainable Consumption and Production Branch (SCP).

To many business CEOs in the past, sustainability has implied higher costs and “...the utopian idealism of Western Europe. Now, sustainability is right at the top of the agenda of more U.S. CEOs, especially young ones, says McKinsey Global Institute Chairman Lenny Mendonca.” (Engardio 2007, p. 52) These CEOs increasingly recognize certain competitive advantages that are available from strategic use of sustainability practices. Even before such recognition grew, several leading Schools of Business, e.g., at the University of North Carolina and M.I.T., were already deeply involved in researching and developing sustainability activities for business. Such activities may be “...broadly defined as meeting the needs of the present without compromising the ability of future generations to meet their own needs. The concept is also often referred to as finding a way to balance the interests of people, profit, and planet.” (Mangan 2007, p. 14)

This paper addresses an aspect of sustainability that is of vital interest to marketers. This is the design and marketing of products that meet the needs of consumers better than can competitive products. This paper begins with marketing implications for individual organizations, but significant implications are then shown to involve macromarketing issues and social marketing. Given the world’s growing interest in sustainability, its presence can be seen as adding a socially-responsibility aspect to a new product. Incorporation into product development of Csikszentmihalyi’s (2003) concept of ‘flow’ as an unique state of human consciousness promises to increase a society’s quality of life, as it provides a continuing differential advantage in satisfying consumers.
FLOW ENJOYMENT

Csikszentmihalyi’s (2003, p. 37) concept of the flow experience refers to a certain type of enjoyment, which he sees as the happiness that is developed through complete immersion in some activity that makes humans feel fully alive. The flow experience typically arises when a person is addressing some challenge that requires the person’s full attention and concentration. It is, however, a challenge that is within the person’s capabilities to surmount, although these capabilities may be pushed to their limits. It differs from pleasure in that flow may sometimes be produced by activities that present a challenge that involves intense effort, stress, and discomfort, e.g., as occurs in rock climbing.

The flow concept is based on more than ten thousand interviews of people in all walks of life from all over the Earth – it is a multinational phenomenon. Under certain circumstances, these interviewed people have reported a ‘remarkably consistent’ common feeling of enjoyment, which is named flow “...because so many people have used the analogy of being carried away by an outside force, of moving effortlessly with a current of energy, at the moment of highest enjoyment.” (Csikszentmihalyi 2003, p. 39) The interviewees have experienced flow while engaged in a wide spectrum of activities, e.g., performing surgery, ballet dancing, working with animals, or interacting with family. A commonly-recognized example occurs when someone refers to an athlete being ‘in the zone.’ The most commonly reported flow experience is becoming so immersed in a book that the readers forget themselves and time flies past.

Csikszentmihalyi (2003, pp. 42-55) identifies the following eight characteristics as common to the flow experience: 1) Goals are clear, 2) Feedback is immediate, 3) There is a balance between high levels of both the challenge and the capacity to perform, 4) Concentration deepens, 5) The present is what matters, 6) Control is no problem, 7) The sense of time is altered - usually passing quickly without notice, and 8) A tendency to forget one’s problems, surroundings and self-consciousness.

When skills are high, high challenges can lead to flow; and low challenges may result in feelings of relaxation or control. When skills are low, people may react to challenges with anxiety, worry, or apathy (Csikszentmihalyi (2003, pp. 72-74). However, as a person’s capabilities to cope with a specific high challenge are increased through coping with that challenge, the person may start to become bored with that challenge and seek to address a greater challenge. In other words, building one’s proficiency can lead to the need for greater challenges to induce the flow experience. The person is ready to push the limits of the newly developed capabilities; and flow can be attained only through new, more-demanding challenges.

EXTENSIONS OF THE FLOW CONCEPT

Flow may be experienced in a person’s favorite hobbies or other entertaining activities, and it also can arise from one’s work. In his book, Good Business, Csikszentmihalyi (2003) quotes a number of business leaders who have experienced flow in business activities because they enjoy their work so much. This book then provides suggestions for structuring business organizations to provide employees with flow experiences as they fulfill their organizational duties.
Primeaux and Vega (2002) have integrated Csikszentmihalyi’s understanding of flow with certain concepts in Abraham H. Maslow’s (1970) book, Religions, Values, and Peak-Experience. They show how flow provides a method for translating Maslow’s ideas into practical action. Flow is explained as an experience that provides an integration of enjoyment with meaning. The appreciation of oneself that develops through flow seems to lead to an appreciation of transcendence that is claimed to be easily translated into appreciation of others. Primeaux and Vega (2002) assert that this perspective can be used to establish ‘value-driven’ business organizations that exhibit social responsibility and provide real meaning to the lives of their employees. This line of reasoning may be questioned, but the important point for marketers is that development of flow can be seen as a valuable asset for a society - when used in a socially-responsible manner. Flow within organizations may prevent business firms and society from becoming completely structured by only economic considerations.

Marketers should recognize that provision of flow experiences has social responsibility implications that may be used to burnish the image of the product, brand, and firm. The quality of life for many consumers may be enhanced by appropriate products that provide them with flow experiences. Such products will be referred to as flow products.

An example of what can be called a flow product is provided by Shoham’s (2004) analyses of Internet chat rooms. His research indicates that chat rooms develop into a community of people who are experiencing flow, while managing and enhancing their images as perceived as the other members of the community. Shoham’s (2004, p. 880) conclusions are (1) that chat rooms “…contribute to the general well-being of people…” and (2) that “They should prove to be an enduring phenomenon as representations of the persistence of communities in and across cultures.” Provision of chat rooms, therefore, offers benefits for individual need satisfaction, enhancing the overall happiness within a society. This is a service for society because its increases in participant happiness can be said to increase the overall quality of life.

Chat rooms also promote sustainability. Participation in chat rooms is basically a non-materialistic form of consumption, although some electricity is used and certain material products are involved, e.g., computers. Their contribution to sustainability is that chat rooms shift participants from consumption activities that use greater amounts of limited resources, increase pollution, or otherwise thwart sustainability. For example, chat rooms are products that offer sustainability to the extent that they shift participants away from riding off-road, ‘four-wheelers.’

FLOW AND SUSTAINABLE CONSUMPTION

This paper focuses on development of products that involve little or no material aspects. Such products promise to reduce consumption of material resources. When they also offer flow experiences, such products will be referred to as flow products for sustainable consumption (FPSC). A useful concept for this focus on FPSC appears in the following definition from the website for the Sierra Club: “Sustainable consumption is the use of goods and services that satisfy basic needs and improve quality of life while minimizing the use of irreplaceable natural resources and the byproducts of toxic, material, waste, and pollution.” (Sierra Club 2007).
Flow’s potential with relation to sustainable consumption have been considered in some depth by Hofstetter and Madjar (2003). Using data from a number of countries, they investigated various research studies regarding quality of human life and how it might be improved in world, while working within the strictures of sustainable consumption. Investigation of a number of studies leads Hofstetter and Madjar (2003, p. 15) to conclude that “Quality of life is in most of the definitions a composition of subjective parts (subjective well-being) and objective parts (measurements of explicit standards like material wealth, etc.).” Marketers have the necessary expertise to influence both of these quality of life perceptions.

Although no final conclusions can be drawn, Hofstetter and Madjar (2003) recognize a number of linkages between happiness and human activities, especially when flow occurs. They even suggest (p. 33) that flow data might be used as an indicator of the level of happiness that is being derived from consumption in a society. They identify (p. 34) studies that “…show the relationship between consumption (leisure time activities) and happiness and show that activities with lower energy consumption correlates with higher happiness (for women this relationship is clearer than for men.)” For this paper’s purposes, their most relevant assertion (p. 35) is, “identifying leisure activities where (psychic) requirements are high but not too high (flow status) and where energy consumption is low could serve as a model for sustainable consumption.” This implies that FPSC may be inherently socially-responsible. In any case, for purposes of this paper’s analyses, the terms enjoyment, happiness, and quality of life do not have to be precisely characterized in order to see that they are interrelated goals for a society.

PERSONAL AND SOCIAL GOALS

The flow experience is characterized by a special type of enjoyment. As such, participation in a flow experience can be seen as a personal goal that many people will seek to achieve. The flow experience, therefore, should be interesting to any business that has the capabilities to develop flow as a point of difference that provides a differential advantage over competitors.

A starting place for identifying FPSC appears in the following insights from the quality of life report by Hofstetter and Madjar (2003, p. 35) in Table 4-7, which lists activities that their research indicates to be associated with happiness:

1. Highest Happiness
   a. Male - reading a book, listening to music, playing a musical instrument, entertaining guests at home, attending a sporting event, concert, etc.
   b. Female - daydreaming, socializing, having hobbies, playing sport, and performing sexual activities followed by going to a movie.
2. Medium Happiness
   a. Male - TV watching, reading a newspaper, shopping (pleasure), going to a restaurant, disco etc., daydreaming, socializing, having hobbies, playing sport, and performing sexual activities followed by going to a movie.
   b. Female - reading a book, listening to music, playing a musical instrument, entertaining guests at home, attending a sporting event, concert, etc.
A number of these activities involve products that are already being furnished by marketers. Many of them also meet the first requirement of FPSC - they involve little or no significant consumption of material resources. There are, however, many considerations that must be addressed in order to develop and extend usage of FPSC in today’s societies. The next section considers the requirement that FPSC be able to increase the challenge levels as a participant’s proficiency increases.

Hofstetter and Madjar’s (2003) report can be used to support the following proposition: Increasing the amount of flow experienced by the members of a society would tend to increase that society’s level of enjoyment, i.e., to some extent happiness and quality of life. This would seem to be a positive goal for any society. If the flow comes through FPSC, the sustainability goal of society is also better fulfilled. Increased consumption of FPSC should reduce consumption of material resources, especially when a consumer’s time spent in consumption is shifted from activities that consume high levels of material resources. It is reasonable to see an increased consumption of FPSC as increasing the fulfillment of society’s goals in both sustainability and the populace’s quality of life.

**FPSC**

As an individual becomes involved with one of the FPSC, it should provide an appropriate level of challenge. To prevent boredom from developing in this individual, the challenge may often have to be systematically increased as proficiency increases. For some FPSC, the challenges may never become very demanding, e.g., reading a book. The ‘Harry Potter’ books, however, provide an example of a series that addressed increasing challenges in cognitive understanding as the books progressed. The ‘Harry Potter’ books and motion pictures illustrate the possibility of one theme offering flow experiences over a number of years to a world-wide population that undergoes significant lifestyle changes as their ages change.

Other FPSC may involve intense challenges that present physical danger to participants. For example, the various equipments required for rock climbing are FPSC that the climbers may use in increasingly challenging ascents. Some activities that involve FPSC may be so challenging that increasing the challenge level may not be necessary for most participants to achieve a flow experience every time, e.g., bungee jumping and hang gliding.

Of course, there may be challenge levels where a person’s capabilities or interests prevent any proficiency increases. For example, many people play a musical instrument for their own enjoyment without any interest in becoming extremely proficient - even though they are talented players. Not every player of the card game of bridge has the capability to become a Grand Master, and not every talented player strives to become a Grand Master.

Excellent examples of products that fulfill the two fundamental FPSC requirements - minimum material consumption and increasing challenges - can be easily found in computerized video games. Many such games not only engross the player, they automatically provide a higher level of challenge after the player has mastered a lower level. An online game that involves other players forces a player to become more proficient as the opposing players gain proficiency and
are thus enabled to present increased challenges. There are many of these group competitions, and proficiency demands vary widely. Therefore, any player has the freedom to find games and opponents that require a proficiency level which matches the player’s capabilities, thus providing an appropriate level of challenge for developing the player’s flow experiences. Electronic devices provide a number of ways to engross people with different needs and provide them with flow experiences. MySpace, YouTube, Second Life, text messaging, and streaming movies all meet the basic criteria of FPSC. They are also the products that are provided by private enterprises operating in a market system.

One of the most recent game developments is Nintendo’s Wii system, which incorporates body movements into its actions. Its games involve more than just setting at a console, and incorporating body movements seems to increasing the enjoyment (flow) of participants. “Four months after this revolutionary system arrived in the U.S., it is still trouncing the competition.....And it is cropping up in communities that never appreciated video games. One retirement home near Chicago has started a Wii bowling league ....” (McConnon 2007, pp. 51-52) Growth of such systems may provide for an individual’s (and society’s) physical fitness needs in a flow experience that incorporates both mind and body.

Many other FPSC provided by private enterprise could be named, obviously including many spectator events such as rock concerts and motion pictures. Private enterprises also offer FPSC facilities, such as ski resorts, golf courses, and fitness centers. As public consciousness grows about the need for sustainability and the special enjoyments offered by flow, private businesses can be expected to offer more FPSC. Businesses can use social marketing strategies to communicate the socially-responsibility aspects of FPSC, thus adding to the benefits that customers receive from flow experience. The next section discusses a need for governmental involvement that takes FPSC into the realm of macromarketing.

GOVERNMENTAL INFLUENCE

The world populace is increasingly aware of environmental concerns and the need to address them. Even in the United States, however, there is evidence that publicity from both governmental agencies and the news media can significantly increase consumer acceptance of some ‘green’ products that are newly developed by private businesses (O’Neal and Kahla 2005). This is not true for all green products, but it does show that governmental social marketing of FPSC may be beneficial. In addition, news media seem to be interested in publicizing ways for society to better address environmental issues, whether or not governmental participation is involved.

Macromarketing involves influencing society to seek FPSC, as well as dealing with the populace’s various responses. Beyond publicizing new FPSC, what roles should governmental agencies play? There are, of course, myriad governmental activities regarding sustainable consumption in a multitude of nations. The need for marketing considerations to influence government activities in these areas has long been recognized. For example, to deal with the societal turmoil that characterized the 1960s in the United States, Feldman (1971, p. 59) proposed a shift to nonmaterial consumption and more consideration of societal needs, asserting “Although an emphasis on nonmaterial consumption and societal satisfaction should reduce the
strain on resources, an increase in governmental planning in areas of vital interest to marketing seems inevitable.”

One may question the amount and type of governmental planning or involvement that is needed. Whatever answer is given to this question, there is a need for marketing to play a larger role in any governmental planning on these matters. For example, consumers are often exhorted to reduce certain activities. In order to motivate consumers to make such reductions, marketing research could identify what replacement activities could best satisfy consumers as inducements to change.

Marketing research into desirable and fulfilling lifestyles that preserve the environment is definitely needed to guide governmental activities. Marketing expertise is needed to identify and match benefits from the entire marketing mix that will facilitate sustainable consumption. A good example of comprehensive research into the needs of individual consumers is the previously-discussed report by Hofstetter and Madjar (2003), which was supported by the Ministry of Economy, Trade, and Industry for Japan.

Governmental influence is also needed in market development for FPSC in the following ways: (1) Public school students should be systematically exposed to activities that might provide them with flow through nonmaterial consumption, e.g., painting and lifetime sports. At some age, students might even be tested for interests and capabilities in order to recommend nonmaterial flow activities for which they are especially suited for lifetime participation. (2) A number of activities that are suited for FPSC require some degree of skill before enough proficiency is acquired to develop flow experiences. For example, playing a musical instrument and tennis require significant amounts of practice before any degree of proficiency is reached. Public schools could offer enough instruction in such skills to allow students to reach some level of flow. (3) Consumers may require some guidance during learning periods of personal exposure to certain activities, e.g., enough understanding to want to experience a classical music concert or to visit an art museum. Government especially needs to improve the teaching of public school students to appreciate pleasure reading. (4) Governments need to provide public facilities where FPSC can be used, e.g., playing fields for softball and basketball. (5) Governments could also increase the facilities and support available for nonmaterial consumption that could induce flow, e.g., community theater groups, orchestras, public parks, and jogging trails.

Other governmental activities can be envisioned, but social marketing and macromarketing will probably have some role to play for all of these activities. In such marketing, cooperation between government and business is very likely. Cooperation in publicizing FPSC is obviously desirable, and governmental sponsorship of business activities is also a promising possibility. The growing number of companies that seek to address the vital social issues of society has spawned a great deal of interest into ‘social entrepreneurship’ business firms (Peredo and McLean 2005). Governmental involvement with many such firms is inevitable because research indicates that municipalities are already assisting their success in a number of ways (Korosec and Berman 2006).

CONCLUSION
There is a need for marketing research into the possibilities for consumer satisfaction before governmental decisions are made. Marketing expertise is needed for social marketing and macromarketing of the resulting decisions. The increasing concern about environmental issues by the world’s populace means that governmental agencies will be planning and acting on these issues. The need for their effectiveness is such that governmental agencies should be seeking aid from marketing’s expertise.

Providing flow experiences can provide differential advantages for many different types of consumer products. This means that some private enterprises will seek to offer consumers flow experiences through products that consume high levels of limited natural resources. This paper, however, has focused on products that offer both flow and sustainability. FPSC are products with differential advantages that provide consumer benefits in a socially-responsible manner. Governmental cooperation and support with private enterprises is a distinct possibility for many FPSC, especially in view of the growth of social entrepreneurship firms.

REFERENCES

AN EXPLORATORY STUDY OF CONSUMERS’ ATTITUDES TOWARD FRESH BAGGED LEAFY GREENS CONSUMPTION IN LIGHT OF PRODUCT RECALLS

Jeff W. Totten, McNeese State University
Lonnie D. Phelps, McNeese State University
Mary J. Binning Beck, McNeese State University

EXTENDED ABSTRACT

After recalls involving bagged spinach, peanut butter, pet food brands, among others, American consumers wondered if the American food supply was really safe. Ekici (2004) conducted in-depth interviews with seven consumers regarding their distrust of the American food system, and identified industry and government components as crucial public policy factors. Knight and Warland (2004) surveyed consumers regarding three food safety risks. Women, African-Americans, and older consumers were more concerned about these food risks. A Rutgers Food Policy Institute telephone survey in November 2006 revealed that roughly 90% had heard about the spinach recall, a third didn’t know that it had ended, 20% had stopped eating other bagged produce, and over 50% of people who were eating spinach before the recall had not resumed eating it (“Spinach Recalls Weakens” 2007). A Produce Marketing Association study in March 2007 “indicated that 41% of consumers were avoiding certain fresh fruits and vegetables, predominantly leafy greens and spinach” and a Mintel International survey found that “51% of consumers rewash bagged salads greens before eating them” (Enright 2007, p. 15).

A two-page, IRB-approved questionnaire was developed by the lead author with input from students in a “Green Marketing” class. After pretesting and modification, the final version began with a brief cover letter, followed by 10 questions, including demographics. The third question consisted of 11 Likert statements. A snowball non-probability sample was used in this exploratory study. Students in the class were instructed to send five copies of the questionnaire to friends and family members electronically. Completed surveys were returned by the end of April for bonus points. A total of 158 surveys were collected by the students for this study.

Almost 60% of the respondents were women (93/156). A third of the respondents were under the age of 25 (53/157). Seventy (44.6%) were single while 61 (38.9%) were married. Over two-thirds (94/137) did not have any children under the age of 18. Sixty respondents (38.2%) had earned bachelor’s degrees. Eighty-seven of the respondents (55.8%) had pets.

Women indicated that they were willing to pay more for food grown locally, while men were not ($\chi^2 = 6.342$, df = 2, $p = .042$). Men tended to agree with the statement, “Farmers/producers responded promptly and adequately to the food contamination problems,” whereas women tended to be neutral ($t = -1.996$, df = 154, $p = .048$, 3.67 vs. 3.37). Four significant differences were uncovered regarding those who purchased leafy greens and those who did not. Those who bought leafy greens agreed with the following statements: “It is safe to buy organically grown leafy greens” ($t = 2.498$, df = 150, $p = .014$, 3.68 (bought) vs. 3.22 (didn’t buy))...
buy)); “I am more likely to purchase fresh bagged leafy greens if the label states ‘Certified FDA tested’” (t = 2.182, df = 151, p = .031, 3.77 vs. 3.33); and “As a result of the E. Coli outbreak, I now always wash any fresh bagged produce, even if the label says ‘pre-washed’” (t = 2.152, df = 147, p = .033, 4.00 vs. 3.52). However, leafy greens purchasers tended to be neutral towards this statement, while non-purchasers tended to agree with it: “The spinach recall did not affect my consumption of spinach and/or other leafy greens” (t = -2.161, df = 152, p = .032, 2.93 vs. 3.48). Those who were not willing to pay more tended to disagree with “I am more likely to purchase spinach and other leafy vegetables from a farmer’s market than from a grocery store” while those who were more willing to pay neither agreed nor disagreed with the statement (F = 5.675, p = .004, 2.30 vs. 2.96 (Tukey HSD p = .003)).

Limitations included a quickly conducted exploratory study, timing (more recalls came afterwards), snowball sampling, limited geographical region, insufficient number of older adults, and lack of the tracking of ethnicity. Several significant differences were discovered. Women were willing to pay more for locally grown food and were more skeptical of the response time of farmers and producers to the contamination problem. They also admitted to some changes in their consumption behavior of leafy greens as a result of the recalls. For future research, the study could be broadened to include all recall-affected products in general.

REFERENCES


COMMITMENT, TRUST, CUSTOMER SATISFACTION AND REPURCHASE INTENTIONS: AN ILLUSTRATION FROM BUSINESS-TO–CONSUMER CONTEXT

Chih-Wen Wu, Department of Marketing, National Chung Hsing University

ABSTRACT

Although research into the determinants of repurchasing intentions has grown in recent years, the focus has been predominantly on transactional not relational variables. In this research, the authors address the role of consumer commitment, trust and satisfaction on consumer intentions to repurchase. Drawing from the relationship marketing literature, they build on previous service repurchasing intentions research by developing a repurchasing model that includes three components conceptualization of customer commitment, trust and satisfaction. Structural equation modeling is used to test the model based on data from a survey of 467 life insurance customers in Taiwan. The empirical results support the notion that customer trust and satisfaction affects repurchase intention from service providers. Thus, future relationship marketing research should consider these different forms of commitment, trust and satisfaction in examining customer retention. The implications and practice are discussed.

INTRODUCTION

Research on consumer-to-business relationships has been in growth stage in service marketing (Berry, 1995), but still in an introductory stage in consumer goods markets (Sheth and Parvatiyar, 1995a). Service marketing researchers have advanced a number of relationship marketing topics such as importance and methods of retaining profitable customers (Reichheld, 1993), consumer benefits from business relationships (Berry, 1995; Bitner, 1995; Parasuraman, Berry and Zeithaml, 1991), types of bond (Berry, 1995; Berry and Parasuraman, 1991), and factors affecting relationship quality (Crosby, Evans and Cowles, 1990; Crosby and Stephens, 1987). In contrast, study of relationship marketing in consumer goods markets is a recent development (Bagozzi, 1995; Sheth and Parvatiyar, 1995b). These researchers have begun to address antecedents and consequences of consumers’ relationship marketing behavior. However, they have yet to reach a consensus.

The extant literature on relationship marketing has produced a theoretically sound understanding of business-to-business relationships. However, consumer-to-company relationships have received less attention (Gummesson, 1994; Sheth and Parvatiyar, 1995). There are indications that consumers do develop relationships with companies (Iacobucci and Ostrom, 1996), develop expectations about them as exchange partners (Gutek, Bhappu, Liao-Troth and Cherry, 1999), and derive various social and psychological benefits from such long-term relationship. Therefore, it is important to develop a thorough understanding of the factors that influence consumers’ evaluation of a company in the context of existing marketing relationships. Specifically, the proposed conceptual framework is concerned with commitment,
purchase intentions, trust and satisfaction in Taiwan life insurance company context. An empirical investigation was conducted to validate the framework by examining its major propositions.

**RESEARCH HYPOTHESES**

In the buyer-seller context, commitment has been treated as a key dependent variable between exchange parties (Anderson and Weitz, 1992; Dwyer, Schurr and Oh, 1987; Moorman, Zaltman and Deshpande, 1992; Margan and Hunt, 1994). Some involve only the psychological aspects of commitment while others argue for the inclusion of behavioral aspects as well. While many authors suggest that commitment is essential in both the consumer and business context (Dwyer, Schurr and Oh, 1987; Gundlach, Achrol and Mentzer, 1995), almost all published studies are done in the business-to-business market. Much remains to be done in understanding commitment in the consumer market, especially in the Asia Pacific market. Therefore, we hypothesize the following:

**H1:** Commitment positively affects repurchase intentions.

There is little consensus on how trust is built, maintained, or lost and what conditions must be present in its construction (Lewicki and Bunker, 1996). Moorman, Zaltman and Deshpande (1993) claim that “very little academic research has attempted to document empirically the factors that affect trust in marketing relationship”. As stated previously, the study of trust between businesses and consumers or examining trust within individual purchase decisions is even more limited (Doney and Cannon, 1997). Therefore, we formulate the following hypothesis:

**H2:** Trust positively affects repurchase intentions.

With respect to the consequences of satisfaction, researchers have examined how the level of customer satisfaction influences attitude toward the product (Bolton and Drew, 1991), intention to repurchase the product (Oliver, 1980), complaint behavior (Bearden and Teel, 1983) and Word-of-mouth communication (Richins, 1983). A causal effect of satisfaction on behavioral intention has been well supported in the marketing literature. Specifically, some researchers found that satisfaction cannot predict one’s behavior intention/loyalty very well (Hellier, 2003; Hoffman, 1995; Jones, 1995). However, the extant marketing literature does not explain an underlying reason for the two mixed results. Therefore, the satisfaction model, at least in the context of services marketing, remains incomplete. Consequently, we propose the following hypothesis:

**H3:** Satisfaction positively affects repurchase intentions.

Dwyer, Schurr and Oh (1987) observe” the lack of attention to antecedent conditions and processes for buyer-seller exchange relationships is a serious omission in the development of marketing knowledge”, whereas MacIntosh, Anglin, Syzmanski and Gentry (1992) state that “empirical evidence of the antecedents and processes of buyer-seller relationship development is practically nonexistent. In previous research, relationship quality, which is one of the focal
concepts in relationship marketing, was often defined as “satisfaction” and “trust” (Barry, Palmer and Bejou, 1994; Crosby, Evans and Cowles, 1990; Lagace, Dahlstrom and Gessenheimer, 1991). This conceptualization of the relationship quality does not fit with the ones suggested by other researchers (Anderson and Weitz, 1989; Ganesan, 1994; Parasuraman, Zeithaml and Berry, 1994; Teas, 1993). In particular, satisfaction may serve as an outcome, not the dimensions of relationship quality.

H4: Commitment positively affects consumer satisfaction.
H5: Trust positively affects consumer satisfaction.

RESEARCH METHODOLOGY

To test the hypotheses, we chose the life insurance industry for empirical analysis because it embodies some common characteristics considered important for business-to-consumer services, such as reliability and customization. The questionnaire was designed with measures of the relevant constructs primarily based on scales taken from previous research. To establish the face validity of the constructs, we pre-tested a number of marketing professors and practitioners in the life insurance industry before deciding on the 7-likert points measures. To encourage high response, the research provided incentive to the respondents for completing valid questionnaire. A total of 1,100 questionnaires were carried out. The data collection process lasted 3 weeks. We received a total 467 responses at a response rate of approximately 34.7 percentage. We conducted a chi-square test of independence to test the nonresponse bias and found that there is no difference on the nonresponse and response groups. The model was tested using LISREL, a structural equation modeling program developed by Joreskog and Sorborm (1999) and Browne and Cudeck (1993). The first step in the analysis was followed Anderson and Gerbing et al’s (1994) and Rigdon’s (1998) two-step approach suggestion. Our data analysis begins with confirmatory factor analysis (CFA) on the multi-item measures of commitment, trust, satisfaction and repurchase intentions to assess the convergent validity and discriminant validity of these measures with an adequate fit. Two principal component analyses were conducted to examine the discriminant validity of the measures.

EMPIRICAL RESULTS

A confirmatory factor analysis procedure resulted in a measurement model with an adequate fit (see Table 1). As suggested by Bollen (1989), we examined factor loadings as well as the squared multiple correlations between the items and the variables to assess the validity of the measures. Factor loadings of 0.6 and squared multiple correlations value above 0.4 was used criteria. Based on the above assessment, no items were removed from further analyses. The original measurement model provided a good fit for the data (please see Table 1).

Table 1

<table>
<thead>
<tr>
<th>Measurement Models Fit</th>
<th>Chi-square</th>
<th>df</th>
<th>p-value</th>
<th>RMSEA</th>
<th>GFI</th>
<th>NFI</th>
<th>CFI</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1396.47</td>
<td>225</td>
<td>0.0000</td>
<td>0.106</td>
<td>0.91</td>
<td>0.93</td>
<td>0.94</td>
</tr>
</tbody>
</table>
Empirical results indicated support for most of the hypotheses (please see Table 2). No support was found for Hypothesis 1 and demonstrated that commitment behavior did not affect the repurchase intentions behavior in the life insurance industry in Taiwan. The empirical result shows that customer commitment cannot influence the way in which customers behave in relation to a firm. The commitment attitudes are not particularly relevant to the decision to repurchase or switch. Both trust and satisfaction did affect significantly repurchase intentions. Our findings provide support for trust and satisfaction of consumer to service providers. That is, we found support for the notion that commitment to one’s service provider can reflect differing psychological bases for the relationship customers have with their service providers. As expected, satisfaction dimensions were affected positively by commitment and trust, although in the other study, the relations among commitment, trust and satisfaction may be mediated by other variables. Trust and satisfaction have been linked in previous study, with satisfaction being postulated as an antecedent to trust (Garbarino and Johnson, 1999). Consistent with Garbarino and Johnson’s (1999) argument, our findings suggest that consumers may feel an obligation to stay with a service provider because of all of the positive experience they had with service provider.

Table 2
Structural Model Results

<table>
<thead>
<tr>
<th>Structural Path</th>
<th>Coefficient</th>
<th>t-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commitment→ Repurchase Intentions (H1)</td>
<td>0.78</td>
<td>1.42</td>
</tr>
<tr>
<td>Trust→ Repurchase Intentions (H2)</td>
<td>0.47**</td>
<td>11.46</td>
</tr>
<tr>
<td>Satisfaction→ Repurchase Intentions (H3)</td>
<td>0.59**</td>
<td>19.23</td>
</tr>
<tr>
<td>Commitment→ Satisfaction (H4)</td>
<td>0.52**</td>
<td>11.04</td>
</tr>
<tr>
<td>Trust→ Satisfaction (H5)</td>
<td>0.62**</td>
<td>9.84</td>
</tr>
</tbody>
</table>

** - p-value<0.01

CONCLUSIONS

In sum, this research highlights the importance of relational variables in addition to transactional variables in our attempts to understand why customer make repurchase decisions from service providers. Customers’ trust and satisfaction does affect their intentions to repurchase. Although in the present research, the primary driver of repurchase intentions to service providers was trust, all three forms of relationship marketing dimensions played important role in repurchasing intention. Our results underscore the importance of trust and satisfaction when examining customer repurchase intentions, and future research in this area should consider its multifaceted. The empirical results implies that there is different strategies that service firms may use to develop trust and consumer satisfaction among their consumers. It is important for service providers to recognize that consumers repurchase for different reasons because they trust and are satisfaction with the service providers. That these dimensions of relationship marketing develop in different ways suggests that service providers can develop strategies based on any significant components. The present research identified some variables that service providers might influence such as trust and satisfaction in an effort to affect repurchase decisions.
REFERENCES


ETHICAL ISSUES IN MARKETING: A STAKEHOLDER
APPROACH

George M. Zinkhan, University of Georgia
Plamen Peev, University of Georgia

EXTENDED ABSTRACT

We apply a stakeholder perspective to identify potential ethical conflicts involving the marketing function of the firm. The paper introduces stakeholder theory and applies it to key stakeholder groups (e.g., customers, organizations, suppliers, government, employees, media, the public as a whole). The relationship between the firm’s marketing activities and key stakeholder groups is examined with an emphasis on highlighting potential conflicts. Methods for conflict resolution based on discourse ethics and core moral principles are suggested.

Stakeholder theory is a contingency theory, which emphasizes the role of the organization in maintaining the balance of interests of all the firm’s stakeholders as well as in providing benefits to various stakeholder groups. A fundamental initial step in applying this theory is identifying relevant stakeholders and classifying them into groups. As illustrated in Figure 1, we organize the major stakeholders into five groups: a) organizational (departments within the organization and employees); b) regulatory (legislative and judicial systems and federal, state, local, and foreign governing bodies); c) supply-chain (suppliers, distributors, retailers, and wholesalers); d) community (customers, local residents, and special interest groups); and e) media (traditional and internet).

There is a potential for conflict between the marketing function of the firm and other stakeholder groups. We focus on examining the relationships of marketing with three key stakeholders: the finance function of the firm, government and customers. For example, the Marketing and Finance departments within companies are set up to operate in opposition to one another (Zinkhan and Zinkhan 1997). In this context, marketers serve as advocates for customers’ interests, while personnel in finance strive to protect the shareholder interests. If the marketing department is too strong, then there is a danger that a firm will spend itself into bankruptcy. If the finance department is too strong, then the firm will not take reasonable risks and may miss out on profitable investment opportunities (Iacocca 1984). When the conflict between these two functions of the firm is in balance, then the organization finds a way to concentrate on those investment opportunities that are the most profitable.

Another potential area of conflict is the relationship between the organization and the government. Government responsibilities that are relevant to the marketing activities include antitrust legislation and regulation of fraudulent marketing practices, deceptive advertising, marketing of harmful products, and the development, and marketing of medical products. Within the U.S., the governmental units that enforce such laws and regulations are the Food and Drug Administration and the Federal Trade Commission (both the Division of Advertising Practices and the Division of Marketing Practices).
Customers are a stakeholder group central to the operation of the firm. For instance, high levels of customer satisfaction lead to increasing revenue and profits (Anderson, Fornell and Mazvancheryl 2004). Yet, sometimes the interests of the marketing function of the firm and the customers are in conflict. Marketing actions can reduce the life quality of customers by taking advantage of customers while providing products and services, deceiving customers or creating false impressions about firms and their offerings, and jeopardizing the long-term well-being of the society.

We suggest that the explicit inclusion of morality in stakeholder theory provides basic guidelines or principles for solving conflicts and optimizing mutual benefits for the firm and its stakeholders. The conflicts discussed above can each stem from the violation of one or more of Warnock’s four core moral values—non-deception, non-discrimination, non-maleficence, and beneficence. In line with Warnock’s core values, optimization of mutual benefit requires that all parties involved move away from a zero-sum game perspective, where one party benefits at the expense of another. In place, the parties should strive to achieve a ‘win-win’ solution that focuses on goal congruity instead of incongruity. This result can be achieved through discourse ethics which is implemented by defining mutual benefits between different groups. Instead of focusing on positions, a discourse around the needs of the parties involved is stimulated. To do so, parties temporarily suspend their original position regarding the conflict and then attempt to find a new way of approaching the problem. To detect possible conflicts and identify mutual benefits, a firm can also adopt a stakeholder orientation, which provides organizational members with a pattern of shared beliefs that assert the intrinsic importance of various stakeholders (Maignan and Ferrell 2004).

REFERENCES

THE HOSPICE CARE INDUSTRY: MARKETING CHALLENGES

Irfan Ahmed, Sam Houston State University
John J. Newbold, Sam Houston State University
Rashmi Prasad, University of Alaska Anchorage

EXTENDED ABSTRACT

Over the past twenty five years, the hospice care industry in the U.S. has grown rapidly in size. Over this period, the industry has changed in character, with the entry of large, for-profit corporations aggressively seeking growth. Marketing practices in the hospice industry have also undergone a change. As the population continues to age and with the simultaneous rise in longevity, hospice care is likely to increase in importance as a vital sector of the healthcare industry. While the importance and value of hospice care remains clear, the availing of hospice care by patients and their patients remains limited, and a case has been made for the social marketing of hospice (Stanley 2003). Academic understanding of the hospice industry and its marketing practices remains limited. This paper seeks to delineate the field of marketing in the hospice industry and the hospice market, and to identify the marketing challenges facing the hospice care industry. We begin with an introduction to hospice care, a brief overview of the historical development of hospice care, the state of marketing activities in the hospice industry. Following a review of academic research on hospice care, we propose a call for future research in the marketing dimensions of the hospice care industry.

According to the Hospice Foundation of America, hospice care is designed to provide comfort and support to patients whose terminal illness ceases to respond to curative medicine, and to provide help and support to the patients’ families. Hospice seeks neither to prolong nor shorten life, but seeks to improve the quality of life for the terminally ill patient through the provision of comfort and dignity.

According to Meghani (2004), there was a marked increase in the number of hospices in the 1980’s, concurrent with the integration of hospice care in the broader healthcare spectrum. Among the major contributory factors in continuing growth are the aging of America, the role of educational and advocacy activities that seek to promote hospice care, and the acceptance and liberal reimbursement policies of funding agencies, especially Medicare. As the industry matures, there has also been consolidation in the not-for-profit hospice care industry. In an analysis of the utilization of hospice care among decedents, Connor et al (2007) found considerable variation in hospice utilization among decedents. These include differences in cause of death, variations in geographic usage, and patient demographics.

An aspect of hospice care that stands in contrast with general healthcare services is that the intended beneficiaries of hospice care include the family of the patient in a significant manner (Lynn, 2001). Barriers to considerations of hospice care include a denial of the nature of the patient’s diagnosis and a desire to continue presumed life-prolonging treatments. For some, hospice care may not even be in the consideration set of alternatives, primarily due to the lack of
timely availability of information.

Physicians remain a key influence on the choice of hospice care by patients and families, and many physicians tend not to discuss the hospice option until very late in the course of illness. Research has shown that primary care physicians are more likely to be aware of hospice and are more likely to broach the topic of hospice as a possible alternative. Barriers for physicians’ prescription of hospice include a reluctance to create anxiety for patients and their families, viewing hospice as a last resort, a feeling that the prescription of hospice is tantamount to giving up on curative measures for the patient and is an admission of their professional inadequacy.

Considering the gaps in existing research, much can be achieved in the area of better understanding hospice care services from the perspectives of the patients and the patients’ families. For example, by simply applying the classic consumer decision-making model to the decision to choose a hospice, one can readily see that some of the marketing challenges for hospice include cultural barriers, emotional state influences, situational factors in decision-making, and the lack of understanding of customer satisfaction and post-decision issues in the industry. The industry offers considerable opportunity for studying decision-making as well as the role of the physician as influence/gatekeeper in the process.

SELECTED REFERENCES

AN EVALUATION OF GOVERNMENT INVOLEMENT IN HEALTH CARE SYSTEM

Ashish Chandra, University of Houston – Clear Lake
Mandy Pennington, Marshall University Graduate College
David P. Paul, III, Monmouth University

ABSTRACT

In the United States the government involvement in healthcare is imperative as it plays a significant role in not only providing insurance to a significant population in the form of Medicare, Medicaid, or even traditional insurance, but also in the form of controlling the products that impact the patients. At the same time, most consumers in the U.S. are very independent and they are often suspicious of the government's role and involvement in health care related activities. This paper will provide an overview of involvement of the government in the U.S. health care system.

INTRODUCTION

Due to the rising cost of health care coupled with 30% of the U.S. population being uninsured, the issue of increased government involvement in health care is a growing debate (Pear, 2007). It is a rising perception that increased government involvement in health care would decrease cost and improve health care coverage. It is believed the insertion of government management will remove all profit motives of health care and patient care will be the driving force behind the industry (Anonymous Q, 2007). However, it is naïve to think that business of any kind will become altruistic and not profit motivated. Corporate employees and bills are not paid with warm and fuzzy feelings. Further, it is a common idea that health care coverage is a basic right that the government should provide (Anonymous Q, 2007). Interestingly, this right cannot be found in the U.S. Constitution.

Data released by the Census Bureau show that the number of uninsured Americans stood at a record 46.6 million in 2005, with 15.9% of Americans lacking health coverage (Anonymous A, 2006). As indicated by Gary Langer in an ABCNEWS online article, Americans express broad, and in some cases growing, discontent with the United States (U.S.) health care system, based on its costs, structure, and direction fueling cautious support for a government-run, taxpayer-funded universal health system modeled on Medicare (Anonymous B, 2006). In fact, 59% of insured Americans worry about the future affordability of health care (Anonymous B, 2006).

This rising number of uninsured Americans coupled with the rising cost of health care in America has fueled a debate as to whether the government should implement greater control of health care coverage. Census data show that in 2005 there was an 1.3 million increase of uninsured from the number of uninsured in 2004 (45.3 million). The percentage that is uninsured rose from 15.6% in 2004 to 15.9% in 2005 (Anonymous A, 2006).
While one extreme side of the issue is that the American health care system should be a completely free market, the polar opposite is in favor of a version of Universal Health Care System, much like that adopted by countries such as Canada and Great Britain. Canada's publicly funded health care system is best described as an interlocking set of ten provincial and three territorial health insurance plans, known to Canadians as "Medicare" (Anonymous C, 2007). Essentially, it is a group of socialized health insurance plans that provides coverage to all Canadian citizens. It is publicly funded and administered on a provincial or territorial basis, within guidelines set by the federal government. Under the Canadian health care system, individual citizens are provided preventative care and medical treatments (Anonymous D, 2004). The British health care system, called the National Health Service (NHS), is a publicly funded health care system. The NHS was established in 1948 and implemented in 1949. It provides the majority of healthcare in England, from general practitioners to hospitals, long-term healthcare, dentistry and ophthalmology (Anonymous E, 2007).

A more reasonable solution is likely to be found in the middle with a free market and government intervention maintaining a system of checks and balances. Yet, this does raise another issue in the debate regarding health care coverage in America: Is health care coverage an entitled right as a citizen?

Regardless of one’s position in the debate concerns remain. Increased government involvement in the U.S. health care system could result in mismanagement, longer wait times for care, and decreased quality such as seen in Canada and Britain. Both countries have socialist health care systems of which the quality and access to health care is far inferior to that in America. For example, the British NHS currently has a £570 million deficit. The British Commons Public Accounts Committee reported that billions of pounds of taxpayers’ money has been poured into the NHS with structures so inadequate that the Department of Health has no idea what the effect of the recently recorded £570 million deficit is having on patient care (Anonymous F, 2007). Further, the Vancouver based Fraser Institute has long been tracking wait times in Canada through its annual surveys of doctors. Between 1993 and 2000-2001 the median waiting time from referral by a general practitioner to treatment increased by seven weeks from 9.3 weeks in 1993 to 16.2 weeks in 2000-2001. Waiting times increased across all specialties. For cancer patients, the waiting time for medical oncology doubled from 2.5 weeks to 5 weeks, and the waiting time for radiation oncology increased from 5.3 weeks to 8.9 weeks (Anonymous G, 2002). Sally Pipes, President and Chief Executive Officer of the Pacific Research Institute commented on the detriment to health care quality that comes from increased government involvement. She stated, in reference to the Canadian health care system, “…they’re not worried about quality of life.” The Canadian health care mind set is “While waiting for knee surgery might be inconvenient or even painful, it is unlikely to be life threatening” (Anonymous G, 2002). No consideration is given to pain levels, decreased production and activity of consumers.

When the government takes over paying for health care, health care providers work for the government not the consumer. Should the government become the single payer of health care, hospitals would receive an annual lump sum payment from the government to cover operating expenses- a “global budget”. A separate budget would cover such expenses as hospital expansion, the purchase of technology, marketing, etc. (Anonymous H, 2006). Doctors too
would be paid by the government. Translation; they would be paid by tax dollars. They would have three options for payment: fee for service, salaried positions in hospitals, and salaried positions within group practices or HMO’s. Fees would be negotiated between the representative of the fee-for-service practitioners and a state payment board (Anonymous H, 2006). No matter which option the physician chooses, the government, thus the tax payer, is the ultimate financier.

Another argument against the universal health care is that it already exists; federal law mandates health care safety net providers administer emergency care. Health care safety net providers are those that have a legal mandate or mission to offer medical care to all patients, regardless of their ability to pay, and have a substantial number of patients who are uninsured or on Medicaid (Anonymous I, 2007). There is no shortage of health care safety nets. The providers include emergency departments, community health centers, public hospitals, charitable clinics, and in some communities, teaching and community hospitals-organizations that people turn to when faced with barriers to obtaining medical care elsewhere (Anonymous I, 2007).

Further, today’s health care is more expensive than it used to be because it works well. Modern technology that provides the breakthroughs in medicine is costly (Smith, 2004). Medical technology and research in the U.S. is highly ranked with the best in the world. Advanced genetic research in American laboratories has brought the medical world to a new frontier, where an understanding of the fundamental causes of some of the most vexing medical conditions from AIDS to cystic fibrosis are now within grasp. Some inherited conditions may soon be prevented or reversed, and recently introduced genetically engineered drugs are already saving lives (Anonymous J, 1990).

One only has to look at the current conditions of the Veterans Administration hospitals, and failing public school districts to feel alarmed with the idea of government controlled health care. To illustrate, at a hospital near Cleveland, an ABCNEWS hidden camera investigation of Veterans Hospitals found bathrooms filthy with what appeared to be human excrement. Supply cabinets were in disarray, with dirty patient linens mixed in with clean supplies, or left in hallways on gurneys. In several areas at a neighboring facility, open bio-hazardous waste cans were spilling over. ABC News Primetime obtained internal memos documenting that the equipment used to sterilize surgical instruments had broken down, causing surgical delays and possible infection risks (Anonymous K, 2007). The American public school system is no better. In a 2003 study conducted by UNICEF that took the averages from five different international education studies, the researchers ranked the U.S. number 18 out of 24 nations in terms of the relative effectiveness of its educational system. Another prominent 2003 study, Trends in International Mathematics and Science Study, shows a steady decline in the performance of American students from grades 4 to 12 in comparison to their peers in other countries (Wu, 2005). It is evident that when consumers rely on the government for the provision of goods and services quality is not priority one.

GOVERNMENT SPONSORED HEALTH CARE IS NOT FITTING WITH AMERICAN PRINCIPALS

When the United States of America got its start, the general idea was that individuals should be left to carve out their own lives free of government interference, based on the
principals of “life, liberty, and the pursuit of happiness.” Gradually over the last 230 years, our public discourse has turned those principals on their head in favor of just one idea: How should we use the force of government to compel our fellow citizens to live their lives as the government thinks best? Nowhere is this trend more conspicuous than in the politics of health care (Ralston, 2006). Recent public polls support dramatic change to our health care delivery system. In an USA Today/Kaiser Foundation/ABC News Poll taken October 2006, 80% of respondents were unhappy with the U.S. health care spending. Further, 75% favored expanding Medicare to cover uninsured ages 55-64. Those who were happy with the quality of health care provided in the U.S. were 56%. Most telling of the current climate was that 68% preferred universal coverage system to a private marketplace and 44% indicated that coverage for everyone was more important than keeping taxes down (Anonymous L, 2007).

Employment based health insurance is in serious decline. From 2000-2004, premiums rose 59%, the number of individuals with employment based coverage fell by 3.6 million, and Medicaid/SCHIP enrollment rose by 8 million. The current system is continually being patched with increased public programs and tax incentives (Enthoven, 2006).

Although the idea of government run health care originated in nineteenth century European socialism, more recent single-payer initiatives at the state and national level derive their inspiration from the Health Security Act of 1993. This majority policy effort was championed by Hillary Clinton and failed to make it past the approval of Americans (Meier, 2001). Since then, numerous states have continued to test the level of interest in such a system. More recently, the idea has been implemented in Massachusetts (White, 2007). Single payer systems inevitably implicate the government, state or federal or both, as the payer. That is because the country’s federal government is the most likely candidate to administer and pay for a health care system covering millions of people. Moreover, while it is theoretically possible to have a single payer system without having universal coverage, it is extremely unlikely to ever occur because the single payer would undoubtedly be the federal government (Montgomery, 2007).

In theory, the government controlled, single payer system would have its positives. Hospital billing could virtually be eliminated. Instead, hospitals would receive an annual lump sum payment, or “global budget” from the government to cover operating expenses. A separate budget would cover expenses such as hospital expansion, the purchase of technology and marketing. Premiums, co-payments, and deductible would be eliminated (Anonymous H, 2006). Further, the current health care system does not work well for people transitioning between jobs, and those working in low value-added, temporary, part time, or independent contractor positions. Independently purchased coverage is an inadequate option for those who need it the most, since a medical history all but guarantees unaffordable premiums (Enthoven, 2006).

One argument for a change to the American health care system is that a government controlled system will have better outcomes. However, when compared to nations with government controlled health care, there is no significant difference. For example, the life expectancy in America is 76.8 years. The life expectancy in the European Union is 78.1 years and in Canada it is 79.3 years. With those numbers alone, it could easily be said that government administration of health care increases life expectancy. Before this conclusion is made, other
factors should be considered. The one that has the most dramatic affect on overall health is obesity. The obesity rate in the European Union is 15.1% and in Canada it is 23.5%. In America the obesity rate is 39.2% and rising (Anonymous L, 2007). Obesity is a major contributor to health compromising conditions such as insulin resistance, type 2 diabetes, heart disease and stroke, cancer, sleep apnea, gout, gallbladder disease and osteoarthritis (Anonymous M, 2005). Therefore, it is not the compromised health care quality in the U.S. stinting our life expectancies, rather our increasing rate of obesity.

Massachusetts as an Example:

Recently, mandatory insurance has been advocated as a viable solution to the nation’s “healthcare crisis”. Presidential candidate, Mitt Romney, instituted such a type of health care system while governor of Massachusetts. Mandatory insurance makes not having insurance a crime. So much for free will. Although, its advocates state that it increases marketplace competition, it in fact does not. Moreover, no government is going to require you to buy health insurance without regulating what it must cover and what you must do (Ralston, 2006).

One of the market “reforms” implemented by the mandatory health insurance is the example of a “private,” statewide connector through which consumers can purchase insurance. “Private” means a single, state-chartered monopoly through which consumers must purchase their insurance. This allegedly creates a wonderful marketplace through which citizens of Massachusetts can buy insurance. So what does this reform replace? It replaces a free marketplace. Only now, the free marketplace has been replaced with a government one stop shopping place, which reduces available choices. Most adults, for example, are not able to buy preferred provider plans, but are required to join a Health Maintenance Organization (HMO). Of course, this allows the opportunity for government to be influenced by special interests groups to determine how the health care is managed (Ralston, 2006).

Access:

Mandatory health insurance ensures public access to basic health care, but it doesn’t grant equal access to high quality health care. Under the “personal payment” plan, the wealthy will obtain higher quality and timelier health services, and will have access to a broader range of services and tests (White, 2007).

Management:

The government does not have a good track record of managing the existing publicly funded health care systems such as Medicare and Social Security. Both are in dire deficit. In fact, Dr. Larry Kotlikoff, chairman of the Economics Department at Boston University, recently concluded a study of Medicare and Social Security that showed that a permanent fix for Social Security and Medicare would cost $74 trillion in today’s dollars (Boortz, 2005).

Cost:

Mandatory health care has some interesting coverage requirements. Regardless of
whether the consumer wants chiropractic care, in-vitro fertilization, acupuncture or an abortion, the consumer is required by law to pay for it (Ralston, 2006). But the real hefty cost is in the bureaucracy needed to run mandatory health care. Take the example of Massachusetts. Just for that one small state to implement such a plan new governmental agencies have been created to run it. Such organizations include the new Massachusetts Payment Advisory Board, the new Health Care Quality Control Council, which will function with the aid of the new Advisory Committee to the Health Care Quality and Cost Council. These agencies will no doubt develop a large staff which will be paid by tax dollars (Ralston, 2006).

Further, when the health care system of the U.S. is compared to that of the European Union and Canada in terms of cost, it becomes apparent that government management comes with a price. In 2005, 25% of the U.S.’ Gross Domestic Product (GDP) was spent on health care. That same year, Canada spent almost 34% of their GDP on health care and the European Union spent over 40% of its GDP on health care (Anonymous L, 2007). In Europe and Canada a disproportionate amount is being spent on health care, yet, their outcomes which are not significantly better than that of the U.S.

Innovation/Technology:

Many factors influence innovation in medical care. Consumer demand for better health is a prime factor. Research shows that the use of medical care rises with income: as people and the nation become wealthier, they provide a fertile market for new medical technology (Anonymous N, 2007). A single payer system would greatly tax the income now used to fund innovation. The continuing flow of new medical technology results from other factors including the desire by professionals to find better ways to treat their patients and the level of investment in basic science and research. Direct providers of care may incorporate new technology because they want to improve the care they offer their patients, but they also may feel the need to offer the “latest and best” as they compete with other providers for patients (Anonymous N, 2007). A single payer health system would eliminate the opportunity for competition. Without the threat of competition, it is likely that single payer systems will lag in terms of innovation (Shafrin, 2007). Under a single payer, universal health system physicians would be funded and paid by the government. Thus, it would be up to the government if they could improve the level of care to their patients or compete. In this way too, competition among providers would be greatly stifled.

Additionally, commercial interests are willing to invest large amounts in research and development because they have found strong consumer interest in, and financial reimbursement for, many new products they produce (Anonymous N, 2007). The elimination of competition among providers would greatly decrease the demand for new products.

Congressional Movement for Single Payer System:

In 2003 Congressman John Conyers of the 14th Congressional District of Michigan proposed a bill in congress, The Unites States National Health Insurance Act (HR676). If passed, it would institute a single payer, universal health care system in the U.S. The bill expands the existing Medicare program and proposes to guarantee by law the highest quality and
cost effective health care to Americans (Conyers, 2007). Once again, it sounds like a good deal.

However, at closer inspection, it is nothing more than an attempt to redistribute wealth. HR676 would implement a payroll tax on all employers and self employed income of 3.3% (Conyers, 2007). This, undoubtedly, would be passed along to the consumer, thus increasing prices. The current employee and employer Medicare payroll tax of 1.45% would be maintained (Conyers, 2007). This is a bit misleading as currently employers “pay” 7.65% of payroll while employees pay the same amount out of their paycheck to fund Social Security and Medicare programs (Boortz, 2005). Additionally, there would be a “health income tax” on the wealthiest 5% of Americans, a small tax on stock and bond transfers, and closing corporate tax shelters (Conyers, 2007). The “top 5% of wealthy Americans” is not clearly defined. The lowest income to incur this tax is not stated. Taxing stock and bond transfers would only punish achievement. Implementing taxes on corporate tax shelters defeats the purpose of the tax shelters. Further, this sounds very much like “no taxation without representation”.

The bill also proposes another unpopular idea that all individuals residing in the U.S. would be covered (Conyers, 2007). This means those who are here legally and illegally. Comprehensive health care funded by legal taxpaying individuals would be extended to ten of millions who are in the country illegally.

Additionally, no institution may be a participating provider unless it is a public or not for profit institution (Conyers, 2007). Privately owned provider businesses would be forced to either go out of business or allow the government to become the proprietor of the establishment. Yet a third option is allowed in the bill. Investor owned providers of care opting to participate shall be required to convert to not for profit status (Conyers, 2007). This option would greatly reduce the income of business owners and those who have a vested interest in provider companies.

As for HMOs, they would be classified as insurance organizations. Thus, they shall not be participating providers and would be subject to regulations (Conyers, 2007). Therefore, all insurance organizations and current existing HMOs would be out of business. The only insurance allowed would be for the coverage of benefits not covered by the Act (Conyers, 2007).

When one adds up the restrictions to free capitalistic enterprise and the cost to the tax payer, it is no wonder why this bill has not been passed.

The Solution:

So, if health care is a basic American right that should be afforded by the government, why not require that everyone have a nice house and have the government make the mortgage payments at the expense of the tax payer? Food is necessary for life. Should we shut down the supermarkets and get all of our food from the Department or Agriculture (Ralston, 2006)? However, the U.S. health care system is in need of repair.

A good proposal was well stated by Newt Gingrich. Mr. Gingrich noted that the answer to the health care concerns of American consumers should not be a single-payer system, but a 300 million American payer system. Mr. Gingrich stated: “let the system be guided by the
responsible decision of the American people, not by the unaccountable decisions of a government bureaucracy. Start by letting people buy their health care across state lines to get the best policy at the best price. We wouldn’t leave anyone out in the cold. The poor would be given a voucher to purchase private insurance (Anonymous O, 2006)” Mr. Gingrich emphasized the importance of personal responsibility and accountability. He said, “Think of your health as a rental car. Nobody washes a rental car. But once you own your car, you take care of it. Under a 300 million payer system, people would have to take charge of their health, their insurance, their doctor, and any chronic condition. Let them take a tax deduction for the insurance they buy (Anonymous O, 2006).”

While Mr. Gingrich offered very good and viable proposals, they would best be used in conjunction (except for the tax deductions) with a very simple solution, The Fair tax. The Fair Tax Act, (HR 25, S 1025), is a comprehensive proposal that replaces all federal income and payroll based taxes with an integrated approach including a progressive national retail sales tax, a pre-bate to ensure no American pays federal taxes on spending up to the poverty level, dollar-for-dollar federal revenue neutrality, and, through companion legislation, the repeal of the 16th Amendment (Anonymous P, 2007).

The non partisan Fair Tax Act abolishes all federal personal and corporate income taxes, gift tax, estate tax, capital gains, alternative minimum tax, Social Security, Medicare, and self-employment taxes and replaces them with one simple, visible, federal retail sales tax administered primarily by existing state sales tax authorities. The Fair Tax taxes consumers only on what they choose to spend on new goods or services, not on what they earn. The Fair Tax is a fair, efficient, transparent, and intelligent solution to the frustration and inequity of our current tax system (Anonymous P, 2007).

The Fair Tax would decrease the cost of all goods and services, even that of health care. For example, when one goes to a doctor for an exam, what the patient and the insurance company pay covers the doctor’s overhead and income. Included in the overhead are payroll taxes, employee Social Security and Medicare taxes. Further there are embedded retail taxes in all equipment and supplies that the provider purchases. Additionally, physicians typically spend thousands of dollars on accountants, attorneys and insurance salespeople (Boortz, 2005). All those expenses are passed along to the consumer. Not only would the Fair Tax Act eliminate all embedded costs for a trickle down savings to consumers, it would also give a monthly pre-bate for the tax cost spent on every item of necessity purchased (Boortz, 2005). The Fair Tax would continue the funding of Social Security and Medicare, decrease the cost of health care and eliminate the need for increased government involvement.

Future Predictions

The destiny of the U.S. health care system remains a mystery. Single payer, universal health care has been strongly advocated by politicians and special interests groups. Recently, Massachusetts implemented a state governed mandatory insurance system. The fate of U.S. health care will be determined by several factors including the perception of it held by the American people, and election outcomes. Should it become a more prominent belief that comprehensive health care is a right as a citizen; an increased movement to pass legislation such
as HR676 is likely.

Considering that the U.S. health care is among the best in the world in terms of access and quality it is unclear why there is a belief that it is being poor to average. Should a single payer, universal system be implemented quality would decrease as innovation and competition would be eliminated. It seems as if some would make this sacrifice in order for another element of their lives to be controlled by the government. There is a forward political movement in the country to institute single payer, universal health care. It is marketed as a utopian solution to the million of uninsured. It is also touted as a relief to “burdensome” health care costs. What is not said is that it would devastate the economy, decrease income, slow access, and eliminate choice. What is often not realized is that it is socialistic redistribution of wealth.

Health care is no more of a right than is minimal square footage of housing. Our founding fathers did not include health care, food and shelter into the Bill of Rights because they knew, with personal responsibility and accountability, those things were self insured. The government should, and does, provide health care to the elderly, disabled and poor.

Consumer education is needed. Also required is a strong solution to the problems that do exist. Consumers should be allowed to choose their health coverage, based on preferences and price, regardless of state lines. This would increase competition and drive down prices. Further, persons currently receiving government health care should receive a voucher to “purchase” insurance as they too see fit. Vouchers would increase the pool of consumers creating competition. It would also give more ownership of the choice made to obtain health care. Lastly, the Fair Tax would decrease health costs by removing the embedded tax in all goods and services that is passed down to the consumer.

REFERENCES


A CONCEPTUAL FRAMEWORK OF PATIENT ATTITUDE AND BEHAVIOR IN TAIWAN AND THE U.S.: THE ROLE OF WAIT TIME

Kishwar Joonas, Prairie View A&M University
Weng-Hung Wang, National Taiwan Ocean University

ABSTRACT

Patients endure considerable wait time while receiving healthcare services. Research in the U.S. indicates a negative relationship between wait time and healthcare service evaluation, as well as behavior of patients, including loyalty. However, in Taiwan, a major player in global healthcare services, there is little research focus on wait time and its effects on patient perceptions and behavior. An examination of these relationships in Taiwan, in comparison to the U.S., would help improve patient loyalty.

INTRODUCTION

In today’s world, time is a key resource for consumers. With the growth in services, resulting from the delimitation of industries, consumers spend increased wait time for services, displaying a higher reaction against waiting. A sharpened perception of wait time reduces customer satisfaction, and elicits negative behavior. Faster service is a vital tool of sustained competitive advantage in general medical practice (Iversen and Luras 2002).

The earliest study of this phenomenon was conducted by Hinch et al (1955); however, there is scant research attention in the U.S. on the outcomes of time lost while waiting on the “noble profession”. Medical service providers need to recognize the potential fallout of ignoring the effects of wait time.

In the case of Taiwan, a major global player in healthcare services, there is little research focus on wait time. Currently, Taiwan is actively promoting “medical tourism”, which serves as a point of medical outsourcing, and may soon have to pursue international service quality standards. For these reasons, it would be important to examine the outcomes of wait time in that country.

THE NEED FOR THE STUDY

Although some research has been conducted on the direct effects of wait time, much of it is at the descriptive level, offering an incomplete picture of patient attitude and behavior. There is a need to evolve a more comprehensive model, examining the concurrent as well as moderation effects of wait time, particularly unacceptable wait time.

Moreover, many studies have been conducted primarily in the U.S. and the West, but there is little knowledge about this phenomenon in Taiwan, an important trading partner for the
U.S. (CIA World Factbook 2007; GlobalEdge 2007). In addition, Taiwan has placed a strategic focus on “medical tourism” (Scandlen, 2007), and has gained considerable standing in medical outsourcing (Marlowe and Sullivan 2007). Coupled with these trends is the pressure to pursue international service quality standards (Modern Healthcare 2007). Existing studies on healthcare service quality (Chen, Lin and Lee 2002; Hsieh, Thomas, and Rotem 2005; Liu 2003; Richter 1993) offer a practitioner perspective, to the neglect of patient perceptions of service quality, its relationship to wait time, and the impact on patient attitude and behavior. We hope to narrow this research gap by studying these constructs and their relationships (see Figure 1) in both, Taiwan and the U.S. The results would be useful to healthcare administrators, providers, and to patients themselves.

**Figure 1.** A Conceptual Framework Of The Effects Of Wait Time On Patient Attitude And Behavior.

**EFFECTS OF WAIT TIME: A REVIEW OF THE LITERATURE**

There has been recent research focus on healthcare service quality (Berglund 2005; Mroz and Berglund 2004; Scandlen 2007), its role in achieving sustainable competitive advantage (Rapert and Wren 1998), and the need to factor patient's perceptions into the definition of "quality" (Berwick 2002). An important aspect of perception relates to wait time. Some researchers have adopted an economics approach to patients’ wait time, and recommended that doctors provide extra shifts to address the issue (Rice 2007). Others focused on evolving a model for reducing patients’ wait time at the doctor’s office, based on a Total Quality Management approach (Valdivia and Crowe 1997). In the area of consumer behavior in health care, considerable research effort has been devoted to demographic differences in various aspects of the health care experience (Bendall-Lyon and Powers 2002; Hekmat et al. 1998; Hill and Joonas
Some studies focus on service quality and measurement (Licata et al. 1995; Otani and Harris 2004; Taylor 1994), while others examine the antecedents of satisfaction and selection (Andrus 1984; MacStravic 1984). Overall, research attention is directed towards patient perception of quality, and patient satisfaction.

As stated earlier, time is of essence in today’s world, and numerous investigations have evidenced a negative effect of wait time on satisfaction levels and service quality evaluations (Andrus 1984; Hill and Joonas, 2005; Katz et al. 1991; Taylor 1994), and also provider choice (Andrus 1984; Hill and Garner 1991; Katz et al. 1991; Taylor 1994). Keaveney (1995), looking at the determinants of changing service providers in a variety of service areas, found causal variables to include price, inconvenience, core service failure, service encounter failures, and failed employee responses to service failures. Inconvenience, defined as excessive wait time, may be a prime factor in patient switching behavior. In addition, Akinei and Sinay (2003), in the development of a model to explain satisfaction, found one in every five respondents complained about the length of time spent in the waiting room.

The decision to change providers was modeled by Duck (1991), the process beginning with patient cognition of dissatisfaction, through airing of complaints, and progressively resulting in dissolution of the relationship. On the other hand, providers seek long-term relationships with patients, as continuing loyalty is a key determinant of service providers’ financial outcome (Evanschitzky and Wunderlich, 2006). To this end, providers need to consider ways to accommodate patient needs (Huynh 2004). The task seems more daunting because loyalty is falling among all age groups, and more significantly among the Baby Boomer generation (Lipke 2000) that comprises a growing segment of patients.

A study by Katz et al. (1991) evidenced that actual wait times at a bank related negatively with overall customer satisfaction, and positively with customer stress. In addition, customer satisfaction was directly linked with perception of “acceptable” wait time. Another study found wait time to be a factor in patient satisfaction in the U.K. (Hurst 1992). These findings were confirmed in a healthcare setting in a subsequent study (Hill and Joonas 2005).

At least one study (Keaveney 1995) found inconvenience to be a determinant of switching providers, despite perception of high service quality. Such inconvenience may include wait time, and about 20 per cent of patients expressed dissatisfaction on this account (Akinci and Sinay, 2003).

In a recent study, Hill and Joonas (2005) examined the effect of wait time on perception of service quality, and also on other areas of service, including patient behavior. Wait time was evidenced to impact perceptions of service quality, satisfaction, and both aspects of loyalty—recommending the doctor, as well as repeat visits. Additionally, most respondents anything over 30 minutes is an unacceptable wait time, and although most patients actually wait for less time than they consider as acceptable, a large number face a longer than acceptable wait. Most patients stated their wait would have to be acceptable fairly frequently or very frequently, before they would take some action. While 93 per cent would take some action as a result, 43 percent would voice the problem, 18 per cent would consider switching, and 12 per cent would actually switch service providers. The pattern seems to confirm the findings of Akinci and Sinay (2003).
RESEARCH QUESTIONS

There is a need to study the effects of wait time on perceptions of medical provider’s services, patient satisfaction, and loyalty. The constructs of interest would include patient attitudes, including perception of quality, satisfaction, probability of recommending the provider, and probability of repeat visits. The study hypotheses are listed below:

H₁: Patients’ perception of providers’ service quality will affect satisfaction, loyalty (recommending the provider), loyalty (repeat visits), and overt action by the patient (culminating in switching providers) in Taiwan and the U.S.

H₂: Wait time will moderate the relationship between patients’ perception of providers’ service quality which will affect satisfaction, loyalty (recommending the provider), loyalty (repeat visits), and overt action by the patient (culminating in switching providers) in Taiwan and the U.S.

Results could guide medical services providers in formulating and implementing service goals, and enhancing service quality towards strengthening long-term relationships with patients.

SUGGESTED METHODOLOGY

Sample

We propose to conduct a survey among about 350 persons in the U.S. and an equal number in Taiwan that have visited a healthcare provider within the last six months. Care will be taken to obtain diversity in terms of gender, age, and income.

Data Collection and Analysis

The questionnaire will cover four areas in relation to any medical services provider visited by the patient in the past six months. A modified version of the SERPERF (Cronin and Taylor 1994), based on Parasuraman’s 1988 SERVQUAL model, will serve as a measure of the five quality factors—tangibility, reliability, responsiveness, assurance, and empathy. Through a semantic differential scale, repeat visits, probability of recommending to others, overall quality, and satisfaction will be rated.

Further, some categorical information will be sought, that might impact the relationships under study, such as length of patronage, drive to the doctor’s office, frequency of visits, and severity of typical medical problem. Finally, the questionnaire will address the length of wait time, the length of acceptable wait time, the frequency of unacceptable wait time that might encourage activism, and the resulting behavior. Some demographic data will also be collected, such as gender, age, and income.

Surveys will be distributed in wait areas around offices of medical services providers in multiple locations. Hypotheses will be tested through the use of structural equations modeling.
(Anderson and Gerbing 1988), using LISREL.

**CONCLUSION AND IMPLICATIONS**

Literature suggests that a large proportion of patients encounter unacceptable waits in doctors’ offices, and that higher wait time has an adverse impact on the elements as well as overall perception of quality. Moreover, a higher wait time has a negative effect on patient satisfaction and loyalty. However, faced with unacceptable wait time, patients appear to take hard decisions about continuing the relationship, no matter how highly the service quality is rated, or how frequently the wait occurs. Under the circumstances, patients tend to be vocal, and providers that want to stay competitive would do well to heed the early signs of dissatisfaction before the patient decides to switch doctors as a consequence. It is of note that some studies describe the consequences of unacceptable wait time as an “across the board” response, unrelated to demographics.

As discussed earlier, much research has been conducted primarily in the U.S. and the West, but scant attention has been paid to Taiwan, which is an important trading partner for the U.S. Moreover, Taiwan has become a center for medical tourism as well as medical outsourcing. There is a need to investigate service quality and its outcomes as the effect of wait time on these relationships, in both countries, to enhance service quality standards. The results of such research would help medical service providers to address the issue of wait time, to strengthen long-term relationships with patients, since continuing loyalty is a key determinant of service providers’ financial outcome (Evanschitzky and Wunderlich 2006).

**REFERENCES**


Lipke, David J. (2000, November) “Pledge of Allegiance,” American Demographics 40-42


SERVICefailure, Service Recovery, and the Health Care Industry: A Model and Research Proposal

Lynn Murray, Pittsburg State University
Donald Baack, Pittsburg State University

ABSTRACT

This research proposal is designed to examine applications of the concepts of service failure and service recovery, taken from the marketing literature, to the field of health care. Data collected from a local hospital regarding promptness, courtesy, effort, and professionalism should account for improvements in satisfaction with the services themselves and with those who provide them. Implications may then be drawn for health care providers and managers.

INTRODUCTION

Health care plays a central and powerful role in today’s society. The industry employs more than 13 million people, and the Bureau of Labor Statistics projects that this figure will grow more than 27% by 2014 (Bureau of Labor Statistics 2005). It is an industry in which each person has a stake. The importance of health care will continue to increase as the US population ages and as accessibility to healthcare worldwide improves. Although it is a highly sophisticated profession that makes extensive use of technology, it is at heart an intensely personal business. Patients interact with doctors, nurses, and other healthcare providers. It is this series of interactions that comprises the quality of care and drives patient satisfaction. A failure in one of these interactions affects both the quality of care received and subsequent satisfaction. In this paper, we propose a model of how failure in a healthcare encounter may affect customer outcomes, particularly satisfaction.

SERVICE FAILURE

Service failure is inevitable – at some point, all service providers have failed to live up to a customer’s expectations (Hart et al. 1990). Service recovery, “actions undertaken by an organization in response to a service failure” (Zeithaml et al. 2006, p. 214), is also inevitable. Given the ubiquity of service failure and recovery, it is hardly surprising that a great deal of research concerning failure and recovery exists in the marketing literature. This research suggests that recovery can mitigate some of the effects of a service failure (McCoughlough et al. 2000). Further, some research suggests that a service paradox exists in which a customer who experiences a successful service recovery becomes more satisfied than a customer who has not experienced a service failure (Maxham and Netemeyer 2002). The research model developed here explores how insights gained in exploring failure and recovery in industries such as banking and hospitality might apply to healthcare.
CUSTOMER SATISFACTION

For marketing researchers, particularly services marketing researchers, the pursuit of customer satisfaction has received considerable attention. This is understandable, because research results indicate that as customer satisfaction improves, other outcomes, such as a customer’s intention to return, positive word-of-mouth, and reduced price sensitivity improve as well (Zeithaml et al. 1996). Customer satisfaction has also been linked to a firm’s revenue and profitability (Anderson et al. 1994; Anderson et al. 2004; Anderson et al. 1997; Fornell et al. 1996). The intent here is to explore how service failure affects customer satisfaction.

One key factor in studying customer satisfaction in a healthcare setting is determining just who the customer is. Some researchers identify the customer as the individual who pays for the service. Others identify the recipient of the service as the customer. In this proposed research, a customer is the direct recipient of the healthcare service and/or anyone who acts on the recipient’s behalf. This may be a hospital ombudsman or, more likely, a family member.

SERVICE RECOVERY

Past research indicates that customers who are dissatisfied can be recovered. A variety of tactics can be used. Smith et al (1999) studied four features of service recovery in hospitality settings: (1) compensation, (2) response speed, (3) apology, and (4) recovery initiation (customer versus employee). Hoffman et al (1995) explored recovery strategies used in restaurants. They identified compensation (provision of free food, discounts, or coupons), managerial intervention, correction, apology, and doing nothing as recovery tactics. Hart et al (1990) recommended acting promptly, empowering employees and apologizing. Davidow (2003) summarized the literature regarding recovery tactics and post-complaint response. He identified six organizational response dimensions: timeliness, the speed with which an organization responds to a complaint; facilitation, the operational system the organization has in place to respond to a complaint; redress, the recompense received by the customer; apology; credibility, the organization’s willingness to explain or account for the failure; and attentiveness, the care and attention paid to the customer by the organization (Davidow 2003, p. 232).

Davidow (2003) also examined the effect of these recovery tactics on customer’s post-complaint response. He found that researchers focused on four: satisfaction, word-of-mouth, repurchase and attitude toward organization. Davidow’s results indicate that, regardless of type of recovery response, recovery efforts were related to satisfaction in the vast majority of studies that explored recovery efforts and satisfaction (there were few studies in which the notion that recovery tactics influence satisfaction was not supported). Thus, on the basis of this discussion, the following hypothesis emerges:

H1: A positive relationship exists between a healthcare provider’s efforts to recover from a service failure and customer post-complaint satisfaction.

Aspects of a service experiences are not equally important (Chase and Dasu 2001). Evans et al. (Forthcoming), for example, found that the various service quality elements – reliability, assurance, responsiveness, tangibles and empathy – affected various customer outcomes
differently. Grönroos (1984) identifies service quality as having two dimensions – technical quality and functional quality. Technical quality is the what of the service – the outcomes. Functional quality is how the service is delivered – the process. Chase and his colleagues also separate the provision of the technical core from the interactional elements of the service, recommending that the technical core be protected as much as possible from the vagaries of customers and employees alike (Chase 1981; Chase 1978; Chase and Garvin 1989; Chase and Stewart 1994; Northcraft and Chase 1985).

Homburg et al. (2002), while not specifically separating services into technical and interactional elements, explored the elements of a retailer’s service orientation. Rather than looking at the interactional quality of the employee-customer interface, they explored how supplemental services such as extended guarantees and invitations to special events could improve customer outcomes such as satisfaction. Similarly, we identify the overall provision of healthcare as being comprised of two distinct service categories: core and supplemental services. Core services are those services that address the health of the patient-customer directly, such as the removal of a burst appendix, the delivery of a baby or the amputation of a diabetes-damaged leg. Supplemental services are those services such as billing, a hospital gift shop, or food service.

While both types of services are necessary for a successful service experience, the ability for a healthcare provider to recover from failure of one or the other type varies: a failure in a core service – such as the amputation of the wrong limb – will be much harder to overcome than a failure in a supplemental service such as an undelivered flower basket or an error in billing. Thus, the following hypothesis:

H2: Recovery efforts after a core service failure will have a weaker relationship to a customer’s post-failure satisfaction than will recovery efforts after a supplemental service failure.

PERSONAL ENVIRONMENT

The relationship between recovery efforts and a customer’s post-failure satisfaction is also likely to be affected by the customer’s level of personal involvement in the service. While the involvement literature focuses on product involvement, some of the same elements may also apply. Richins and Bloch (1986) identify two types of involvement – situation and enduring. Situational involvement reflects product involvement that occurs only in specific situations, whereas enduring involvement is an on-going concern about a product or product category. Situation involvement is often triggered by risk – such as the purchase of a high-risk product. We posit that personal involvement, or the degree to which an individual is personally affected by a service event, affects the relationship between recovery efforts and post-failure satisfaction. Consider, for example, a woman who has been appointed financial guardian to a just-met 80-year-old nursing home resident. Her personal involvement upon receiving the news that her ward is undergoing emergency by-pass surgery is likely to be lower than if it were her father undergoing the same surgery. Her higher involvement in her father’s care would also likely mean higher standards, leading to a lower likelihood of recovery efforts improving post-failure satisfaction.
H3: As the personal involvement of the complainant increases, the ability to provide recovery efforts that will reduce post-failure satisfaction weakens.

**FAILURE CRITICALITY**

The perceived importance of the failure, the failure criticality, will also likely affect the relationship between recovery efforts and post-failure satisfaction. In studying the relationship between recovery and satisfaction in restaurants and hotels, Smith et al. (1999) discovered evidence that a negative relationship exists between the magnitude of the failure (defined as the size of the loss resulting from the exchange) and customer satisfaction. Similarly, Webster and Sundaram (1998) found that as the criticality of successful service delivery increases, post-failure satisfaction declines.

This should also hold true in the provision of healthcare, as well, regardless of the nature of the service. For example, a healthcare service failure such as an ophthalmologist prescribing the wrong lens strength is less critical than an error prescribing a combination of medicines that induce seizures. While both are failures of the core service, the wrong eyeglass prescription can easily be fixed with no long-lasting effects. Similarly the delivery of a get-well flower arrangement is much more innocuous than a persistent billing error. Thus, we hypothesize the following:

H4: As the criticality of the service failure increases, the relationship between recovery efforts and post-failure satisfaction will weaken, regardless of whether it is a core or supplemental failure.

**QUANTITY OF FAILURES**

The number of service failures experienced by the guest during this and previous service experiences with the service provider also affects the relationship between recovery efforts and a customer’s post-failure satisfaction, regardless of the success or failure of previous recovery efforts. Persistent service failures, even minor service failures, reduce the confidence the customer has in the ability of the service provider to deliver a high-quality service experience. The customer becomes more vigilant and can begin to spot errors and failures she may not have had she not been primed to see these failures. This notion is supported by Maxham and Netemeyer’s (2002) longitudinal study of service failure and recovery. They found that, regardless of success or failure of recovery efforts, multiple service failures resulted in lower levels of customer satisfaction. Thus, the following hypothesis should hold true:

H5: As the quantity of service failures experienced by the customer increases, the relationship between recovery efforts and a customer’s post-failure satisfaction weakens.

The model may be seen in Figure 1. The next section addresses how this model may be tested.

**RESEARCH PROPOSAL**
To study the impact of service failures and service recovery activities on subsequent outcomes will require the cooperation of a local hospital as well as clients who have experienced service failures in that hospital. Locating and being allowed to collect data from individuals who have experienced service failures presents the greatest challenge to this research effort.

Data regarding service failures should be categorized as being due to direct medical care or to the support services offered by the health care provider. The person’s level of involvement will be self-reported as well as the individual’s perception of the severity of the service failure incident.

There are two possible sources of information regarding service recovery activities. The first would take the form of self-reports by health care providers regarding their perceptions of how well service recovery efforts are carried out. The second would come from those who have experienced service failures. The perceptions of these individuals may or may not be the same regarding the effectiveness of service recovery efforts made by the health care provider.

![Figure 1. Service Recovery and Post-Failure Customer Satisfaction in Healthcare.](image)

Finally, both behavioral outcomes and self-reported perceptions can be used to measure the final outcome following a service failure. Aggrieved individuals may be asked to report levels of satisfaction with the health care provider and regarding future intentions. At the same time, letters of complaint should be on file as well as records of lawsuits and other legal actions that express continuing discontent with the provider.

**POTENTIAL IMPLICATIONS FOR THE HEALTH CARE INDUSTRY**

In this research, we propose exploring when recovery tactics are effective. We propose that the success or failure of recovery tactics is dependent on contextual factors such as the nature of the failure, the level of the customer’s personal involvement, the criticality of the failure and the quantity of failures experienced. This research should provide guidance for healthcare providers...
in determining how to respond to service failures. It may well be that recovery after a specific failure may be impossible. A person who struggles with life-long pain or a deformity due to an incidence of malpractice may not be placated at all by a prompt, courteous, professional, high-effort response, simply because the damage has been done and it is irreparable. In other words, the application of service recovery techniques may not be a panacea for all service failures. Providers in this case are left only with the prevention of future occurrences of the same and similar errors.

At a more universal level, this research raises questions regarding the generalizability of research conducted in one setting to another. Much of the research conducted about failure and recovery has occurred in industries such as hospitality, travel, and dry cleaning. Errors in these settings, while serious, may not equal the life-threatening status that errors in healthcare can provide. This may indicate a more complex view of failure and recovery is necessary, leading to the following questions:

RQ1: Most recovery efforts focus on the interpersonal – promptness, courtesy, professionalism, effort. Are these sufficient for core failures? If not, what tactics can reduce customer’s dissatisfaction with core offerings?

RQ2: Does a continuum of customer reactions exist, positive future intentions at one extreme and negative future intention, such as resorting to retaliatory behaviors, at the other? A related question is; can service recovery activities help move an aggrieved patient away from retaliation to at least a neutral state, or, even more positive future intentions?

The inevitability of failure in services and importance of healthcare now and in the future requires that we explore these issues more fully. The research proposed here takes a step toward understanding how failure and recovery affect customer satisfaction.

REFERENCES


THE HUMAN FACTOR IN MARKETING HEALTH CARE SERVICES: RESEARCH ON THE ASSESSMENT OF DOCTORS BY THEIR PATIENTS

Mithat Uner, Gazi University
Dilaver Tengilimoğlu, Gazi University
E. Asuman Atilla, Gazi University
Fevzi Akinci, Washington State University

ABSTRACT

This study examines how physician patient relationships are perceived by patients and how this information can be used to improve healthcare marketing. We conducted an interview of 400 patients who received healthcare services from a university hospital in Ankara, Turkey to describe how physicians’ interactions (behaviors, interests, attitudes, physical appearance, etc.) with their patients are perceived by these patients. We also examined whether or not such a perception varies according to the socio-economic and demographic characteristics of the patients. It was found that satisfaction decreases in patients with increased education and income, and with respect to younger age groups.

INTRODUCTION

Appropriate human behavior is one of the required elements of effective health services marketing, as it is in most service sectors. While management of human interactions aids in developing quality in the manufacturing setting, it is even more important in the service sector. This importance is created by the frequent contact between an organization's personnel and clients. In these instances, service organizations are required to specify what they expect from their personnel with respect to client relationships. A firm's employment methods, training, motivational techniques, and mechanisms for rewarding employees should not be viewed as mere personnel decisions (Palmer 1994). Service quality depends mainly on personnel having a positive impact on clients, which can be taught through employment policies and procedures (Lovelock and Wirtz 2004). Developing a successful marketing plan includes creating a model of the relationship between personnel and customers in the workplace. Thus, strategies should be developed for marketing management, planning human resources, and providing positive interaction between clients, in addition to production of the service (Palmer 1994).

Relations between those supplying the service and those consuming the service are very important in healthcare as in other service industries. Personnel showing competency, courtesy and tenderness are very important for the success of any hospital. Thus, many hospitals implement training programs promoting these characteristics. This practice integrates intra-organizational processes with external client requirements and provides feedback for improving services. Many healthcare organizations engage in interactive marketing by emphasizing that employees should focus on fulfilling patient needs (by awards and authorizations) (Souba,
Haluck and Menezes 2001).

The clothing style, attitudes and behaviors of personnel working in healthcare organizations are an important aspect of employee-patient communication and can influence a patient’s satisfaction and preference for that health organization for future medical needs. Thus, health service providers should have cheerful, polite personnel who wear clean clothes and have a well-kept appearance. They should also be sensitive, helpful, respectful, kind, and insightful to patients and their relatives. When evaluating the quality of physician services, patients consider their doctor’s listening skills, sensitivity, time allocation, politeness, and respect. All of these qualities must be present in addition to the specialty knowledge possessed by the physician (Kavuncubasi 2000).

ROLE OF DOCTORS IN HEALTH SERVICES MARKETING

Describing the ideal practice is difficult with respect to clinical communication. However, it does require various physician talents such as understanding patient communication methods, and adapting to those methods, to increase both efficacy and satisfaction. These talents are exhibited as the respectful behavior of the doctor and showing empathy and devotion to the ideas, expectations, and thoughts of their patients. Doctors should accept that patients desire to be partners in decision-making and should provide enough clear information in accordance with the patients’ needs and education to facilitate that (Moral, Rodriguez, Torres and Torre 2006).

Positive experiences in patient-doctor relationships begin with affirmative feelings, including sensitivity and eagerness. Doctors should make an effort to establish positive relationships. Even after these relationships are developed, continued respect and interest of the doctor toward his/her patient, together with honesty and kindness, will always be very important (McWilliam, Brown and Stewart 2000).

Relationships between doctors and patients are the subject of medical ethics as well as health services marketing. It can be said that clinical freedom is a physician privilege, recognized only with the permission of the patient. In other words, physician decisions depend upon patient requests. Nonetheless, many patients are reluctant to accept this responsibility even though there is a movement toward more active consumers. However, patients change their doctor if they are not satisfied with the quality of service. In addition, patients may sue their doctors if they experience any maltreatment, a practice exercised frequently in the USA. Doctors should try their best to obtain full consent from the patient prior to beginning medical treatment (http://www.merih.net/ m1/wberner21.htm). Healthcare organizations should place a high degree of importance on patient satisfaction in order to increase their market share. Satisfied patients will advertise their satisfaction and promote the healthcare organization by sharing their positive opinions about the organization with others. It is also known that satisfied patients exhibit more positive behaviors during the treatment process (Kavuncubasi 2000).

RESEARCH ASSESSING THE PERCEPTIONS OF PATIENTS WITH REGARD TO THEIR DOCTORS AND SERVICES PROVIDED AT A POLYCLINIC IN TURKEY

Subject
Employee behavior, process management, and physical space are all important elements of the marketing mix in service facilities. The role of the human factor is especially important in healthcare facilities due to the high degree of personal contact. Thus, when hospitals perform marketing activities they should not ignore the human factor. This research examines patient evaluations of doctors, and provides suggestions within the context of health services marketing.

Purpose

The purpose of this research is to describe how physician-patient relations are perceived by patients and to determine whether there is any difference in this perception according to the socio-economic and demographic status of patients. It is important to note that this study does not attempt to assess the medical knowledge of doctors and their technical capabilities.

Methods

This study utilizes survey research methodology. Using a survey instrument, the research data were obtained to evaluate patient opinions toward their doctors in a university hospital setting.

The survey instrument contains 36 questions in total, not including questions seeking personal information. Expert opinions were utilized in preparing the survey instrument. The survey form consists of questions in various formats, including arranging questions as to importance level, open-ended questions, and multiple-choice questions. The survey form consists of two main groups, the first of which includes questions relating to personal information. The second group includes questions regarding the service and service provider. The survey is designed to determine the opinions of patients toward the service and doctors as service providers.

The study population is comprised polyclinic patients seeking medical services from Gazi University Hospital. The sample size was calculated by taking weekly polyclinic patient counts as a base; surveys were applied to 400 patients chosen by means of a random sampling method between May 15th and May 26th, 2006.

The quintette likert scale was used in the survey. Options of questions in this scale were given as: 1 “Totally Disagree”, 2 “Disagree”, 3 “Not sure”, 4 “Agree”, 5 “Totally Agree”. Arithmetical average intervals in judgment sentences in the quintette likert scale were separated into 3 groups and evaluated as: 1.00-2.33 (low agreement), 2.34-3.66 (partial agreement), and 3.67-5.00 (high agreement), according to the arithmetical average value in the quintette likert scale.

FINDINGS

Results obtained from the analysis of data are presented below under appropriate subheadings.
Descriptive Statistics of the Study Participants

The first six survey questions are for determining age, education status, gender, income, profession, and health insurance status of patients participating in the research. The research results relating to personal information are given in Table 1.

Table 1
Descriptive Statistics of the Study Participants (n = 400)

<table>
<thead>
<tr>
<th>AGE</th>
<th>NUMBER</th>
<th>PERCENT (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>16-25</td>
<td>76</td>
<td>19.00</td>
</tr>
<tr>
<td>26-35</td>
<td>112</td>
<td>28.00</td>
</tr>
<tr>
<td>36-45</td>
<td>91</td>
<td>22.75</td>
</tr>
<tr>
<td>46-55</td>
<td>68</td>
<td>17.00</td>
</tr>
<tr>
<td>56 and Above</td>
<td>53</td>
<td>13.25</td>
</tr>
<tr>
<td>Total</td>
<td>400</td>
<td>100</td>
</tr>
</tbody>
</table>

EDUCATION

<table>
<thead>
<tr>
<th>EDUCATION</th>
<th>NUMBER</th>
<th>PERCENT (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary Education</td>
<td>42</td>
<td>10.50</td>
</tr>
<tr>
<td>High School</td>
<td>101</td>
<td>25.25</td>
</tr>
<tr>
<td>Vocational School</td>
<td>41</td>
<td>10.25</td>
</tr>
<tr>
<td>Undergraduate</td>
<td>182</td>
<td>45.50</td>
</tr>
<tr>
<td>Postgraduate</td>
<td>34</td>
<td>8.50</td>
</tr>
<tr>
<td>Total</td>
<td>400</td>
<td>100</td>
</tr>
</tbody>
</table>

GENDER

<table>
<thead>
<tr>
<th>GENDER</th>
<th>NUMBER</th>
<th>PERCENT (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Female</td>
<td>182</td>
<td>45.50</td>
</tr>
<tr>
<td>Male</td>
<td>218</td>
<td>54.50</td>
</tr>
<tr>
<td>Total</td>
<td>400</td>
<td>100</td>
</tr>
</tbody>
</table>

INCOME (Monthly)

<table>
<thead>
<tr>
<th>INCOME (Monthly)</th>
<th>NUMBER</th>
<th>PERCENT (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>600 YTL and under</td>
<td>35</td>
<td>8.75</td>
</tr>
<tr>
<td>601-1.200 YTL</td>
<td>147</td>
<td>36.75</td>
</tr>
<tr>
<td>1.201-1.800 YTL</td>
<td>81</td>
<td>20.25</td>
</tr>
<tr>
<td>1.801-2.400 YTL</td>
<td>46</td>
<td>11.50</td>
</tr>
<tr>
<td>2.401 and Above</td>
<td>29</td>
<td>7.25</td>
</tr>
<tr>
<td>Total</td>
<td>338</td>
<td>84.50</td>
</tr>
<tr>
<td>Missing</td>
<td>62</td>
<td>15.50</td>
</tr>
<tr>
<td>Total</td>
<td>400</td>
<td>100</td>
</tr>
</tbody>
</table>
Table 1 (continued)

Descriptive Statistics of the Study Participants (n = 400)

<table>
<thead>
<tr>
<th>OCCUPATION</th>
<th>NUMBER</th>
<th>PERCENT (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Civil Servant</td>
<td>218</td>
<td>54.50</td>
</tr>
<tr>
<td>Self Employed</td>
<td>27</td>
<td>6.75</td>
</tr>
<tr>
<td>Employee</td>
<td>21</td>
<td>5.25</td>
</tr>
<tr>
<td>Retired</td>
<td>59</td>
<td>14.75</td>
</tr>
<tr>
<td>Student</td>
<td>42</td>
<td>10.50</td>
</tr>
<tr>
<td>Other*</td>
<td>33</td>
<td>8.25</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>400</td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

HEALTH INSURANCE

<table>
<thead>
<tr>
<th></th>
<th>NUMBER</th>
<th>PERCENT (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pension Fund</td>
<td>299</td>
<td>74.75</td>
</tr>
<tr>
<td>Social Insurance Institution (SSK)</td>
<td>63</td>
<td>15.75</td>
</tr>
<tr>
<td>Private Insurance</td>
<td>6</td>
<td>1.50</td>
</tr>
<tr>
<td>Bağ-Kur</td>
<td>14</td>
<td>3.50</td>
</tr>
<tr>
<td>Other**</td>
<td>18</td>
<td>4.50</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>400</td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

(*) Unemployed participants are included in the “other” category.
(**) University students who do not have health insurance or have university health insurance (MEDIKO) are included in this group.

Information about Service and Service Provider

Patients were requested to evaluate both physician and service quality. Results obtained are given in the tables below.

Table 2

Qualities that Patients Consider Important When Evaluating Their Doctors

<table>
<thead>
<tr>
<th></th>
<th>Number</th>
<th>Mean</th>
<th>Standard Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Give high importance to knowledge level of doctor.</td>
<td>400</td>
<td>4.79</td>
<td>0.52</td>
</tr>
<tr>
<td>Give high importance to personal qualities of doctor.</td>
<td>400</td>
<td>3.59</td>
<td>1.18</td>
</tr>
<tr>
<td>Give high importance to physical appearance of doctor.</td>
<td>400</td>
<td>2.59</td>
<td>1.29</td>
</tr>
</tbody>
</table>

Mean: 3.67-5.00: high agreement, 2.34-3.66: partial agreement, 1.00-2.33: low agreement.

As it can be seen in Table 2, patients place high importance on the knowledge level of the doctor (4.79), partially agree that the personal qualities of the doctor are important (3.59) and also partially agree that physical appearance of the doctor is important (2.59).
Table 3

**Patient Evaluation of Their Doctors and Services Received**

<table>
<thead>
<tr>
<th>Statement</th>
<th>Number</th>
<th>Mean</th>
<th>Standard Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>I’m very happy with the service provided.</td>
<td>400</td>
<td>3.76</td>
<td>1.14</td>
</tr>
<tr>
<td>I’m very happy with the doctor who provided the service to me.</td>
<td>400</td>
<td>3.95</td>
<td>1.12</td>
</tr>
<tr>
<td>I have received service from the same doctor previously.</td>
<td>400</td>
<td>2.89</td>
<td>1.56</td>
</tr>
<tr>
<td>I prefer the same doctor if I need additional care in the future.</td>
<td>400</td>
<td>3.73</td>
<td>1.31</td>
</tr>
</tbody>
</table>

**Mean:** 3.67-5.00: high agreement, 2.34-3.66: partial agreement, 1.00-2.33: low agreement.

When we examine Table 3, we can see that patients are generally content with the service they received (3.76) and with the doctor providing that service (3.95). Patients only partially agree that they have previously received services from the same doctor (2.89). Additionally, patients displayed high agreement with the statement that they would prefer the same doctor in the future (3.73).

Table 4

**Questions about Physician Behaviors**

<table>
<thead>
<tr>
<th>Statement</th>
<th>N</th>
<th>Mean</th>
<th>Standard Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>He/she paid sufficient attention to me.</td>
<td>400</td>
<td>4.08</td>
<td>1.06</td>
</tr>
<tr>
<td>He/she smiled to me.</td>
<td>400</td>
<td>4.06</td>
<td>1.07</td>
</tr>
<tr>
<td>His/her voice was not annoying.</td>
<td>400</td>
<td>4.23</td>
<td>0.97</td>
</tr>
<tr>
<td>He/she informed me sufficiently.</td>
<td>400</td>
<td>3.92</td>
<td>1.18</td>
</tr>
<tr>
<td>He/she respected me by protecting my privacy.</td>
<td>400</td>
<td>4.28</td>
<td>0.94</td>
</tr>
<tr>
<td>He/she talked with me in a language that I can understand.</td>
<td>400</td>
<td>4.16</td>
<td>1.05</td>
</tr>
<tr>
<td>He/she effectively used time that he/she shared with me.</td>
<td>400</td>
<td>3.93</td>
<td>1.22</td>
</tr>
<tr>
<td>He/she tried to address me using my name.</td>
<td>400</td>
<td>3.39</td>
<td>1.46</td>
</tr>
<tr>
<td>He/she used greeting words (hi, goodbye etc.).</td>
<td>400</td>
<td>3.86</td>
<td>1.21</td>
</tr>
<tr>
<td>He/she did not leave my questions unanswered.</td>
<td>400</td>
<td>4.08</td>
<td>1.10</td>
</tr>
<tr>
<td>He/she listened to me without interrupting.</td>
<td>400</td>
<td>4.09</td>
<td>1.07</td>
</tr>
<tr>
<td>He/she never promised impossible things.</td>
<td>400</td>
<td>4.22</td>
<td>0.96</td>
</tr>
<tr>
<td>He/she appropriately guided me for treatments (examination etc.).</td>
<td>400</td>
<td>3.99</td>
<td>1.19</td>
</tr>
</tbody>
</table>

**Mean:** 3.67-5.00: high agreement, 2.34-3.66: partial agreement, 1.00-2.33: low agreement.

As seen in Table 4, patients who participated in the survey expressed their opinions about behaviors of the doctors who examined them and agreed with the following statements; he/she paid sufficient attention to me (4.08); he/she smiled at me (4.06); his/her voice was not annoying...

(4.23); he/she sufficiently informed me (3.92); he/she respected me by protecting my privacy (4.28); he/she talked with me in a language that I can understand (4.16); he/she effectively used time that he/she shared with me (3.93); he/she used greeting words (hi, goodbye etc.) (3.86); he/she did not leave my questions unanswered (4.08); he/she listened to me without interrupting (4.09); he/she never promised impossible things (4.22); he/she appropriately guided me for treatments (examination etc.) (3.99). Patients partially agreed with the statement that “he/she tried to address me using my name” (3.39).

Table 5

<table>
<thead>
<tr>
<th>Questions about Clothing and Personal Appearance of the Doctor</th>
<th>Number</th>
<th>Mean</th>
<th>Standard Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>His/her clothes were quite clean.</td>
<td>400</td>
<td>4.48</td>
<td>0.69</td>
</tr>
<tr>
<td>He/she seemed to care about his/her clothes.</td>
<td>400</td>
<td>4.40</td>
<td>0.71</td>
</tr>
<tr>
<td>His/her hair was always combed and tidy.</td>
<td>400</td>
<td>4.38</td>
<td>0.78</td>
</tr>
<tr>
<td>His/her hands-nails were clean and well-groomed.</td>
<td>400</td>
<td>4.39</td>
<td>0.69</td>
</tr>
<tr>
<td>He/she did not have an unpleasant smell (body odor).</td>
<td>400</td>
<td>4.47</td>
<td>0.74</td>
</tr>
<tr>
<td>He/she did not have an unusual clothing style.</td>
<td>400</td>
<td>4.43</td>
<td>0.77</td>
</tr>
<tr>
<td>He/she used an ID badge when introducing himself/herself.</td>
<td>400</td>
<td>3.72</td>
<td>1.36</td>
</tr>
<tr>
<td>He/she seemed to care about his/her physical appearance.</td>
<td>400</td>
<td>4.46</td>
<td>0.70</td>
</tr>
</tbody>
</table>

Mean: 3.67-5.00: high agreement, 2.34-3.66: partial agreement, 1.00-2.33: low agreement.

When the clothing and personal hygiene conditions of doctors were evaluated, patients highly agreed with the following statements: his/her clothes seemed quite clean (4.48); he/she cared about his/her clothes (4.40); his/her hair was always combed and tidy (4.38); his/her hands-nails were clean and well-groomed (4.39); he/she did not have an unpleasant smell (body odor) (4.47); he/she did not have an unusual clothing style (4.43); and he/she seemed to care about his/her/physical appearance (4.46). However, there was less agreement with the statement that “he/she used an ID badge when introducing him/her (3.72)”, which had the lowest mean score.

Table 6

<table>
<thead>
<tr>
<th>Questions about Attitude of the Doctor</th>
<th>Number</th>
<th>Mean</th>
<th>Standard Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>He/she did not smoke or drink tea/coffee while talking.</td>
<td>400</td>
<td>4.18</td>
<td>1.13</td>
</tr>
<tr>
<td>He/she left a professional impression on me.</td>
<td>400</td>
<td>3.94</td>
<td>1.13</td>
</tr>
<tr>
<td>He/she did not have an annoying attitude.</td>
<td>400</td>
<td>4.22</td>
<td>1.04</td>
</tr>
<tr>
<td>My examination process was not interrupted by external factors.</td>
<td>400</td>
<td>3.51</td>
<td>1.44</td>
</tr>
<tr>
<td>He/she seemed eager to answer my questions.</td>
<td>400</td>
<td>3.97</td>
<td>1.11</td>
</tr>
<tr>
<td>He/she listened to me sufficiently.</td>
<td>400</td>
<td>4.10</td>
<td>1.04</td>
</tr>
<tr>
<td>He/she made me feel important.</td>
<td>400</td>
<td>3.90</td>
<td>1.16</td>
</tr>
<tr>
<td>He/she was sufficiently kind and respectful.</td>
<td>400</td>
<td>4.15</td>
<td>1.07</td>
</tr>
</tbody>
</table>
Mean: 3.67-5.00: high agreement, 2.34-3.66: partial agreement, 1.00-2.33: low agreement.

Patients who completed this survey highly agreed with the following statements related to the general attitude of their doctors: He/she did not smoke or drink tea/coffee while talking (4.18); he/she left a professional impression on me (3.94); he/she did not have an annoying attitude (4.22); he/she seemed eager to answer my questions (3.97); he/she listened to me sufficiently (4.10); he/she made me feel important (3.90); He/she was sufficiently kind and respectful (4.15). However, they expressed only partial agreement with the statement that “My examination process was not interrupted by external factors (3.51)”.

Comparative Analyses

According to the findings presented above, among patients evaluating services they received recently, a statistically significant difference (p<=0.05) was found with respect to; their age groups (p=0.000), receiving service from same doctor (p=0.013), and preference for the same doctor again (p=0.013). According to the Tukey test, this difference shows us that patients in the 46-55 age group and the 56 and over age group are more satisfied with their doctors than patients in the 15-25 age group. Furthermore, patients in the 15-25 age group did not receive services from same doctor before and patients in the 46-55 age groups and the 56 and over age groups had received services from same doctor previously. Another significant difference was found in the case of preference the same doctor by age groups. According to this finding, patients in the 56 and over age group expressed that they prefer the same doctor for future medical services, while preference for the same doctor is found to be lower in patients in the 15-25 age group.

When patients were examined by their age groups, a statistically significant difference was found in their evaluation of the attitude of the doctor from whom they received recent treatment. According to the Tukey test, patients in the 56 and over age group highly agreed with the statement that the “doctor was sufficiently interested in me”, whereas patients in the 15-25 age group demonstrated a lesser degree of agreement with this statement.

Patients in the 46-55 age group highly agreed with the opinion that the doctor’s clothing seemed clean and that the doctor takes care to his/her clothes, while patients in the 15-25 age group agreed with this statement to a lower degree. Moreover, patients in the 15-25 age group exhibited less agreement with the statement that the doctor utilized an ID badge. With respect to the same statement, patients in the 26-35 age group exhibited higher agreement, and patients in the 36-45 age group exhibited the highest agreement of all.

A statistically significant difference (p<=0.000) was found between patient education level and the importance of the doctor taking care of his/her physical appearance (p=0.000). According to this finding, patients that graduated from elementary school place a higher value on the doctor taking care of his/her physical appearance, as compared to other education levels.

When patients were requested to evaluate the services they received recently, a
A statistically significant difference was found between their degree of satisfaction and level of education. According to the Tukey test, patients that graduated from elementary school agreed with statement that “I am satisfied with service I received and with the doctor who provided the service”; however, patients that graduated from high school (or the equivalent certification), or received an associate’s, bachelor’s, or postgraduate degree agreed with this judgment to a lower degree. Similarly, patients that graduated from elementary school emphasized that they received service from the same doctor before and highly agreed with the statement that “I would prefer the same doctor if I required having service again”.

A statistically significant difference was also found between patient education status and their perception of the doctor’s attitude. According to this finding, patients that graduated from elementary school highly agreed with the judgment that the “doctor was sufficiently interested in me”. On the other hand, patients that received a bachelor’s or postgraduate degree expressed less agreement with this statement.

A statistically significant difference was found between patient income and the statement that the “doctor tried to address me using my name”. According to this finding, patients with monthly household income between 1.201-1.800 YTL agreed with this judgment less, and patients having monthly income of 600 YTL or lower agreed more.

Retired patients and those working as freelance employees stated that they received service from same doctor before, while student agreement with this statement was lower. Moreover, retired patients expressed that they agree with the assertion that “I would prefer the same doctor if I required having service again”, students exhibited a lower agreement with this statement.

CONCLUSION AND RECOMMENDATIONS

This research attempted to understand how physician-patient relationships are perceived by patients and to display whether there is any significant difference in this perception according to the patient’s socio-economic and demographic status. The key findings of this research are summarized below.

When we examined the qualities given importance by patients while evaluating their doctors, we found that patients highly value their doctor’s knowledge level. Patients give partial importance to personal qualities of the doctor and they do not give importance to the doctor’s physical appearance.

Our comparative analyses results indicated that patient satisfaction in the 15-25 age group is lower than patient satisfaction in the 56 and over age group. Thus, there is a relationship between patient age and satisfaction with the medical services and doctor providing those services. This association shows that satisfaction is lowered as age is lowered.

Furthermore, we found an association between patient education level and knowledge level, physical qualities, and physical appearance of the doctor. According to this finding, patients that graduated from elementary school place higher importance on the doctor’s physical
appearance than patients that obtained a higher level of education.

Patients that graduated from elementary schools highly agree with the statement that the “doctor was sufficiently interested in me”, while patients that graduated with a bachelor’s or postgraduate degree expressed that they agree with this judgment at a lower level. Thus, we can say that there is an inversely proportional relationship between reduced satisfaction and education level. According to this study, decreasing the education level is associated with an increase in patient satisfaction.

A significant relationship was also found between patient income and the judgment that the doctor “tried to address me using my name”. According to this finding, patients having a higher income level agreed with this judgment less than patients with a lower income level. Thus, there is a relationship between patient income group and satisfaction. In other words, satisfaction decreases as income increases.

Both retired patients and those working as freelance employees stated that they had received service from same doctor before; student agreement with this question was significantly lower. Moreover, retired patients expressed that they agree with the judgment that “I would prefer the same doctor if I required having service again”, as did students. Generally, we can assert that satisfaction decreases in patients with increased education and income, and with respect to younger age groups (i.e., students). In these individuals there is a more critical point of view toward the attitude and appearance of the treating physician.

Accordingly, it is possible to talk about a selective group having lower satisfaction. Thus, by improving various strategies targeted at this group, it should be possible to increase patient satisfaction. Consequently, efforts should be made to prevent the examination process from being interrupted by external factors, to make the doctor address the patient by his/her name, and require the doctor to wear an ID badge. For instance, hospitals may take steps such as prohibiting representatives of drug firms from entering doctor’s examination rooms and not transferring calls to doctors during polyclinic service hours. Hospitals might also consider not allowing doctor’s friends to interrupt an examination and publishing an internal policy requiring doctors to use ID badges. Healthcare organizations could also arrange in-service trainings, which emphasize that addressing patients by their names will provide greater patient satisfaction.

We conclude that the element of human interaction should be examined in every respect in hospitals, because the human factor has very important effects with respect to all processes. Thus, doctors’ direct interactions with their patients are one of the main factors that impacts patient opinions of the hospital and its services. Therefore, this study suggests that hospitals should employ a professional marketing staff to take into account the findings of this study and implement appropriate corrective actions. Moreover, in-service training should be given to doctors and other employees about human relationships, communication, and empathy. These individuals should also be reminded that each employee plays a pivotal role in the organization’s marketing mission.
ACKNOWLEDGEMENTS

The authors gratefully acknowledge the editorial contributions of Ryan Scott and Mike Richards, Washington State University Graduate Assistants in the Health Policy and Administration Department, to this manuscript.

REFERENCES

AN EXPLORATORY STUDY OF THE EFFECT OF SOCIAL CAPITAL ON SUPPLY CHAIN RELATIONSHIPS IN A TRANSITION ECONOMY: THE CASE OF ROMANIA

Daniel A. Glaser-Segura, Our Lady of the Lake University
Laurenţiu-Dan Anghel, Academia de Studii Economice

ABSTRACT

This study examines the relationship of social capital among buyers and their principal supplier and their most recently chosen supplier in Romania. The study provides an understanding of the transition from a command to a market economy. Responses from 96 managers were analyzed and revealed that supply chain practices are unevenly applied, the practices are used to greater degree with the principal supplier, and a statistically significant link was found between measures of the buyer’s social capital and its supply chain relationships with the principal supplier. No such link was found between the buyer and its most recently chosen supplier.

INTRODUCTION

Beginning in the early 1980s a new model of interorganizational relationships between buyers and suppliers began taking shape in the United States and Europe based on emerging practices from Japanese manufacturing firms. The newer model provided lower costs, shorter development and production cycles, higher quality, and other interorganizational synergies (e.g., Ansari & Modarress, 1986, Schonberger, 1982). This model provided a large competitive advantage in the industrialized countries and was a shift away from the traditional adversarial transaction model that emphasized opportunistic short term gains for one party over the other (Womack, Jones, and Roos, 1990). The principal purchasing philosophy changes consisted of more cooperative and interdependent long-term relationships.

In the ensuing two decades this model of cooperative and interdependent and long-term relationships has become part of a larger concept referred to as supply chain management (SCM). The SCM concept involves “coordinating or integrating a number of product-related activities among supply chain participants to improve operating efficiencies, quality, and customer service in order to gain a sustainable competitive advantage for all of the collaborating organizations (Wisner, Leong, and Tan, 2004).”

To achieve the cooperative and interdependent long term activities among firms in the supply chain, however, requires the presence of social capital. Social capital is defined here as a social construct that has no liquid value, but it permits value-added activities (Coleman, 1990). Social capital facilitates the achievement of SCM goals that are otherwise difficult or impossible to obtain (Barrat 2004; Emiliani, 2003).

As SCM was introduced in many regions of the world with their varying degrees of
economic and social development, there is some question as to the role of social capital to support the cooperative and interdependent activities that lead to the development of competitive advantage. One such region, the transition economies of Central and Eastern Europe (CEE), provides a large-scale laboratory experiment to understand the role of social capital and its support of cooperative and interdependent activities. Prior to 1989, the CEE countries relied on centrally planned systems to push raw materials and parts through the productive system to provide goods and services to end consumers. Supplier selection at the plant level based on competitive performance criteria was non-existent. By the end of the 1980s these economic systems were considered highly inefficient. The political system used to support the centrally planned economies became increasingly coercive to achieve the economic means that did not materialize. These coercive means were antithetical to social capital to achieve supply chain advantages. By the end of 1989, the populations in many of these countries brought down the economic and political systems (Glaser, Ilies, and Gica, 2008).

The fall of central planning and the coercive means used to push production through the CEE’s supply chains led to the introduction of more liberal economic and political systems. Many of these CEE countries are now members of the European Union and are open to competitive forces, particularly from Western Europe and other industrialized nations as well as from other emerging and transition economies in the world. Based on the need to improve competitiveness, it is not known if SCM with its cooperative and interdependent activities has flourished in an environment that just a decade and a half ago was largely considered to be devoid of social capital. This study provides insight into the role of social capital and its effect on SCM practices in Romania, a transition economy.

LITERATURE REVIEW

In this section we will provide an understanding of social capital, SCM relationship practices, the association of SCM relationship practices and social capital, and end with two research questions.

What is social capital?

Social capital is a construct that, while known in the fields of psychology and sociology, has been received more recently in the field of economic thought (Dasgupta, 2005). Early writings of social capital were based notions of trust. Trust is a broad construct and exists at a variety of social study disciplines (Worchel, 1979). In personality theory, trust is viewed as a socialized trait conditioned by the environment. Luhman (1979) provided a detailed view of the environmental forces that act on the personality. He stated that trust exists in an abstract state of infinite boundaries, complexity, and time. Certainty exists only in the present, and trust reduces complexity by viewing the future as an extension of the present. Although trust is illusory, because it lacks complete knowledge, it still requires a degree of foreknowledge to exist.

Luhman (1979) continued by defining the absence of trust as chaos. Mistrust and distrust are not opposites. Mistrust reduces chaos by delimiting relationships proven untrustworthy. Thus, chaos acts at odds with trust and mistrust. Humans, as the basic units of a social system, generate trust by extending to other humans under a state of uncertainty and by not extending to those
whom they know and feel they cannot trust. Trust is based on reciprocal relationships. People trust those who have proven themselves trustworthy.

From a social psychology approach, individual trust is based on interpersonal exchanges that foment or eradicate trust (Worchel, 1979). Barber (1983) added that trust reduces social complexity and chaos if safeguards are used to avoid the misuse of power and if people practice prosocial behaviors.

Lewis and Weigert (1985b) included cognitive, affective, and behavioral trust in a social psychology context. These dimensions do not exist exclusively of each other. Cognitive trust refers to the knowledge that other individuals and organizations are trustworthy based on their actions. Cognitive trust is an acknowledgment that an individual or organization is capable of fulfilling an expectation. It acts as the basic core of trust. Affective trust encompasses the deeper shared involvement of individuals within and between groups. Affective trust follows cognitive trust as a social reality that binds individuals as group members. It is here that relationships emerge and become evident. Finally, behavioral trust involves the acting out of cognitive and affective states of trust. Trust implies the same behavioral expectations from others that one would expect from oneself.

Understanding the influence of social capital among organizations in other societies requires a higher level explanation of trust. Social capital is considered as the accumulation of trust at a macrosocial level (Dasgupta, 1988) and rests on several elements. These elements are comprised of the level of trustworthiness of the social system, the obligations held between individuals and groups in that society (Coleman, 1990), and the presence of a densely linked network of individuals and organizations (Marsden, 1992).

Social capital also serves as a resource to arrange transactions in the future that cannot be enforced by law or formal sanctions alone. Social capital is an institution that facilitates economic exchange and runs counter to the self-interested, rational, and utility-maximizing assumptions of neoclassical economics (Coleman, 1990). Social capital, notwithstanding the difficulty of measurement (Dasgupta, 2005) provides for greater economic performance than in its absence (Svendsen and Sorensen, 2006).

Social capital, however, can be degraded. Lewis and Weigert (1985a) referred to the reduction of social capital as regression from social holism to social atomism. In their discussion, social holism refers to an active network of individuals, and organizations, whereas social atomism refers to a societal condition in which individuals belong, largely, to few cohesive groups and networks are largely absent. Some of the factors that lead to the destruction of social capital are social instability, ideologies that exclude other social members, forced dependency of social members (Coleman, 1990), and the pervasive and unwarranted distrust of others (Barnes, 1981). Historical evidence provides an excellent example to demonstrate that the reduction of social capital can be effected on a society (Putnam, 1993). Indeed, this was the condition created in the last two decades of the centrally planned era in Romania (Dimancescu, 2004).

Social capital has also been shown to provide support for the SCM practices. Chu and Fang (2006), Claro-Pimentel, Borin de Oliveira; and Hagelaar, (2006); and Myhr and Spekman
(2005), found support for the notion that social capital among buyers and suppliers leads to greater commitment to SCM relationship practices. In a broad indictment of dependence on electronic communication and management structure, Barrat (2004) found that these were insufficient to create efficient collaboration. Social capital was a required element to achieve effective SCM relationship practices among firms. In the following section we discuss our study’s SCM relationship practices.

**Supply chain management relationship practices**

Supply chain management (SCM) relationship practices exist as interdependent resource-sharing activities between buyers and suppliers in a variety of industries. The SCM practices consist of supplier development, early supplier involvement, evaluation and certification, and total cost management.

The first of the SCM practices, supplier development, serves primarily to bring existing suppliers into a closer relationship with the buyer organization. These programs provide ongoing assistance in transferring technology and elements of organizational culture from the buyer to the supplier. Supplier development improves incoming material quality and upgrades the supplier's delivery performance, service, cost reduction, and technical abilities (Watts and Hahn, 1993; Lo and Yeung, 2006). The technology transfer process may include assistance in the form of loaned equipment, buyer provision of the supplier's input materials, and financial assistance (Nishiguchi, 1994). Schonberger (1982) found that supplier development programs also act to indoctrinate or educate the supplier according to the buyer's needs. He likens it to corporate apprenticeship and missionary teaching, in which the buyer organization socializes the supplier to attitudes, practices, and values held by the buyer.

In the second practice, early supplier involvement (ESI), suppliers participate with the buyer at an early stage in the design process. Potential ESI outcomes include lower design costs, shorter cycle time, and access to the supplier's latest technology (Dobler, Burt, & Lee, 1990). Early supplier involvement provides a framework in which suppliers work interactively with buyers based on performance specifications. Performance specifications provide the parameters under which the product or material will be used and allow the supplier to suggest designs to improve quality, processes, and materials. Performance specifications also lower the buyer's costs by using the supplier's expertise to reduce post-design revisions and shorter cycle times. ESI also places the buyer and supplier in a dependent arrangement. To reduce uncertainty caused by interdependency, buyers usually practice ESI with trusted suppliers (Mikkola and Skjott-Larsen, 2006).

Evaluation and certification (EC), the third SCM practice used in this study, involves working with a select group of certified suppliers. Using adversarial supplier relations, to the contrary, the buyer works with a larger number of competing suppliers to avoid dependence on a single source of supply. As with supplier development and ESI, a reduced supplier base creates a higher degree of interdependency between the supplier and the buyer. Nishiguchi (1994) reported that the number of suppliers a buyer sources from and the number of buyers a supplier provides to decrease in an interorganizational cooperation setting.
The selection and maintenance of a reduced supplier base requires an ongoing supplier evaluation process. The evaluation process involves the development of mutually agreeable criteria that promote growth and improvement rather than punishment (Nishiguchi, 1994). The evaluation should reflect tangible and intangible criteria. Tangible criteria refer to objective supplier performance measures such as process quality and on-time deliveries. Intangible measures generally refer to subjective qualities and may include quality of communication, trust, and sharing of information. Evaluation models based on tangible and intangible criteria provide an overall measure of the vendor’s ability to work with the buyer (Lo and Yeung, 2006).

The fourth practice, total cost management (TCM), serves to lower production costs are achieved through an emphasis on total cost management. By contrast, using adversarial supplier relations, the buyer negotiates contracts based on the lowest price possible. In this context, the supplier attempts to hide his cost structure to maintain current profitability. The total cost management approach focuses on reducing traditional costs such as factory overhead, direct labor, and direct materials costs as well as nontraditional measures such as selling and administrative costs (Hahn, Kim, & Kim, 1986). In essence, the total cost management approach attempts to examine all of the supplier’s relevant cost drivers and suggest a holistic cost-saving strategy. An exposed cost structure requires an appropriate profit margin and good-faith bargaining to insure the supplier's viability (Ferrin and Plank, 2002).

Research questions

The literature provides a view that social capital is a multidisciplinary construct with the capacity to explain the cooperative nature of buyer and supplier relations. Social capital is a construct with explanatory influence on the SCM relationship practices between buyers and suppliers. For this study we provided the following general research questions:

1. What is the nature of the relationship of social capital on the use of SCM relationship practices, consisting of supplier development, early supplier involvement, evaluation and certification, and total cost management, between the buyer and the principal supplier?

2. What is the nature of the relationship of social capital on the use of SCM relationship practices, consisting of supplier development, early supplier involvement, evaluation and certification, and total cost management between a buyer and the most recently selected supplier?

METHODODOLOGY

The methodology presented here discusses the number and characteristics of subjects, measures, procedures, and the data analysis tools used to test the study’s hypotheses.

Subjects

For this study we surveyed supply chain managers who acted as key informants for each of the firms selected from the Bucharest-based manufacturing companies of the Major Companies of Romania (mcir.doingbusiness.ro) list. The key informants were asked to provide
information on their level of social capital and their SCM relationship practices with their principal supplier and their most recently selected supplier. Based on a large effect size from studies using the same or related constructs, a minimum sample size of approximately 60 organizational responses was calculated.

Measures

The measures and their translation from English to Romanian are described in this section. The dependent variable, SCM relationship practices consisting of supplier development, early supplier involvement, evaluation and certification, and total cost management, is a composite of items adapted from Flynn et al. (1995), Hendrick and Ellram (1993), and this study’s principal researcher. Social capital was operationalized using the Organizational Trust Inventory, Short Form (OTI-SF) developed by Cummings and Bromiley (1996).

Using a questionnaire developed in one language and cultural setting for use in another setting requires a translation of both language and cultural meanings. To ensure conceptual equivalence and validity of the scales, an a priori back translation technique was used (Riordan & Vandenburg, 1994) when translating from English to Romanian.

Procedure

The procedure used to gather data for this study involved an on-site administration of the paper-and-pencil questionnaire. Surveys were personally delivered and retrieved during a three week period yielding 96 usable questionnaires.

DATA ANALYSIS

The first data analysis procedure provided measures of descriptive statistics including mean data of the buying firms. The second procedure consisted of procedures to verify and improve the statistical conclusion validity of the variables for later analysis, such as corrections for missing data and internal reliabilities for the independent and dependent variables. The final part of the study provided Pearson correlations to determine whether to support the research questions.

Descriptive statistics

A review of descriptive statistics of the buying firms provides findings of the underlying issues related to the research questions. The buyer firms were reported to have been in existence an average of 28 years (standard deviation = 26) with an average of 686 workers (standard deviation = 851). The buyer firms reported to have worked with their principal supplier for an average of 14 years (standard deviation = 12.8 years) buying an average of 46 percent of their input materials (standard deviation = 24 percent) from these suppliers. With their most recently selected suppliers, buyers had sourced from them for just under two years (mean = 1.73 years, standard deviation = 1.2) and were buying an average of 11.4 percent (standard deviation = 14 percent) of their input materials. The buying firms largely predated the Revolution of 1989 and are a combination of privatized and state owned firms with the choice to change suppliers as
required by these firms. In addition, the buyer’s relationship with their principal suppliers on average also predated the Revolution of 1989.

**Variable validation**

In the second part of the analysis, the data were checked for missing data. Due to the low incidence and nonsystematic pattern of missing data in the scales, the mean substitution procedure was used (Roth, 1994). An a posteriori internal reliability was conducted on the independent and dependent variables using Cronbach’s alpha (α). A minimum alpha of .50 was used as convention for internal reliability (Nunnally, 1967). The reliabilities were consistent with threshold values for new and exploratory research, as seen in table 1.

Table 1
Descriptive statistics of variables.

<table>
<thead>
<tr>
<th>Independent and dependent variables by supplier status</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Scale Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social Capital w/Principal Supplier</td>
<td>5.64</td>
<td>0.88</td>
<td>0.74</td>
</tr>
<tr>
<td>Social Capital w/Recently Selected Supplier</td>
<td>5.65</td>
<td>0.89</td>
<td></td>
</tr>
<tr>
<td>Supplier Development - Principal Supplier</td>
<td>4.61</td>
<td>1.27</td>
<td>0.86</td>
</tr>
<tr>
<td>Supplier Development - Recently Selected Supplier</td>
<td>4.29</td>
<td>1.45</td>
<td></td>
</tr>
<tr>
<td>ESI - Principal Supplier</td>
<td>4.55</td>
<td>0.99</td>
<td>0.66</td>
</tr>
<tr>
<td>ESI - Recently Selected Supplier</td>
<td>4.39</td>
<td>1.11</td>
<td></td>
</tr>
<tr>
<td>Evaluation and Certification - Principal Supplier</td>
<td>5.54</td>
<td>0.77</td>
<td>0.58</td>
</tr>
<tr>
<td>Evaluation and Certification - Recently Selected Supplier</td>
<td>5.44</td>
<td>0.97</td>
<td></td>
</tr>
<tr>
<td>Total Cost Management - Principal Supplier</td>
<td>4.13</td>
<td>1.25</td>
<td>0.74</td>
</tr>
<tr>
<td>Total Cost Management - Recently Selected Supplier</td>
<td>4.00</td>
<td>1.15</td>
<td></td>
</tr>
</tbody>
</table>

The Likert orientation (1 = strongly disagree, 4 = neutral, and 7 = strongly agree) in the OTI-SF and the SCM relationship practices scales was designed to indicate low to high agreement with the positive statements as found in each scale. The negatively worded statements were recoded to indicate the opposite value. The means for these scales varied from a high of 5.64 for social capital toward the buyer’s principal supplier to a low of 4.00 for using total cost management practices with the most recently selected supplier. None of the SCM relationship practices were found to reach beyond a measure of moderate use (Likert scale measure = 6) and the use of total cost management practices was found to be a nearly neutral or non-existent practice when working with both the principal and most recently selected suppliers.

**Correlation analysis of variables**

In the third analytical procedure, a review of the correlations provides support for some of the study’s research questions. In the analysis of the relationship of the buying firm’s social capital and the corresponding SCM relationship practices with its principal supplier, three of the four relationships examined exhibited a statistically significant relationship, as seen in table 2. For example, the relationship of social capital was found to be related to supplier development
(0.333), early supplier development (0.300), and total cost management (0.269). All of these relationships were found to be statistically significant (p<.01). We did not find a statistically significant relationship between the buying firm’s measure of social capital and its evaluation and certification practices with its principal supplier.

The analysis of association for the supplier’s social capital of its most recently selected supplier and SCM relationship practices did not yield any relationships. That is, no relationship was found between the measures for social capital and the four SCM relationship practices.

Table 2
Correlations of social capital and SCM relationship practices.

<table>
<thead>
<tr>
<th></th>
<th>Correlation* Social Capital (Principal Supplier)</th>
<th>Correlation* Social Capital (Recently Selected Supplier)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supplier Development</td>
<td>0.333(**)</td>
<td>0.132</td>
</tr>
<tr>
<td>Early Supplier Involvement</td>
<td>0.300(**)</td>
<td>0.135</td>
</tr>
<tr>
<td>Evaluation and Certification</td>
<td>0.095</td>
<td>0.177</td>
</tr>
<tr>
<td>Total Cost Management</td>
<td>0.269(**)</td>
<td>0.080</td>
</tr>
</tbody>
</table>

* 2 Tailed Pearson Correlation
** Correlation is significant at the 0.01 level (2-tailed).

DISCUSSION

Analyses for the two research questions regarding the role of social capital of Romanian buyer firms toward their principal and the most recently selected supplier reveal support for the notion of social capital’s role in this transition economy. We have also provided some limitations for interpreting the study’s findings. Finally, we discuss future directions for research on the role of social capital in the emerging and transition economy supply chain environments.

Analysis and implications

Research question 1 was an exploratory inquiry to develop an understanding of the role of social capital of Romanian firms in their treatment of their principal suppliers. From purely descriptive statistics, we developed a cursory snapshot perspective of the Romanian firms. We found that they are medium-sized forms that for the most part have been in existence since before the Revolution of 1989. They were part of the country’s and Soviet bloc’s centrally planned economy and therefore were originally embedded in a command-economy supply chain. Presently, though, they are either privatized or state owned enterprises in a transitional market economy and are not constrained by law, in either case, in their ability to choose suppliers. Nonetheless, they chiefly rely on suppliers they have worked with, on average (14 years) since before the fall of the centrally planned era and they buy a large quantity (46 percent) of their inputs from these suppliers. Here we found long term interdependent relationships.

The Likert scale results also show us that some of the newer SCM relationship practices
are not used to any large extent. The only SCM relationship practice used to a moderate degree (5.54) was the evaluation and certification of suppliers. Perhaps, as part of the ISO 9000 guidelines, to which many Romanian firms adhere, there would be a requirement for ongoing evaluation and certification activities. Total cost management is basically a non-used activity showing that Romanian buyers are not reaching into their suppliers’ businesses to acquire lower overall cost structures.

Finally, in support of research question 1, we find strong support for the notion that social capital explains the use of SCM relationship practices. We found support for this in three of the four correlations for supplier development (.333), early supplier involvement (.300), and total cost management (.269), all of which were statistically significant (p< .01). We also surmise that the prevalent ISO 9000 practices requiring evaluation and certification practices were perhaps the more important explanation for this variable and the buyers were no longer dependent on social capital for evaluation and certification activities. That is, buyers were evaluating and certifying their suppliers due to their ISO 9000 requirements but not necessarily out of the underlying social capital norms that had developed between them and their suppliers.

Research question 2 was a probative query to better comprehend the function of social capital of Romanian firms in their dealings with their most recently selected suppliers. The most recently selected suppliers were chosen after the fall of central planning and therefore their initial relationship is based on factors most likely found in ISO 9000 supplier selection criteria or in some market based or other decision. In addition, the most recently selected supplier provides a lower percentage of the buyer’s input materials.

The Likert scale results of the SCM relationship with the most recently selected suppliers, as in their SCM relationships with the principal suppliers, show us that few of the newer supply chain relationship practices are used to any extent. Moreover, in each case the buyers reported performing the SCM relationship practices with their most recently selected supplier to a lesser degree than with their principal supplier. The least used activity of all, total cost management, exhibited a mean of 4.00, which is essentially neutral or non-use of this SCM relationship practice. That is, Romanian buying firms were again shown not accessing their most recently selected suppliers productive system to reduce total costs.

Based on the correlation analysis between social capital of the firms toward the most recently selected supplier regarding the SCM relationship practices (i.e., supplier development, early supplier involvement, evaluation and certification, and total cost management), we find scant evidence of the influence of social capital and SCM relationship practices with the most recently selected supplier. None of the four correlations provided any statistically significant results. We deduce that social capital is currently active in the SCM relationships that were created during the centrally planned era. This finding creates two changes in perspective: 1) social capital, which may have been destroyed during the Ceauşescu era, is present and was not degraded into a state of social atomism over the long term (Lewis and Weigert 1985a), and 2) there appears to be a way to transition from centrally planned command economy relationships to the newer SCM relationships based on social capital.
Limitations of the study and future research

We provided in this section a listing of the limitations posed by the nature of the research. The limitations are listed according to the threats they pose to statistical conclusion, internal, construct, and external validities (T. D. Cook, Campbell, & Peracchio, 1990). To support statistical conclusion validity and reduce the probability of non-significant findings, an a priori power of the test was conducted (Cohen, 1988). To buttress the internal validity and control for spurious situational events, the process for identifying the respondent and delivering and collecting the survey was implemented in a standard procedure.

To manage construct validity we treated what we identified as the most serious threats: 1) language translation issues 2) scale reliability, and 2) common method variance. When crossing language, cultural, and industrial development barriers, assuaging threats to construct validity assumes a prominent role (Riordan & Vandenburg, 1994). An a priori translation procedure was used to strengthen content validity and an a posteriori reliability analysis. Cronbach’s alpha for internal reliability was used (Riordan & Vandenburg, 1994). Each of the scales scored above the alpha threshold of .50 as suggested by Nunnally (1967) for exploratory studies. Finally, we attempted to reduce the presence of common method variance, defined here as the potentially erroneous relationship found between two variables when no relationship exists. The error is generally attributed to a biased response facilitated by a common method of data collection (Podsakoff & Organ, 1986). The two procedural methods used to circumvent common method variance were the use of multi-item scales and placement of the dependent variable at the end of the questionnaire (Spector, 1987).

To sustain the external validity of this study, defined as the generalizability across populations (Bracht & Glass, 1968), we randomly selected the companies from a listing of Major Companies of Romania 2000 (mcir.doingbusiness.ro) in several industrial sectors from clothing and food production to metalworking and the automotive parts industry. The findings are generalizable to the population of Romanian manufacturing firms as well as the other transition economies in CEE and the former Union of Soviet Socialist Republics.

Research on social capital and its influence on SCM relationship practices is a new and uncharted field. Many theoretical and empirical gaps exist in the literature. To fill these gaps, the most pressing recommendation for future research consists of extending this research model to other transition and emerging economies.

REFERENCES


Cummings, L. L., & Bromiley, P. 1996. *The organizational trust inventory (OTI)*:


ASSESSING THE USAGE OF RFID TAGGING FOR LUGGAGE TRACKING

Renee M. Hendricks, Purdue University
Jordan Wingate, Purdue University

EXTENDED ABSTRACT

This project assessed the usage of radio frequency identification (RFID) tagging for luggage tracking, utilizing the Purdue University Airport. The results of this study are intended to help mitigate the excessive amount of lost and stolen luggage at airports throughout the world. Research shows that there are many applications of available technologies to track and identify various objects. These technologies include bar coding and radio frequency identification (RFID) tagging. The use of bar coding has improved the tracking of luggage at airports throughout the world. However, mishandled, lost, and stolen luggage often still occurs. It has been estimated that bar coding is approximately 80% accurate in tracking luggage and packages (Siddiqi, 05). A newer technology, called RFID tagging, has emerged for real-time tracking and identification of objects. The use of RFID tagging has been briefly discussed by many airport administrations, but very few tests have been conducted using it to track and identify luggage. RFID tagging has been tested at McCarran airport and it was determined from their tests that RFID has a read accuracy rate of 99.5% for luggage tracking (O’Connor, 2005).

If this study was not conducted, a potential source for mitigating the enormous amount of lost, mishandled, and stolen luggage would continue to occur at airports around the world. As previously noted, bar coding has approximately an 80% accuracy rate for tracking luggage. With millions of people flying every day, a 20% failure rate for tracking luggage creates the possibility of misplacing tens of thousands of pieces of luggage each day. This high number is clearly unacceptable. In addition, the bar code label sometimes crumbles or falls off and the luggage is unable to be tracked. This, too, increases the number of packages lost.

Lost or stolen luggage sacrifice the customers’ time because the customers must assist in locating a missing luggage by repeatedly contacting the airlines’ customer support services. Missing luggage also costs the customers large amounts of money because new items are sometimes required to be purchased if the lost items are never found. Lost luggage can also negatively affect people’s vacation or business trips as preplanned activities are either canceled or rescheduled to accommodate the nuisance.

Lost or stolen items cost airlines large amounts of money in compensation for mishandling customers’ packages. Also, extensive time and labor is required of airline and airport employees to track the lost or stolen items. Many airlines lose customers to competitors because of a terrible experience the customer may have had with lost luggage. Every airline passenger has the expectation that their luggage will be available for them when they arrive at their destination, whether for vacation or business travel.

All airline passengers and crew members are also potential beneficiaries of this study.
When the luggage tracking and identification system works smoothly, the staff can work efficiently on their day-to-day tasks, as well as respond to missing or stolen luggage effectively and efficiently. This will also increase the security and comfort levels at all aviation facilities.

A newly released RFID tagging system was installed and tested at the Purdue University Airport. Various luggage pieces were tagged with RFID tags and tracked on a moving conveyor belt system. The number of tag reads and times were recorded. These same luggage pieces were then labeled with bar codes and the number of tag reads and times were also recorded. Any item not tracked nor seen by the system's reader was also observed and recorded. The results from each tagging system were then compared based on number of tag reads and the read times.

It was concluded from this research project that RFID tagging is more effective than the current bar code system for tracking luggage. This study also determined RFID tag improvements for luggage handling including tag shape, attachment method, and re-usability. It is also expected that future studies will focus on determining the tag requirements needed in an aviation setting for tamper alarms, environment handling, and battery life. These results will assist in determining ways to improve the overall process flows of customers and luggage and at the same time increase the security level of travelers.

REFERENCES

IS RFID NEAR THE TIPPING POINT?

Mary E. Johnson, Purdue University

EXTENDED ABSTRACT

This paper discusses RFID in terms of technology adoption. Additionally, this paper presents a model for examining the tipping point in terms of increasing complexity and cost of adoption.

Radio frequency identification (RFID) technology has been around since the 1940s and has been in use in small numbers until the late 1990s (Clampitt 2006). Most people had never heard of RFID when in 2003 the Department of Defense mandated using tags in its supply chain (Clampitt 2006). In 2004, WalMart issued a mandate to its supply chain requiring the use of tags (Clampitt 2006). These mandates and other similar initiatives from Target, the Food and Drug Administration, and Department of Homeland Security drove tag adoption to the point in 2005 where 10 billion electronic article surveillance (EAS) tags had been made; it may be that we are at the tipping point for RFID (Clampitt 2006).

The tipping point is when the adoption of an emerging idea, concept, or item is widespread with its spread viewed as being similar to that of an epidemic (Gladwell 2000). In 2003, it was predicted that the tipping point for RFID would be the DoD mandate forcing widespread adoption of RFID technology (Roberti 2003). RFID is at the tipping point due to tags being in widespread use (Clampitt 2006). The RFID tipping point may also be when a company should move its RFID implementation approach from the simple addition of tags to using tags as part of a full integration (Higgenbotham 2007).

The Technology Adoption Lifecycle (TAL) views an emerging technology as widespread in terms of stages. In TAL, there are five groups with proportions related to the normal distribution: innovators (3.5%), early adopters (12.5%), early majority (34%), late majority (34%), and laggards (16%) (Rogers 2003).

Relative complexity and cost are factors influencing individuals accepting new ideas (Bohlen and Beal 1957). The ideas may be categorized into five levels of relative complexity: a change in materials and equipment, an improved practice or technique, an innovation that changes both materials and their use, a change in enterprise which involves many changes in practices and many innovations (Bohlen and Beal 1957). Cost is a factor in making decisions where low-cost, quick return ideas are adopted more quickly than those requiring more investment and more time to generate a return (Bohlen and Beal 1957).

Forced into being early adopters by the January 2005 WalMart deadline, many retail suppliers such as Campbell Soup took a ‘slap and ship’ approach where RFID tags are added to products prior to shipping and not integrated into their operations (Malykhina 2005, Torrieri 2006). Forrester Research recommended that suppliers respond to these mandates by adding RFID tags to their shipments “and not simultaneously try to lower operating costs by
restructuring operations around RFID” (Collins 2004). Retail RFID implementers were encouraged to realize that getting information from RFID is a beginning and that using the information is more difficult, and that it requires long-term effort (AT Kearney 2003).

In this paper, the tipping point RFID is proposed to be viewed along two dimensions and the number of users in each category. Based on diffusion research (Bohlen and Beal, 1957) the dimensions are: the relative complexity of implementation and the relative cost of implementation. The dimension of relative complexity begins with a change in materials and equipment (slap and ship for RFID) and ends with a change in enterprise which involves many changes in practices and many innovations (full enterprise integration along the supply chain for RFID). Cost of implementation includes not only the tags and readers, but also the technical and process infrastructure that must be implemented.

REFERENCES

“GREEN” POWER TO THE SUPPLY CHAIN

Sorraya Khiewnavawongsa, Purdue University
Edie K. Schmidt, Purdue University

ABSTRACT

It has been increasing in consciousness of the environment in the last few decades. More people are aware of the world’s environmental problems such as global warming, toxic substance usage, and decreasing in non-replenish resources. The Government has released campaigns to promote this problem to people. Several organizations responded to this by applying green principles to their company, such as using environmental friendly raw material, reducing the usage of petroleum power, and using the recycle papers for packaging. The green principles were expanded to many departments within organization, including supply chain. Green supply chain management (GSCM) was emerging in the last few years. This idea covers every stage in manufacturing from the first to the last stage of life cycle, i.e. from product design to recycle. Not only manufacturing, but GSCM can also be used to other business sectors such as government, education and services. The purpose of this paper was to describe the impact of green to the supply chain management. It started with the importance of GSCM to the company in different levels or what factors that influence the company to adopt the GSCM. These factors can be categorized by different drives such as government, whole market, industry, competitors, and within the company. Since GSCM can be applied to various areas within the company, this paper also discussed the implementation of GSCM to several areas. Furthermore, some examples of GSCM application were demonstrated to support the concept.

INTRODUCTION

One definition of green supply chain management (GSCM) is from Srivastara (2007). His study collected and classified previous literatures relating to green supply chain management. He defined GSCM as integrating environment thinking into supply chain management, including product design, material sourcing and selection, manufacturing processes, delivery of the final product to the consumers, and end-of-life management of the product after its useful life.

According to this definition, GSCM relates to a wide-range of production from product design to recycle or destroy, or from cradle to grave. This principal is similar to lifecycle of product. Product lifecycle is an idea that products pass through a cycle of life, similar to human, birth, maturity, death. The product lifecycle provides a degree of structure to the life of products and thereby provides direction for the diverse functional efforts required to produce and deliver product/service offerings (Birou, Fawcett, and Magnan 1998). Many studies addressed product lifecycle along with supply chain or GSCM, for example, Stonebraker and Liao (2006) discussed that the stage of lifecycle variables is associated with the various dimensions of supply chain integration.
Since GSCM normally involved the inverse of the product flow, reverse logistics are automatically included in the study. There were numerous researches about this. Sheu, Chou, and Hu (2005) proposed a linear multi-objective programming model optimizing the operations of both integrated logistics and used product reverse logistics in green supply chain. Results from their study showed that the proposed model improved net profits by 21.1%. In terms of both government and non-government organizations in the U.S., they were aware of the environmental changes, especially from gas price. In an article by Trunick (2006), he discussed why the logistics companies should be more concerned on the GSCM. He described some regulations released by either federal or local organizations such as U.S. Department of Transportation (DOT) or California Air Resources Board (CARB) that affects to the logistics.

According to Boks & Stevels (2007), they categorized “green” into 3 types depended on the different perceptions of the environment among different stakeholders involved: scientific green, government green, and customer green. In scientific green, life cycle assessment (LCA) was used to determine the environmental impact of products, processes, and systems. However, it concerned only the emissions, not other aspects. In government green, several factors were involved such as population density, geographical position, and the availability of energy sources. These factors affected the government agenda to maintain or improve quality of life. For customer green, the perceptions of green were strongly linked to emotions that were directly impacted to people, especially health and safety, than resources or emissions.

Although GSCM was introduced not too long ago, there have been a number of studies about it. These studies were differently in detail. There are a few papers that collect studies, categorize them and conclude the trend of research. An example of a paper related to previous GSCM studies is by Kleindorfer, Singhal, and Van Wassenhove (2005). They collected research from the first 50 issues published in The Production and Operations Management Society (POMS) and found that there were substantial number of research related to sustainability, including integrating environmental, environmental management, green-product design, and closed-loop supply chains. Another example is by Srivastara (2007), he gathered numerous article and study related to the green and sustainability supply chain, and classified based on problems context into 3 types: importance of GSCM, green design, and green operation. He also classified based on methodology into 3 types: empirical studies and mathematical modeling.

**BENEFITS OF GSCM**

Speaking of greening the supply chain, one might think only banning toxic chemical substance usages or reducing emission or waste to the environment. However, it is much more than just a mere reducing usage and pollution. Consequently, the benefits are not limited only less toxic consuming or less waste. The GSCM principle can be applied to all departments in the organization. The effects of GSCM expand to all area, both tangibly and intangibly.

Some studies mentioned benefits of adopting GSCM, such as Stevels (2002). He demonstrated the benefits of GSCM to different roles of supply chain including environment and society in terms of different categories: material, immaterial, and emotion. For material, GSCM helps lower environmental load for environment, lower cost prices for supplier, lower cost for producer, lower cost of ownership for customer, and less consumption of resources for society.
In terms of immaterial, GSCM helps overcoming prejudice and cynicism for environment, less rejects for supplier, easier to manufacture for producer, convenience and fun for customer, and better compliance for society. For emotion, GSCM helps motivation of stakeholder for environment, better image for supplier and producer, feel good and quality of life for customer, and make industry on the right track for society. He also provided examples of company that were successfully adopted GSCM.

In Duber-Smith (2005), he identified ten reasons that the company should adopt the green: target marketing, sustainability of resources, lowered costs/increased efficiency, product differentiation and competitive advantage, competitive and supply chain pressures, adapting to regulation and reducing risk, brand reputation, return on investment, employee morale, and the ethical imperative.

WHAT DRIVE COMPANY TO ADOPT GSCM

Government

In the United States, there are a large number of government agencies controlling guideline, regulation and law. Some agencies are federal by the government while some manage only in the local area. These agencies and organizations are responsible for either similar or different issues such as pollution, product material, and chemical waste. Different industries may be controlled by different regulation depended on the industry characteristics and resources needed. One example of the government agency is Environmental Protection Agency. Environmental Protection Agency (EPA) is a government organization established to protect human health and the environment. One of their responsibilities is to develop and enforce regulations that implement environmental laws enacted by Congress (United States Environmental Protection Agency 2007). EPA was a main agency referred in most study related to environment.

An example of environmental guide line is ISO 1400 series. ISO 14000 was formally adopted in 1996 by the International Organization for Standardization (ISO). It represents a new standard and approach to improved environmental performance (Montabon, Melnyk, Sroufe, and Calantone 2000). Results from their study showed that the ISO 14000 series can positively impact both performance of the environmental management system and overall corporate performance. It ensures that the company is well organized in the environmental field. However, ISO 14000 certification is no guarantee that such improvements are really delivered (Stevels 2002)

For companies dealing with company in Europe, they got a huge impact from a new regulation released last year. The Restriction of Hazardous Substances (RoHS) limits the amount of lead and five other substances that may be contained in products sold to Europe after July 1, 2006 (Jorgensen 2005). Not only manufacturers who produce products, but suppliers, distributors or even customers do get great impact from this new regulation. One example of changes was that suppliers need to assign new part numbers to all lead free components.
Market and Competitor

In today’s business world, the competitive among company is very high. To make customer impress, the company needs to make themselves standing out from others. Being environmental friendly is one way to differentiate them from the competitors. Furthermore, when competitors already adopted GSCM, the company gets a pressure instead. Therefore, it is a good idea to implement GSCM no matter the competitors have adopted it or not. Not only competitors, but do customers affect to the company’s decision to adopt the GSCM. In many cases, customers were the one who require special treatment or special products. Therefore, the company needs to make changes to make them satisfy and stay with them. Some papers studied about the relationship between applying GSCM with customer’s requirement such as Simpson, Power, and Samson (2007). In this study, they explored the moderating impact of relationship between a customer and its suppliers and effectiveness of customer’s environmental performance requirements.

Company

Two drivers mentioned earlier are from external factor. Sometimes a driver is from the company itself. Numerous studies support that adopting GSCM can reduce the cost (Duber-Smith 2005; Stevels 2002, and Gunther 2006). There also are other reasons such as increase efficiency, eliminate waste and pollution, and generate brand reputation. In terms of human resources, in (Duber-Smith, 2005), he mentioned that more sustainability enhances employee morale from some green programs such as wellness programs, ergonomic work environment.

There are several studies about the factors or benefits that make the company apply GSCM. In Chinese industry, Zhu and Sarkis (2007) developed a survey to 341 Chinese manufacturers to examine the relationships between GSCM practice, environmental and economic performance, incorporating 3 moderating factors market, regulatory, and competitive institutional pressures. Results showed that they experienced increasing environmental pressure to implement GSCM practices. Market and government pressures through regulation influenced them to improve environmental performance. Another study of this kind of study is (Hu & Hsu, 2006). They develop a set of critical factors of GSCM practices that could be used by managers. They surveyed in the electrical and electronics industries in Taiwan. Results showed that there were four critical factors: supplier management, product recycling, organization and involvement and life cycle management.

Factors and drivers to adopt GSCM in different industries were differently. In a study of Zhu, Sarkis, and Lai (2008), they developed a survey to 4 industries in Chinese to evaluate their perceived GSCM practices and relate them to closing the supply chain loop. Results showed that automobile industry lagged behind the other industries, power generating, chemical/petroleum and electrical and electronic. They assumed that the reason may result from a high level of complexity in the adoption of GSCM practices.

IMPLEMENTATION OF GREEN
From product lifecycle concept, the cycle starts at the designing of product. According to Srivastara (2007), literatures related to green design emphasize both environmentally conscious design and life cycle assessment/analysis. In designing a product, the designing team can change the raw materials or substances used during the manufacturing to be less toxic, more environmental friendly. Some terminologies are related to design for green such as design for environment or EcoDesign. An example of green product is hybrid car. Due to the increasing demand and decreasing amount of petroleum, automobile manufacturers needed to redesign the engine that consumes no or less gas. Hybrid car has been developing from day to day. One article about automobile design is by McAuley (2003), he discussed the green design of automobile, which tend to change to advanced lightweight materials and fewer materials in vehicle design. In designing a product, the manufacturing company needs a high level of cooperation with their suppliers. An example for the research on supplier-manufacturer cooperation in EcoDesign is by Stevels (2002). He also presented two examples of successful green supply agenda between manufacturer and suppliers.

In manufacturing process, the company can apply green by several methods to reduce the energy and resource consumption. This is where reuse and recycling are referred. Several papers provided green practices such as Duber-Smith (2005). He suggested some practices including reducing energy consumption, recycle and reuse, using biodegradable and non-toxic materials, minimize harmful emissions, and minimize or eliminate waste. In a Chinese sugar manufacturer, Guitang Group can reduce the wastes and improve their financial performance by using waste from the upstream as raw materials for downstream production (Zhu and Cote 2004).

Further than design and manufacturing, other departments in an organization are involved with the green. Purchasing could become an important agent for change regarding environmental initiatives in the supply chain (Preuss 2001). In an article by Walton (1998), he conducted a qualitative study to explore the primary areas for change to increase purchasing’s impact on environment.

As mentioned earlier, not only manufacturer, other supply chain roles got impact from GSCM also. For the largest retailer in the U.S., Wal-Mart has an interesting story of adopting GSCM to their organization. In October 2005, Wal-Mart CEO committed the company to 3 goals: to be supplied 100% by renewable energy; to create zero waste; and to sell products that sustain Wal-Mart’s resources and the environment, and Wal-Mart was launching a business sustainability strategy to dramatically reduce the company's impact on the global environment and become "the most competitive and innovative company in the world (Plambeck 2007). In this study, she provided 8 practices engaged with 14 network partners.

**BARRIERS OF APPLYING GSCM**

In Zhu and Cote (2004), they studied the integration of green supply in sugar industry. They mentioned three barriers: maintaining close relationships with their main suppliers, obtaining a larger market share through competition with other market share through competition with other domestic sugar refineries by improving product quality and reducing costs, and ensuring the sustainability of their operations including reducing the environmental impacts. At the same times, there are some research studied barriers of applying GSCM from supplier’s
perspective. An example of supplier’s barrier is by Wycherley (1999), he conducted a qualitative study on the suppliers’ barriers of GSCM implementation for an environmental-friendly image products like the Body Shop.

SUCCESSFUL STORIES

Several studies were exploratory study about a company succeed in applying GSCM, various in different industry such as electronics, automobile, furniture, and packaging. An example of Electronics Company is Advanced Micro Devices. Advanced Micro Devices (AMD) wanted to be recognized as a sustainable organization. They wanted to better manage the risk of a potential supply chain and work together with suppliers to identify alternative materials an equipment to minimize environmental impacts. Moreover, they were drove by their customers, investors, and non-governmental organization groups externally (Trowbridge 2001). In packaging Industry, results from survey showed that green supply chain practices were positively linked to operational performance. Also, the green supply chain practices were affecting the allocation of resources among 3 types of environmental technologies: pollution prevention, pollution control, and management systems (Vachon 2003).

STATEMENT OF PROBLEM

This study is aimed to find the GSCM adopting in the U.S. manufacturer in some aspects. The focus of the study is that the driver and factor that make the company in different industry choose to adopt GSCM in their organization. The survey will be sent to manufacturers across the country to different industries such as automobile, electronics, furniture, healthcare, plumbing, and textile. Survey questions will be asked to see the perspective of the manufacturers in GSCM and what make them apply it, as well as the future trend. Other aspects will be asked such as the collaboration with their suppliers and customers, technology used, and how they choose the supplier.

REFERENCES


McAuley, John W. (2003), “Global sustainability and key needs in future automotive design,” Environmental Science and Technology, 37, 23 (December), 5414-5416.
CONFLICT RESOLUTION IN SUPPLY CHAIN SECURITY

Marco A. Lara, The University of Texas at Brownsville
Shimon Y. Nof, Purdue University

EXTENDED ABSTRACT

Before September 11, 2001, the world looked in many aspects different than it looks today. Supply chain security was for the most part focused on access control and cargo, personnel and facilities protection. From a Logistics stand point, focus was on inventory management, implementation of best practices including implementation of supply chain execution software. Companies specialized in developing ERP software were diligently working on augmenting the warehouse and transportation management functionality of their products and information technology companies specialized in developing warehouse management systems (WMS) and Transportation Management Systems (TMS) were hectic optimizing their products through enhanced functionality and introducing web-based capabilities.

Right after September 11, 2001 terror attacks, the US Government took strong actions to protect its people, ports, airports, borders, air space, government and military buildings, etc. Eventually, several security-oriented initiatives were defined and implemented. The Security and Accountability For Every Port Act (SAFE Port Act), signed in October 2006, is an Act of the US Congress that includes provisions for port security. The Maritime Transportation Security Act of 2002 (MTSA) was signed on November 2002 with the purpose of developing security plans and assessments aimed at securing US seaports, intermodal facilities, and waterways. In January 2002, the U.S. Bureau of Customs and Border Protection (CBP) introduced the Container Security Initiative (CSI) whose main purpose is screening US bound cargo containers for hazardous materials at foreign ports of origin. Cargo containers arrive at US ports from 700 different ports located all over the world. As of November 2007, there are 58 CSI ports which account for 86% of the US bound traffic of cargo containers. The remaining 642 foreign ports, which account for 14% of the US bound traffic of cargo containers, will become CSI ports by 2012.

The Customs Trade Partnership Against Terrorism (C-TPAT), launched in November 2001, is a collaborative effort between the US government and private companies, which voluntarily participate, to ensure supply chain security. The benefits for companies participating in this partnership include: reduced customs inspections and reduced border delays. As of November 2007, over 6,000 companies have achieved C-TPAT certification. Since 9/11 significant progress has been also achieved at international level in terms of supply chain security. In June 2005, the World Customs Organization (WCO) launched a Framework for Standards for global supply chain security aimed at promoting security awareness, facilitating trade between nations, and enforcing world wide security. To date (November 2007), more than 130 countries out of the 170 countries that comprise WCO are fully committed to the implementation of the Framework for Standards for global supply chain security.

The International Organization for Standardization (ISO) instituted in November 2005
the ISO 28000: 2005 series of standards for security management systems applicable to global supply chains. In September 2006, DP World, one of the world’s major global container port terminal operators located in Dubai, achieved ISO 28000: 2005 Supply Chain Certification. Since then, others port operators and container terminals located in different parts of the world have applied for the ISO 28000: 2005 Supply Chain Certification.

Results achieved from collaborative efforts between nations and international organizations reinforce the idea that supply chain security is a global, multidisciplinary issue that should be addressed through collaboration and partnerships. Collaboration, however, may result in conflict situations, which arise naturally from the interaction of collaborative entities. If not properly and timely addressed, conflicts may escalate to a higher level of complexity or even perpetuate. To avoid conflict escalation and perpetuation, conflicts must be timely resolved through cost-effective and well-synchronized actions.

This paper shows how conflicts in supply chain security can be mathematically modeled and analyzed and conflict resolution achieved. A graphical method formerly used in social sciences and collaborative facility design with significant advantages is used in this research to facilitate modeling and analysis of conflict situations in global supply chain security. A decision support system is used for that purpose. To show how the principles for conflict modeling and analysis presented in this paper can be applied in the domain of supply chain security and to magnify their relevance a case study on port security was developed. The case study involves a Security Manager (SM) who is interested in enhancing port security through the implementation of the new security procedure which may decrease the speed of port operations (e.g., vessel load and unloading, container handling, etc.), a Worker Union (WU) which rejects the new security procedure as it may result in a decrease in productivity-based performance bonus, and a Port Director (PD) who: 1) Is in favor of enhancing port security but at the same time does not want the speed of port operations to be significantly reduced which may result in extended stays of vessels and eventually in fines and 2) Recognizes that he is dealing with a trade facilitation / Security enforcement conflict and is willing to intervene in a timely manner to resolve the dispute between SC and WU as the escalation / perpetuation of the dispute may result in a strike with costly effects.

The presented case study proves that a conflict resolution tool that clearly identifies the involved decision makers (i.e., conflicting parties), their individual and collective goals, their options to achieve conflict resolution, and their preferences, significantly enhances collaboration. The results found regarding the impact of conflict resolution capabilities fully integrated to a decision support system that supports collaboration are aligned with results found in previous work in social sciences and collaborative design which are documented in this research. Facts and data documented in this paper show that the progress to date in the supply chain security journey, which started on September 11, 2001, is remarkable. However, 11 million cargo containers arrive per year at US seaports. Evidently, there is significant amount of work to do from a security standpoint as the likelihood of a devastating, deadly terrorist attack is relatively high. This research also addresses the direct and collateral benefits that result from investments in supply chain security.
A CASE FOR WIFI-BASED ACTIVE RFiD SYSTEMS

Madhav Pappu, Tyco Electronics
Mary Elms Johnson, Purdue University

EXTENDED ABSTRACT

Radio Frequency Identification (RFiD) technology is based on the simple idea that an electronic circuit, or tag, self powered (Active Tag) or powered intermittently through radiation from a distance (Passive Tag), can transmit information in air that can be received and interpreted by a reader located at a distance. While some of these tags are nothing but plain antennae bonded to a silicon chip kept inside a plastic or glass case, the more sophisticated ones do more than just transmit data – they provide the means to sense their environments or behave ‘intelligently’. This latter type tag is also referred to as a ‘System on Chip’.

After a brief introduction to RFiD technologies, this paper focuses on the lesser known, yet more exciting WiFi-based, active RFiD tag technology. WiFi-based, active RFiD tags are more expensive than passive tags or even other active tags (e.g., active tags, based on traditional reader-antenna systems, operating on frequencies such as 303 MHz or 433 MHz). However, these WiFi-based tags also have the ability to be “seen” on a regular basis or be programmed over the air. In addition, WiFi-base tag technology presents many advantages in read range and accuracy, ability to add on-board sensor capabilities, and the ability to operate in adverse environments not suitable for other RFiD tag technologies.

As mentioned above, passive tags do not have their own power, and are instead energized by the radio waves propagated by a reader. This means that a passive tag will respond only if it comes in range of a reader. In addition to tag design, the proximity required depends on the operating frequency – which is one way to categorize passive technologies (e.g. LF, HF and UHF). In passive RFiD systems, there are two methods of wireless communications: one based on ‘inductive coupling’ and the second based on ‘propagation coupling’ or ‘back scatter’. Passive tags typically have read ranges from inches to several feet. However, most passive tags have problems being read when attached or affixed to items made of metal or containing water and liquids. Thus, while these tags are cheaper than active tags, they also present significant implementation problems.

An active tag contains a battery and uses it to send data without being powered by a reader’s emissions of radio waves. There are those tags that send ‘beaconing’ signals at predetermined intervals, and there are others that respond to ‘requests’ from a reader-antenna system. Based on the method of communication between tag and receiver, active systems can be categorized. However, no matter what the method of communication between tag and reader is, a battery boosts the signal strength being sent out. Thus, one of the major advantages of active RFiD tags is that they have ranges far exceeding those of passive tags – sometimes over hundreds of feet.
WiFi-based active RFiD systems use a 2.45GHz frequency for communications, and are thus different from other active reader/antenna-based systems operating on frequencies such as 303 MHz or 433 MHz. The primary advantage of WiFi-based, active RFiD systems is that they use the globally accepted IEEE 802.11 wireless communication standards. Laptops, PDAs and other wireless devices have become so widely used that establishments such as airports, bookstores, and even coffee houses offer wireless connectivity and conform to IEEE 802.11. It is this ubiquitous availability of wireless networks, which forms the backbone of communications between WiFi-based tagged items, assets and people and the backend systems utilizing the data.

Since the primary function of the system is to locate a tagged item, asset or person as accurately as possible, one of two methods (and in rare cases both) is frequently used. The first is Time Difference of Arrival (TODA), where time stamps on the arrival of tags are used to locate them through ‘triangulation’ algorithms. The second is the use of Radio Signal Strength Information (RSSI), where the tags are located by mapping signal strengths created by a network of wireless access points (WAPs), and then using location algorithms utilizing the signal strength data. TODA tends to be more accurate in open spaces while RSSI-based active systems are better suited for internal and closed spaces. Additionally, issues one needs to consider while implementing WiFi-based active RFiD systems include: (1) Network traffic; (2) Network ‘null’ spots; (3) Battery life; and most importantly (4) Tag costs.

In general, active tags are more reliable than passive tags because the battery on board allows them to operate in ‘RF-challenged’ environments like water or metal. The same battery allows these tags to communicate over greater distances, too. Despite their higher costs, these tags can be combined with sensors to monitor temperatures (of medicines and perishables), shock and/or vibrations, motion, humidity, light, radiation and hazardous gases thereby providing greater ‘value’ and a better return on investment (ROI). These advantages are the primary reasons why WiFi-based RFiD tags are being widely used in industrial, Real-Time Location Systems (RTLS) applications such as tracking machinery and parts inventory, tractor-trailers in yards or shipping/air cargo containers moving from terminal to terminal and city to city. Hospitals too are getting more out of their assets through the use of WiFi-based active RFiD systems. By tagging critical assets such as IV-Pumps and dialysis equipment, hospitals and clinics are able to ensure that they know where every piece is, and how often and who is using it. Yet another application receiving tremendous attention is the tracking of patients, doctors and staff as they move through the vast mazes, which describe today’s large hospitals. Thus, in a logistics sense, they are able to ensure that the right person is at the right place at the right time.

In conclusion, it is fair to state that WiFi-based active RFiD systems have matured over the years and are poised to make huge inroads into areas needing auto-ID systems. While some of these implementations are being initiated by leading-edge companies themselves, most of them are the result of mandates – recently, the Food and Drug Administration (FDA), made it mandatory that every medical device shall be uniquely identified. Thus, it is clearly evident that WiFi-based, active RFiD systems not only provide simple locating possibilities but a host of others, which makes this system on a chip very attractive.
INTEGRATING PLM SOFTWARE INTO SUPPLY CHAIN EDUCATION

Regena Scott, Purdue University
Michael Dyrrenfurth, Purdue University

EXTENDED ABSTRACT

“The literature on instruction suggests that students whose teachers develop and regularly integrate inquiry-based, hands-on learning activities, critical thinking skills, and assessments into daily lessons consistently out perform their peers.” (Strong, 2005) Hands-on learning is rapidly becoming an integral part of instructional strategies, especially in learning areas such as technology and industry fields. Hands-on and learn by doing (Schunk, 2007) education gives students an opportunity to integrate course lecture-learning with interactive activities to resolve problem solving scenarios in quasi real-world situations. Hands-on learning environments are also ideal situations in which to integrate the latest technologies, processes and systems.

Industrial Organization (IT104) is a freshmen level capstone-course in the College of Technology, Industrial Technology (IT) and Industrial Distribution (ID) disciplines at Purdue University. IT104 is a detailed survey of business and its local and global environments, organizational structures, manufacturing and service operations. This course also provides an overview of processes and procedures in leadership, motivation, duties of supervisors and managers, planning, control, personnel, safety, wages, policy, and human factors necessary for effectiveness are addressed in a quasi-real world environment.

The instructors challenge is to design an effective introductory level pedagogy that integrates key industry processes and procedures with hands-on opportunities. In addition, this project would expose students to current process systems such as Product Lifecycle Management (PLM) to communicate and coordinate team activities and progress. (Abramovici, ND) Curriculum for IT104 was designed to meet the pedagogical needs of undergraduate IT/ID students in order to get them excited about IT/ID, improve the retention rate of students enrolled in the program and ultimately prepare IT/ID students to enter the workplace ready to contribute to the company’s success.

IT104 is a detailed survey of business and its local and global environments, organizational structures, manufacturing and service operations. The learning pedagogy for this course integrates lecture-learning, hands-on learning activities and the integration of PLM process system. This combination of learning activities brings cognitive, auditory and kinesthetic learning styles together to form a learning environment that gives each student an opportunity to learn in the way that is best for the individual learner. Most educators acknowledge the need for a new paradigm in instruction that is inclusive of a variety of theories and instructional models. (Reigeluth, 1999) The problem is identifying the best way to assess the effectiveness of this pedagogy as a method for enhancing the student’s learning experience and to better understand each of the learning elements, lecture, hands-on, and process system implementation, in order to
find the best way to engage students in the learning experience. This project is an attempt to create a instructional pedagogy that embraces a new paradigm for learning.

To date, this class had not included an assessment that directly evaluated the learning pedagogy used for IT104. It is important to understand the effectiveness of the three pronged learning pedagogy that has been designed for IT104. In order to accomplish this assessment a pre and post-tests will be conducted to test and evaluate the performance of students enrolled in this course. A pre-test will be used to validate the experience level students possess prior to the experimental lecture. The post-test will evaluate and confirm the learning experience after participating in lecture, hands-on and PLM system activities. Both the pre and post-tests will look for evidence that leads to understanding which learning environment is best suited to deliver the course materials and how to enhance the effectiveness of the overall learning pedagogy.

Pre and post-test questions will consist of combinations of multiple choice and fill-in-the-blank questions. These tests will assess basic concept-knowledge, content understanding and skills ability. The pre-test will be administrated during the first week of the course and prior to the first content lecture. At the end of the course and prior to the final exam, the post-tests will be conducted to assess the effect the combined learning methods to short term and long term experience.

IT104 is a detailed survey of business and its local and global environments, organizational structures, manufacturing and service operations. The course gives student’s an overview of processes and procedures in leadership, motivation, duties of supervisors and managers, planning, control, personnel, safety, wages, policy, and human factors necessary for effectiveness are addressed. Entrepreneurship, ethics, Total Quality Management, and inventory concepts are integrated as well.

The learning pedagogy used for IT104 combines lecture, hands-on and PLM process systems to enhance the student’s learning experience and helps to establish a better understand each of the learning elements, lecture, hands-on, and process system implementation, in order to find the best way to engage students in the learning experience.

REFERENCES

AN EXAMINATION OF ANTECEDENTS OF CUSTOMER SATISFACTION IN E-TAILING ENVIRONMENT

Dheeraj Sharma, Ball State University
Madhav Pappu, Tyco Electronics
Scott Inks, Ball State University
Thomas Baird, Ball State University

EXTENDED ABSTRACT

Modern economies are driven in part by electronic commerce. Millions of websites exist on the World Wide Web while more websites are developed and introduced on a daily basis. In recent years, internet usage has increased dramatically. In 1998, the number of Internet users was estimated at 160 million (Suh and Han 2003). As of January 11, 2007, the estimated number of Internet users is 1.094 billion (Anonymous 2007). These figures suggest that the internet is growing at a very fast pace, with an increase 584% in just 10 years. Websites offer a store front to both traditional retailers that continue to operate brick and mortar stores as well as businesses that only interact with customers via the web. Moreover, it is becoming apparent that, “the web is considered as the most appropriate environment for business transactions because it is convenient, fast, and inexpensive to use” (Shahabi 2003, p. 123). For all types of firms that operate via the internet, customer satisfaction is essential to sustain a profitable business. This research will attempt to examine the antecedents for customer satisfaction in relation to the e-tailing context.

The current research’s contention is that customer satisfaction has three antecedents: personalization and customization, customer trust in the e-tailer, and responsiveness. The primary purpose of this study is to examine the antecedents of customer satisfaction in e-tailing context. Specifically, using a sample of 228 subjects, this study examine the influence of perceived ability of personalize and customize website, trust in e-tailer, and perceived responsiveness of the website on customer satisfaction.

The results indicate that personalization and customization, responsiveness, and trust in the e-tailer are significant predictors of customer satisfaction with an e-commerce website. Consequently, it is important for online retailers can attain high satisfaction level by developing trust, personalization capability, attractive website designs, and efficient functions on the site. It is important for the companies to keep their websites as advanced as the knowledge of the customer. This will keep the customer engaged with the capabilities and the effectiveness they can have on their own personalized website.

Customer trust is the most important factor for online satisfaction (Gounaris, Dimitriadis, and Stathakopoulos 2005). This should be an eye-opener for the industry as a whole. Each company will need to put extra efforts in research and development to build trust with their customers. In this manor, they need to find out what their customer demands and expects.
Creating a website design can be a challenging task for a company, since all consumers have different preferences. With this in mind, the company should focus on creating a company centered site as the initial home page. Then allow the customer to log in to their personal page.

Lastly, the biggest issue with perceived responsiveness is time (downloading, time for links to open). This is something that can turn people away from a website. The less time it takes for a person to maneuver around the site, the more attractive it is. If a company in this industry creates a fast moving website, the customer will use it more.

REFERENCES


MEXICAN AMERICAN SUSCEPTIBILITY TO INTERPERSONAL INFLUENCE: MAINSTREAM MARKETS

Russell Adams, University of Texas Brownsville

ABSTRACT

There is a continuous argument among marketers whether to target marketing by ethnic groups or by psychographic groups (Eckman, Kotsiopulos, & Bickle, 1997; Fennell & Saegert, 1992; Mitchell, 1983; Piirto, 1991). This study argues in favor of targeting by psychographic group as the study found that the Mexican American participants scored similar to Anglo Americans on the Susceptibility to Interpersonal Influence scale (1992) demonstrating the positive impact of education on assimilation to American culture. These scores were also compared to scores from ethnic groups from a previous study: Armenians and Chinese (D'Rozario, 1998). The comparison of scores show that the Mexican Americans are similar to Anglo Americans in normative influence but are greatly lower than all groups in informational influence. This result points to informational differences that can be used by marketers to continue focus on Word of Mouth marketing campaigns. The study also further supports the validity of Bearden’s scale and validates D'Rozario’s (D'Rozario, 1998; D'Rozario & Choudhury, 2000) finding that one of the items for informational influence is misidentified.

INTRODUCTION

“Because of the diversity of the American society, it is critical for marketers to identify subcultures in order to develop marketing and, especially, advertising strategies specific to these subcultures.”(Delener & Neelankavil, 1990 pp.45) This is but one side of the coin other authors argue that studying subcultures are unimportant. Saegert in his first study (1985) studied the differences of Mexican Americans and then later reversed his arguments to contend that they as a whole should be not targeted as a market (Fennell & Saegert, 1992) which supports the growing belief that psychographic (VALS or AIO) typographies are more appropriate.

In this paper both sides of the argument will be presented. Mexican American University students are studied. This group was chosen because, Mexican Americans make up the greatest percentage of the Hispanic population, and college students were chosen because they have the potential for greater economic buying power of the Hispanic population, exhibit psychographic variability similar to the overall population, and are similar to Hispanics from other parts of the country (Adams, Kalliny, Santos, & Saran, 2004). The interpersonal influence scale is appropriate because Hispanics, and by default Mexican Americans, are theorized to be more susceptible to interpersonal influence than the average American. Granted individuals themselves may differ and this study should determine if these individual differences are correlated to cultural or to educational (psychographic) variables. If it is found that there are no differences then it can be argued that focusing on subgroups and cultures is not a necessarily productive endeavor from commercial standpoint, political implications not withstanding.
LITERATURE REVIEW

Understanding the impact and influencing factors of immigrant subcultures is important to marketers because of their sizable growth of immigration and the related sub cultures. These subcultures maintain some of their previous consumer behaviors and adopt new ones (D'Rozario & Choudhury, 2000). These subcultures have not been sufficiently researched thereby leaving a lack of information for marketers (Delener & Neelankavil, 1990; D'Rozario & Choudhury, 2000).

In Business Week's report Hispanic Nation (Grow et al., 2004) we see that the 39 million Hispanic immigrants will drive growth in the U.S. population and workforce; Latinos are the nation's largest minority, their disposable income has jumped nearly 30 percent in two years at double the rate of the rest of the population. The Latino population has grown dramatically in recent years, now comprising 12.5 percent of the total U.S. population, with Mexican Americans making up 58 percent of all Latinos (Census Bureau, 2001). Overall, Hispanics nationwide are expected to spend $580.5 billion this year, up from $490.7 billion in 2000 and $223 billion spent in 1990 (Business, 2002).

However, other studies show that Hispanics, especially the youth market may be acculturating (Adams et al, 2004, other source) and therefore acting more in line with mainstream Americans. Other authors have noted that education and income perform an assimilation effect on those from different cultures and that middle class Hispanics will consume in a similar manner to middle class Caucasians (Eckman et al., 1997; Grow et al., 2004) This paper will try to answer the question: Are Hispanics the same or different from the mainstream American population? This has important implications for marketers, especially those targeting the lucrative 18-34 market. It will help them determine if major modifications to current marketing strategies are necessary to capture this market. By surveying Hispanics in this age range and comparing their scores to general studies on the Susceptibility to interpersonal influence scale we will be able to determine the extent of the differences or similarities.

Portes & Zhou (1992) have used the term 'segmented assimilation' to refer to what they see as major differences in the success opportunities of today's second generation. This second generation or those who are currently in college may be more similar to the average American than their cultural background when it comes to consumption patterns.

It must be noted that Mexican and Hispanic are different as outlined by Deshpande and Saegert. These authors argue that applying marketing concepts to an ethnicity as a whole without taking into consideration the specific subcultures is a recipe for failure. (Deshpande, Hoyer, & Donthu, 1986; Fennell & Saegert, 1992; Saegert, Hoover, & Hilger, 1985). Despite the public dialog regarding this issue it is reasonable to expect that though not conclusive, studying one population will give the researcher hints to the behavior of the broad macro culture.

Word of Mouth (WOM) marketing accounts for 67% of sales (McKinsey, 2001) WOM has been acknowledged for many years as a major influence on what people know, feel and do (Buttle, 1998). It has also been shown to influence a variety of conditions: awareness, expectations, perceptions, attitudes, behavioral intentions and behavior (Buttle, 1998). Arndt (1967) was one of the earliest researchers into the influence of WOM on consumers. He
characterized WOM as oral, person-to-person communication between a receiver and a communicator, whom the receiver perceives as non-commercial, regarding a brand, product or service (Arndt, 1967). Consumers experience many perceived risks when purchasing new products (Mitchell and Hogg, 1996). This sense of risk can be alleviated by positive WOM, therefore reducing the sense of risk exposure (Buttle, 1998). Research generally supports the claim that WOM is more influential on behavior than other marketer-controlled sources. Indeed, it has been observed that WOM can be more influential than neutral print sources such as Which and Consumer Reports (Herr et al., 1991).

Assimilation is the process of being absorbed by a new culture. This process has seven dimensions: three come from the person that is being acculturated and four from the host or macro culture (Gordon, 1964). The three factors derived from the individual are cultural, identificational and structural assimilation. The individual can determine themselves the extent that they are willing to be integrated. These factors, as explained by D’Rozario, are strongly linked to the levels of interpersonal influence and are derived from McGuire’s (D’Rozario & Choudhury, ; McGuire, 1968) general construct of influenceability and therefore the use of the Susceptibility to Interpersonal Influence Scale (D’Rozario, 2001; D’Rozario & Choudhury, 2000) (See Appendix 1).

Hispanics are considered a collectivist society versus the individualistic society that mainstream America is considered to be (Hofstede, 1994). Collectivists are theorized to be more susceptible to interpersonal influence than Americans. Hispanics are different from the Anglos in needs and factors that influence them, and in the aspects of social, economic, family and cultural influences. (Herbig & Yelkur, 1998) Critical elements in Hispanic culture include their tendency to be more risk averse and family-oriented (Herbig & Yelkur, 1998). This falls in line with the collectivist concept and also affirms the notion the interpersonal influence will be an important part of their decision process.

Previous research on information searching behavior has been shown to differ between Hispanic’s and Caucasians (Webster, 1992) but this dealt with the sources of information that was sought. That study showed that Hispanics relied on friends and family for information and not formal sources such as newspapers or news. This lack of reliance on formal information is apparently a trait that manifests itself in the susceptibility to interpersonal influence.

Hypothesis 1: Mexican American College students will score similarly to Anglo Americans on the S.I.I scale normative influence items.

Hypothesis 2: Mexican American college students will score differently to Anglo Americans on the S.I.I. scale informational influence items.

DATA COLLECTION

A total of 265 Hispanic university students were surveyed with the Susceptibility to Interpersonal Influence Scale (Netemeyer et al., 1992). “Consumer susceptibility to interpersonal influence is assumed to be a general trait that varies across individuals and is related to other individual traits and characteristics. The construct is defined as the need to identify with or
enhance one’s image in the opinion of significant others through the acquisition and use of products and brands, the willingness to conform to the expectations of others regarding purchase decisions, and/or the tendency to learn about products and services by observing others or seeking information from others (Netemeyer et al., 1992)

The scale used is a validated scale from (Netemeyer et al., 1992) derived from the original scale (Bearden, Netemeyer, & Teel, 1989). The scale consists of twelve items each operationalized as a bipolar, seven-place rating scale ranging from ‘strongly agree’ to ‘strongly disagree.” All items are positively worded. The 12 items reflect two correlated dimensions of susceptibility to interpersonal influence. Item scores are summed within each dimension to form normative and informational indices, and can be summed overall for an overall susceptibility to interpersonal influence score ranging from 12 to 84.

Validity: Coefficient alpha estimates for the informational and normative factors were 0.82 and 0.88 respectively on the S.I.I. scale. Both of these alphas score demonstrate the validity of the instrument, as any score above .8 is considered valid for empirical studies (Bearden, et. al 1989).

RESULTS

The Chronbach alphas were affirmed with the normative factors achieving alpha of .88 and the informational of .77. However, the factor analysis (Appendix 2) shows that the informational item, observing others loads on the normative factor versus the informational factors. This does make sense because observation can be seen as normative and the relationship to information gathering is less obvious, the survey respondents may see that action as normative and not necessarily recognize that they are gathering information whereas the other informational items are clear in what the goal is. This in fact is supported by (D'Rozario, 1998) who found that this item loaded also on the normative scale and therefore was thrown out. The factors explain 67% of the variance which is meaningful and reaffirms the value of the instrument.

The next part of the study compares the S.I.I scores from previously performed studies to the scores of this study. This study compares the scores of Armenian and Chinese immigrants, scores are taken from (D'Rozario & Choudhury, 2000). The scores for the Anglo American scores were taken from Bearden’s original scale development paper (Bearden et al., 1989) by comparing the scores we can see that there are significant differences in some of the group’s scores (Table 1). Specifically Mexican Americans and the rest on informational items and Armenians and Hispanics difference from the Chinese and Anglo Americans on the normative Scale.
Table 1
Comparison of Mexican Americans to other cultural groups scores on the S.I.I Scale.

<table>
<thead>
<tr>
<th>Culture</th>
<th>Informational Scale score</th>
<th>Normative Scale Score</th>
<th>Informational Mean</th>
<th>Normative Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anglo American</td>
<td>12.59</td>
<td>22.04</td>
<td>4.2</td>
<td>2.76</td>
</tr>
<tr>
<td>Armenian</td>
<td>12.17</td>
<td>16.04</td>
<td>4.06</td>
<td>2.01</td>
</tr>
<tr>
<td>Chinese</td>
<td>12.98</td>
<td>24.42</td>
<td>4.3</td>
<td>3.05</td>
</tr>
<tr>
<td>Hispanic</td>
<td>5.76</td>
<td>17.64</td>
<td>1.45</td>
<td>2.2</td>
</tr>
</tbody>
</table>

CONCLUSION

One important aspect of surveying the Hispanic community with formerly validated instruments is that the language and cultural differences may lead to unexpected results due to misunderstanding of the instrument (Susan, 2000). Though the results differ greatly on the informational items they are in line with the other scores for the normative factors. This demonstrates that misunderstanding the instrument was not an issue but points to other areas of difference.

The Mexican American sample is influenced by normative factors similar to the Anglo-American but not to the extent of the Chinese population. This similarity of the Mexican Americans to Anglo American’s supports Fennel’s contention the ethnicity alone does not make a market segment but the similarity of pursuits (Fennell & Saegert, 1992). Mexican American’s who are attending college are more like the mainstream society that is educated than the ethnic culture that they come from. This supports the proposition that Hispanic students are being “normalized” or acculturated from a social aspect. However the fact that they do not seek informational factors points to differences in their information gathering processes that warrant further study.

Overall it can be reasonable to assume that Mexican American college students do not vary greatly from the mainstream public regarding normative influence and it could be argued that it is not necessary to target this group separately. Given also that those going to college are more likely to middle class, and that this group is found to be similar to the average middle class consumer there does not seem to be a great commercial need to modify marketing campaigns to target this group. Conversely given the greater influence of normative factors on the information gathering processing it argues for reinforcing WOM strategies. There is much research to be done and there is still not a consensus whether to target ethnic groups by ethnicity or by activity. This paper does not answer that question but does point out that the answer may not be as simple as choosing one generic marketing path in either direction. Targeted marketing may be appropriate for recent lower income immigrants, but is probably not appropriate for the educated generations that follow.
REFERENCES


265


Appendix 1

(Netemeyer et al., 1992)

1. I often consult other people to help choose the best alternative available from a product class.

2. If I want to be like someone, I often try to buy the same brands that they buy.

3. It is important that others like the products and brands I buy.

4. To make sure I buy the right product or brand, I often observe what others are buying and using.

5. I rarely purchase the latest fashion styles until I am sure my friends approve of them.

6. I often identify with other people by purchasing the same products and brands they purchase.

7. If I have little experience with a product, I often ask my friends about the product.

8. When buying products, I generally purchase those brands that I think others will approve of.

9. I like to know what brands and products make good impressions on others.

10. I frequently gather information from friends or family about a product before I buy.

11. If other people can see me using a product, I often purchase the brand they expect me to buy.

12. I achieve a sense of belonging by purchasing the same products and brands that others purchase.

NOTES: Normative factor items are 2, 3, 5, 6, 8, 9, 11, and 12; informational factor items are 1, 4, 7, and 10.” (Bearden et al., 1989)
Appendix 2

Pattern Matrix

<table>
<thead>
<tr>
<th>Item</th>
<th>Component 1</th>
<th>Component 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>consothe</td>
<td>.833</td>
</tr>
<tr>
<td>2</td>
<td>belike</td>
<td>.715</td>
</tr>
<tr>
<td>3</td>
<td>othlike</td>
<td>.754</td>
</tr>
<tr>
<td>4</td>
<td>obsother</td>
<td>.629</td>
</tr>
<tr>
<td>5</td>
<td>frienapr</td>
<td>.582</td>
</tr>
<tr>
<td>6</td>
<td>askfrin</td>
<td>.830</td>
</tr>
<tr>
<td>7</td>
<td>identoth</td>
<td>.701</td>
</tr>
<tr>
<td>8</td>
<td>impress</td>
<td>.815</td>
</tr>
<tr>
<td>9</td>
<td>frfam</td>
<td>.792</td>
</tr>
<tr>
<td>10</td>
<td>expectb</td>
<td>.893</td>
</tr>
<tr>
<td>11</td>
<td>belong</td>
<td>.852</td>
</tr>
<tr>
<td>12</td>
<td>othaprov</td>
<td>.861</td>
</tr>
</tbody>
</table>


KMO and Bartlett's Test

<table>
<thead>
<tr>
<th>Kaiser-Meyer-Olkin Measure of Sampling Adequacy</th>
<th>.916</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bartlett's Test of Sphericity</td>
<td></td>
</tr>
<tr>
<td>Approx. Chi-Square</td>
<td>1871.949</td>
</tr>
<tr>
<td>df</td>
<td>66</td>
</tr>
<tr>
<td>Sig.</td>
<td>.000</td>
</tr>
</tbody>
</table>
SLOGANS AND GLOBAL COMPANIES: AN EXPLORATORY STUDY

Syed Tariq Anwar, West Texas A&M University

ABSTRACT

In marketing, companies and brands are often associated with their slogans. Two types of slogans are used by businesses: company slogans at the macro level and brand slogans that advertise or position a specific product or a brand. It is a common practice in product policy decisions that helps to positioning products and brands. In global marketing, company slogans have always been popular among multinational corporations (MNCs) because of their image building and corporate identity characteristics. Since the advent of Internet and digital media, MNCs have increased the use of company slogans on their Web sites. This has helped in building visibility and maintaining a consistent image worldwide. As of 2007, company slogans have become a popular marketing and publicity tool among the MNCs. By discussing relevant literature and using content analysis, this exploratory study investigates 1,189 MNCs and their slogans from Business Week’s annual company list. The study compares and contrasts company slogans and their marketing as well as morphological (word formation in sentences) characteristics. The study finds that MNCs’ slogans tend to be diverse in morphology yet useful in maintaining brand identities and corporate image. The study also provides meaningful implications and future research directions of this topic.
AMERICAN VERSUS FOREIGN MADE DRUG PRODUCTS: IMPLICATIONS FOR PHARMACEUTICAL PRODUCT MARKETERS

Dennis Emmett, Marshall University
Ashish Chandra, University of Houston - Clear Lake

ABSTRACT

Foreign made products, especially from China, have received a lot of attention. There has been a lot of concern over ordering pharmaceutical products from foreign drugstores. The concerns were for safety, tampering, similarity in the formula of foreign made drug products sold as generics, etc. Consumers were asked whether they thought that American made drug products were better, the same, or worse than foreign-made products. Twelve different types of drug products were examined in this paper. Over 650 responses were received and we will explore the opinions that consumers expressed. Then, marketing challenges will be examined.

INTRODUCTION

In today’s world, many products are made outside the United States and imported here. The textile industry is a prime example. With the recent outburst of problems with products made in China, many people are more concerned. Not since the exploding Pintos in the 1970s has there been such an outcry (Parloff, 2007). In fact, the question is who is responsible when a product is defective. It does pose a liability risk for retailers in the United States (Rose, 1997). A number of people are placing the blame for these incidents with the U. S. and Chinese governments. That is a good place to start, but the real blame sits squarely with U.S. companies that are importing and distributing these goods (Vosper, 2007).

In earlier times, this may not have meant as much. In fact, a study in the 1980s suggested that country-of-origin may not have had a major effect on people’s perception of the product and thus their decision-making about what product to purchase (Ettenson et. Al, 1988). People began to look at where products came from, after the tainted dog food from China (Vosper, 2007).

Healthcare products, particularly drugs have usually been seen in a different light. The pharmaceutical industry has been warning consumers about the danger of counterfeit medicine in an effort to swing public opinion against imports (Hensley, 2003). The Food and Drug Administration (FDA) has sided with the pharmaceutical firms particularly with importation of drugs from Canada (Wechsler, 2003). In addition, results of consumer studies suggest that consumers’ perceptions about imported drugs could be changed by fear (Hensley, 2003).

Defying federal law and importing drugs from Canada was considered and done. Some states even enacted programs (e.g. Illinois and Wisconsin). In Illinois, only 0.02% of the population (3,689 people) used the program. Other states had similar results (Wall Street
Journal, 2007). The reasons given for not using the program were safety, no relationship with pharmacist, not knowing whether the drugs had undergone as U.S. safety check, generic drugs cheaper in the U.S., etc (Wall Street Journal, 2007). The FDA aggressively went after several internet pharmacies, including Rx Depot. Rx Depot made the statement that the medicines sold there were “FDA approved” and “exactly the same as if purchased in the United States” (Wechsler, 2003).

It is probably true that many consumers are either not aware of where the product is produced or are not concerned. The purpose of this study was to determine whether or not consumers thought that the drugs made in other countries were better than, the same, or worse than products made in the United States. Twelve different types of medicines were used. The survey was conducted prior to the China product scares.

**ANALYSIS OF DATA**

A survey was administered to 692 individuals. A convenience sampling technique was adopted for the purpose of this study. The samples utilized for this study were unrestricted non-probability samples. The rationale for adopting this type of sample was that despite its minor drawbacks, it had content validity, since all the respondents were legitimate consumers. The respondents were asked whether they thought different types of medicine made in other countries were as good as, worse than, or the same as products made in the United States. Of these individuals, there were 322 males and 366 females. In addition, 397 of the respondents were single with 287 of the respondents married. The ages of the respondents were 260 between 18-25, with 249 between 26-45, and 167 over 45. In addition, 274 of the individuals had less than a bachelor’s degree and 402 had a bachelor’s degree or above.

**Basic frequencies of responses**

The first analysis performed was to examine the different products. The results are given in Table 1. For most of the products, there are a significant number of “Don’t Know” responses. The percentage of “Don’t Know“ responses range from 53.9% to 39.5%. The reason for this may be two-fold. First, the respondents do not know where the product is made. Thus, they do not know about the quality of U.S. products versus foreign-made products. Second, they may know where the product is made, but have only tried products made in the U.S.

The second consistency in the data is that the percentage of individuals who feel that the product quality is the same ranges from a high of 33.1% to a low of 23.4%. This implies that a large number of individuals feel that the quality of American-made medicines is the same as foreign-made. If this is true, then the place of production should not be reason for purchasing.

When you exclude the “Don’t Know” responses, then the percentage the same goes from a high of 58.6% to a low of 42.6%. Table 2 on the next page provides these responses.
Table 1
Quality of Foreign Products in Relationship to American Products

<table>
<thead>
<tr>
<th>Question</th>
<th>Better</th>
<th>Same</th>
<th>Worse</th>
<th>Don’t Know</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Allergy Medicine</td>
<td>67</td>
<td>183</td>
<td>107</td>
<td>327</td>
<td>684</td>
</tr>
<tr>
<td></td>
<td>9.8%</td>
<td>26.8%</td>
<td>15.6%</td>
<td>47.8%</td>
<td>100.0%</td>
</tr>
<tr>
<td>Antibiotics</td>
<td>74</td>
<td>179</td>
<td>126</td>
<td>302</td>
<td>681</td>
</tr>
<tr>
<td></td>
<td>10.9%</td>
<td>26.3%</td>
<td>18.5%</td>
<td>44.3%</td>
<td>100.0%</td>
</tr>
<tr>
<td>Baby Products</td>
<td>89</td>
<td>162</td>
<td>129</td>
<td>301</td>
<td>681</td>
</tr>
<tr>
<td></td>
<td>13.1%</td>
<td>23.4%</td>
<td>18.6%</td>
<td>43.5%</td>
<td>100.0%</td>
</tr>
<tr>
<td>Cough &amp; Cold</td>
<td>60</td>
<td>224</td>
<td>117</td>
<td>283</td>
<td>684</td>
</tr>
<tr>
<td></td>
<td>8.8%</td>
<td>32.7%</td>
<td>17.1%</td>
<td>41.4%</td>
<td>100.0%</td>
</tr>
<tr>
<td>Digestive Medicines</td>
<td>59</td>
<td>192</td>
<td>109</td>
<td>320</td>
<td>680</td>
</tr>
<tr>
<td></td>
<td>8.7%</td>
<td>28.2%</td>
<td>16.0%</td>
<td>47.1%</td>
<td>100.0%</td>
</tr>
<tr>
<td>Eye Drops</td>
<td>66</td>
<td>204</td>
<td>100</td>
<td>314</td>
<td>684</td>
</tr>
<tr>
<td></td>
<td>9.6%</td>
<td>29.8%</td>
<td>14.6%</td>
<td>45.9%</td>
<td>100.0%</td>
</tr>
<tr>
<td>Fever Medicine</td>
<td>66</td>
<td>217</td>
<td>105</td>
<td>293</td>
<td>681</td>
</tr>
<tr>
<td></td>
<td>9.7%</td>
<td>31.9%</td>
<td>15.4%</td>
<td>43.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td>First Aid</td>
<td>84</td>
<td>195</td>
<td>133</td>
<td>269</td>
<td>681</td>
</tr>
<tr>
<td></td>
<td>12.3%</td>
<td>28.6%</td>
<td>19.5%</td>
<td>39.5%</td>
<td>100.0%</td>
</tr>
<tr>
<td>Headache Medicine</td>
<td>67</td>
<td>226</td>
<td>102</td>
<td>287</td>
<td>682</td>
</tr>
<tr>
<td></td>
<td>9.8%</td>
<td>33.1%</td>
<td>15.0%</td>
<td>42.1%</td>
<td>100.0%</td>
</tr>
<tr>
<td>Laxatives</td>
<td>41</td>
<td>185</td>
<td>89</td>
<td>369</td>
<td>684</td>
</tr>
<tr>
<td></td>
<td>6.0%</td>
<td>27.0%</td>
<td>13.0%</td>
<td>53.9%</td>
<td>100.0%</td>
</tr>
<tr>
<td>Pain Balms</td>
<td>72</td>
<td>169</td>
<td>96</td>
<td>343</td>
<td>680</td>
</tr>
<tr>
<td></td>
<td>10.6%</td>
<td>24.9%</td>
<td>14.1%</td>
<td>50.4%</td>
<td>100.0%</td>
</tr>
<tr>
<td>Tonics/Vitamins</td>
<td>97</td>
<td>178</td>
<td>114</td>
<td>294</td>
<td>683</td>
</tr>
<tr>
<td></td>
<td>14.2%</td>
<td>26.1%</td>
<td>16.7%</td>
<td>43.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td>All Type of Medicine</td>
<td>68</td>
<td>205</td>
<td>116</td>
<td>292</td>
<td>681</td>
</tr>
<tr>
<td></td>
<td>10.0%</td>
<td>30.1%</td>
<td>17.0%</td>
<td>42.9%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

Looking at the individual medicines without the “Don’t Know” responses, the percentage of respondents who think that foreign-made are better, range from 24.9% to 15.0%. The category with the most favorable responses is tonics/vitamins. This may be due to the fact that vitamins and tonics are often associated with Eastern medicine. Thus, individuals may be predisposed to these products made in other countries. The lowest percentage is for laxatives at 13.0%. The other items are as follows: baby product (23.4%), pain balms (21.4%), first-aid medicines (20.4%), antibiotics (19.5%), allergy medicines (18.8%), eye drops (17.8%), headache medicines (17.0%), fever medicines (17.0%), digestive medicines (16.4%) and cough and cold medicines (15.0%).

Looking at the individual medicines without the “Don’t Know” responses, the percentage of respondents who think that foreign-made are the same as American-made, range from 58.7% to 42.6%. The category with the highest percentage of the same responses is laxatives. The lowest percentage is for baby products at 42.6%. The other items are as follows: headache
medicines (57.2%), fever medicine (55.9%), cough and cold medicine (55.9%), eye drops (55.1%), digestive medicine (53.3%), allergy medicine (51.3%), pain balms (50.1%), first-aid medicines (47.3%), antibiotics (47.2%) and tonics/vitamins (45.8%).

Looking at the individual medicines without the “Don’t Know” responses, the percentage of respondents who think that foreign-made are the worse than American-made, range from 33.9% to 25.8%. The category with the highest percentage of the worse responses is baby products. Babies are a precious possession and we may not want to take any chances. The lowest percentage is for headache medicines at 25.8%. The other items are as follows: antibiotics (33.2%), first-aid medicine (32.3%), digestive medicine (30.3%), allergy medicines (30.0%), tonics/vitamins (29.3%), cough and cold medicine (29.2%), pain balms (28.5%), laxative (28.3%), fever medicines (27.1%), and eye drops (27.0%).

Table 2

<table>
<thead>
<tr>
<th>Question</th>
<th>Better</th>
<th>Same</th>
<th>Worse</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Allergy Medicine</td>
<td>67</td>
<td>183</td>
<td>107</td>
<td>357</td>
</tr>
<tr>
<td></td>
<td>18.8%</td>
<td>51.3%</td>
<td>30.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td>Antibiotics</td>
<td>74</td>
<td>179</td>
<td>126</td>
<td>379</td>
</tr>
<tr>
<td></td>
<td>19.5%</td>
<td>47.2%</td>
<td>33.2%</td>
<td>100.0%</td>
</tr>
<tr>
<td>Baby Products</td>
<td>89</td>
<td>162</td>
<td>129</td>
<td>380</td>
</tr>
<tr>
<td></td>
<td>23.4%</td>
<td>42.6%</td>
<td>33.9%</td>
<td>100.0%</td>
</tr>
<tr>
<td>Cough &amp; Cold</td>
<td>60</td>
<td>224</td>
<td>117</td>
<td>401</td>
</tr>
<tr>
<td></td>
<td>15.0%</td>
<td>55.9%</td>
<td>29.2%</td>
<td>100.0%</td>
</tr>
<tr>
<td>Digestive Medicines</td>
<td>59</td>
<td>192</td>
<td>109</td>
<td>360</td>
</tr>
<tr>
<td></td>
<td>16.4%</td>
<td>53.3%</td>
<td>30.3%</td>
<td>100.0%</td>
</tr>
<tr>
<td>Eye Drops</td>
<td>66</td>
<td>204</td>
<td>100</td>
<td>370</td>
</tr>
<tr>
<td></td>
<td>17.8%</td>
<td>55.1%</td>
<td>27.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td>Fever Medicine</td>
<td>66</td>
<td>217</td>
<td>105</td>
<td>388</td>
</tr>
<tr>
<td></td>
<td>17.0%</td>
<td>55.9%</td>
<td>27.1%</td>
<td>100.0%</td>
</tr>
<tr>
<td>First Aid</td>
<td>84</td>
<td>195</td>
<td>133</td>
<td>412</td>
</tr>
<tr>
<td></td>
<td>20.4%</td>
<td>47.3%</td>
<td>32.3%</td>
<td>100.0%</td>
</tr>
<tr>
<td>Headache Medicine</td>
<td>67</td>
<td>226</td>
<td>102</td>
<td>395</td>
</tr>
<tr>
<td></td>
<td>17.0%</td>
<td>57.2%</td>
<td>25.8%</td>
<td>100.0%</td>
</tr>
<tr>
<td>Laxatives</td>
<td>41</td>
<td>185</td>
<td>89</td>
<td>315</td>
</tr>
<tr>
<td></td>
<td>13.0%</td>
<td>58.7%</td>
<td>28.3%</td>
<td>100.0%</td>
</tr>
<tr>
<td>Pain Balms</td>
<td>72</td>
<td>169</td>
<td>96</td>
<td>337</td>
</tr>
<tr>
<td></td>
<td>21.4%</td>
<td>50.1%</td>
<td>28.5%</td>
<td>100.0%</td>
</tr>
<tr>
<td>Tonics/Vitamins</td>
<td>97</td>
<td>178</td>
<td>114</td>
<td>389</td>
</tr>
<tr>
<td></td>
<td>24.9%</td>
<td>45.8%</td>
<td>29.3%</td>
<td>100.0%</td>
</tr>
<tr>
<td>All Type of Medicine</td>
<td>68</td>
<td>205</td>
<td>116</td>
<td>389</td>
</tr>
<tr>
<td></td>
<td>17.5%</td>
<td>52.7%</td>
<td>29.8%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>
Analysis with demographic factors

There are four demographic variables; age, education, gender, and marital status. Age is divided into three categories: 18-25, 26-45, and 46 and above. Education has two categories: less than college degree and college degree and above. Gender is male and female. Marital status is single and married. Each of the demographic variables was analyzed to determine whether the variable had an impact on the responses for each type of product. The results are given in Table 3 and Table 4. Table 3 provides the analysis when “Do Not Know” responses are include; whereas, Table 4 provides the analysis when these responses are not included. In general, age appears to have the greatest effect on responses. Education and Marital Status have the least impact. Age has a significant relationship with each of the products when “Do Not Know” is included. When “Do Not Know” is included, education and gender have no significant impact. Marital status only has one significant result. The results for each demographic variable are examined separately.

Table 3
Result from Cross-Tabulations When Include Don’t Know

<table>
<thead>
<tr>
<th>Factor</th>
<th>Age</th>
<th>Education</th>
<th>Gender</th>
<th>Marital Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Allergy Medicine</td>
<td>.009***</td>
<td>n.s.</td>
<td>.052*</td>
<td>.085*</td>
</tr>
<tr>
<td>Antibiotics</td>
<td>.004***</td>
<td>n.s.</td>
<td>n.s.</td>
<td>n.s.</td>
</tr>
<tr>
<td>Baby Products</td>
<td>.017**</td>
<td>n.s.</td>
<td>n.s.</td>
<td>n.s.</td>
</tr>
<tr>
<td>Cough &amp; Cold</td>
<td>.000***</td>
<td>n.s.</td>
<td>.030**</td>
<td>n.s.</td>
</tr>
<tr>
<td>Digestive Medicines</td>
<td>.013**</td>
<td>n.s.</td>
<td>n.s.</td>
<td>n.s.</td>
</tr>
<tr>
<td>Eye Drops</td>
<td>.000***</td>
<td>n.s.</td>
<td>n.s.</td>
<td>n.s.</td>
</tr>
<tr>
<td>Fever Medicine</td>
<td>.002***</td>
<td>.078*</td>
<td>.060*</td>
<td>n.s.</td>
</tr>
<tr>
<td>First Aid</td>
<td>.024**</td>
<td>n.s.</td>
<td>.038**</td>
<td>n.s.</td>
</tr>
<tr>
<td>Headache Medicine</td>
<td>.000***</td>
<td>n.s.</td>
<td>n.s.</td>
<td>.063*</td>
</tr>
<tr>
<td>Laxatives</td>
<td>.075*</td>
<td>n.s.</td>
<td>.054*</td>
<td>n.s.</td>
</tr>
<tr>
<td>Pain Balms</td>
<td>.012**</td>
<td>n.s.</td>
<td>n.s.</td>
<td>n.s.</td>
</tr>
<tr>
<td>Tonics/Vitamins</td>
<td>.011**</td>
<td>n.s.</td>
<td>.060*</td>
<td>n.s.</td>
</tr>
<tr>
<td>All Type of Medicine</td>
<td>.000***</td>
<td>n.s.</td>
<td>.000***</td>
<td>.061*</td>
</tr>
</tbody>
</table>

Values are p-values.

n.s. – means not statistically significant
*
- Significant at .10 level
**
- Significant at .05 level
***
- Significant at .01 level
Table 4
Result from Cross-Tabulations Without Don’t Know

<table>
<thead>
<tr>
<th>Factor</th>
<th>Age</th>
<th>Education</th>
<th>Gender</th>
<th>Marital Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Allergy Medicine</td>
<td>.036**</td>
<td>n.s.</td>
<td>n.s.</td>
<td>n.s.</td>
</tr>
<tr>
<td>Antibiotics</td>
<td>.041**</td>
<td>n.s.</td>
<td>n.s.</td>
<td>n.s.</td>
</tr>
<tr>
<td>Baby Products</td>
<td>n.s.</td>
<td>n.s.</td>
<td>n.s.</td>
<td>n.s.</td>
</tr>
<tr>
<td>Cough &amp; Cold</td>
<td>n.s.</td>
<td>n.s.</td>
<td>n.s.</td>
<td>n.s.</td>
</tr>
<tr>
<td>Digestive Medicines</td>
<td>n.s.</td>
<td>n.s.</td>
<td>n.s.</td>
<td>n.s.</td>
</tr>
<tr>
<td>Eye Drops</td>
<td>.034**</td>
<td>n.s.</td>
<td>n.s.</td>
<td>n.s.</td>
</tr>
<tr>
<td>Fever Medicine</td>
<td>n.s.</td>
<td>n.s.</td>
<td>n.s.</td>
<td>n.s.</td>
</tr>
<tr>
<td>First Aid</td>
<td>n.s.</td>
<td>n.s.</td>
<td>n.s.</td>
<td>n.s.</td>
</tr>
<tr>
<td>Headache Medicine</td>
<td>.053*</td>
<td>n.s.</td>
<td>n.s.</td>
<td>n.s.</td>
</tr>
<tr>
<td>Laxatives</td>
<td>.073*</td>
<td>n.s.</td>
<td>n.s.</td>
<td>n.s.</td>
</tr>
<tr>
<td>Pain Balms</td>
<td>.062*</td>
<td>n.s.</td>
<td>n.s.</td>
<td>n.s.</td>
</tr>
<tr>
<td>Tonics/Vitamins</td>
<td>n.s.</td>
<td>n.s.</td>
<td>n.s.</td>
<td>n.s.</td>
</tr>
<tr>
<td>All Type of Medicine</td>
<td>.049**</td>
<td>n.s.</td>
<td>n.s.</td>
<td>.091*</td>
</tr>
</tbody>
</table>

Values are p-values.
n.s. – means not statistically significant
*  - Significant at .10 level
** - Significant at .05 level
*** - Significant at .01 level

Age with do not know category

Age is related to all the products. In all cases, older individuals (46 and over) gave “I Don’t Know” as a response more than expected. Likewise, for all cases, those 18-25 gave “I Don’t Know” less than expected. For those “18-25”, they responded more than expected for better and same for all cases.

The responses for allergy medicines provide some interesting results. The youngest group said better and same more that expected. They responded with do not know less than expected. The middle group said better less than expected and same more than expected. The oldest group said same less than expected and don not know more than expected.

In the case of baby products, the youngest group, 18-25, are responded higher than expected for better and same, and less for do not know. The next group, 26-45, responded higher than expected for same and worse, and less for do not know. The oldest group,46 and over less for better, same, and worse. There was a lot less than expected for do not know.

The responses for cough and cold remedies provided similar results as the rest. The youngest group, 18-25, gave more positive responses, more same response, and significantly less do not know responses. The middle group, 26-45, gave less “better” responses and more same. The oldest group gave less same responses and more do no know.
For digestive medicine, the younger group said better and same more than expected, and do not know less than expected. The middle group said better less than expected and same more than expected. The oldest group gave same less than expected and do not know more than expected.

When respondents were asked about eyedrops, the following results were obtained. The youngest group responded more than expected to same and less than expected to do not know. The middle group gave less “better” and more same responses than expected. The oldest group is less same and more do not know than expected.

Fever medicines provided these results. For the youngest group, more better and same responses were obtained and less do not know responses than expected. The middle group gave less “better” response and more same responses. The oldest group gave less same and more do not know.

First aid medicines provided the results that follow. The youngest class gave more better, same and worse. They gave a lot less “do not know”. The middle group was roughly the same as expected for each response category. The oldest group gave less same and worse and more do not know.

Responses to headache medicines are given. The youngest category gave more better and same and less do not know. The middle group gave less better and more worse. The oldest group gave less same and more do not know.

When the responses concerning laxatives were examined, the results are as follows. The younger group had more responses better and same, and less do not know. The middle group was about the same as expected for all categories. The oldest group had less same and more do not know.

Pain balms were the next type of medicine examined. The youngest group gave more better and same responses, and less worse and do not know. The middle group gave less better and do not know, and more same and worse. The oldest group gave less same and more do not know.

The results for tonics show that the youngest group gave more better and same responses than expected, and less do not know. The middle group gave less better and more worse. The oldest group gave less same and more do not know.

When respondents were asked about all types, the youngest group responded with more better and same and less do not know. The middle group gave less better than expected and more same than expected. The oldest group gave less same than expected and more do not know.

Overall, for all types of medicines, the youngest group generally gave more better responses than expected and less do not know. This implies that they have formed an opinion and usually that opinion is that foreign made products are better. The middle group really does
not follow a pattern. In a number of cases, their responses were not different than expected. The oldest group had a definite pattern. They were not sure which was better, and they responded with do not know rather than the same.

**Education with do not know**

There was only one product that had a significant relationship with education. That product was fever medicine. For those with less than college education, less better response were given than expected and more do not know that expected. College graduates gave more better responses than expected and less do not know than expected. Overall, education had no effect on the responses of the majority of the products.

**Gender with do not know**

When gender was examined with the responses to the various types of medicines, eight significant results were found. This is the second most important variable behind age. The results are presented here.

Allergy medicine was the first significant result. Males gave more better and more worse responses than expected. Males gave less do not know than expected. Females gave less better and less worse than expected and more do not know responses.

The next significant result was antibiotics. Again, males gave more better responses and more worse responses than expected and less do not know. Likewise, females gave less better and less worse responses that expected and more do not know.

Cough and cold products provided the next significant results. Again, the same results apply. Males gave more responses as better and worse and less do not know than expected. Females gave less better and worse responses and more do not know responses.

Fever medicine was the next significant type of medicine. The same pattern followed with males responding with higher number of better and worse responses and less do not know. Females had a lower number of better and worse responses and more do not know response than expected.

The next type of medicine that had significant relationship with gender was first aid. The pattern is the same as the others with males being both more positive (better) and more negative (worse) and less unsure (do not know). Females, on the other hand, are more unsure (do not know) and less positive or negative.

Laxatives provide similar results. Made had more “better” responses and more “worse” responses and less do not know responses. Women were less certain and had more do not know responses and less “better” and less “worse” responses than expected.

Tonics and all types provide the same results as the other categories. This makes the conclusion quite simple. Males appear to make a definitive decision, better or worse. Women
seem to be more uncertain and respond do not know.

**Marital with do not know**

There are only three significant results, when the demographic variable, marital status, is used. The first is allergy medicines. Single individuals are more likely to say better or same than expected, and less likely to respond with do not know. Married individuals are more likely to state that they do not know and state better or same less than expected.

The second medicine with significant results when utilizing marital status is headache medicines. Again, single persons are more likely to respond with better or same and respond less than expected to do not know. Married individuals respond more than expected as do not know and less than expected to better or same.

Third, marital status is important with all types of medicines. Single individuals respond higher than expected to both, better and same. They respond less than expected to do not know. Married responded more than expected to do not know and less than expected to better and same.

For marital status, single individuals are more able to make a distinction and say better or same. They respond less than expected to do not know. Married individuals are more likely to not be sure and respond do not know.

**Demographic variables without do not know responses**

When one excludes the do not know responses, there are few significant relationships. All but one of the significant results is related to age. The other significant result is with marital status. Education and gender have no significant results.

When age is consider, the first significant result is with allergy medicines. Younger individuals, 18-25, are more like to say better. Individuals 26-45 are more likely to say same. Older individuals, 46 and over, are more likely to say worse.

Similar results are found for antibiotics. The youngest group is more likely to say better, with both the middle and older group saying worse. The difference here is that the middle group said worse rather than same.

The result for eye drops is slightly different. The younger group is more likely to say same along with the middle group. The oldest group again states worse.

Headache medicine yielded similar results. The youngest group responded with more same responses that expected. The middle group and the oldest group has more worse responses than expected.

The use of age with laxatives yielded the following results. Young individuals were more like to state better or same. The middle group was more likely to state same or worse. The oldest group had more than expected in both better and worse and less than expected in same.
Pain medication revealed that younger individuals responded more than expected to better or same. The middle group responded less than expected to better and more than expected to same and worse. The older group responded slightly more than expected to better and more than expected to worse.

When age was used with all types of medicines, similar responses were obtained. Younger individuals responded higher than expected to better and same. The middle groups responded less than expected to better and more than expected to same. The older group responded more than expected to worse.

The other significant result was marital status with all types of medicines. The single individuals gave more better responses than expected and less worse responses than expected. Married individuals were more likely than expected to respond with worse and less likely to respond better.

Overall, younger individuals were more likely to say better, with middle group being split, and the older group saying worse. Single individuals say better, while married individuals respond more than expected with worse.

**IMPLICATION FOR MARKETING**

The results of this survey have significant implications for marketing of health-care products. These results are summarized below:

1. A large number of individuals do not know whether the products from other countries are better, worse, or same. The reasons for this are either they do not know where the product is made or have tried only U.S. products. A U.S. firm can use this to their advantage by stressing the value of U.S. products.

2. A large number feel that the products made in foreign countries are the same as U.S. products. Using “scare tactics” has been found to be effective, thus marketing of U.S. products should emphasize safety of their products as compared to the “unsafe” foreign products. This may even be more effective in light of the recent developments.

3. Tonics/vitamins are often seen more favorable for foreign-made. This is cultural, since many eastern countries use a wide variety of herbal treatments. U.S. vitamin suppliers must overcome this barrier.

4. U.S. made baby products are seen in a positive light. Babies are precious and we do not want them subjected to unsafe healthcare products. American firms could stress that their products are made in the U.S. and thus “guaranteed safe”.

5. Age is an important variable in most situations. Older individuals are less likely to purchase foreign made products; whereas, younger individuals will. This is a serious
concern. As the younger segment of the market matures and buys more products, the U.S. products may not be the choice.

6. The demographic variables of education, marital status, and gender are less important. It appears that the effort should be directed to influencing younger customers to favor American products.

The results are primarily that a lot of people either do not know where their product was or thought that the products were the same. This does not bode well for American producers who believe that their products are better. The problem with this study was that it was taken before the “Chinese scare”. The results may be entirely different now. More research is needed to see how the recent events have changed the situation.

REFERENCES


EXAMINING THE ROLE OF CULTURAL APPROVAL FOR FEMININITY VISUAL CONSUMPTION IN THE EARLY TAIWAN MEDICINE ADS

Chyong-Ling Lin, LungHwa University of Science and Technology
Jin-Tsann Yeh, Vanung University

EXTENDED ABSTRACT

Purchasing patent medicine was the “must have” consumption when Taiwanese traveled oversea. They possessed an attitude of medicine taking was healing if they were sick; otherwise they believed medicine could make people stronger. The outcome would be no surprising that, according US official organization investigation; Taiwanese occupied the first position of dialysis treatment in the world. The cognition could be contributed into the non-civilized and uneducated society in the early period. The treatment was suggestion from oracle or sorcerer instead of doctor.

The female role expectation descended from ancient history that dominator, male, defined “proper” position, emotion, and power for their dependency—female. In the beginning, the female role portrayals, in Taiwan, were adopted to deliver an image of solidarity condition, that women should also shared social responsibility with men in the turbulent era during Japanese colony. The idea extended to medicine marketing strategy that feminist stereotype depictions—beauty, housewife, and sex object could be applied according to medicine function. The feminist depictions delivered a visual consumption to market, which became a catalyst to escalate feminist consciousness after they were educated. The effectiveness could be a foundation to imperceptibly influence the following female role portrayals as well as social status.

Figure 1. Beauty Depiction. Figure 2. Housewife Depiction (1962). Figure 3. Sex Appeal (1962).
Miller (1987) indicated that the imbalance relationship, for a long time, between man and woman could contribute the philosophy of autonomy and dependency. The autonomist would define power status for dependent’s emotion, success, and power according to autonomist’s cognition. The influential level could cover social science, philosophy, science, and ethical issue. The autonomist, in Taiwan society, could be characterized, in Hofstedes’ culture consequences (1980), as high on power distance, high on uncertainty avoidance, high on masculinity, and low on individualism. They oppressed, subjugated, and dominated women based upon restrict Confucianism; in brief, men concerned women were worthless. However, the psychological evolution has been growing in women’s mind and adaptive attitude could be recognized in ads. They could appropriately define their sex image to match product category. The fittingness sex image derived from the Western cultural prevailed via the media in Taiwan. The contemporary feminist nurtured during the period when Taiwan women was taught to express their unique behaviors, cognitions, and emotions (Whipple & Courtney, 1985; Saad, 2004).

The study adopted content analysis, since 1950 to 70, to figure out the social ritual applied in advertisement that expressed social value of women. The medicine advertising once had the highest exposure in newspaper before 1970; therefore, the intensive exposure feminist depiction in the ads could be concerned as a path of “image learning” for woman to build self-image. The self-image building could influence and construct women’s self-expression preference, purchasing attitude, social position improvement, and culture approval toward new femininity expectation in the following decades.

SELECTED REFERENCES

DEVELOPMENT OF TECHNOLOGY IN THE NATIONS OF SUB-SAHARAN AFRICA AND THEIR GROWTH, INCOME, AND FOREIGN DIRECT INVESTMENT

Gordon G. Mosley, Troy University
David K. Amponsah, Troy University

ABSTRACT

This study investigates whether the technological environment in the nations of Sub-Saharan Africa can be related to their levels of foreign direct investment, economic growth, and national income. The results show that there is a strong relationship between the technological environment and foreign direct investment and income, but no such relationship between the technological environment and the economic growth rate.

INTRODUCTION

A previous, related study (Amponsah, Mosley, and Pappanastos 2004), found mixed relationships among growth, income, foreign direct investment (FDI), and the technological environment. This study revisits this area to determine if later (and, perhaps, better) data might allow us to establish the relationships among the above variables in a developing region of the world with more clarity.

Perreault and McCarthy (2002) view micro-marketing as controlling the firm’s product, distribution, promotion, and pricing. These micro-marketing activities occur within macro-marketing’s environments that are uncontrollable for the individual firm. Among the uncontrollable environments are the economic, technological, social/cultural, political, and legal ones. Further, the competitive situation also influences actions of the firm. These environments are uncontrollable for the individual firm, but may be largely controllable (or heavily influenced) by the society in which the firm is embedded. For example, interest rates, which are included in the economic environment, are not under the control of any individual firm, but are heavily influenced (or controlled) by governmental actions. For the purposes of this paper, only the economic and technological environments will be further investigated.

THEORETICAL BACKGROUND

The resource-advantage theory of competition (Hunt 2002) implies that nations compete as locations for industrial activity and investments. When contemplating investments in plant and office locations, firms will consider the uncontrollable environments that exist in each of the potential locations. Nations that wish to attract foreign business investment should work to make their uncontrollable environments as attractive to investors as possible. Specifically, nations that offer better availability of technology will have an advantage over others that offer less such
availability. It can be seen that nations do make efforts to differentiate themselves by negotiating tax abatements and other special privileges to attract foreign capital.

Porter’s (1990) national “diamond” holds that the determinants of the competitiveness of a nation’s firms and industries depends on the synergy of four aspects of its economic environment: (1) firm strategy, structure and rivalry; (2) demand conditions; (3) factor conditions; and (4) related and supporting industries. Better conditions in these areas should be more attractive to firms seeking business locations. Since this paper is concerned with technology, it is posited that in congruence with Porter’s diamond, nations that create easier access to technological advances will have an advantage over other nations where access is not as easy.

In congruence with these theories and schema, it is reasonable to conclude that nations with more favorable conditions in the uncontrollable environments and in the determinants of national advantage should be more attractive to firms as locations for investment. In turn, the increase in economic activity caused by FDI should cause a higher rate of economic growth and a higher level of national income than would be the case without the FDI.

An important void in the technology and E-commerce literature is studies that show the rate at which countries in Sub-Saharan Africa have adopted information and other technologies that are critical to each individual nation-state’s competitiveness in the global economy. It is important to study the size and scope of this growth in information and other technologies among the economies of Sub-Saharan Africa as these may be related to their prospects for overall economic growth, national income, and FDI. The purposes of this study are two-fold; first, to determine the status and growth in technological infrastructure in individual countries in Sub-Saharan Africa, and second, to determine how the level of available in the countries of Sub-Saharan African influences economic growth, national income, and FDI.

**LITERATURE REVIEW**

E-commerce refers to exchanges between individuals or organizations and activities that facilitate those exchanges, based on applications of information technology (Perreault and McCarthy, 2002). E-commerce involves the direct marketing of products and services from a manufacturer, retailer, service provider or some other intermediary to a final product user via e-commerce technologies. In addition to providing product and service information to a firm’s customers, e-commerce can provide information about a firm’s history, organization structure, policies, and an exchange platform to sell products and exchange information with customers (Kotler, 2003). E-commerce technologies include computers, telephones, cellular telephones, FAX machines, and the Internet. The Internet is central to the operation of e-commerce information technology (IT), as it has changed the platform, the process, and the dimension of global business (Cateora and Graham 2002, Yip 2003). As an influence on the marketing process, the Internet has led to disintermediation—the bypassing of traditional marketing intermediaries and channels of distribution. The Internet has also expanded the dimensions of traditional domestic marketing activities into the global marketplace.

The Internet has increased the ability of firms to conduct businesses faster, more accurately, over a wide range of time and space, at reduced cost, and with the ability to
customize and personalize customer offerings (Kotler 2003). Firms also use the Internet to set up Web sites to inform, promote and sell products and services. It facilitates employee communication with one another and with the corporate office. Firms’ Extranets also links the manufacturer with its suppliers and distributors to facilitate information exchanges, orders, transactions, and payments (Kotler 2003, Keegan and Green 2003). E-commerce technologies today allow firms to move ever closer towards “segment of one,” addressing customers individually rather than in aggregate segments or markets (Arnold 2004).

Yip (2003) has identified three areas of Internet globalization drivers. First, as a market globalization driver, the Internet increases global commonality in customer needs and tastes, enables global customers facilitates global channels, supports global marketing and highlights lead countries. Second, as a cost-saving driver, the Internet drives down costs by: 1) helping to achieve global economies of scale and scope, 2) enhancing global sourcing efficiencies, 3) speeding up global logistics, 4) exploiting differences in country costs, 5) reducing product development costs, 6) reducing costs associated with purchasing searches, and 7) reducing per order costs. Third, as a governmental globalization driver, the Internet helps to sidestep trade barriers, spurs global technical standards, and confronts diverse marketing regulations and legal systems.

E-commerce and development

E-commerce technologies are important catalysts to economic development. The Internet (the most important component of e-commerce IT) accelerates the process of economic growth by speeding up diffusion of new technologies to emerging economies. It facilitates education and allows for innovative services at a relatively inexpensive cost (Cateora and Graham 2002). The African Virtual University, for example, links 24 under-funded and ill-equipped African university campuses to classrooms and libraries worldwide. The Internet enables students to read online books and allows local entrepreneurs to seek potential business partners (Cateora and Graham 2002). It should also be noted that older technologies and infrastructure (e.g., electricity, telephone service, availability of truck and rail transportation) are also crucial prerequisites to economic growth.

Because the Internet cuts transactions costs and increases economies of scale through vertical integration, it may reduce the economically optimal size of the firm. Lower transaction costs make it possible for small firms in developing countries to enter global markets and compete with multinational corporations (Cateora and Graham 2002). However, the Internet also creates global Web-based business rivals for businesses in developing countries. The Internet thus heightens the intensity of global competition in developing countries, and many developing countries’ firms have to compete or be eliminated from the global marketplace.

Access to the Internet in developing economies, however, is more difficult and expensive than in developed countries. There are linguistic, legal, cultural and infrastructural challenges in gaining access to the Internet in developing countries. Further, the availability and high relative cost of telephone service, and the high costs of both personal computers and Internet connections discourage extensive use and contribute to slower Internet growth in developing countries (Cateora and Graham 2002). When comparing Sub-Saharan Africa to more developed areas of
the world, literacy rates are lower, telephone service is more expensive, and tariffs rates are higher (important since most computer equipment is imported). All of these tend to discourage the rapid penetration of IT in the region (Darley 2003). Governments, through encouraging and financing telecommunication technologies, and establishing appropriate regulations and policies can help to reduce IT costs—thus enhancing their domestic firms’ competitiveness in the global marketplace (Darley, 2003). Business firms in developing countries, while developing globally competitive products and services, must have globally competitive IT available to them.

Developing e-commerce IT in developing countries takes substantial investments in infrastructure to create easy access to the Internet. These investments could be made by both the governments and the private sectors of the individual countries (Cateora and Graham 2002, Darley 2003, Veseley 1999). Developing countries need to show consistent positive growth in the number of telephone lines, Internet hosts (connection providers), personal computer use, broadband availability, and Internet use to encourage FDI and economic growth.

METHODS

The population

The population studied began with the forty-nine nations in Sub-Saharan Africa (World Bank 2007). Seychelles and Mauritius were excluded because they were outliers (scores > 3\(z\) and/or scores < -3\(z\)) for seven of the nineteen measured variables. Other nations were excluded if the extent of their missing data made it impossible to include them in the analysis linking technology and the outcome variables. This left thirty-three nations with enough data to be included in the regression analysis. The final list of countries analyzed for this study is listed in the Appendix.

Dependent variables

Economic growth rate. The growth rate selected for use was the average annual percentage growth in gross domestic product from 2001 – 2005 (World Bank 2007).

Income. The statistic selected for this measure was the gross national income per capita stated in terms of purchasing power parity (World Bank 2007). The statistic reported is the average for the years 2001 – 2005.

Foreign Direct Investment. The statistic selected was the average annual FDI per capita for the 2001 – 2005 period inclusive (World Bank 2007).

Independent variables

Previous work with these (and similar variables) has shown that using single items as indicators of the environments discussed below leads to mixed results with small effect sizes (Mosley 2006, Mosley and Amponsah 2004, 2006). Although most indicators in past studies have varied in the hypothesized direction, many of the differences among the nations of Sub-Saharan Africa are not large enough to reach significance. In this study, a variety of items have
been selected to represent the technological environment. The items were selected to be representative of both new and old technologies useful in the business environment. Further, for an item to be selected, information on that item had to be available for large numbers of the nations in Sub-Saharan Africa. Missing data did create a problem, and lead to the omission of several items involving new technology (e.g., broadband availability), as well as several nations for whom insufficient data was available. From these items, scales have been created to represent the technological environment. The intent in item selection was to represent the variety of each environment without making each scale unwieldy or sensitive to too much missing data. Each of these indicators is well above the .70 level recommended by Nunnally (1978) for exploratory research.

**Technological environment.** Eight items were selected to create the technological environment scale. This scale was created from the variables listed below to represent the technological environment. Descriptive statistics were developed for each of these variables with their values recorded as their $z$ score, standardizing each of the variables included in the scale.

1. Internet users (per 1,000 people)
2. Personal computers (per 1,000 people)
3. Secure Internet servers (per 1 million people)
4. Telephone mainlines (per 1,000 people)
5. Telephone subscribers
6. Fixed line and mobile phone subscribers (per 1,000 people)
7. Electric power consumption (kWh per capita)
8. Energy use (kg of oil equivalent per capita)

The coefficient alpha achieved by this scale was .93.

**Growth rates in the technological environment.** The above eight items were also used to produce a scale for the recent growth rates in these variables, using the same method of standardizing the nations’ scores. The coefficient alpha achieved by this scale was .74.

**HYPOTHESES**

Business firms can be expected to invest in countries whose uncontrollable environments are most favorable to them (Hunt 2002; Perreault and McCarthy 2002; Porter 1990). The better the availability of necessary technology, the more likely companies will be to invest. These investments have been previously associated with higher incomes and growth rates. Hence, for nations with better availability of necessary technology, FDI, growth rates, and income are all likely to increase.

Hypothesis 1: Those Sub-Saharan African nations with higher technology scores will also have higher levels of FDI per capita.

Hypothesis 2: Those Sub-Saharan African nations with higher technology scores will also have higher levels of economic growth.

Hypothesis 3: Those Sub-Saharan African nations with higher technology scores
will also have higher levels of national income per capita.

Hypothesis 4: Those Sub-Saharan African nations with higher technology growth scores will also have higher levels of FDI per capita.

Hypothesis 5: Those Sub-Saharan African nations with higher technology growth scores will also have higher levels of economic growth.

Hypothesis 6: Those Sub-Saharan African nations with higher technology growth scores will also have higher levels of national income per capita.

These hypotheses were tested by using the above discussed independent and dependent variables in regression equations.

RESULTS

Macroeconomic data and data on the technological scales developed for this study are reported in the Appendix. Of the forty-seven nations listed in the Appendix, fourteen were not included in any of the regression analyses because of missing data. Table 1 reports the results of the regression equations run to test the hypotheses, while Table 2 shows a summary of the results of the hypotheses testing.

Table 1
*R-Square Statistics from this Studies’ Regression Analysis*

<table>
<thead>
<tr>
<th>Independent Variable</th>
<th>Dependent Variables</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>FDI per capita</td>
</tr>
<tr>
<td>Technological</td>
<td>.518&lt;sup&gt;a&lt;/sup&gt;</td>
</tr>
<tr>
<td>Environment Growth in</td>
<td>.059</td>
</tr>
<tr>
<td>Technology</td>
<td></td>
</tr>
</tbody>
</table>

<sup>a</sup> Significant at the .05 level
Table 2

Summary of the Results of Testing the Hypotheses

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Relationship</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1</td>
<td>Technological Environment → FDI</td>
<td>Supported</td>
</tr>
<tr>
<td>H2</td>
<td>Technological Environment → Economic Growth</td>
<td>Not supported</td>
</tr>
<tr>
<td>H3</td>
<td>Technological Environment → National Income</td>
<td>Supported</td>
</tr>
<tr>
<td>H4</td>
<td>Rate of Technological Growth → FDI</td>
<td>Not supported</td>
</tr>
<tr>
<td>H5</td>
<td>Rate of Technological Growth → Economic Growth</td>
<td>Supported</td>
</tr>
<tr>
<td>H6</td>
<td>Rate of Technological Growth → National Income</td>
<td>Supported</td>
</tr>
</tbody>
</table>

The regression equations show a strong relationship between the technological environment in a nation and that nation’s level of national income and ability to attract FDI. Surprisingly, the technological environment was not found to have a significant relationship with the economic growth rate. A weaker relationship was found between the rate of technological growth and a nation’s economic growth rate and national income. The R-square statistic for the relationship between the rate of technological growth and economic growth and national income is small enough to cast the relationship as a statistically—but not practically—significant one. No relationship was found between the technological growth rate and the ability to attract FDI. Thus, hypotheses 1, 3, 5, and 6 were supported (5 and 6 with a small effect size), and hypotheses 2 and 4 were not supported.

IMPLICATIONS AND CONCLUSIONS

Capital for economic development can be generated by firms within a country or invested from outside firms. Capital from outside the country is attracted when firms view their opportunities and the competitive advantages in an area as superior to those in other areas. The outside capital (FDI) attracted to nations in Sub-Saharan Africa seems to reward those nations with more developed levels in their existing technological environment. These same nations are also more likely to have a higher level of national income. The rate of growth in the technological environment does not seem to attract FDI in Sub-Saharan Africa, and has only a small effect on income and economic growth rates. If FDI is well designed and regulated by the appropriate host governments, it can be “bootstrapped” into infrastructure that supports many other business ventures as well. One key to development in Sub-Saharan Africa, then, would seem to be based on improving the region’s technological environment.

To attract outside capital, nations in Sub-Saharan Africa must also develop the areas used by outside investors so that its infrastructure (including the technological environment) is appealing to them. In some ways, this could be viewed as creating a “developed enclave” within a developing country. The developed enclave could, perhaps, be an area of 100 – 200 square kilometers with infrastructural facilities (e.g., roads, telephones, commercial buildings, and educational and cultural facilities) that would be comfortable for global investors. Investors from Europe, Japan, or the United States would see a business area that seemed perfectly modern and “normal” to them, with boulevards, office buildings, restaurants, and hotels, as well as cell phone, broadband, and wifi availability. This developed enclave would attract and incubate local...
businesses that served these outside investor firms.

In order to attract the FDI which could aid long term development, the nations of Sub-Saharan Africa would be well advised to improve their technological environments as well as other sensitive environments—such as the political-legal, social-cultural, and economic environments (See Mosley 2006, Mosley and Amponsah 2004, 2006 for affects of the other environments mentioned). Before making long-term investments in a given nation of Sub-Saharan Africa, investors would prefer to see social, political, and economic stability, as well as an extensive track record of economic growth.

This study’s major limitation was the amount of missing data. Many nations had to be omitted from some or all of the analysis because of missing data. The authors consider this to be a major limitation. This study’s findings should not be generalized beyond Sub-Saharan Africa, and should be used with caution even when being applied to its Sub-Saharan source.

REFERENCES


Perreault, William D. Jr. and E. Jerome McCarthy (2002), Basic Marketing: A Global-
Appendix. Selected Economic Indicators for Sub-Saharan Africa’s Economies

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Angola</td>
<td>15.90</td>
<td>10.55</td>
<td>93.96</td>
<td>1592</td>
<td>-.37</td>
<td>.51</td>
</tr>
<tr>
<td>Benin</td>
<td>8.44</td>
<td>4.08</td>
<td>5.83</td>
<td>1066</td>
<td>-.49</td>
<td>.76</td>
</tr>
<tr>
<td>Botswana</td>
<td>1.76</td>
<td>5.84</td>
<td>171.94</td>
<td>9650</td>
<td>2.09</td>
<td>-.67</td>
</tr>
<tr>
<td>Burkina Faso</td>
<td>13.20</td>
<td>5.10</td>
<td>1.31</td>
<td>1118</td>
<td>-.53</td>
<td>.11</td>
</tr>
<tr>
<td>Burundi</td>
<td>7.55</td>
<td>2.20</td>
<td>.02</td>
<td>666</td>
<td>-.61</td>
<td></td>
</tr>
<tr>
<td>Cameroon</td>
<td>16.30</td>
<td>3.66</td>
<td>11.21</td>
<td>2044</td>
<td>-.33</td>
<td></td>
</tr>
<tr>
<td>Cape Verde</td>
<td>.51</td>
<td>4.98</td>
<td>44.47</td>
<td>5110</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cent African Rep.</td>
<td>4.04</td>
<td>-.68</td>
<td>.37</td>
<td>1194</td>
<td>-.17</td>
<td></td>
</tr>
<tr>
<td>Chad</td>
<td>9.75</td>
<td>13.76</td>
<td>67.28</td>
<td>986</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Comoros</td>
<td>.60</td>
<td>2.79</td>
<td>1.15</td>
<td>1874</td>
<td>.15</td>
<td>.30</td>
</tr>
<tr>
<td>Congo, Dem. Rep.</td>
<td>57.50</td>
<td>4.04</td>
<td>5.59</td>
<td>608</td>
<td>-.65</td>
<td>.05</td>
</tr>
<tr>
<td>Congo, Rep.</td>
<td>4.00</td>
<td>4.40</td>
<td>72.33</td>
<td>854</td>
<td>-.43</td>
<td></td>
</tr>
<tr>
<td>Cote d’Ivoire</td>
<td>18.20</td>
<td>.11</td>
<td>13.19</td>
<td>1506</td>
<td>-.25</td>
<td></td>
</tr>
<tr>
<td>Djibouti</td>
<td>.79</td>
<td>2.98</td>
<td>20.80</td>
<td>2148</td>
<td>-.61</td>
<td></td>
</tr>
<tr>
<td>Equatorial Guinea</td>
<td>.50</td>
<td>10.94</td>
<td></td>
<td></td>
<td>-.12</td>
<td></td>
</tr>
<tr>
<td>Eritrea</td>
<td>4.40</td>
<td>3.67</td>
<td>2.62</td>
<td>1086</td>
<td>.24</td>
<td></td>
</tr>
<tr>
<td>Ethiopia</td>
<td>71.30</td>
<td>5.17</td>
<td>5.27</td>
<td>916</td>
<td>-.70</td>
<td>.38</td>
</tr>
<tr>
<td>Gabon</td>
<td>1.38</td>
<td>1.74</td>
<td>105.49</td>
<td>5704</td>
<td>1.57</td>
<td>-.33</td>
</tr>
<tr>
<td>Gambia, The</td>
<td>1.52</td>
<td>3.92</td>
<td>27.49</td>
<td>1680</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ghana</td>
<td>22.10</td>
<td>5.04</td>
<td>4.81</td>
<td>2172</td>
<td>-.26</td>
<td>.23</td>
</tr>
<tr>
<td>Guinea</td>
<td>9.40</td>
<td>3.08</td>
<td>6.61</td>
<td>2142</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Guinea-Bissau</td>
<td>1.59</td>
<td>-.12</td>
<td>2.48</td>
<td>770</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kenya</td>
<td>34.30</td>
<td>3.60</td>
<td>1.06</td>
<td>1120</td>
<td>-.17</td>
<td>-.03</td>
</tr>
<tr>
<td>Lesotho</td>
<td>1.79</td>
<td>2.83</td>
<td>59.44</td>
<td>3720</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Liberia</td>
<td>3.28</td>
<td>-3.36</td>
<td>47.81</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Madagascar</td>
<td>18.60</td>
<td>2.60</td>
<td>1.69</td>
<td>848</td>
<td>-.55</td>
<td>-.64</td>
</tr>
<tr>
<td>Malawi</td>
<td>12.90</td>
<td>2.73</td>
<td>.49</td>
<td>592</td>
<td>-.55</td>
<td>.02</td>
</tr>
<tr>
<td>Mali</td>
<td>13.50</td>
<td>6.39</td>
<td>11.23</td>
<td>898</td>
<td>-.54</td>
<td>.73</td>
</tr>
<tr>
<td>Mauritania</td>
<td>3.07</td>
<td>4.04</td>
<td>35.43</td>
<td>2132</td>
<td>-.01</td>
<td>.16</td>
</tr>
<tr>
<td>Mayotte</td>
<td>.18</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mozambique</td>
<td>19.80</td>
<td>8.87</td>
<td>13.06</td>
<td>1004</td>
<td>-.46</td>
<td></td>
</tr>
<tr>
<td>Namibia</td>
<td>2.03</td>
<td>4.40</td>
<td></td>
<td>6904</td>
<td>1.62</td>
<td></td>
</tr>
<tr>
<td>Niger</td>
<td>14.00</td>
<td>3.99</td>
<td>1.12</td>
<td>742</td>
<td>-.65</td>
<td>.86</td>
</tr>
<tr>
<td>Nigeria</td>
<td>132.00</td>
<td>5.66</td>
<td>13.56</td>
<td>862</td>
<td>-.17</td>
<td></td>
</tr>
<tr>
<td>Rwanda</td>
<td>9.04</td>
<td>5.40</td>
<td>.61</td>
<td>1068</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SaoTome/Princip</td>
<td>.16</td>
<td>3.82</td>
<td>16.00</td>
<td>1922</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Senegal</td>
<td>11.70</td>
<td>4.73</td>
<td>5.02</td>
<td>1584</td>
<td>-.05</td>
<td>-.05</td>
</tr>
<tr>
<td>Sierra Leone</td>
<td>5.53</td>
<td>13.94</td>
<td>5.38</td>
<td>674</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Somalia</td>
<td>8.23</td>
<td></td>
<td>1.08</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>South Africa</td>
<td>46.90</td>
<td>3.75</td>
<td>67.16</td>
<td>9718</td>
<td>-.50</td>
<td></td>
</tr>
<tr>
<td>Sudan</td>
<td>36.20</td>
<td>6.26</td>
<td>35.62</td>
<td>1672</td>
<td>-.16</td>
<td>-.16</td>
</tr>
<tr>
<td>Swaziland</td>
<td>1.13</td>
<td>2.20</td>
<td>19.59</td>
<td>4602</td>
<td>.45</td>
<td>-.39</td>
</tr>
<tr>
<td>Tanzania</td>
<td>38.30</td>
<td>6.85</td>
<td>12.36</td>
<td>640</td>
<td>-.50</td>
<td></td>
</tr>
<tr>
<td>Togo</td>
<td>6.15</td>
<td>2.49</td>
<td>6.85</td>
<td>1402</td>
<td>-.03</td>
<td>-.73</td>
</tr>
<tr>
<td>Uganda</td>
<td>28.80</td>
<td>3.61</td>
<td>7.06</td>
<td>1294</td>
<td>-.49</td>
<td>.94</td>
</tr>
<tr>
<td>Zambia</td>
<td>11.70</td>
<td>4.79</td>
<td>14.08</td>
<td>864</td>
<td>-.14</td>
<td>.43</td>
</tr>
<tr>
<td>Zimbabwe</td>
<td>13.00</td>
<td>-5.56</td>
<td>2.23</td>
<td>2170</td>
<td>.63</td>
<td>-.49</td>
</tr>
</tbody>
</table>

Source: 2007 World Development Indicators. Nations not included in the regression analysis because of missing data have their names printed in bold above.
ENTREPRENEURSHIP: ORIGINS AND GROWTH IN FOUR LATIN AMERICAN COUNTRIES

Sharon V. Thach, Tennessee State University
Vaidotas Lukosius, Tennessee State University
Esteban Lafuente, Autonomous University of Barcelona
Rodrigo Rabetino, Autonomous University of Barcelona

EXTENDED ABSTRACT

During the past 20 years many Latin American countries have attempted to liberalize their economies. The reforms (New Economic Model) introduced were aimed at creating freer markets, including the elimination of trade protectionism, liberalization of internal capital and financial markets, privatization, and support for entrepreneurialism and small business ventures (IABD 1997). However, most previous research in entrepreneurship has been conducted in the developed countries of North America and Western Europe. The situation, structure, growth patterns and resources of firms in developing countries may differ significantly, providing inadequate guidance for public policy and developing business theory.

Examination of Latin American SME founding and growth might add to our knowledge, providing insight into the role of macro-economic conditions and culture/experience on the growth patterns of newly formed firms. Latin America is highly appropriate as it comprises about one-third of the developing world’s economy and has undergone a regional transformation where there is new emphasis on business startups and exporting.

This paper reports an analysis of data collected by the Inter-American Development Bank on the growth of newer SMEs in four Latin American countries (Mexico, Costa Rica, El Salvador, and Chile) in late 2000-2001 through in-person interviews with firm founders. We address these questions regarding newer SMEs in Latin American countries:
1. Are the growth patterns of firms similar or different across the countries in this region?
2. Are there founder characteristics which make a difference in the rate of growth?
3. Is there a difference in the growth rates of firms in the knowledge-based sectors and manufacturing-based sectors?
4. Does the amount of the initial investment affect the growth rate?

Results showed that many of the conventional demographic characteristics of founders were not determinative of success across the four country sample, although access to social and business networks appeared most important. Initial sales were not good predictors of firm growth over the next few years, but overall patterns of growth were similar across the sample.
TO BUY OR TO LEASE? ANALYTIC MODEL WITH WEIBULL DISTRIBUTION

Gary H. Chao, Kutztown University

EXTENDED ABSTRACT

It is not an easy decision about buying or leasing a car for consumers. It is also bothering manufacturers whether they should focus on the sale or lease market. If all consumers buy cars from the sellers, the manufacture will not worry about the depreciation and discount rate. Manufacturers will get the sale revenue and try to attract more consumers to buy their cars. Meanwhile, the leasing plan will provide another incentive to consumers. Lessees can enjoy cars with the small payment. However, manufacturers will take the risk of higher depreciation than they estimated before and they have to sell the new and used products at the same time.

The decision about lease parameters (lease price and buy-back price) will influence the manufacturers’ profits and the sale volumes. In this paper, we assume the sale price is known and determined by the market competition, consumer preference and marketing strategies. Then the manufacturer can use the analytical methods to determine the lease prices, buyback price and lease quantity in order to maximize the profits.

In this model, we assume the customer demand as a Weibull distribution and we use the Logit function to determine the lease quantity and the sale volume ratio. We discuss the optimal pricing strategy under three scenarios: (1) pure lease market, (2) pure sale market, and (3) buy and lease market. We find that the optimal lease price can be determined by the discount rate, used car product quality and the consumer demand function where the maximum revenue can be achieved. The sale price will be determined by the new car quality and consumer demand function.
USING CONTENT ANALYSIS FOR ASSESSING SKILL, KNOWLEDGE, AND ABILITY DEMANDS WITHIN THE MARKETING RESEARCH INDUSTRY

Madhav N. Segal, Southern Illinois University Edwardsville
Edmund K. Hershberger, Southern Illinois University Edwardsville
Talaibek Osmonbekov, University of Southern Mississippi

ABSTRACT

This paper discusses the various methods used for assessing the Skill, Knowledge and Ability (SKA) needs within the marketing research industry while focusing on content analysis. Content analysis is a systematic, objective research technique for assessing the needs of hiring firms through the analysis of classified advertising for marketing research positions. These positions [online and print classified advertisements] can be examined using a systematic content analysis procedure to assess general and specific skills and knowledge areas that have been identified by hiring firms as critical for employers. The assessment results could be useful for purposes of designing new specialty programs within marketing education, adjusting teaching methods in existing specialty programs, as well as for career services development efforts. This paper also discusses advantages and disadvantages of using content analysis and outlines implications for marketing educators, administrators and academic institutions preparing marketing professionals.
INFORMATION TECHNOLOGY AND PROFESSIONAL SELLING: WHAT DO THE SALES PEOPLE OF TOMORROW THINK?

Dennis Bristow, St. Cloud State University
Rajesh Gulati, Georgia Southern University
Douglas Amyx, Louisiana Tech University

EXTENDED ABSTRACT

Researchers have been investigating the importance of information technology in the business world for some time. For example, Leigh and Marshall (2001) identified information technology as one of the research priorities in sales strategy and performance and their call for additional research in the area of IT and professional selling resulted in a proliferation of work. Hunter and Perreault (2007) and others investigated the impact of sales force automation (SFA) on sales performance.

Perhaps the writings of Anderson, Dubinsky, and Mehta (2007) in their professional selling text “Personal Selling: Building Customer Relationships and Partnerships” (pg. 41) provide the best summary of the importance of information technology in professional selling as well as the most compelling reason for the current study:

“Probably the most obvious and dramatic influences on personal selling today are technological innovations, especially in telecommunications. Today’s most successful sales people are those who make skillful and efficient use of technology to increase their productivity in serving customers.”

With that statement in mind, the authors of this manuscript designed a study to empirically investigate how students enrolled in college-level professional selling courses – the selling professionals of tomorrow – perceive the role of IT as a tool to aid professional salespeople in the field.

The survey research method was used in the study and data were collected from students enrolled in introductory professional selling courses at one of two AACSB accredited schools of business. The survey instrument included eight items related to student perceptions of how information technology might impact the career activities of a professional salesperson. The items were written based upon Erffmeyer and Johnson’s (2001) robust definition of technology in professional selling: technology in the form of cellular phones, faxes, personal computers, databases, the Internet, and electronic data interchange systems.

A total of 123 students voluntarily participated in the study. Slightly more than 47% of the participants were female and 73% held part-time jobs while another 12% held full-time jobs. Slightly more than 15% of the participants indicated that they had at some time held a professional selling job.
Descriptive statistics revealed that, for the most part, students held strongly positive attitudes towards IT and professional selling. 81% of the participants agreed (53.7% of participants agreed somewhat, 27.3% agreed completely) that IT would help sales people gain more control over their professional lives. Over 94% of the respondents, with nearly 43% indicating complete agreement, indicated that IT would add convenience to selling activities and nearly 90% of the participants agreed (37.2% indicated complete agreement) with the statement that IT would make the sales person more efficient in his/her selling activities. Similarly, 88% of participants agreed that sales people could use IT to increase their selling effectiveness (nearly 35% indicated complete agreement and less than 1% indicated disagreement). Slightly more than 82% of the participants agreed that IT would add flexibility to a sales person’s selling activities.

The final three information technology items on the instrument focused not on activities directly related to professional selling but rather on more tangential elements of selling. Descriptive statistics showed that slightly more than 85% of the participants agreed that IT could be used to better satisfy customer needs, with 35.5% of the respondents indicating complete agreement with the statement and less than 1% indicating disagreement. Almost 95% of the participants agreed that sales people could use IT to learn about their competitors, with 49% indicating complete agreement with the statement. Finally, nearly 93% of the participants -- with almost 53% indicating complete agreement -- agreed that IT could be used by sales people to become better informed about the products/services they sold.

The results of the current study, if generalized across students undertaking sales courses in various universities, suggests that we have a group of potential sales people who are comfortable with several sales technology tools, and who will readily use these tools in their selling professions. This could be an opportunity for interested sales organizations and educational institutions to enter into partnerships wherein students in selling courses are exposed to and learn about integrated sales force automation tools. The participating firms gain by having a more tech-savvy pool of candidates for future sales positions and the involved universities gain by being able to offer an important educational component to future sales people.

SELECTED REFERENCES


TO BE OR NOT TO BE: THAT ISN’T THE QUESTION! AN EMPIRICAL LOOK AT ON-LINE VS. TRADITIONAL BRICK AND MORTAR COURSES AT THE UNIVERSITY LEVEL

Dennis Bristow, St. Cloud State University  
C. David Shepherd, Georgia Southern University  
Michael Humphreys, Illinois State University  
Michael Ziebell, St. Cloud State University

EXTENDED ABSTRACT

The Institute of Education Sciences, National Center for Education Statistics (U.S. Department of Education 2007) reports that a 2001 study found that 55% of all 2-year and 4-year institutions offered college-level, credit-granting distance education courses at either the undergraduate or graduate level. In sum, on-line degrees and programs are already a part of the educational culture. With that in mind, the focus of the study reported in this manuscript was the empirical investigation of student perceptions of on-line courses at the college/university level. The researchers sought to provide information related to the following broad research question: “What perceptions do students hold regarding on-line courses as part of the university curriculum?”

The survey research format was used in the study and all data were collected from students enrolled in a variety of university business courses. The items included in each section of the questionnaire were derived from the relevant literatures and focused, in part, on the areas of on-line vs. traditional course formats (Kartha 2006; Sitzmann et. al. 2006); the impact of on-line courses on group projects (Williams and Duray 2006); quality of instruction and student preferences regarding on-line course offerings (Bressler and Bressler 2007).

Participants were volunteer university students enrolled in a variety of business courses at a large state university located in the Midwestern United States. A total of 801 students participated in the study. Of those participants, approximately 25% had completed at least one on-line university course.

Data analyses revealed that for the most part, students did not hold polarized opinions regarding the on-line courses they had completed. Mean responses indicated relatively neutral overall attitudes toward the on-line course experiences but more than 30% of the sampled students held negative perceptions of on-line courses.

Students who had completed one or more on-line courses at the university level more strongly agreed that on-line course enrollments were due to time or location limitations that prevented students from enrolling in traditional brick and mortar courses. Students who had not completed one or more on-line courses more strongly agreed that on-line courses make it easier for students to cheat on exams. The analyses also showed marginally significant differences between the two groups regarding their perceptions of whether or not the number of on-line
courses a student could complete should be limited and the degree of career preparation provided by on-line courses. ANOVA procedures also revealed marginal gender differences regarding the difficulty of on-line courses, the learning opportunity provided by on-line courses, and on-line courses as a good educational choice. Analyses revealed further gender differences in the level learning and job opportunities provided by on-line courses.

SELECTED REFERENCES


PROCRASTINATION: THE EFFECTS OF DEADLINES AND REWARDS ON REDUCING STUDENT PROCRASTINATION

Patricia Humphrey, Texas A&M University-Texarkana
Angela Emge, Scioto-Paint Valley Mental Health Center

EXTENDED ABSTRACT

The purpose of this exploratory study is to extend previous research of the intervention strategies used by professors to reduce procrastination in an academic setting. This study examines the extent to which deadlines (late assignments not accepted), or deadlines with reward (bonus points for early submission) reduced procrastination as measured by completion of the assignment, completion of the course, and performance in the course.

The results found students procrastinated less when rewarded for early completion of assignments than by deadlines alone in the third assignment, but no differences were found in the first, second and fourth assignment. The study suggests that deadlines with rewards may be helpful in reducing student procrastination near the end of the semester. Students may discount the need for bonus points in the early part of the semester, but as the semester progresses, students may become more grade-oriented and more receptive to incentives.

Procrastination was found to have a negative effect on academic performance and provides additional evidence that procrastination affects student learning which is reflected in the final course grade. As Ackerman and Gross (2005) reported, rewards and incentives may motivate students to start earlier on their assignments and reduce procrastination. Students that start earlier are more likely to do a better job and receive a higher grade in the course.

Future research should investigate the timing of rewards and incentives to reduce procrastination and the effects of the mode of delivery of instruction on procrastination.

REFERENCES

Personality and Individual Differences, 38, (January), 297-309.
DECISION SHEET AND LEARNING DIARY: NEW TOOLS FOR IMPROVED LEARNING THROUGH THE CASE METHOD

Abhinandan K. Jain, IIM, Ahmedabad, India
Mukund R. Dixit, IIM, Ahmedabad, India

ABSTRACT

Of the three phases of learning through the case method, instructors have focused on the in-class phase in training of both teachers and participants. The other two phases, pre-class preparation and post class-reflection, have not received much attention leading to lack of exploitation of the full learning potential from the method. This paper shares continued efforts to conceptualize and develop two tools, decision sheet and learning diary, to strengthen the two phases. These were designed and tested in three executive development programmes. The results and our reflections suggest that the tools enhance the process of learning and the learning itself.

INTRODUCTION

The case method continues to be one of the important methods of teaching marketing management in graduate and executive education programmes. The premise of the method is that superior capabilities of decision making can be developed through continuous and consistent involvement of participants in the process of decision making (Christensen and Hansen 1987; Dixit 2005). Instructors adopt the case method as a significant pedagogy in marketing courses and modules across the globe to develop competencies of designing and implementing marketing and competitive strategies to realize corporate objectives (Srinivasan 2005).

There are three distinct phases of involvement of participants in this method of learning: pre-class preparation, class discussion, and post-class reflection. Perusal of recent literature (Delpier; Barnes, Christensen, and Hansen), interactions with academics, particularly in India, and our own experiences show that the class discussion phase has received maximum attention from learners and facilitators/ instructors. There are also recommendations to the instructor on preparing the class handling strategy and conducting the class choreography (Delpier 2006). The other phases have not received that much attention. The instructors expect participants to get involved in these phases actively on their own. They put less emphasis on structuring or hand-holding of participants during these two phases. This lack of attention to the two phases is unlikely to help in accumulation of learning of decision making or concepts.

This paper adds to the ongoing discussion on improved learning through the case method. Two important views can be found in the literature (Kim et. al., 2006, p. 867) about how learning takes place. One view is that the power of learning from the method lies in the skill of the discussion leader in unfolding the learning (Schulman, 1999). The other view argues that a well prepared case affects the quality of learning through the type and quality of enquiry that learners generate (Eskine, Leenders, and Maufette-Leenders, 1998). However, some disadvantages of the method have the potential to affect the learning significantly irrespective of the view taken.
These, among others, include lack of preparation, reluctance to participate, and drifting away from the topic of discussion (Delpier 2006, 104).

The disadvantages become important, particularly in India, for learning in long duration entry level programmes (master’s and bachelor’s level programmes) as well as executive development programmes (EDPs). In long duration programmes majority of participants have neither the experience nor an earlier exposure to the method to appreciate, understand, and apply themselves in pre-class preparation and/ or after-class reflection phases. Lack of pre-class preparation affects the class discussion phase as well. In long duration programmes, it may still be possible to expect participants to learn the method well after some practice in the beginning.

Overcoming of the disadvantages becomes a real challenge in short duration executive programmes (SEDPs) where such luxury of slow learning is just not available and the programme learning needs to take off at a scorching pace from day one. EDPs mean a discontinuity in the routine of executives. They need to be inducted delicately into programme requirements. To the first time user, this is more critical. Hand-holding, providing feedback, and paying attention to individual expectations become necessary components of the learning process. Given the short duration nature, the tendency to switch off and get back to the corporate routine is very high. Alternatively there is a tendency to digress and move away from the case to be discussed. There could be greater efforts in merely satisfying curiosity like what is happening to the company now or what happened to the executive in charge in the case being discussed.

Our experience in offering of executive and post-graduate courses in marketing and strategic management, with the case method as the dominant pedagogy, and interactions with colleagues have brought out the lack of sufficient pre class preparation as an important factor contributing to poor performance in the class discussions. Either the class tends to rehash the case facts or the progress from diagnosis to decision making is very slow. The learning potential of the case is underutilized. This in turn leads to moving to the next case with dissatisfaction or carrying the case discussion over to the next class and sacrificing the discussion in the case. We have also noted that the course progresses from case to case without sufficient check on the learning imbibed by the participants through their involvement.

Increased attention to pre-class preparation has the potential to significantly improve the preparation and the learning from the class discussion phase. Enhanced post-class reflection, at the end of each session, has two potential benefits. One, it can help enhance and consolidate the learning from a specific case situation through the other two phases. Two, through accumulation of learning at the end of each subsequent case discussion session, it has the potential not only to enhance the learning but also to inculcate the habit of decision making and learning from one’s own experience.

To address these inadequacies and improve the learning from the case method, we, along with two faculty colleagues (Ramesh Bhat and Sunil Maheshwari), have been experimenting with two tools-decision sheet (DS) and learning diary (LD) - to improve the involvement of participants in pre-class preparation and post-class reflection while maintaining the emphasis on class discussion. This paper shares the experiences of experimenting with these tools. We briefly describe the tools we have developed. This is followed by sharing of experiences and reflections.
of designing, developing, and testing the tools in three executive development programmes: a one week programme on marketing for middle level managers, a marketing module in a general management programme for senior managers, and a customer-centric general management programme for senior managers. The paper concludes with implications of using the tools and suggestions for further research.

DECISION SHEET AND LEARNING DIARY

The tools - DS and LD - are complementary to each other. DS is primarily structured to help participants prepare well for class discussion. LD is designed mainly for improving after-class reflection. However, it also is helpful in better preparation for the next case by explicating the learning from earlier cases and linking it with the case for discussion.

Decision Sheet (DS)

Decision sheet (DS) has been conceived to enable each participant improve pre-class preparation for improved class discussion. Our experience has been that the level of preparation varies from session to session and from day to day. The traditional instrument for better preparation has been the guidelines for preparation. However, these are seldom sufficient to take the participants, especially first-time case learners, through the entire process of decision making. Adequate preparation includes comprehending the case and the associated readings, diagnosing the situation to define the decision problem(s), generating options, setting up criteria for making a choice, evaluating options on the basis of both qualitative and quantitative analysis, and recommending a course of action including an implementation plan. The decision sheet implores the participant to formally note these on a sheet of paper and bring it to the class. At times he/she is asked to submit the sheet online before the class. The format of the DS requires each participant to take on the role of the decision maker in the case, analyse the case and write down the following:

- Key decision questions/options faced by the participant and the rationale for judging them to be so
- Decisions taken by the participant and their rationale
- Anticipated positive and negative consequences of decisions taken
- Measures to mitigate the negative consequences

Participants are required to check that their decision sheet is complete in all respects, concrete to enable the decision maker to initiate action, and internally consistent. The decision sheet needs to be prepared by each participant individually for each case. It could also be prepared by a learning group if participants are formed into groups for pre-class preparation.

DS can be used in the class discussion phase in different ways. It could be used as a basis for initiating and building class discussion. Alternatively, the instructor/facilitator can ask participants to present the decision sheet and others, including the instructor, can comment on it in the class itself. The instructor can ask for a submission of sheets either in the beginning or at the end of the class and give written feedback. The participant may resubmit the decision sheet after incorporating the comments or use the comments to strengthen the next session’s decision
sheet. The instructor can accumulate several decision sheets of participant and provide comprehensive oral or written feedback on the participant’s competencies in analysis and decision making and suggest areas that need strengthening.

Learning Diary (LD)

We have developed the learning diary to facilitate reflection on the learning by the participant. In designing this tool, we have tried to incorporate three elements: what is to be learnt, how it is learnt, and how would it benefit the learner in future. Learning of management has been identified to include learning of knowledge (K), attitudes (A), skills (S) to utilize the knowledge/habits (H) (Follett). This learning takes place through total involvement of participant inside and outside the classroom. The participant involves himself/herself in different roles, some of which are: initiator (of discussion), builder (building the logic on the basis of others’ arguments and adding ones own), challenger (of other’s arguments), integrator (of discussion), evaluator, persuader, observer and the like. Each role has a distinct contribution to make to the participant’s stock of learning. Having learnt, the participant is expected to apply the learning in his/her context and draw up his own learning agenda for future.

In LD the participant is formally required to reflect on three aspects. First, he needs to reflect on the nature of involvement in class discussion and in interactions outside the class. Next, the participant reflects on the nature of learning itself. Finally, the learning is used to set an agenda for applying the learning and for further learning. The participant is also required to reflect on the unlearning that is taking place. The facilitator asks for a formal submission of the learning diary and provides feedback.

We first implemented the concept in an open format where participants were required to describe their learnings. No structure was given. On the basis of our experience and feedback from participants in the first two SEDPs, we decided on a structured format. In the third EDP we structured it tightly. This new format has three sections. The first section implores the participants to reflect on learning reinforced, added, and discarded on each dimension of KASH. The second section focuses on the roles played in class and those played out of class. The last section records the agenda for application of learning and professional development in future. (See Appendix 1 for the format developed)

Design and Development Experiences

We have designed, developed, and tested the two tools in three EDPs. The first one was to design, develop, and test the structured DS and get inputs for structuring LD. This was accomplished in a customized, short duration, and small registration programme on marketing management. The second was for adapting the tools for a large registration programme. The third was for testing the DS as well as designing, testing, and developing the structured LD. This was undertaken in a customized, short duration, customer centric general management programme.
EXPERIENCES IN A CUSTOMISED PROGRAMME FOR MARKETING PROFESSIONALS

Setting

This was a three-phase intensive EDP offered to middle level executives engaged in managing retail outlets in the fuel retailing strategic business unit of a large petroleum marketing company in India. The programme was designed to develop customer orientation among front line sales supervisors (who supervised the outlets) and executives who helped in order fulfillment, maintenance of equipment and infrastructure at retail outlets, and collection of receivables. The programme included topics related to marketing, accounting and finance, human relations, and competitive strategy. The programme had 24 sessions (of seventy minutes each) and 11 cases. Thus participants were to prepare two cases on any particular day. Each case was to be discussed over two sessions, each of 75 minute duration. Each batch of the programme consisted of about 30 participants. The participants of each batch were divided into several study groups to facilitate small group discussion before coming to the class. The performance of each participant was assessed on the basis of his/her participation in class discussions. While the programme consisted of several batches, the two concepts were implemented in one of the batches of this programme.

Each participant of the test batch was requested to prepare DS for each case after completing individual preparation and before going for small group discussion for pre-class preparation. They could, if they so desired, modify DS after small group discussions. At the beginning of the class, the instructor asked some participants to submit their individual DSs. These were used as a base to initiate case discussion. The instructor also commented on some DSs. Participants were requested to revise the DSs after the class. They were asked to submit the entire bunch of DSs at the end of the programme along with a one-page statement of their learning from the programme using the format of KASH. All these steps were mandatory for the participants.

Measures of Feedback

The usefulness of the two concepts was assessed using the following feedback measures:

- Instructor’s assessment of pre-class preparation through regular visits to the venue of pre-class group discussion at assigned timings. The programme was residential. Both participants and the instructor stayed in the same venue. The instructors could take rounds and interact with participants formally and informally.

- Instructor’s assessment of involvement and learning by participants as reflected in class discussion/participation, and discussion of selected DSs in class. Both authors were instructors in the programme and amongst them they discussed their own reflections on the adequacy of preparation and the progress of sessions based on DS. We also observed the level of enthusiasm in the class and its sustenance.
Instructor’s assessment of learning on the basis of presentations on a comprehensive marketing situation at the end of the programme. Participants were required to work in larger groups on a comprehensive marketing case and make formal presentation.

Quantitative and qualitative feedback by participants at the end of the programme. The instructors collected formal feedback from participants on the learning and suggestions for improvement.

Instructors’ assessment of learning as reflected through the set of decision sheets submitted by participants at the end of the programme. The set was checked for monotony in response, progress across dimensions like completeness, concreteness, and consistency.

The instructor’s own reflection was relative to the experience with the case in other programmes.

**Key Findings and Reflections**

We found the involvement of participants to be positive. Initially they were confused about the expected contents of DS and LD. They were not sure of what to include and what to exclude. They also experienced difficulty in separating the individual decision sheet from the conclusions arrived at in small group discussions before the class. They were clearer as they progressed from session to session partially helped through clarifications by instructors.

We noticed that, despite clear instructions, DSs remained incomplete. Some participants tended to provide a summary of the case instead of their decisions and other aspects expected in the format of DS. We also noticed incompleteness in matching the decision questions with decisions. While participants identified many decision questions, they chose to answer only a few. In some other sheets, the rationale for decisions was missing. Special weakness was noticed on identifying the consequences of decisions taken and in taking care of the negative consequences of their decisions. We also noticed that participants found the preparation of DS to be stressful. In the absence of handholding and personal feedback, they would have given up or adopted shortcuts.

End of programme presentations (on a comprehensive marketing situation) by participants were significantly better than the ones made by earlier batches. The learning of concepts and skills was of a much higher order. The presentations and class discussion after the presentations revealed improved learning of key concepts of customer and consumer behaviour, competitive behaviour, and environmental analysis. Skills of using numbers, including cost and financial analysis, and their use for making decisions were also amply demonstrated. The presentations and discussions reflected the positive attitude to take decisions on a regular basis, thus indicating habit formation. However, we would not ascertain this.

End of programme feedback by participants was highly positive. Overall learning as reflected on a self-rating scale (1 to 5) was 4.76 and was higher than the ratings given by earlier batches where DS and LD were not used.
End of programme feedback on strengths and weaknesses of the concepts, assessed through an open-ended question, was quite revealing. There were large number of strengths and only one weakness. Illustrations of strengths included: “helped in reading and preparation”, “helpful in crystallizing the learning”, “helpful in consolidating the learning”, “helps form habit of coming to class prepared”, “gave me confidence in decision making”, “more effective in our daily life”, etc. The weaknesses expressed were: “time available was too short” and need for greater clarity on the expectations from DS and LD.

A review of the set of DSs and LDs submitted at the end of the programme indicated a strong understanding of case situations, increasing degree of use of analysis (with each subsequent case discussion), and taking decisions. The write-ups reflected at least partial plans to take appropriate action if the actions taken did not lead to desired results. Learning of knowledge and skills was in evidence in almost all decision sheets. However, learning of habit(s) (of action orientation, of use of analysis, and skills) was not very clear. At best, we could infer initiation of some habits. Thus, the analysis of write-ups suggested that the four dimensions of KASH were possible to be identified by instructors.

The participants felt that preparing the sheet for every case put them under time pressure. However, no assessment of the time taken by participants was available from the feedback. The instructors felt that each submission on DS and LD took anywhere from 15 to 45 minutes to go through and discuss/provide comments and feedback.

Adoption of DS and LD in the programme indicated their strong potential to contribute to the learning of participants, particularly in pre-class preparation and post-class reflection. We reflected that starting the session using DSs was a good idea. It recognized those who were ready and those who were picked received adequate comments and suggestions for modifications. But it left other eager participants, who did not get a chance, frustrated. We took care of this by asking participants to submit their sheets and providing feedback. We were available after the class for discussion. As we were all staying together, accessing us for a discussion was not a problem. However, as mentioned above, time implications for the instructors were significant.

MARKETING MODULE IN A GENERAL MANAGEMENT PROGRAMME

Several of the programmes offered by Indian Institute of Management, Ahmedabad, and many other institutions are likely to have large registrations. We therefore wanted to adapt the tools and test them for such applications. We got an opportunity to do so in a four week long general management programme offered to middle level executives from a large number of medium to large size organisations in India. We tested the tools in the marketing module of the programme.

Setting

The objectives of this programme included enhancing participants’ general management capabilities. The programme included several modules on accounting and finance, human resources, operations, information technology, marketing management, etc. Participants came
from diverse backgrounds. The programme was residential. The authors and one other colleague teaching in the programme also stayed on the campus. The number of participants in this programme was about 90 and the batch was divided into two sections. The participants were also divided into several study groups to facilitate discussion of cases before class. The programme had a separate session for initiating the participants to the case method of learning. This session was conducted by one of the authors of this paper. The concepts of DS and LD were introduced in this session. We mentioned that maintenance of the learning diary was compulsory and the coordinator of the programme could ask for the submission of learning diary any time during the programme. We used the tools in three modules: marketing management, strategic management, and human resource management. This paper shares the experiences with the marketing module.

The marketing module used six cases over seven sessions, each of 75 minutes. The number of cases to be prepared by participants in a day was about three. As the batch was large, we decided to ask for preparation of one DS per group to facilitate discussion of DSs in and out of class. However, to pursue individual learning and decision making, participants were requested to recapture their learning at personal level and in relation to their organization and report in the DS itself. One to three DSs were used in each class to initiate the discussion. We had planned to meet each group after the class to discuss their DSs. Each group was also to submit all DSs at the end of the module along with a brief statement on their learning from the module.

Measures of Feedback

The feedback measures used included all the measures used in the customized marketing programme and the following:

- Overall assessment of learning from the module through the feedback questionnaire.
- Assessment of learning from submissions of decision sheets and overall learning by study groups of 6 to 8 participants at the end of the programme.
- Feedback sought individual participants after one month of their return to their respective organizations.

Key Findings and Reflections

The overall feedback on the marketing module about the use of the tools was very positive on all measures outlined above. Pre-class preparation in study groups was very good. This assessment was made during the visits of the instructors to the venue of study groups at the time of group discussion. However, it was not always possible to meet the groups since they varied their time of meeting depending on the demands on their time.

The number of participations in class discussions and their intensity was found to be higher compared to earlier programme offerings. Participants presented their decisions and justified them quite well. We found some degree of preparation of action plans. This could be sharpened more through class discussion. We made these assessments while guiding the class discussion.
Presentations and discussions on a strategic marketing situation at the end of the module reflected a very high degree of knowledge assimilation from earlier sessions as well as from the assigned readings. Positive attitude towards use of knowledge and appropriate skills (of using profitability analysis, customer value analysis, and product portfolio analysis) was reflected in supporting the decisions taken.

DSs and LDs submitted at the end of the programme reflected a superior level of learning of KASH. This was at three levels: at the level of the group, at the level of individual participant, and at the level of applicability of the learning in the participant’s organization. Such assessments could hardly be made without the introduction of DS and LD.

About 20 per cent of participants responded to our request to send their assessments of the usefulness of DS and LD. They found the tools to be extremely innovative and helpful in facilitating better understanding of the decision situation, better analysis, and in taking better decisions. The exercise of reflection also helped them compare their real-life decision making processes with the ones they were learning.

Participants pointed out a serious problem in using the LD and DS. This was the time taken to fill the instruments, i.e. do a serious reflection. Participants pointed out that, while they learnt more from the two modules which used the concepts, they were able to do so only at the cost of learning from other modules. Participants preferred group DSs and LDs primarily because of time taken. Another reason could be the help in crystallizing their own learning in the group.

The tools, particularly DS, were found to be useful in providing a structured approach to a participant’s involvement in the programme. They also created a takeaway for the participant. He/she could reflect on his/her submission even after the programme. In a way they amount to an implied evaluation of the participant’s progress in a programme that does not have formal tests or quizzes. Evaluating LD and providing feedback on an overall basis was difficult. The tools put the instructors under time pressure. However, the pressure was worth bearing since they led to a more complete analysis and discussion of cases. In implementing the tools we were helped by the residential nature of the programme. The participants could devote their time to the harnessing the learning opportunity provided by the programme. However, the group sheet did not provide an opportunity to assess how the individual was progressing.

The results clearly demonstrate the superior learning achieved through structured DS and unstructured LD in SEDPs. The number of cases to be prepared per day in the programme seemed to affect the preparation. Time needs to be set aside for reflection to get the most out of the use of the two instruments. It seems that assigning up to two cases a day, as in the customized marketing programme, could be adequate to take care of the time dimension at the participant’s end. Instructors also need to set aside adequate time for for assessing the learning of participants and for interactions and providing comments to participants. This could be in the class or out of class. In-class discussion has the advantage of multiplier effect by clarifying critical aspects from one participant’s DS/ LD to the rest of the class. This may lead to better time management.
STRUCTURING THE LEARNING DIARY IN A CUSTOMIZED GENERAL MANAGEMENT PROGRAMME

We got an opportunity to refine and structure the LD and assess its usefulness in another customized programme. The open format of the learning diary was redesigned on the basis of feedback of earlier two tests and findings from literature. The dimensions of learning of management, as identified in literature earlier, were: (K) knowledge, (A) attitudes, (S) skills, and (B) behaviour. We also added the learning of roles needed by managers. These were identified as initiator, challenger, builder, integrator, persuader, etc. These roles were thought to be essential for a manager for arriving and implementing decisions. Finally, all the learning in the classroom was to be applied in real life as well as to set the future learning agenda of the individual manager. Thus, the learning diary was designed to have three distinct parts: one reflects learning of KASH, second reflecting learning of roles, and the third reflecting the agenda for future.

Setting

The re-designed LD and the DS were tested in a customized EDP for senior managers of an international life insurance company operating in India. Participants numbered 16 and their responsibilities were varied. This was an intensive one week EDP. The programme had on average two cases per day and each case was discussed over two sessions of 75 minutes each.

The programme had an introductory session on the case method of learning. They were briefed to prepare their DS and LD for each case discussion. The instructors used DSs and LDs, as in earlier two tests, to initiate the discussions. A full session of 75 minutes was also devoted to review programme learning in the middle of the programme (third day of the six-day programme). Participants were requested to send their learning diary after they returned to their work place. We assessed usefulness of the tools by using the same process as before.

Key Findings and Reflections

Participants found both tools to be useful and helped them get involved speedily and participate in the learning process. Conceptualizing learning in terms of KASH was assessed as “the major strength” of the programme by one participant. It was seen as significant by four of the 16 participants. Participants rated the contribution of LD to several aspects of learning on a five-point scale. The dimensions of learning on which the contribution was assessed were preparation before class; class participation; reflection after the class; and learning of decision making, concepts, skills, attitudes, behaviour, role taking in case, role taking in class, finding application area, and professional and personal enhancements. As anticipated, the contribution on “reflection-after-the class” was rated the highest at 4.60. The next best element was the “learning of concepts”. Also, all other elements were rated more than 4.00.

The most important insights were from the qualitative comments made on suggestions to improve LD. To begin with, 12 participants made positive comments about improving LD. Most of these were to clarify the concepts and the format at the beginning of the programme. Some comments were to simplify the format particularly after it was understood well. One suggestion was to provide a diary for recording ones learnings. Another comment described it as a support
tool for learning and reflecting. One participant mentioned the possibility of using LD in his future work life.

The time taken by participants to fill LD varied from 1-15 minutes to 45-60 minutes. All of them felt they needed more time. Three participants referred to KASH in their “Any other suggestions” at the end of the feedback instrument. One of them mentioned “My takeaway: Have a KASH for all big decisions.” Formalization of the learning diary was very helpful.

Implications and Directions for Future

The findings clearly demonstrate the potential for superior learning that can be achieved through use of DS and LD. We provide the implications for using the tools, limitations of the current effort, and directions for future research.

Conclusions and Implications

Time needs to be set aside for reflection to get the most out of the two instruments by both, participants and instructors. The programme schedule has to be so designed as to provide sufficient time to participants to reflect on the learning. Similarly time slots should be provided for interaction with instructors. The instructor/ facilitator need to provide adequate time for assessing the learning of participants and for interactions with them whether in or out of class. In-class discussion has the advantage of multiplier effect by clarifying critical aspects from one participant’s DS/ LD to the rest of the class. This may lead to better time management.

Our experience suggests that there should be no more than two cases a day (a total of four sessions of about 75 minutes each) for getting the best results. This implies that programme directors and instructors may need to consider cases which cover more dimensions to deliver the same programme objectives. An option is to extend the duration of the programme. However, the latter may need a careful assessment of costs and benefits on using the tools. Our assessment is that extension of time may be a better option particularly for customized programmes. In the case of open programmes, the marketing effort to convince the administrators and programme participants for a longer duration may be a Herculean task.

Sustenance of involvement of participants in the tools is dependent on the commitment reflected by instructors in going through submissions and providing feedback. They should also provide for face-to-face interactions. Participants may require handholding. The time to be devoted to the tasks is very high. In the absence of this, there is risk of submission becoming a chore and participants adopting shortcuts.

The two tools seem to have the potential to be developed as some kind of knowledge management system for executives not only for learning from programmes but also from day to day experiences.

Limitations

The tools have been developed through an evolutionary process. They have thus not been
tested in a rigorous manner. The dominant mode of refinement has been continuous involvement, observation, and reflections by authors and their colleagues. The applications have been on limited samples and limited type of programmes.

**Directions for Future**

DS and LD may be modified to include different types of programmes with different sets of objectives. They may also be tested more rigorously through a better research design to assess their validity and reliability for assessing the contribution to pre-class preparation, class discussion, and post class reflection phases separately. Such research along with research to assess the overall contribution of the tools to different elements of learning may be carried out in a variety of settings.

The most immediate benefit of using DS and LD is a reinforcement of the kind of logic that one needs to use in decision making. The two tools have the potential to integrate themselves into a knowledge management system of executives. They can create DS and LD in their work situations and manage their KASH. The essence of the logic, if used in regular managerial decision making, is likely to make the manager conscious of the implications of decisions taken. Once, the concepts and tools become a regular part of the managerial toolkit, they have the potential of being used as personal learning devices.

To make the two tools as part of personal learning devices, some developments have to happen. Firstly, each DS and associated LD can be stored as an Excel sheet. They can then be linked to each other on the basis of key dimensions such as industry situation, company situation, position involved, and specific decision, or specific type of learning, roles, or application. An attempt of this nature can make the DS-LD combination a database for personal learning of managers.

**REFERENCES**


Delpier, Terry (2006) “CASES 101: Learning to Teach with Cases” *Nursing Education Perspectives*, 27 (4), 204-09


Srinivasan, Shiva Kumar (coordinator) (2005) “What is the Future of the Case Method in Management Education in India” Vikalpa, 30 (4), 87-131
APPENDIX-1 Format for Decision Sheet and Learning Diary

Decision Sheet

1. Decision Making Situation

   Industry
   Company
   Position
   Decision

2. Decision Sheet

   Identify key decision questions/ options faced by the participant and the rationale for judging them to be so,

   Write the decisions taken and their rationale for the same

   Write the positive and negative consequences of the decisions taken, and

   Specify measures to mitigate the negative consequences

Learning Diary

3.1 Learning of

<table>
<thead>
<tr>
<th></th>
<th>Addition</th>
<th>Reinforcement</th>
<th>Deletion</th>
</tr>
</thead>
<tbody>
<tr>
<td>K</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>S</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>H</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

3.2 Learning Roles: My Involvement as (Initiator, Builder, Challenger, Destroyer, Evaluator, Integrator, Listener)

<table>
<thead>
<tr>
<th>Situation</th>
<th>Role 1 Initiator</th>
<th>Role 2 Builder</th>
<th>Role 3 Destructor/Challenger</th>
<th>Role 4</th>
<th>Role 5 Evaluator</th>
<th>Role 6 Integrator</th>
</tr>
</thead>
<tbody>
<tr>
<td>In Class</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Out of Class</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

3.3 My Agenda for Future Learning:

<table>
<thead>
<tr>
<th>Application Areas</th>
<th>Enhancement Areas</th>
</tr>
</thead>
</table>

315
APPENDIX-2 Excerpts from Feedback Instrument about Learning Diary in the Third Programme

Your Feedback on Learning Dairy

- KASH is excellent.
- A very effective tool which channelises your learning in a structured manner so that you can refer back to it for refreshing your thought process.
- Good way to capture daily important learnings to help in future
- Could be a very effective tool of done regularly
- An excellent way of ensuring key learnings are captured & enhancement areas are given a greater thought
- It is a wonderful tool which I will complement in my work life and family life
- An excellent tool. Can be more effective of 20 minutes are provided at the end of each case to consolidate learnings
- A tool which I will use myself and pass down
- Good tool to effectively manage personal learning more both in professional and personal life
- Great; new concept, can be replicated in All situations/decisions in life
- Very helpful to introspect and apply learnings
- Excellent tools to review learnings and take away from sessions
- The most critical guiding tool I have come across. Can rarely keep you focused.

Please rate the effectiveness of learning diary in

\[ 5 = \text{Excellent}; 4 = \text{Very Good}; 3 = \text{Good}; 2 = \text{Fair}; 1 = \text{Poor} \]

<table>
<thead>
<tr>
<th>No</th>
<th>Preparation Before the Class</th>
<th>Class Participation</th>
<th>Reflection After the Class</th>
<th>Learning of Decision Making</th>
<th>Learning of Concept</th>
<th>Learning of Skills</th>
<th>Learning of Attitudes</th>
<th>Learning of Behavior</th>
<th>Role taking in Case</th>
<th>Role taking in Class</th>
<th>Finding Application Area</th>
<th>Professional / Personal Enhancements</th>
<th>Avg.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>5 6 4</td>
<td>7 6 2</td>
<td>10 4 1</td>
<td>7 6 2</td>
<td>10 3 2</td>
<td>7 5 3</td>
<td>7 5 3</td>
<td>7 5 3</td>
<td>7 5 3</td>
<td>6 6 2</td>
<td>7 6 2</td>
<td>8 6 1</td>
<td>4.07</td>
</tr>
</tbody>
</table>

316
For each learning, how much time (put tick marks in the appropriate box)

<table>
<thead>
<tr>
<th></th>
<th>1-15 mts</th>
<th>16-30 mts</th>
<th>31-45 mts</th>
<th>46-60 mts</th>
</tr>
</thead>
<tbody>
<tr>
<td>I took to prepare:</td>
<td>2</td>
<td>6</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>I need to prepare:</td>
<td>1</td>
<td>4</td>
<td>7</td>
<td>3</td>
</tr>
</tbody>
</table>

Suggestions for improvement in learning diary

- The material could have been given in advance and participants should have come here a day in advance so that they can complete reading.
- It's possible to share in a printed form with candidates on the first day what each field means, we can make better use of it.
- A standard format to be designed and circulated – content could be left feasible
- Could be made more simple
- None
- Enhance it every day which means daily learnings to lead to weekly and monthly so on..
- If you provide a small dairy like the program handbook would be useful for capturing learnings in the class
- Will do and communicate a more regular usage. Will communicate on mail.
- Nil
- Support tool. We not only learn new things but also learn how to reflect on those learnings. I am still in the process of evolution on how to use it better
- Your structure can at times be restricting until you’re really learned will how to use or conform to it.
- May be have a time for implementation piece.
TEACHING STUDENTS TO ANALYZE TEMPORARY PRICE REDUCTION SALES PROMOTION IMPACTS: A “WHAT IF” SPREADSHEET APPROACH FOR EXPERIENTIAL LEARNING

Kimball P. Marshall, Alcorn State University
William S. Piper, Alcorn State University

ABSTRACT

Temporary price reductions (TPRs) are common but problematic marketing tactics. Despite research showing negative effects on brand loyalty and profits, because retailers often require manufactures to participate in TPRS to generate store traffic it is important for students to understand the TPR impacts. This paper presents a teaching innovation using a spreadsheet for “what if” analyses of TPRs and a written report. Flexible parameters include assumptions regarding unit sales increases and the number of months sales might be affected. Student self-reported learning shows statistically significant improvements on seven learning objectives.

INTRODUCTION

Product pricing and sales promotions in the form of temporary price reductions (TPR) are important tactical marketing issues. Despite increases in TPRs usage (Forbes 2001, Lucas 1996), and retail chain pressure on manufacturers to participate in TPR programs (Gates 2007, Ga’zquea-Abad, et al. 2006, Ashworth et al. 2005, Byrnes, et al. 2004, McElnea 1993), research often finds that TPRs are not profitable in the long run for manufacturers and retailers (Bronnenberg et al. 2007, Chilton 2004, Gates 2007, Huff and Alden 1998, Kerin, Hartley and Rudelius 2007, Lurie and Srivastava 2005, Sriram et al. 2007). Still, retail emphasis on TPRs, it is important that students understand the this aspect of pricing in the marketing and IMC mix (Abu-Shalback Zid 2004, Maxwell 1998). Seeking higher level learning objectives (Bloom 1956), this paper presents a teaching innovation using spreadsheet analysis of TPR programs and a written student assignment for reporting results. The “what if?” analyses consider profit gain or loss, unit sales increases required for breakeven, and the number of months sales might be affected. This marketing teaching innovation is intended to provide memorable experiences to help students better understand the implications of sales promotions on the manufacturer and national brand profitability.

LEARNING GOALS AND OBJECTIVES

Retailers today often require, temporary price reductions from producers (Gates 2007, Forbes 2001) expecting the price reductions to increase store traffic. However, price reduction promotions’ effects on profits depending on factors such as the size of the discount, promotion costs, usual sales volume, and manufacturers’ sales unit variable costs. Our goal is to enhance students’ abilities to integrate pricing and TPR concepts from a product management perspective. The spreadsheet allows teachers to set conditions. Within these, students can experiment with
different assumptions regarding size of the price discount, expected impact on sales during the promotion period, and the number of months sales might be affected due to customers “stocking up.” Output allows students to see how profit changes. Students can observe the percentage and number of unit sales must increase in the promotion period to offset unit contribution losses and program setup fees. In so doing the assignment is intended to achieve Bloom’s (1956) higher order educational objectives of understanding, integration and application, to respond to Maxwell’s (1998) admonitions for pricing education to address the needs of business, and to respond to Lucas’s (1996) call for manufacturers to better understand the effects of sales promotion.

Learning Objectives

The spreadsheet and the corresponding student written assignment have been designed to achieve the seven specific learning objectives.

Objective 1. To increase student understanding of the impact that sales promotions can have on profits.

Objective 2. To increase student understanding of the need to balance sales channel demands with sales and profit objectives.

Objective 3. To increase student understanding of how breakeven analysis could be used to assess sales promotions program assumptions.

Objective 4. To increase student understanding of how financial goals can influence product pricing decisions.

Objective 5. To increase student understanding that promotional price reductions require substantial increases in unit sales to offset program costs and lost revenue.

Objective 6. To increase student understanding of the importance of test marketing to develop data for estimating sales changes.

Objective 7. To increase student recognition of the importance of elasticity of demand relative to price in estimating profit impacts of sales promotions.

These are key objectives that are necessary to assure that the students’ experiences with the assignment are generalizable to real world pricing and sales promotions situations.

THE SPREADSHEET AND ASSIGNMENT

The spreadsheet (Excel) used in the classroom is reproduced in Appendix Table 1. It presents information on a fictitious company. The classroom presentations the teacher can demonstrate the situation in which there is no program participation (the discount is 0% and the expected units sales increase is set at 0%). Here a profit of $477,500 is expected if the company sales repeat to the historical levels. The teacher can then show what happens when a 10% price discount is set with no assumed increase in unit sales. Here the profit impact would be a loss of $170,000 off of the $477,500 the company would make with no promotion. If the teacher uses the same data but a unit sales increase of 25% is assumed, the result is a loss of just $88,125 off
of the no promotion situation. This describes a situation of sufficient elastic demand relative to price to partially offset a ten-percent price reduction given the assumed variable costs. This spreadsheet is designed such that the information in the gray cells is calculated and the information in the white and blue cells must be entered by the student or teacher. In the written portion of the assignment the student explains, in a business memo format, her or his defined entries and interprets the managerial implications of computed cells. It is helpful to provide a set of questions for student’s to address in a memo and to surface in a class discussion.

STUDENT REACTIONS

This project has been used with three sets of students: sixteen students in a required undergraduate Principles class, four MBA students in a required Survey of Marketing class which shared the lecture and class discussion with the undergraduate Principles class, and 10 MBA students in an elective Marketing Analysis class. Class and private discussions with students have revealed interest in how price reduction programs work. Students discuss their own experiences with TPRs and find the impact on profits and required unit sales to be interesting. They are often impressed at how a small discount can require a large unit sales increase to avoid lost profits. Students ask why manufacturers participate in TPRs and this leads to discussions of the need to balance channel demands and profit goals. The “Shelf Determination” article from Forbes (2001) is a particularly helpful reading. Real learning comes with justifications and his or her recommendations in the business memo.

Students’ Self-Reports of Learning

To document learning assurance, students were asked to volunteer to complete a questionnaire that asked the student to rate his/her knowledge or skill on each learning objective before and after the assignment using a scale of “1” for “strongly disagree” to “5” for “strongly agree” with “3” as a “neutral.” Before ratings were disclosed, students were also asked for their written comments and recommendations. All students completed the questionnaire and turned it in anonymously except for four students in the Principles class. T-tests were used to assess statistical significance of mean difference scores. Average before scores by objective centered on three and ranged from 2.58 to 3.38. Average After scores by objective ranged from 4.00 to 5.50. Average improvements (difference scores) ranged from 1.12 to 1.50 with the greatest improvement regarding elasticity and the least, but still substantial and statistically significant, in regard to financial goals’ influence product pricing decisions. Student written comments reinforce the quantitative findings. Student comments indicate the need for classroom discussion of the project and for the instructor to be available to answer questions and provide guidance. Helping students overcome anxiety and explore options with “What If” analyses may be the greatest challenge for the teacher.

CONCLUSIONS

The success evidenced by class discussions, student written assignments and student quantitative self-reported learning justifies using the spreadsheet and assignment as a graded class project and encourages its use by others. This is a challenging assignment and the instructor should devote several class sessions to presenting the spreadsheet model, playing
“What If” with students, and leading class discussions. However, providing a challenging learning experience in a context that facilitates application understanding achieves our goal of providing marketing students with memorable experiences to help them better understand the implications of sales promotions.

REFERENCES


321


Appendix 1: Sample promotion assessment spreadsheet without program participation.

<table>
<thead>
<tr>
<th>Reg. Price to End User*</th>
<th>$6.00</th>
<th>Estimated % Unit Sales Increase from Promotion</th>
<th>0.00%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base Price to Vendor*</td>
<td>$3.00</td>
<td>Estimated Units Sold with Estimated Increase**</td>
<td>250,000</td>
</tr>
<tr>
<td>Burdened Manu. Variable Cost of Product $*</td>
<td>$1.00</td>
<td>Number of Units Required for Breakeven**</td>
<td>0</td>
</tr>
<tr>
<td>Commission to Broker %*</td>
<td>3.0%</td>
<td>Cost of Program Participation Setup $ *</td>
<td>$20,000.00</td>
</tr>
<tr>
<td>Commission to Broker ($)**</td>
<td>$0.09</td>
<td>Number of Stores*</td>
<td>3,700</td>
</tr>
<tr>
<td>Promo Discount to Customer %*</td>
<td>0.0%</td>
<td>Number of Months Promo Affects Sales</td>
<td>3</td>
</tr>
<tr>
<td>Promo Discount to Customer ($)**</td>
<td>$0.00</td>
<td>Average Regular Units Sold per Month**</td>
<td>83,333</td>
</tr>
<tr>
<td>Manu. Margin (Unit Cont.) Exc. Program**</td>
<td>$1.91</td>
<td>Estimated Regular Unit Sales Lost during Promo**</td>
<td>0</td>
</tr>
<tr>
<td>Manu. Margin (Unit Cont.) with Program**</td>
<td>$1.91</td>
<td>Estimated Unit Sales Profit During Promotion**</td>
<td>$477,500.00</td>
</tr>
<tr>
<td>Last Year's Units*</td>
<td>1,000,000</td>
<td>Estimated Regular Sales Units per Store/Month</td>
<td>22.52</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Est. Reg. Sales Profit Lost to Promo Units**</td>
<td>$0.00</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Estimated Total Program Costs**</td>
<td>$0.00</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Profit or Loss During Promotion Period**</td>
<td>$477,500.00</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Net Profit or Loss per Promotion Unit (excluding fixed costs not related to promotion)**</td>
<td>$1.91</td>
</tr>
</tbody>
</table>

Instructions: Enter information only in the white (no *) and blue cells (*) as instructed by your teacher. The gray cells are formula and you must not write in those cells. Make a back-up copy of the spreadsheet before you start. Blue cells (one *) are usually constraints specified by the teacher. White cells are specified by the student as part of “What If” analyses.

<table>
<thead>
<tr>
<th>TPR Rebate**</th>
<th>Required Promotion Breakeven Units**</th>
<th>% Increase Over Comparable Months**</th>
<th>Remaining Margin**</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0.00</td>
<td>250,000</td>
<td>0.00%</td>
<td>$1.91</td>
</tr>
<tr>
<td>$0.10</td>
<td>263,812</td>
<td>5.52%</td>
<td>$1.81</td>
</tr>
<tr>
<td>$0.20</td>
<td>279,240</td>
<td>11.70%</td>
<td>$1.71</td>
</tr>
<tr>
<td>$0.30</td>
<td>296,584</td>
<td>18.63%</td>
<td>$1.61</td>
</tr>
<tr>
<td>$0.40</td>
<td>316,225</td>
<td>26.49%</td>
<td>$1.51</td>
</tr>
<tr>
<td>$0.50</td>
<td>338,652</td>
<td>35.46%</td>
<td>$1.41</td>
</tr>
<tr>
<td>$0.60</td>
<td>364,504</td>
<td>45.80%</td>
<td>$1.31</td>
</tr>
<tr>
<td>$0.70</td>
<td>394,628</td>
<td>57.85%</td>
<td>$1.21</td>
</tr>
<tr>
<td>$0.80</td>
<td>430,180</td>
<td>72.07%</td>
<td>$1.11</td>
</tr>
<tr>
<td>$0.90</td>
<td>472,772</td>
<td>89.11%</td>
<td>$1.01</td>
</tr>
<tr>
<td>$1.00</td>
<td>524,725</td>
<td>109.89%</td>
<td>$0.91</td>
</tr>
<tr>
<td>$2.00</td>
<td>Infinity</td>
<td>Infinity</td>
<td>($0.09)</td>
</tr>
<tr>
<td>$2.10</td>
<td>Infinity</td>
<td>Infinity</td>
<td>($0.19)</td>
</tr>
<tr>
<td>$2.20</td>
<td>Infinity</td>
<td>Infinity</td>
<td>($0.29)</td>
</tr>
</tbody>
</table>
A PUZZLE OR A CHOICE: UNIFORM PRICING FOR MOTION PICTURES AT THE BOX OFFICE

Chien-Ping Chen, University of Houston-Victoria

ABSTRACT

Consumer differentiated preferences over movies make uniform pricing regime at the box office as a puzzle in the motion picture business. This paper explores the nature of price rigidity at the current uniform price. It concludes that the high profit mark-up from concession sales helps to retain uniform pricing as the optimal choice for exhibitors, without distributors’ condemned intervention. Unless many successful event movies are expected, tiered pricing over regular and event movies will not benefit either exhibitors or distributors. The criteria for exhibitors to favor tiered pricing and the distributors’ choices to eliminate the agency problem are also developed.

INTRODUCTION

Price variation over differentiated products is the profit-maximizing solution corresponding to differing price elasticities of demand. A significant exception, the uniform price across different motion pictures at the box office, has been challenging economists for years. Market practitioners justify a persistent uniform pricing regime, with demand uncertainty (i.e. inflexible price helps in eliminating demand uncertainty), quality signal by pricing (i.e. lower priced movies will lead to a significant decline of demand), potential loss of good will (i.e. variable pricing will confuse and antagonize patrons), and the agency problem (i.e. exhibitors’ major profits come from sales of concession rather than from box office). Orbach (2004) argues, however, that none of the above plays an important role in determining uniform pricing over different movies. The key objection for price variation comes simply from the distributors’ illegal intervention. They enforce uniform pricing by refusing to deal with exhibitors they wish to exercise variable pricing. Furthermore, Orbach and Einav (2007) conclude that if the antitrust prohibition (United States v. Paramount Pictures, Inc., 66 F. Supp. 323 S.D.N.Y. 1946) can be enacted more strictly; that is, if exhibitors can really choose an optimal pricing regime, then variable pricing, at least tiered pricing over regular and event movies, should be the profit-maximizing choice of movie theaters and would benefit patrons. This paper tries to answer the key question, without distributors’ intervention, will a premium added on regular admission price at box office for event movies such as Spiderman 3, really benefit the movie theaters?

This paper considers the agency problem associated with concession sales between the exhibitors’ profit maximization and the distributors’ revenue maximization to examine the assertion in Orbah (2004) and Orbach and Einav (2007). The model derived in this paper explores the nature of price rigidity at the current uniform price regime by developing the criteria for both exhibitors’ and distributors’ preferences over the tiered pricing for regular and event movies with and without concession sales. The current uniform price regime is shown to be optimal for the exhibitor’s profit maximizing from both box office revenue and concession sales together, without the distributor’s intervention. High concession profit not only defends uniform
pricing for the exhibitor, but also relaxes the agency problem between the exhibitor’s profit maximization and the distributor’s revenue maximization. Unless many event movies are expected to be blockbusters, tiered pricing cannot benefit either exhibitors or distributors. The condemnation of distributors in Orbach (2004) and Orbach and Einav (2007) is undeserved. In addition, the model shows how the distributor can eliminate an agency problem by its choice of the share of gross box-office revenue and the minimum dollar amount collected per seat.

The paper is organized as follows. The next section reviews the literature and clarifies how to represent demand for analyzing uniform vs. two-tiered pricing in the motion picture industry. Then the theoretical model develops the profit-maximizing criteria, with and without concession sales, for both exhibitor and distributor to favor tiered pricing, given the estimation for the event movie’s popularity. A simple example illustrating the findings follows. The final section summarizes and provides possible extension for the future.

LITERATURE REVIEW

Although few empirical studies (Cheung, 1977; Groves, 2000) from the foreign movie theater industry have proven that price variation increases exhibitors’ profits from the box office, concession sales have not been considered in these studies. Luis and Rodriguez (1992) explore how concession pricing affects the movie price and they conclude that the exhibitor’s profit comes substantially from high priced (i.e. above its marginal cost) popcorn. They do not explain why the exhibitors stick with the uniform price at the box office. Marburger (1997) considers concession sales theoretically, to explain the inelastic demand of performance goods which is against the clear pursuit of a price searcher’s profit-maximizing pricing by charging at the segment of elastic or unitary-elastic demand. The paper confirms several empirical findings (Noll, 1974; Whitney, 1988; Whitney, 1993) about the demand inelasticity for performance goods if the exhibitors can charge varied optimal ticket prices. However, none of the above considers the agency problem associated with concession sales, to examine the exhibitor’s and the distributor’s incentives for retaining the uniform price.

Any attempt to explore box-office pricing over movies will face a key difficulty: demand uncertainty. That “Nobody Knows Anything” (Goldman, 1983) about the predictability of a movie’s success is confirmed by Walls (2005) associated with an infinite variance in the conditional distribution of films’ returns. However, when the focus is shifted from individual movies to two tiers of movies, regular and event, the demand uncertainty can be reduced significantly. As Orbach (2004) notes, “…empirical evidence shows that demand uncertainty is not as great as particularly argued and that the determinants of success in the industry are not totally random.” Market practitioners may be unable to predict box office revenues for most movies, but identifiable event movies are likely to perform much better than the regular at the box office. De Vany and Lee (2001) conclude that if there is only one good (event) among many regular movies, a large opening audience for the event movie will initiate an information cascade to generate revenues with stronger demand as a result. Basil (2001) tests empirically the US adult moviegoers with video rental competition, and concludes that the demand of new release event movies is more inelastic. Patrons are willing to pay a higher price to see event movies in theaters. In addition, both Orbach (2004) and Orbach and Einav (2007) conduct survey over practitioners to show that even if uniform pricing is not the profit-maximizing choice of exhibitors, they still
hesitate to be the first mover to apply variable pricing across different movies. The potential loss of good will, particularly when competitors maintain the uniform pricing scheme, discourages the attempt of raising price for event movies. On the other hand, lowering the price for movies is believed to convey quality signals although there is no empirical test to prove it. The demand in which the price is lower than the current uniform price will shift down (Orbach 2004) as another weaker demand segment. All the market characteristics and findings in the above literatures support the feasibility to distinguish the differentiated demands between regular and event movies, and to break the demand on movies into two segments at the current uniform price.

THE MODEL

Consider that an exhibitor is playing only two movies, one regular and one event, in its multiplex. Demands for regular and event movies are \( D_R \) and \( D_E \) respectively. The current uniform price breaks the demand on movies into two segments, the upper, the more elastic segment, reflects the consideration of potential loss of good will when the rivals are assumed not to match a rise in price; it is the game-strategic reaction from competitors. The lower segment reveals possibly weaker demand by the possible quality signals from price reduction. Similar to the kinked demand model, developed by Sweezy (1939), the demand assumes that the firm reacts quickly to match the rival’s price cut but has little or no motivation to match a price increase. Although a number of criticisms question the kinked demand’s silence on how the initial price is set, the unexplained prevailing price just reflects the “myth” of uniform pricing at box office.

At the current uniform price, \( P^* \), the point elasticities for both movies with \( D_R \) and \( D_E \) are assumed to be inelastic, in harmony with the empirical findings (Cameron, 1986). The later is more price-inelastic than the former and the total quantity demanded for both movies in a given period is assumed to equal 1 (i.e. 100%) for simplicity. The proportion (percentage) of quantity demanded on the event, denoted by \( \alpha \), also decides the quantity demanded on the regular as \( 1 - \alpha \). From the preview opening, or from estimates by market practitioners, \( \alpha > .5 \) defines the event movie. The exhibitor can easily adjust the number of screens to match the quantity demanded. As mentioned previously, the considerations of potential loss of good will and a lower quality signal will bend or break up (i.e. it will not change the results in analysis) the original demand curve, either \( D_R \) or \( D_E \), to two upper and lower linear segments at the current uniform price. The two upper segments, \( D'_R \) and \( D'_E \), are the expected demand curves above the uniform price facing the exhibitor. They will be more elastic (i.e. flatter) than the original demand curves.

For demand estimation, there exists a maximum tiered premium function, which predicts the highest movie price charged above the current uniform price for either the regular or the event, as a strictly increasing function in the expected proportion of box office sales:

\[
f(x), \text{ where } f' > 0, \ f'' > 0 \text{ and } f(0.5) = P^*; \tag{1}
\]

\( x = \alpha \) for the event movie and \( x = 1 - \alpha \) for the regular movie.

Consistent with De Vany and Lee (2001), the first and second derivatives of the premium function define the effect of an information cascade which increases demand by more willing patrons for the movie. For the event, more observed or expected patrons in the same period (i.e. \( \alpha > .5 \)) will induce a higher maximum premium compared with that for the regular. To ensure
the demand-elastic segment above the kink for the regular movie (i.e. $1 - \alpha < .5$) corresponding to the consideration for potential loss of good will and competitors’ non-matching behavior, the maximum premium is capped by $f(0.5) = P^*$, which implies that the highest possible prices charged for the regular movie cannot be greater than twice the current uniform price. The maximum movie prices, $\bar{P}_E$ and $\bar{P}_R$, should satisfy

$$\bar{P}_E = P^* + f(\alpha) \geq 2P^* > \bar{P}_R = P^* + f(1-\alpha) > P^*. \quad (2)$$

Some substantive assumptions are made for ease in obtaining unambiguous results. First, menu and monitoring costs for two tiered pricing over regular and event movies are ignored. As Orbach (2004) notes, exhibitors have been monitoring patrons entering sold-out movies. The arbitrage opportunities (i.e. using ticket of movie A to see movie B) today are similar to those available under a two-tiered pricing regime. Second, distributors are assumed not to intervene against tiered pricing. The exhibitor does not consider any financial disadvantage from the distributor’s retaliation; it can exercise the tiered pricing freely if it would be better off doing so. Third, unlike the ignorance of marginal cost for performance goods in most theoretical studies, the per capita requirement, a minimum dollar amount per seat paid to the distributor, is viewed as the exhibitor’s marginal cost. Although it may be varied movie-by-movie in business practice, it is assumed for simplicity to be constant for both regular and event movies. A fourth assumption, noted by Orbach (2004) and Orbach and Einav (2007), is that raising the price for the event has no negative effect on the demand for a regular movie. As mentioned before, only lowering the price may convey a quality signal that can weaken demand.

**Optimal Pricing Regime for Box-Office Revenue Only**

In reality, each movie’s overhead costs such as rent and other operating expense (i.e. the house nut) are fixed. The exhibitor’s box-office profit maximization for each movie focuses on the difference between its share of gross box-office revenue and the total per-capita requirement paid to the distributor. On the other hand, the distributor also collects a minimum share of gross box office revenue (i.e. the floor) and a sliding scale of sharing revenue over time (i.e. the formula). For simplicity, let $0<\beta<1$ denote the distributor’s fixed share of gross box-office revenue collected. As shown in Figure 1, the marginal revenues associated with the lower segments of demand can be ignored, because lowering prices is out of consideration due to the quality signal that lowering price would convey. The shapes of marginal revenue, $MR_E$ and $MR_R$, associated with the upper demand segments $D'_E$ and $D'_R$, allow us to explore the exhibitor’s pricing behavior.

With any given proportion of sales, $x$, and the current uniform price, $P^*$, the upper linear demand function for either event or regular movie is

$$D'_i: Q_i = x - \frac{x}{f(x)}(P_i - P^*), \quad \text{where } i \in \{E, R\}, \quad (3)$$

$$x = \alpha > .5 \text{ for the event and } x = 1 - \alpha \text{ for the regular.}$$
The half-way rule for a linear demand function provides the marginal revenue associated with $D'_i$ as

$$MR_i = P^* - f(x)\left(\frac{2Q}{x} - 1\right), \text{ when } Q_i \leq x. \quad (4)$$

As shown in Figure 1 and implied in (1), (2), and (4), when the event movie with $\alpha > .5$, it satisfies

$$P^* - f(\alpha) < MC \leq P^* - f(1 - \alpha), \quad (5)$$

then $MC$ (i.e. the per capita requirement) will intersect $MR_R$ at the vertical segment and intersect the non-vertical $MR_E$ at a quantity less than $\alpha$ in which the uniform pricing cannot be an optimal solution for the exhibitor. If the exhibitor only considers the profit from box-office revenue and chooses pricing freely without the distributor’s intervention, then it will still charge the uniform price $P^*$ for the regular movie but search the profit-maximizing tiered price $P^*_E$ and quantity $Q^*_E$. 

---

*Figure 1. Differentiated Demand Over Movies*
for the event movie by
\[
\text{Max } \pi^*_E = (1 - \beta)(P^* Q_{E} + P_E Q_{E}) - MC(Q_R + Q_{E})
\]
\[
P_E = (1 - \beta)[P^* (1 - \alpha) + P_E \alpha - \alpha f(\alpha)(P_E - P^*)] - MC[1 - \alpha f(\alpha)(P_E - P^*)]
\]
\[
\frac{\partial \pi^*_E}{\partial P_E} = 0 = \alpha (1 - \beta) [1 + \frac{P^*}{f} + \frac{MC}{f \cdot (1 - \beta)} - \frac{2P_E}{f}]
\]
\[
P^*_E = \frac{1}{2} [P^* + f(\alpha) + \frac{MC}{1 - \beta}], \quad (6)
\]
which increases in both \(\alpha\) and \(\beta\).

Plugging (6) into (3), the optimal event movie quantity is
\[
Q^*_E = \frac{\alpha}{2} [1 + \frac{1 - \beta}{f(\alpha)}], \quad (7)
\]
which decreases in both \(\alpha\) and \(\beta\).

**Proposition 1:** Without sales from concession, given the current uniform price \((P^*)\), the share of gross box-office revenue collected by the distributor \((\beta)\), and the per capita requirement \((MC)\), the expected percentage of event movie sales \(\alpha > 0.5\), which satisfies the strictly increasing premium function \(f(\cdot)\) by \(P^* - f(\alpha)MC \leq P^* - f(1 - \alpha)\), will lead the optimal solution for the exhibitor’s box-office profit maximization to be tiered pricing. The event movie will be charged \(P^*_E = \frac{1}{2} [P^* + f(\alpha) + \frac{MC}{1 - \beta}] > P^*\) and the price of regular movie will remain as the current uniform price, \(P^*\).

**Incentive of Distributor’s Intervention**

As mentioned previously, the current uniform price is believed by practitioners to be the solution preferring distributors. As Orbach (2004) noted, the uniform pricing regime benefits distributors by stabilizing box-office revenue across exhibitors, avoiding ego wars with producers and directors, and enabling optimal movie allocation among exhibitors. For simplicity, the model explores the distributor’s incentive for defending uniform pricing based solely on revenue maximization. Under a uniform pricing regime, the distributor’s total revenue is
\[
R^U_d = \beta P^*MC.
\]
If the exhibitor exercises tiered pricing, then the distributor’s revenue function becomes
\[
R^T_d = \beta[P^*(1 - \alpha) + P^*_E Q^*_E] + MC[(1 - \alpha) + Q^*_E].
\]

Compared with revenue under the exhibitor’s uniform pricing, the change in revenue will be
\[ \Delta R_d^{U-V} = R_d^T - R_d^U = \frac{\alpha f - \beta \beta}{4} \left[ \frac{\beta}{1-\beta} f - \frac{2-\beta}{\beta(1-\beta)} MC \right]. \]

Given the exhibitor’s preference to exercise the tiered pricing in (5), the distributor will also favor it if and only if

\[ f(\alpha) \geq P^* + \frac{2-\beta}{\beta(1-\beta)} MC. \]

Compared with (5), the distributor’s criterion in (8) to prefer the tiered pricing is much more restrictive. If the expected percentage sales of the event movie makes the premium function fall within \( P^* - MC < f(\alpha) < P^* + \frac{2-\beta}{\beta(1-\beta)} MC \), then the distributor can be expected to object to tiered pricing.

**Proposition 2:** Given the current uniform price \( P^* \), the distributor’s share in gross box-office revenue \( 0 < \beta < 1 \), and the constant per capita requirement \( MC \), the exhibitor’s tiered pricing with an event movie \( \alpha > .5 \) will be preferred by the distributor if and only if

\[ f(\alpha) \geq P^* + \frac{2-\beta}{\beta(1-\beta)} MC. \]

Otherwise, the distributor will prefer to have the exhibitor maintain uniform pricing.

Without concession sales, Proposition 1 and Proposition 2 confirm Orbach’s (2004) and Orbach and Einav’s (2007) assertion about the exhibitor’s preference for the tiered pricing if the distributor’s intervention is prohibited. However, the exhibitor’s profit maximization in the box office sales does not guarantee the distributor’s revenue maximization. Because the share in gross box-office revenue and the per capita requirement are generally determined before the movie is released, the distributor has to wait until the popularity of movie is observed, from either a preview opening or an opening weekend, to decide the effect that tiered pricing will have on its revenue. Unless the event movie is very likely to be a blockbuster, tiered pricing will not raise the distributor’s revenue.

**Impact of Concession Sales**

When the exhibitor’s concession profits are considered, all the criteria deduced above will be altered. As mentioned in Literature Review, concession sales are significant to the exhibitor’s total profit. Orbach (2004) indicates that one dollar spent by a patron on concession is better than a dollar spent on a movie ticket, as the markup on the former is about 85% and on the latter is only about 45%. High-priced popcorn contributes a more significant profit to exhibitors compared with that from the box office (Gimmy and Gates, 1999).

Consistent to Marburger (1997), assume that each seat contributes an average profit from concession sales, \( \gamma > 0 \), to the exhibitor. Similar to the demand function in Luis and Rodriguez (1992), the total price paid by each patron is the sum of the box-office ticket price and spending on the concession. The upper kinked demand curves just shift up vertically by \( \gamma \), shown in Figure 2. The demand function with concession profit will be transformed from (3) to
\[ D_i^C : Q_i = x - \frac{x}{f(x)}(P_i - P^* - \gamma), \text{ where } i \in \{E, R\}, \]

\[ x = \alpha > .5 \text{ for the event and } x = 1 - \alpha \text{ for the regular;} \]

and the marginal revenue function also changes as:

\[ MR_i^C = (P^* + \gamma) - f(x)\left(\frac{2Q_i^C}{x} - 1\right), \text{ when } Q_i^C \leq x. \]

\[ \begin{align*}
\text{Figure 2. Differentiated Movie Demand with Concession Sales}\\
\text{In Figure 2, the shifting up of demand curves due to concession sales will induce a longer vertical segment for } MR_R^C \text{ that weakens the exhibitor’s incentive to exercise tiered pricing, as the criterion is more restrictive compared with that in (5) as it becomes}\n\end{align*} \]

\[ f(\alpha) > P^* + \gamma - MC. \]

When an event movie with a higher \(\alpha\), qualified by (5)’, the exhibitor’s optimal tiered price will be lower than \(P_E^*\) and bounded by \(P^*\) (i.e. no tiered price will be lower than the
uniform price due to the lower quality signal consideration) as

\[ P^c_E = \frac{1}{2} \left[ P^* + f(\alpha) + \frac{MC - \gamma}{1 - \beta} \right]; \quad (6)'

and the optimal quantity will be greater than \( Q^c_E \) and bounded by \( \alpha \) as

\[ Q^c_E = \frac{\alpha}{2} \left[ 1 + \frac{P^* + \frac{\gamma - MC}{1 - \beta}}{f(\alpha)} \right]. \quad (7)'

Applying the same analysis as in 3.2 for the distributor’s revenue difference between two pricing regimes, the exhibitor’s tiered pricing will be preferred by the distributor if and only if

\[ f(\alpha) \geq P^* + \frac{(2 - \beta)}{\beta(1 - \beta)} MC - \frac{\gamma}{1 - \beta}. \quad (8)'

Surprisingly, compared with (8), the average concession profit per seat makes it more likely that the distributor will prefer tiered pricing for the event movie with a less restrictive criterion. In other words, the higher average concession profit will extend the range of event movie’s popularity which benefits the distributor under the exhibitor’s choice of tiered pricing, although the distributor has no direct interest in concession sales. Combined with (6)’ and (7)’, Equation (8)’ also implies that the gross box office revenue from the exhibitor’s tiered pricing with the concession sales can be higher than that without concession sales by a greater optimal quantity and a lower optimal price for the event movie. The profit mark up from concession sales weakens the exhibitor’s incentive to exercise the tiered pricing but loosen the distributor’s wish to maintain uniform pricing.

Unlike the differentiated criteria for exhibitors (5) and distributors (8) without the concession sales, given the average concession profit per seat, the distributor can adjust the share of gross box-office revenue and the per-capita requirement to eliminate the agency problem created by the exhibitor’s concession sales. Proposition 3 compares (5)’ and (8)’ to summarize the concession effects on the criteria of exhibitor’s and distributor’s preferences for tiered pricing in the following proposition:

**Proposition 3:** With concession sales, if the average concession profit per seat \( \gamma \) satisfies that

\[ \gamma < \frac{2 - \beta^2}{\beta(2 - \beta)} MC; \text{ that is, } P^* + \gamma - MC < P^* + \frac{2 - \beta}{\beta(1 - \beta)} MC - \frac{\gamma}{1 - \beta}; \]

then the distributor’s criterion to prefer tiered pricing will be more restrictive than the exhibitor’s; the distributor has incentive to defend uniform pricing. On the other hand, if

\[ \gamma \geq \frac{2 - \beta^2}{\beta(2 - \beta)} MC; \text{ that is, } P^* + \gamma - MC \geq P^* + \frac{2 - \beta}{\beta(1 - \beta)} MC - \frac{\gamma}{1 - \beta}; \]

then the exhibitor’s criterion to prefer tiered pricing will be more restrictive than the distributor’s. The inequality implies that the exhibitor’s optimal tiered pricing will guarantee the distributor’s revenue maximization. It will be unnecessary for the distributor to defend uniform pricing.

Proposition 3 proves that a significant concession profit helps to persist uniform pricing regime. The agency problem is reduced because the exhibitor prefers uniform pricing and that
benefits the distributor. Unless an event movie with a high percentage of box-office revenue is expected, the exhibitor will prefer to stick with the current uniform price; the condemnation of the distributor’s intervention to defend uniform pricing is undeserved. To the distributor, the agency problem can be resolved by setting the share of box office revenue and the per capita requirement so that \( \gamma \geq \frac{2 - \beta^2}{\beta(2 - \beta)} MC \), given the exhibitor’s average concession profit. Doing this makes it unnecessary for the distributor to interfere with the exhibitor’s pricing behavior in order to ensure revenue maximization. A simple example follows to illustrate the findings.

**A SIMPLE EXAMPLE**

According to the US movie theater business practice described in Orbach (2004) and Epstein (2005), the price range per admission ticket is between $6 and $12; distributors generally takes 90\% of box-office revenue in the opening week and movie theaters’ percentage increases by about 10\% each week the movie plays; the profit mark-up of concession such as popcorn is about 90\%. Let us use the following example to illustrate the findings in this paper.

Assume that the current uniform price is \( P^* = $8.00 \) and the distributor’s (\( d \)) share of gross box-office revenue is 50\% (i.e. \( \beta = 0.5 \)). The constant per capita requirement is assumed to be $1.00 for simplicity (i.e. \( MC = $1.00 \)). Two levels of average profits per seat are considered, \( \gamma = $1.80 \) (e.g. a $2.00 spending on candy bar) and \( \gamma = $3.00 \) (e.g. a $3.50 spending on popcorn). Assume that the exhibitor (\( e \)) is playing two tiers of movies, the regular (\( R \)) and the event (\( E \)). The maximum premium function is defined as \( f(x) = \exp \frac{2x - 1}{P^*} \) to satisfy the properties, \( f'(\gamma) > 0 \), \( f''(\gamma) > 0 \), and \( f(0.5) = P^* \) in (1). Table 1 summarizes the pricing and profits for both exhibitor and distributor with and without the concession sales at the different average profits per seat.

When only box-office revenue is concerned, the exhibitor will want to exercise tiered pricing whenever a movie dominates (\( \alpha > .50 \)) in sales. The distributor’s revenue will then be lower, unless the event movie is a real blockbuster (\( \alpha \geq .80 \)). If the exhibitor sticks with the uniform price, given the event movie \( .80 > \alpha > .50 \), then the assertion in Orbach (2004) and Orbach and Einav (2007) makes sense. The distributor must intervene to defend uniform pricing. However, in reality concession sales contribute substantially in an exhibitor’s total profit. A higher average concession profit per seat drives the exhibitor away from tiered pricing and also relaxes the distributor’s preference for a uniform pricing regime. In the case of \( \gamma = $3.00 \), the exhibitor will choose the uniform price on its own unless the event movie is a big hit such as (\( \alpha \geq .75 \)). It is unnecessary for the distributor to interfere with the exhibitor’s pricing because its profit maximization implies revenue maximization for the distributor. Thus, when concession sales are considered, both exhibitor and distributor are much more likely to stay with the uniform pricing regime.
While the windowing period of DVD movie rentals is shrinking, and movie distributors are collecting more revenues from DVD and video sales compared with the box office, tiered pricing has been seen as an effective remedy to rescue the movie theater industry. Unfortunately, with concession sales reflected, all market practitioners’ considerations do not support it. The high profit mark-up from movie theaters’ concession sales makes uniform pricing the profit-maximizing solution for exhibitors. Unless there are many hit movies (which seems very unlikely in today’s Hollywood) are expected, to contribute a significantly higher percentage of gross box office sales, tiered pricing will not benefit at all. The uniform pricing regime is not a puzzle; it is the exhibitors’ choice, and it also accomplishes the distributor’s aim of revenue maximization. As a result, the movie theaters’ survival must count on concession and arcade sales. The distributor’s intervention cannot be blamed, particularly with the elimination of the agency problem given the fixed share of box-office revenue and the per capita revenue requirement.

Table 1. Tiered Pricing vs. Uniform Pricing w/ and w/o Concession Sales

<table>
<thead>
<tr>
<th></th>
<th>Without Concession Sales</th>
<th>With Concession Sales</th>
<th>With Concession Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(Box-Office Revenue Only)</td>
<td>($\gamma = 1.80$)</td>
<td>($\gamma = 3.00$)</td>
</tr>
<tr>
<td>( \alpha )</td>
<td>Tiered Pricing</td>
<td>Uniform</td>
<td>Tiered Pricing</td>
</tr>
<tr>
<td>Q: ( Q_y )</td>
<td>P: ( P_y )</td>
<td>( e: d )</td>
<td>Profit</td>
</tr>
<tr>
<td>0.55</td>
<td>0.45</td>
<td>$8.00</td>
<td>$3.063</td>
</tr>
<tr>
<td></td>
<td>0.46</td>
<td>$9.42</td>
<td>$4.886</td>
</tr>
<tr>
<td>0.60</td>
<td>0.40</td>
<td>$8.00</td>
<td>$3.109</td>
</tr>
<tr>
<td></td>
<td>0.48</td>
<td>$9.89</td>
<td>$4.878</td>
</tr>
<tr>
<td>0.65</td>
<td>0.35</td>
<td>$8.00</td>
<td>$3.173</td>
</tr>
<tr>
<td></td>
<td>0.51</td>
<td>$10.40</td>
<td>$4.884</td>
</tr>
<tr>
<td>0.70</td>
<td>0.30</td>
<td>$8.00</td>
<td>$3.258</td>
</tr>
<tr>
<td></td>
<td>0.53</td>
<td>$10.97</td>
<td>$4.910</td>
</tr>
<tr>
<td>0.75</td>
<td>0.25</td>
<td>$8.00</td>
<td>$3.367</td>
</tr>
<tr>
<td></td>
<td>0.55</td>
<td>$11.59</td>
<td>$4.959</td>
</tr>
<tr>
<td>0.80</td>
<td>0.20</td>
<td>$8.00</td>
<td>$3.505</td>
</tr>
<tr>
<td></td>
<td>0.56</td>
<td>$12.29</td>
<td>$5.034</td>
</tr>
<tr>
<td>0.85</td>
<td>0.15</td>
<td>$8.00</td>
<td>$3.674</td>
</tr>
<tr>
<td></td>
<td>0.58</td>
<td>$13.06</td>
<td>$5.141</td>
</tr>
<tr>
<td>0.90</td>
<td>0.10</td>
<td>$8.00</td>
<td>$3.880</td>
</tr>
<tr>
<td></td>
<td>0.60</td>
<td>$13.90</td>
<td>$5.284</td>
</tr>
</tbody>
</table>

(5) is satisfied when \( \alpha > .50 \);
(8) is satisfied when \( \alpha \geq .80 \).

(5)' is satisfied when \( \alpha \geq .60 \);
(8)' is satisfied when \( \alpha \geq .65 \).

\[
\gamma < 2 - \frac{\beta^2}{\beta(2 - \beta)} \quad MC = 2.33
\]

\[
\gamma > 2 - \frac{\beta^2}{\beta(2 - \beta)} \quad MC = 2.33
\]
There will be several possible future extensions. First, this paper defines the quantity demanded for movies as the percentage of sales in a single period. This definition can be extended to two periods, to examine how the movie theaters allocate screen numbers efficiently in their multiplexes to match the on-site demand over new releases and long-playing movies, particularly when digital filming technology becomes more feasible (Lyman, 2001; Matthews and Orwall, 2001). Because distributors have no control over how many screens should be played, the variable pricing for new releases is very likely to benefit exhibitors if the shares of box-office revenue in the early period can prefer them more. Second, the kinked movie demand facing exhibitors is assumed to be the game-strategic reaction from competitors in this paper. When the monopoly power of movie theaters varies in urban and rural areas, it will be interesting to test empirically whether tiered pricing is a preferred choice for a cinema chain in a rural area. Finally, some market practitioners believe in tiered pricing because they assume that the higher price will elicit the production of higher quality (cost) films (Indvik, 2004). Patrons are expected to be convinced by the high price signal, resulting in a stronger demand for the movies. If the two pricing tiers are predetermined by production costs, whether the more complicated agency problem will lead to conclusions different from those in this paper is worth exploring.

REFERENCES

STATE SPONSORED LOTTERY: RETAILERS ARE FACING ETHICAL ISSUES, BUT AT WHAT COST?

Vaidotas Lukosius, Tennessee State University
Andreas W. Stratemeyer, California State University, Fresno

EXTENDED ABSTRACT

Unlike large and medium enterprises, small businesses have a unique work environment that may affect employee performance and subsequent satisfaction. While various stress factors can have an impact on large and small business employees alike, small business employees may be especially susceptible due to the unique structure of small work environments (Harris and Arendt 1998; Hatton and Raymond 1994). Small organizations are also confronted with many business decisions that possess ethical challenges and implications. The small business owner’s value system can help to establish an ethical environment within which employees can work and be satisfied (Hornsby et al. 1994).

There appears to be multiple obstacles and sources of conflict and stress for salespeople, which can lead to increased complexity in the retail work environment (Brown and Mitchell 1993). Boles et al. (2001) tested several aspects of the retail work environment and found that the level of centralization and the support from coworkers indirectly affect employee performance. According to Babin and Boles (1996), employee support in the retail work environment is negatively related to role stress and positively related to job satisfaction. Other research has focused on the positive relationship between supervisor support and employee attitudes. Teas (1983) provides evidence of a positive relationship between positive feedback from supervisors and job satisfaction. Finally, some studies have focused on the constructs of role conflict and role ambiguity and their effect on job performance and satisfaction (Brown and Peterson 1993; Shepherd and Fine 1994). It seems reasonable to assume that the complexity of the retail work environment influences employee performance and ultimately job satisfaction. Based on these statements, the following hypotheses are proposed:

H1: Retail work environment complexity is related negatively to employee job performance.
H2: Employee job performance is related positively to employee job satisfaction.

Hatton and Raymond (1994) propose a congruence model in order to develop small business effectiveness. Their framework suggests that a small business will be more successful if the individual employee is matched with the appropriate organizational structure. Sims and Kroeck (1994) found that an ethical work environment is an important variable in the study of person-organization fit. Other studies suggest that there is a relationship between an organization’s ethical climate and job satisfaction. Valentine and Fleischman (2004) found that employees in organizations with formalized ethics training programs have higher levels of job satisfaction. Therefore, it is believed that ethical perceptions will have a positive influence on employee job satisfaction. This is hypothesized as follows:
H3: Employee ethical perceptions are related positively to employee job satisfaction.

The sample was collected from a list of registered retail establishments that sell lottery tickets in the state of Tennessee. The subsequent data collection process resulted in 124 usable questionnaires. Measures in this study were taken from the existing marketing and organizational behavior studies. Some of the items were slightly worded to better match the existing study.

The data was analyzed with structural equation modeling. Overall model estimation with maximum likelihood estimation and a variance-covariance matrix produced a good fit ($\chi^2 = 114.54$, d.f. = 84, $p < .05$; RMSEA = 0.054). Structural path coefficients were analyzed in order to test the hypotheses. The path coefficient between retail work complexity and employee job performance is estimated to be -0.10 ($t = -2.07$, $p < .05$), which supports the hypothesized negative relationship between these two constructs. Therefore, Hypothesis 1 is supported. An estimation of the path coefficient between employee job performance and employee job satisfaction is 1.18 ($t = 5.75$, $p < .01$), which is also significant and in the hypothesized positive direction. Therefore, Hypothesis 2 is also supported. Interestingly, there is no significant relationship between ethical perceptions and employee job satisfaction, as the path coefficient between these variables is 0.011 ($t = 0.16$, $p = n.s.$). As a result, Hypothesis 3 is not supported.

SELECTED REFERENCES


SPATIAL ANALYSIS OF SITE LOCATIONS FOR AWARD WINNING BARBECUE RESTAURANTS

Sanjay S. Mehta, Sam Houston State University
Mark Leipnik, Sam Houston State University

EXTENDED ABSTRACT

Texas Monthly magazine periodically ranks the best BBQ places in Texas. Studying the “top fifty” list in greater detail, will aid us in identifying underlining factors that are used to create a successful BBQ business. Some of the questions we were interested in knowing were the following: if there were more restaurants selected from urban area then from rural areas, if more restaurants from one part of the state were selected then another, if BBQ restaurants in counties that serve alcohol were more likely to be picked to be on the list, if differences existed in terms of variety of food offered, type of wood used, variety of meats offered, difference in local demographics and population characteristics where the restaurants are located, etc.

To help us answer these question, we decided and used Geography Information Systems (GIS) technology. GIS applications in business decision making and marketing has been a recent phenomena (Leipnik and Mehta 2007). To conduct our analysis we took the information presented to us in the Texas Monthly article and combined it with the data from the U.S. Census Bureau. In addition, we called up each of the BBQ restaurants and asked them few additional questions. Next, we fed this data into GIS software (ARCVIEW) and conducted the appropriate analysis.

Every six years, Texas Monthly magazine sends out a “BBQ SWAT team” consisting of ten individuals that vary in gender, ethnicity, and age. The last time Texas Monthly did this was in 2003 (Sharpe et. al. 2003). These individuals drove over 21,000 miles zigzagging across Texas visiting 360 BBQ places across the state. Using the names and addresses of the BBQ restaurants selected as being in the top fifty, a follow-up telephone survey was conducted by the authors.

Every restaurant on “Texas Monthly’s” top fifty list served beef. Pork came in a close second, Chicken was served at 62% of the restaurants, and Goat was served at only 14% of the locations. A spatial association between the population demographics and the restaurants serving the various meats was done. For examples, we found a weak spatial relationship between county level population of Hispanics and the tendency to serve goat.

Hickory is more common in East Texas, Mesquite is common in West Texas, Oak is most common in Southeast Texas. Mesquite was the most commonly used wood type among the “Top Fifty”. Pecan was the least commonly used wood type. Next, there did appear to be a spatial pattern in the location of Restaurants that serve beer. Those that are concentrated in the Central Texas region were more likely to serve beer.

Our analysis determined that most of the expensive restaurants were concentrated in larger urban areas. We believe the price is a function of cost, local demand, and regional competition and less with image, brand, atmosphere, etc. But, no association could be found...
between the age of the restaurant and the rating by Texas Monthly.

The “Top Fifty” were ranked based on a five point rating scale completed by the 10 raters. All restaurants selected for the “Top Fifty” list received a 3.5 rating or better. An analysis of location versus rating indicated that the best BBQ could be found in Central Texas. This we believe was biased since many of the raters were from Austin. Texas is comprised of 254 counties, 36 of which contained restaurants that made the “Top Fifty” Pit Stop list. In fact, 30 counties had one restaurant each, 3 counties contained 2 apiece, 1 county had three locations, and 2 counties had a total of four each. The average population for locations containing a “Top Fifty” Restaurant was 11,615.

Whereas Beef was served at all fifty restaurants, Goat mean was mainly served at restaurants where Goats are raised. The type of wood that was used to cook the meats varied significantly across the state and was a function of local preferences and not what is available locally. Restaurants that were located in Central Texas were more likely to serve beer then those located in the rest of the state. We determined that prices were significantly higher in urban areas then in rural areas. We determined that the ranking had systematic error, since the best restaurants tended to be in Central Texas. Our analysis determined that years in business had nothing to do with ranking. Counties in central Texas had a higher probability of being selected then those in say west Texas.

SELECTED REFERENCES

SALES TEAMS: A CONCEPTUAL MODEL OF EFFECTIVENESS

Blaise J. Bergiel, Nicholls State University
Erich B. Bergiel, University of West Georgia
J. Robert Field, Nicholls State University

ABSTRACT

The days of the “Lone Ranger” making sales calls without the support and help of others is giving way to a team approach to selling. Given the complexity and unpredictability of today’s global business environment the ability to work in flexible, cohesive teams is considered essential. On the surface, sales teams have natural appeal, because of the benefits of synergy. Sales teams can help to build buyer confidence and communicate value. In short, four ears are better than two. However, sales teams can be quite problematic, if not managed well. It is proposed that The Circumplex Model of Marital and Family Systems can be utilized to assist in sales team development. The theoretical foundations of the model will be discussed and its adaptability to assessing sales teams’ effectiveness will be analyzed.

INTRODUCTION

One of the daunting new realities of selling in today’s complex global environment is the increasing knowledge base required of those doing the selling. For most of the 1980s and 1990s salespeople could successfully double and triple up in their roles of sales consultant, technical consultant, and product consultant and make sales happen. In today’s more dynamic and competitive environment, however, it’s much more difficult for a salesperson to do it all solo. Organizations around the world are recognizing the need to leverage their areas of expertise. Harnessing those skills can be the difference between success and failure in today’s highly competitive marketplace. The necessity to remain competitive in a global economy has led to the emergence of organizations using sales teams. Team selling is basically bundling a range of multiple skills that an organization has to serve a customer. Their potential to achieve higher productivity makes them in high demand, although they bring with them a high potential for misunderstanding and failure as well.

Organizations have reported a number of benefits from utilizing sales teams (Cummings, 2005). Companies using sales teams reap rewards when several disciplines work collaboratively toward fulfilling common goals: closing the sale, keeping the client, or winning the client back. Ancillary benefits of the sales team approach include a shorter selling cycle, a happier customer, and unity within the company (McCall, 2003). Research suggests that sales teams provide many benefits to an organization, including increased profitability, greater effectiveness, stronger relationships with key accounts, successful goal attainment enhanced responsiveness to customers, and increase in customer satisfaction (Beasty, 2006, Arnett et al., 2005).
Not all groups of individuals develop into cohesive, high performing sales teams. Companies struggle to realize the full potential of their sales team members. The team development literature is replete with evidence of the many obstacles that prevent teams from fully capitalizing on their members’ diversity and knowledge due to the members’ inability to work together (Jones et al, 2005). As with any team, problems with sales team development sometimes lead to low productivity, poor decisions, conflict, and economic loss (Barclay, 1997). Thus, to reduce these obstacles developing sound models for explaining the development of effective sales teams is critical.

The purpose of this paper is to adapt a model from Family Systems Theory to evaluate sales team effectiveness. The idea of utilizing family systems techniques with systems other than families is a widely accepted practice among researchers (Zimmerman & Protinsky, 1993). The model was developed to diagnose the ability of the family to function effectively. It is proposed that the same conceptual model can be applied to diagnose the effectiveness of sales teams. First, this Family Systems model will be examined, and its potential adaptability to sales teams will be assessed. While assessing its adaptability to sales teams, predictions will be made on how the different relationships of the dimensions of the model relate to team effectiveness. Finally, the model’s ability to fill current gaps in the research will be discussed and possible future research regarding the model proposed.

THE CIRCUMPLEX MODEL OF MARITAL AND FAMILY SYSTEMS

The Circumplex Model of Family Systems as first conceived by Olson, Sprenkle, and Russel (1979) provides a clinically useful typology of families, and is used by family counselors to diagnose where the family system has problems (Killorin & Olson, 1984). Olson’s model hypothesizes that two theoretical concepts – family cohesion and family adaptability – are the major components of any family system (Maynard & Olson, 1987). Family cohesion is defined as the degree of emotional bonding between family members, while family adaptability deals with the ability of a marital and family system to change its power structure and role relationships in response to situational and developmental stress (Anderson, 1986).

These relationships of the two dimensions are posited to be curvilinear with family functioning, in that families that are very high or low on these two dimensions are dysfunctional. Alternatively, families that are more balanced seem to function more effectively. This relationship is best represented by a circumplex model which describes the correlation pattern implied by it; i.e., the elements of the corresponding correlation matrix first decrease but then increase as one moves perpendicular to the main diagonal (Guttman, 1954). Empirical evidence has been found to support this curvilinear relationship associated with family cohesion and family adaptability (Olson et al, 1979).

The family systems model adopts general systems theory as a way to formulate and explain the dynamics of the family, with particular reference to the structure of adaptability and cohesion (White, 1996). Systems theory discusses the formation of systems made up of interrelated parts that lose their synergistic properties when separated due to the dependence of one part on another (Gharajedaghi & Ackoff, 1983). When these parts are either separated or if one fails to function, the system will no longer function if it cannot adapt. This theoretical
approach assists in the analysis of the complex phenomena of family development and changes of family members’ behavior across life spans. Systems theory also acknowledges the multidirectionality of influences within the family, facilitates the conceptualization of each person in the family as a developing individual and of the whole family as a changing mix of needs, and conceptualizes the roles played by individuals within various family subsystems (Grotevant & Cooper, 1983). Therefore systems theory is an appropriate framework for the Circumplex Model of Family and Marital Systems, and enables this model to be a useful tool for diagnosing problems in changing family systems.

ADAPTING THE MODEL TO SALES TEAMS

Given that General Systems Theory provides the underlying base for the family systems model, it must also provide the framework for the adapted sales team model. The approach to studying teams as adaptive, dynamic systems has been the framework for a great deal of research (McGrath, Arrow & Berdahl, 2000). Teams are often referred to as open complex systems that interact with their component subsystems (i.e., the members) embedded within the teams and the larger systems (e.g., organizations, communities) within which the teams are embedded (McGrath, Arrow & Berdahl, 2000). Teams possess salient boundaries that both distinguish them from and connect them to their members and their embedding contexts (McGrath, Arrow & Berdahl, 2000).

Therefore, sales teams are systems that are made up of individuals with various skills and talents who produce a synergy that results in productivity and quality gains (Levin, 1992). This performance is contingent on the ability of individuals to work together with their embedding contexts and subsystem (Bandard, 1999). The systems notion of entropy (Katz & Kahn, 1966) would suggest that teams that do not realize this synergy gained from interacting with their embedding contexts or their component subsystems will experience natural degradation (Stewart, 2006). The adapted model could be a useful tool in diagnosing these problems; therefore, systems theory is also an appropriate framework for a model of sales team systems.

The adapted model not only adopts the systems framework, but takes the same basic assumptions of the family systems model in regards to cohesion and adaptability (orientation). Thus, cohesion and orientation are considered to be curvilinear rather than linear concepts with varying combinations of these two dimensions able to reach the same balanced result. These dimensions of family systems are the same foundations for the adapted model for sales teams as seen in Figure 1. However, the interpretations of these dimensions will differ, as discussed below.

Sales Team Cohesion

Cohesiveness has long been identified as a factor exerting considerable influence over work group performance (Seashore, 1954). Cohesion has been defined as the “degree to which members of a group are attracted to each other” (Shaw, 1971, pg. 213). It is considered the dynamic property that is reflected in the tendency for a group to stick together and remain united in pursuit of its goals and objectives (Carron, 1982). Katz and Kahn (1966, pg. 423) noted that “the great advantage of the cohesive group is that its members can find in group responsibility
and group achievement satisfaction for their individual needs for self-expression and self-determination, as well as affiliation.” Thus, building off of previous research it is proposed that team cohesion involves how individual members feel about their involvement in the team, how they interact and relate to other team members, and how they feel about the social climate of the team (Levin, 1992).

Figure 1. A Conceptual Model of Sales Teams.

The focus of sales team cohesion is to determine how the team balances feelings of a good social climate with feelings of a bad social climate. There are two extremes of team cohesion, ranging from disengaged (very low) to enmeshed (very high) as seen in Figure 1.

It is proposed that the balanced levels (equalized) of team cohesion are the optimal locations for team function, whereas the unbalanced levels (disengaged or enmeshed) are generally seen as dysfunctional and problematic for relationships within the team in the long run. Sales teams that are considered disengaged have little involvement among team members; individuals want to do their own thing, and team members are unable to turn to one another for support and problem solving. Members of these disengaged less cohesive teams do not enjoy or value being members of the team (George & Bettenhausen, 1990). This will be problematic on
the synergy of the sales team system, and these lower levels of cohesion are correlated with lower levels of performance (Evan & Dion, 1991).

On the opposite end of the spectrum it would appear that high levels of cohesion would be the desired end state. However, it is proposed that too much of this dimension could also unbalance the sales team. In highly cohesive teams there is a great deal of social pressure to behave in accordance with team values and expectations, and to follow team norms (George & Bettenhausen, 1991).

Based on the sales team model, very high levels of team cohesion (enmeshed) and very low levels of cohesion (disengaged) will tend to be problematic for the functioning of the team. Alternatively, if a more moderate level of cohesion (equalized) is met then the team will be more balanced. Equalized sales teams will tend to be more functional, and individual team members are able to be both independent from and connected to the team. They share the goals and objectives of the team but maintain their individuality and separate thought processes. However, there is a level of togetherness that allows the team to continue to function effectively. This suggests that there is actually an optimal level of cohesiveness for effective groups (Duran & Kelly, 1985).

**Sales Team Orientation**

The form and substance of a sales team’s response to opportunities depend greatly on the team members’ assumptions or beliefs, both conscious and unconscious, about the nature of the world (Keegan, 2003, p. 15). Adapted from the works of Perlmutter (1969), the world view of a team’s personnel can be described as ethnocentric, polycentric, and geocentric.

The team orientation espoused by individuals from different areas predispose them to prefer particular ways of handling the issues that arise while working within a team (Cseh, 2003). Team orientation refers to the extent to which the team is flexible and has the ability to change. Elements of this dimension may include cultural aspects, team leadership, how the team formulates its work plan and strategy, how it defines member roles and responsibilities, how decisions are made, as well as how work is assigned and carried out (Fey & Denison, 2003; Maynard & Olson, 1987). As a result, it is proposed that team orientation refers to the ability of the sales team to change its power structure, role relationships and rules in response to situational and developmental stress.

Team orientation relates to how sales teams balance stability versus change. There are two extremes of team adaptability ranging from ethnocentric (very low) to polycentric (very high). As with team cohesion, it is proposed that a balanced level of team adaptability (geocentric) is more conducive to good team functioning, with the extremes (ethnocentric and polycentric) being problematic for teams. An ethnocentric relationship is highly structured, with strict rules and decisions imposed by leadership; it is associated with low levels of worker participation and autonomy. Low levels of autonomy have been associated with decreased motivation (Cohen & Ledford, 1994) and decreased performance due to the inability to adapt to localized variations in the work environment (Manz & Stewart, 1997). An ethnocentric orientation is sometimes associated with attitudes of arrogance or assumptions of superiority.
An ethnocentric orientation shares similarities with an organization with high levels of structure in that they both represent tightly coupled organizations. These tightly coupled organizations would have difficulty adapting to changes in the environment (Levinthal, 1997) and would also require a firm to modify many choices simultaneously, an inherently difficult task (Nadler, Shaw, & Walton, 1994). As a result, this lack of team member participation and inflexible structure will negatively influence group effectiveness (Campion, Medsker & Higgs, 1993). Sales teams diagnosed to have ethnocentric relationships will thus be more prone to difficulties in times of change if they can not reach a more balanced state.

The polycentric orientation is the opposite of the ethnocentric orientation. There is very little leadership if any from the company headquarters and there is relatively no stable process to the functioning of the team. Though a degree of autonomy is considered beneficial for teams (Stewart, 2006), high levels of autonomy can lead to isolation from outside sources and information. This isolation can have a negative impact on team performance, especially in complex tasks (Katz, 1982). Additionally, in a polycentric orientation, team members’ roles are unclear and often shift from individual to individual. Thus the role ambiguity associated with this relationship will negatively influence performance (Kinicki et al., 2002). Also it would be very difficult for sales teams with very low levels of team orientation to adapt to change due to the lack of leadership or processes.

As with the team cohesion dimension those sales teams falling in the balanced area of team orientation (geocentric) should tend to function better in the long run. These teams have members with a world view, they see similarities and differences in their diverse customer base, and are sure of their role within the team. Sales teams that can maintain this balance should function more efficiently due to the increased synergy and efficiency of the team.

**Utilizing the Sales Team Model**

The combination of these dimensions is depicted in the model as nine separate descriptive levels of multicultural team systems. For sake of brevity, focus will be placed on the geocentric balanced relationship and four extreme relationships. The remaining four relationships are to be understood as just positive or negative variations of the balanced and extreme relationships.

Polycentric enmeshed sales teams are high in team cohesion and high in team orientation. This type of team would believe or assume that every task and/or situation was unique and would require unique strategies to succeed. Because of this attitude of separation from the home organization the team would function independently from corporate headquarters and there is a possibility the outcomes of the sales team would not be consistent with corporate strategies.

Research has proposed that high levels of cohesion lead to “groupthink” or a “…deterioration of mental efficiency, reality testing and moral judgment that result from in-group pressure” (Janis, 1972, p. 9). As a result, cohesion may initially be beneficial, yet in time an enmeshed relationship develops where emotional closeness and loyalty are demanded. This causes individuals to become overly dependent on one another and focus all attention on the team, ignoring influences from the external environment. Thus, groups with very high levels of
cohesion that think alike and share the same view typically have a lot of fun together, but they often miss the necessary friction brought about by fundamentally divergent views and approaches to getting work done (Richards, 2003).

Polycentric disengaged sales teams are high in team orientation and low in team cohesion. Members of these disengaged less cohesive teams do not enjoy or value being members of the team (George & Bettenhausen, 1990). This will be problematic for the synergy of the team system, and these lower levels of cohesion are correlated with lower levels of performance (Evan & Dion, 1991). This supports older findings by Argyris (1965), who observed that low cohesion will generate antagonism among group members and so minimize performance. Polycentric disengaged sales teams are also associated with low levels of emotional bonding because of the low team cohesion and poor social climate within the team because of the polycentric orientation.

Ethnocentric enmeshed sales teams are high in team cohesion and low in team orientation. These teams see only similarities in the tasks and assume that what works in one customer situation will be successful anywhere. Ethnocentric enmeshed teams operate under the assumption that if it worked once it will work again. Because of the high level of team cohesion, no one will risk going against the team. Individuals can feel torn between loyalty to the sales team and to their departments or divisions (Michalisin et al., 2004). This sales team would have the same inward focus as a polycentric enmeshed team, with the primary emphasis being placed on satisfying and conforming to the emotional needs of the team members. Conforming team members would thus implement strict rules and regulations that were devised from inappropriate social norms.

Ever sales person and executive has experienced meeting where one person dominates the sale in a team sell format. They neglect to tell the client, why they even brought their team mates, and what they can do for them. Then they expect the team to have the credibility needed to close the deal and service the client. Ethnocentric disengaged sales teams are low in team cohesion and low in team orientation. This type of sales team is characterized by each member seeing his or her decision as being superior and functioning individually (Stock, 2006). Each member wants to do their own thing and they cannot turn to one another for help. Here, teams would have little to no structure or processes and problematically high levels of autonomy that could lead to isolation from the environment.

These sales teams have few interpersonal relationships due to low levels of social attraction to the team. Consequently, team members in an ethnocentric disengaged relationship have no social or emotional attachment to the team. They do not enjoy their membership in the team due to the strict rules and regulations imposed by management. These teams in this extreme relationship possess a total absence of autonomy and a highly structured, tightly coupled design that makes it susceptible to detrimental influences from environmental change. This will altimetry lead to a dysfunctional team.

Geocentric equalized sales teams are characterized by neutral team cohesion and a neutral team orientation. This would be representative of a somewhat loosely coupled, autonomous team. Roles and responsibilities of team members would be shared. However, there would still
be a degree of emotional separation within the team. The team members are neither too dependent nor too independent. The team would take on a world view, seeing similarities and differences in their customers, enabling solutions to be created that are sensitive to individual customer needs (James & Ward, 2001). They share the goals and objectives of the team but maintain their individuality and separate thought process, maintaining a level of togetherness that allows the team to continue to function effectively. This suggests that there is actually an optimal level of cohesiveness and team orientation for effective sales teams (Brown & Eisenhardt, 1998).

Following in the beliefs of equifinality (Katz & Kahn, 1966) there is no absolute best level for a team relationship. However, it is proposed that many sales teams will have problems if they operate in extreme areas for too long. The main purpose of the adapted sales team model is to diagnose teams in extreme areas to allow for some form of intervention, enabling these teams to become more balanced. Additionally, the model can assist in tracking changes associated with the dynamic team system as it moves from the development stage to follow on stages of formalization. The adapted model can also be utilized to diagnose the team as a whole but allows the researcher to take into account the influential potential of an independent subsystem or team member. Changes or influences of the environment will also cause the team system to react or respond in a different manner. However, the model can again be used to diagnose the impact of these changes on the sales team. These influential circumstances could include how the sales team was formed, how members were chosen, the availability of needed resources, and the perceived level of management support (Levin, 1992); all of which could help or hinder the teams’ ability to function successfully.

**DISCUSSION AND CONCLUSION**

Gaining competitive advantage in a global environment means continually adapting and implementing changes. The use of sales teams is becoming a popular way of doing this. A sales team utilizes people’s strengths, enhances each person’s contribution, improves productivity and reduces turnover. The sales team approach can form an extremely useful complex of relationships and informational conduits or it can form a sticky mass of dysfunctional communications than can spell sure disaster (Campbell, 2006). The purpose of this paper was to try to enhance current research regarding sales team effectiveness. Specifically the adapted team model fills the gap in current literature in that it allows the measurement variables to interact with one another. These dimensions of team cohesion and task orientation are diagnosed separately. However, considered as a system, they can positively or negatively influence each other. Changes in the task orientation of the sales team may lead to changes and transformations of interpersonal relationships and the cohesion level of the team. As organizations grow in their use and understanding of sales teams, it is imperative that they understand how organizational and interpersonal relationships influence them, how they function, how sales teams play a learning role for the organization, and, certainly, what makes them effective (Jones, 2005). This paper addresses the call for new methods and variables to measure sales team effectiveness by introducing team adaptability.

**REFERENCES**

Circumplex Model Hypothesis,” *Family Relations* 35(2), 289-293.
and Team Selling,” *Journal of Personal Selling & Sales Management* 25(2), (Spring), 181-198.


WHEN THEORY MEETS REALITY: THE IMPACT OF LEADER-MEMBER EXCHANGE, TRANSFORMATIONAL AND TRANSACTIONAL LEADERSHIP ON PERFORMANCE

JeDarius Isaac, Capella University

ABSTRACT

Behavioral scientist have attempted to discover what traits, abilities, behaviors, sources of power, or aspects of the situation determine how well a leader is able to influence followers and accomplish group objectives. The author attempts to extend the work of Transformational Scholars (Bass, 1985; Hater & Bass, 1988) and LMX Scholars (e.g., Deluga, 1992; Graen & Cashman, 1975; Graen & Uhl-Bien, 1995) by integrating their models in a longitudinal design and incorporating theory with reality in order to add richness to the understanding of the predictors of follower performance.

INTRODUCTION

James Macgregor Burns (1978) defined leadership as the reciprocal process of mobilizing, by persons with certain motives and values, various economic, political, and other resources, in a context of competition and conflict, in order to realize goals independently or mutually held by both leaders and followers” (p. 425). He identified two basic types of leadership, transactional and transforming. The distinguishing characteristics separating the two types are the nature of the goals, which holds the goals, and the leader’s view of motivation toward the goals.

In transactional leadership, the leaders accept the independence of their own and their followers’ goals. The leader and the followers exchange goods, services, or less tangible rewards to realize their independent goals. The object of this transactional approach “is not a joint effort for persons with common aims acting for the collective interests of followers but a bargain to aid the individual interests of persons or groups going their separate ways” (Burns, 1978, p. 425).

The transforming leader goes an additional step and attempts to change the goals of the followers. The new goals are of a higher level in that, once transformed, they represent “the collective or pooled interests of leaders and followers” (Burns, p. 426). Burns defines the new goals as higher in other aspects as well. They are higher in morality and higher on the hierarchy of needs as developed by Maslow (1954).

Burns (1978) wrote of leadership from the perspective of a historian and a biographer of charismatic leaders. He saw transforming leadership as one of the techniques or characteristics that defined the style of successful leaders. He hoped to examine the methods of the leaders in order to fashion a general theory of leadership.
Burns’ (1978) call for research on transforming leadership was answered by two groups of researchers, each with a slightly different focus and interpretation of what was renamed transformational leadership. The first group of researchers was led by Bernard M. Bass and the second by Warren Bennis, Burt Nanus, and Noel Tichy.

**THE TRANSFORMATION OF GOALS**

Bass followed Burns’ (1978) original direction and focused his initial examination of transformational leadership toward large, public, groups. He attempted to put the “quantitative research spotlight on famous charismatics such as Churchill, Gandhi, de Gaulle, the Roosevelts, Mao Zedung and Ho Chi Min” (Bass, 1981, p. 610). He developed a unique approach to the study of historical leadership (Bass & Farrow, 1977). He had judges and trained undergraduate students study the biographies of historical leaders. The judge, acting as if they were subordinates, completed an instrument designed to identify the factors of transformational leadership (Bass, 1985b). He hoped “by identifying the behaviors, attitudes, and strategies of proven world-class leadership” he could “offer practitioners and leadership theorists additional insights into the development and testing of a more comprehensive model of leadership behavior” (Bass, Avolio, & Goodheim, 1987, p.7). The judges were able to differentiate between transformational and transactional factors with a high level of interrater reliability.

From this historical starting place, Bass (1981) asked if the concept of transactional transformational leadership could be applied to small groups. He asked, “Are there analogues in the small group for the intellectual, reform, revolutionary and heroic leaders who transform societies?” (p. 610). He goes on to outline a research agenda to develop an approach to leadership based on the transactional and transformational constructs.

According to Bass (1985), for the past fifty years the fundamental approach of leadership research was that of contingent reinforcement. He calls this approach, developed in various cost-benefit exchange theories of leadership, transactional leadership and defines transactional leadership as “a transaction in which followers’ needs are met if their performance measures up to their explicit or implicit contracts with their leader” (Bass, 1985, p.27).

Transactional leaders motivate their subordinates using three techniques. 1) Transactional leaders recognize what it is subordinates want and try to see they get it if their performance warrants. 2) They exchange rewards and promises of rewards for subordinates’ efforts. 3) Transactional leaders are responsive to subordinates immediate self-interests can be met by getting the work done. A fundamental premise of Bass’ (1985) initial studies is that there is a limit to the motivation and thus the performance that can be expected from transactional leadership.

In contrast to transactional, transformational leadership motivates subordinates in several ways that transcend the exchange processes of contingent reinforcement. Bass (1985) list four ways. First the transformational leader raises the followers’ level of consciousness about the value of designated outcomes and processes. Second, the leader influences the followers to transcend their own self-interest for the sake of the organization. Third, the leader raises the need level of the follower from a lower level need to a higher level need, for example from security to
recognition. Finally, the leader expands the followers’ “portfolio of needs by, for example, adding the need for self-actualization to the need for recognition” (p. 31).

Bass (1985) reports the findings of several studies on transactional-transformational leadership. Results support his earlier speculations that:

“While transactional leadership can provide satisfactory payoffs in the short term, transformational leadership is likely to generate more effort, creativity and productivity long term. Subordinate competence as an organization as an organization member will be developed further as a consequence of the transformational leader’s nurturance and vision.” (p. 30)

From these studies emerged five factors that identify leadership behavior. Three transformational factors emerged: Charismatic leadership, individual consideration, and intellectual stimulation. Two transactional factors emerged: contingent reward and management by exception. In these and later studies, the transformational factors were more highly correlated with extra effort by subordinates, perceived unit effectiveness, and subordinate satisfaction than were transactional factors.

In his initial studies Bass (1985) sought a method to distinguish transactional from transformational leaders. The primary instrument he developed was the Multifactor Leadership Questionnaire (MLQ) (Bass, 1985). A fundamental premise of this instrument and its interpretation was that transactional and transformational leadership behavior was mutually exclusive. The two types of behavior were thought of as at opposite ends of a continuum of leadership behavior. A particular leader’s behavior was envisioned at some point of that continuum.

Seemingly in contradiction to this premise was the discovery that transactional leadership scores correlated with the transformational leadership scores. “Those who scored high in transactional leadership did likewise in transformational leadership. Those who were seen to exhibit little transactional leadership were also seen to show infrequent transformational leadership” (Bass, 1985, p. 201).

Kuhnert and Lewis (1987) expand the transactional transformational theory by presenting a model of transactional and transformational theory by presenting a model of transactional and transformational leadership based on the constructive/development theory of Kegan (1982). The model envisions three stages of leadership that results from the personality development of the leader and the relationships developed within the leader-subordinate dyad. At the first stage, leaders are concerned with personal goals and agendas, rather than relationships. They project these motives to their subordinates and relate at a lower level of transactional leadership; they look to exchange objects. At the second stage of development, leaders relate to subordinates at an interpersonal level. They are concerned with interpersonal connections and mutual obligations. At some point the leader develops, and communicates to subordinates, internal values and standards. When followers adopt these values, the third stage is entered and transformational leadership takes place.
Such model challenges the view that transactional and transformational leadership are at opposite ends of a continuum and implies that instead that they are developmental and may augment each other. The model also suggests that leadership relationships may differ, even with the same leader, from dyad to dyad.

In later studies researchers began to challenge the idea that transactional and transformational leadership are mutually exclusive. Hater and Bass (1988) acknowledge that leaders can show both types of leadership and that the two types might be developmentally related. Bass (1990) suggests that programs designed to train and develop managers’ transformational leadership skills should include training in transactional procedures. Seltzer and Bass (1990) argue that transformational leadership factors can be added to transactional leadership factors to explain the variance in organizational outcomes. They argue that both sets of factors are in existence and are functioning in some related way in leadership situations. Keller (1992) found that both transactional and transformational leadership factors were required to predict performance levels in research and development project groups.

A number of studies (Bass, 1985, Bass & Farrow, 1977; Hater & Bass, 1988; Keller, 1992) attempted to relate organizational outcomes to levels of transactional and transformational leadership. In general, they found that transformational leadership behavior was a better indicator of desirable organizational outcomes than was transactional. Little attention in these studies was paid to process and less still to communication processes.

Each of the studies used an averaging method to determine the transactional or transformational rating of leaders. A typical example can be found in a study of leadership in an express delivery service (Hater & Bass, 1988). Subordinates completed the MLQ to judge how often their manager displayed various characteristics of behavior. The ratings of all subordinates of a manager were averaged to determine that manager’s transactional and transformational leadership scores. Differences that might have existed from dyad to dyad were lost.

**TRANSFORMATION OF ORGANIZATIONS**

The second group of researchers examining transformational leadership defined transformational leadership as leadership that results in successful change. They stray from Burns’ (1978) original concept of transformational leadership by focusing on the transformation of organizations rather than the transformation of the goals of the members of the organization. This school of research focuses on outcomes of the leadership rather than on the process of leadership. For example, Bennis and Nanus (1985) identified organizations that were successful in adapting to the difficult environment of the 1970s and 1980s. They interviewed 90 of the leaders they saw as responsible for these organizational successes to identify similarities that might account for the successes. They defined the similarities discovered as the factors of transformational leadership.

Tichy and Ulrich (1984) describe Lee Iacocca as a transformational leader in that he led a successful transformation of Chrysler. The activities they attribute to Iacocca such as successful bargaining with the government for a bailout, reduction of the work force, restructuring of
management, and obtaining major concessions from the United Auto Workers, are by Bass’ (1985b) definition transactional activities.

Tichy and Ulrich (1984) Bennis and Nanus (1985), and Tichy and Devanna (1986) agree on two essentials for transformational leadership that corresponds to Burns’s (1978) original description. First, the leader must provide a vision for the organization. This vision should be the articulation of the collective purpose of the members of the organization. The vision will be what commits followers to the organization and what will integrate the individual goals into the collective purpose. The second essential is that the vision is communicated throughout the organization. This communication means not only sharing the vision but also even restructuring the communication of the organization, changing lines of communication, and replacing leaders and workers.

LEADER-MEMBER EXCHANGE THEORY

Dansereau, Graen, and Haga (1975) introduced an approach to leadership study that is a fundamental restructuring of leadership research methodology. After a review of leadership research methods, they concluded that there are two central assumptions that typically form a part of leadership models. First, “the members of an organizational unit who report to the same superior are sufficiently homogeneous on the relevant dimensions (e.g., perceptions, interpretations, and reactions) that they can be considered as a single entity: the ‘work group’ ” (p. 47). Second, “the superior behaves in essentially the same prescribed manner toward each of his subordinates” (p. 47). Studies incorporating these assumptions are based on what authors termed Average Leadership Style (ALS). Studies based on an Average Leadership Style collapse relations between a superior and all his or her subordinates into a single leadership style. If the two assumptions are inappropriate, and the authors believe they are, previous leadership studies are flawed.

Authors later offered an approach that bypasses these two assumptions and focuses on the vertical dyad, the superior and the individual subordinate and the dyadic relationship between them. They claim, “the vertical dyad is the appropriate unit of analysis for examining leadership processes because the vertical dyad reflects the processes linking member and superior” (p.47). They name this approach the Vertical Dyad Linkage (VDL) approach.

Dansereau, Graen, and Haga (1975) look at two techniques of influence used by managers and relate them to the VDL approach. When using supervision, the first technique, the superior relies almost exclusively on relationships formally spelled out in the employment contract; he/she relies on formal authority in his/her exchanges with the subordinate. The superior employing the second technique, leadership, relies on the establishment of an interpersonal exchange relationship with the subordinate.

The vertical exchange that takes place between the superior and the subordinate is the key that defines the relationship and the leadership behavior. The description offered for this exchange approximates Watzawick, Jackson, and Beavin’s (1967) description of communication interaction defining the nature of a relationship. Communication at the content and the relationship level determine the nature of the leadership exchange in the dyad.
Like Bass (1985), Dansereau, Graen, and Haga (1975) see leaders using one of two sets of techniques to influence members. The first set of techniques is labeled supervision and is defined as when the nature “of the vertical exchange is such that a superior relies almost exclusively upon the formal employment contract in his or her exchanges with a member” (Dansereau et al., 1975, p. 49). The second set is leadership and the nature of this exchange is defined by the interpersonal relationship between a superior and a member. These two sets of techniques conform, almost exactly, to the first and second stages of the three-stage model of Kuhnert and Lewis (1987) and roughly to Bass (1985) transformational and transactional leadership. The authors specifically state that supervision and leadership cannot exist within the same dyad. The use of formal authority, the defining characteristic of supervision, is incompatible with leadership.

THE TRADITIONAL PERSPECTIVE

There were two assumptions driving the research in leadership in organizations prior to investigations led by Danserreau (Dansereau, Cashman, & Graen, 1973). These assumptions continue in most research and may hinder an understanding of the real nature of leadership relations in organizations. The first assumption is that all subordinates are essentially the same. Operationally, subordinates can be expected, according to this assumption, to react to leadership behavior in ways that are fairly consistent from individual subordinate to individual subordinate. Even when subordinates are differentiated into types, subordinates within categories have similar leader behavior and each category can be considered a single entity.

An example of this assumption is found in the works of McGregor (1960, 1966). He viewed individuals as having a set of characteristics that were relatively consistent throughout the population. Given this set of characteristics, McGregor contrasted his optimistic assessment of human nature with the more pessimistic traditional view; subordinates’ reactions to leadership behavior could be predicted.

A second assumption of the traditional perspective is that leaders behave in the same way toward each of their subordinates (Dansereau et al, 1975). This assumption can be seen in operating in the various theories of leadership that attempt to assign a style to leaders. This assumption is operationalized when research based on such leadership views as trait theories, behavioral theories, situational models, and other approaches average subordinate perceptions, leader self-reports, or third party observations in order to determine the leader’s style (Liden & Graen, 1980).

DYADIC APPROACH

To take into the account the possibility that these assumptions are inappropriate, Graen and others developed the vertical dyad linkage (VDL) or leader-member exchange (LMX) approach (Dienesch & Linden, 1986). This approach views leadership taking place in the relationship between a leader and an individual member. By focusing at this dyadic level, the LMX model avoids the difficulties that would occur if, in fact, the two assumptions were incorrect.
TRANSFORMATIONAL/TRANSACTIONAL LEADERSHIP

Prior to Burns’ (1978) and Bass’ (1985) description of transformational leadership, leadership was viewed from the perspective of a social exchange model. In the social exchange model view, leaders gain compliance. Restated, a transaction takes place between leader and member that results in both accomplishing their individual, separate goals. Leaders high in transactional skills are successful in determining member desires and in negotiating an implicit or explicit contract with the member. A major assumption by Bass (1985) is that transactional leadership only allows for marginal levels in the improvement of performance. There is a limit to the amount of improvement of performance that can be expected as leaders use higher levels of transactional leadership (Tichy & Ulrich, 1984).

To achieve higher-order changes, changes to higher levels of performance, Bass (1985) calls for transformational leadership. Transformational leadership “describes leaders who rely on their rhetorical skills to create a compelling vision of the future, which prompts shifts in follower beliefs, needs, and values” (Barge, 1994, p. 52).

Transformational leadership goes beyond satisfying present member needs and attempts to 1) raise members’ levels of consciousness about the importance and value of organizational outcomes, 2) get members to transcend their own self interest, and 3) raise their need level (Maslow, 1954) from lower to higher level needs (Bass, 1985).

LEADERSHIP AND COMMUNICATION COMPETENCE

The importance of communication to leadership varies from leadership theory to leadership theory. In early theories such as great man, trait, and situational theories, the importance of communication was minimized. In more recent theories, an understanding of the communication processes becomes crucial. In transactional/transformational theory “the combination of individualized attention and charismatic leadership emphasizes the creative process of communication” (Barge, 1994, p. 57). In Leader-Member Exchange theory, the relationship between leader and member is constructed through their dyadic communication exchange (Graen & Schiemann, 1978).

Given the critical nature of communication in these two theories, one can argue that a leader with the greatest communication competence will be the most effective practitioner of transactional and transformational leadership and have the highest quality leader-member exchange relationship.

The problem that arises is how to assess communication competence as it applies to leadership, particularly leadership in organizations. A comprehensive review of organizational communication competency assessment instruments (Shockley-Zalabak & Hulbert-Johnson, 1993) determined that “the construct of organizational communication competency is not well defined as evidenced by assessment instruments in the field” (p. 36).
Another approach is suggested by Spitzberg (1983, 1988) who asserts that competence is an attribution made by others in the context of a particular situation. “Communication competence is an impression formed by others” (Spitzberg, 1983, p 326). When combined with Barge’s (1994) assertion that “the perceptions of communication competence are embedded in the situation” (p. 236), it seems that the only viable method of assessment would be within the situation by one or more of the participants. One way to measure competency in a superior-subordinate dyad would be to ask one or both members of the dyad how they perceive the shared meaning, mutual understanding, and communication effectiveness within the dyad.

THEORETICAL INTEGRATION

Interest in leadership in complex organizations is characterized by the parallel development of two different perspectives. One viewpoint is leader-focused. This stream of research attempts to explain individual, group, or organizational performance outcomes by analyzing specific leader behaviors and linking them directly to those outcomes. Examples of such perspectives include transformational, charismatic, and value-based theories of leadership, as developed by Bass (1985), House (1977), and House, Delbecq, and Taris (1996), respectively. In contrast, the second perspective focuses on the explicit one-on-one relationships that develop between leader and follower. Adherents of this perspective propose a link between follower performances and the quality and level of mutual trust, respect, and influence within those individual leader follower relationships. The best example of this perspective is the leader-member exchange (LMX) theory of leadership originated by Graen and his colleagues (Graen, 1976; Graen & Cashman, 1975; Graen, Novak, & Sommerkamp, 1982; Graen & Scandura, 1987; Graen & Uhl-Bien, 1995).

Leader-focused research implicitly assumes a relationship of some sort between leader and follower, and that implied relationship is fundamental to the link between leader behavior and follower response. An implied relationship, however, fails to answer questions of how, and perhaps why, followers perform differently for different leaders. Research focused on leader follower relationships, on the other hand, pays only marginal attention to what leaders do to develop a relationship with followers. Linking the two perspectives, emphasizing both how leaders behave in order to elicit different levels of follower performance and what leaders do to encourage distinct leader follower relationships with each follower, is potentially important in two ways. First, it may provide a reasonable explanation for what is happening inside the black box between observed leader behaviors and measured follower outcomes. Second, leader behaviors may provide an explanation regarding how the leader actually establishes and develops differing qualities of relationships with different followers.

The theoretical integration of transformational and LMX models of leadership has recently been proposed by Graen and Uhl-Bien (1995) and Gerstner and Day (1997). However, the empirical linkages between these models of leadership are relatively unexplored to date.

Previous research on LMX theory has primarily investigated the characteristics of the LMX relationship and the relationship between LMX and organizational variables (Graen & Uhl-Bien, 1995). The preponderance of empirical studies on transformational leadership has focused on comparing the impact of transformational and transactional leadership on follower
performance, satisfaction, and effectiveness (Bass & Avolio, 1993; Howell & Avolio, 1993). The role of organizational context in these two leadership models has been largely neglected (Gerstner & Day, 1997; Liden, Sparrowe, & Wayne, 1997; Pawar & Eastman, 1997). Because situational moderators may affect the linkage between leadership and performance outcomes (Gerstner & Day, 1997), the present study examines how the physical distance separating leader and follower moderates the impact of LMX relationships and transformational and transactional leadership on predicting follower performance over an extended time interval.

LEADERSHIP AND PERFORMANCE

In his extension of Burn's (1978) analysis of political leadership, Bass (1985) differentiated between the quid pro quo dynamics of transactional leadership and transformational leadership. In transactional leadership, leader follower relationships are based on a series of exchanges or bargains between leaders and followers. Bass (1985) differentiated two types of transactional leadership contingent reward and management-by-exception according to the leader's level of engagement with followers and activity level. In contingent reward leadership, the leader and follower negotiate an agreement regarding what rewards or recognition the follower will receive for a specific level of performance. Rewards, recognition, or both are provided when the follower attains the contracted level of performance.

Leaders can also transact with followers by practicing management-by-exception, that is, by focusing on mistakes, intervening only after standards have not been met, and delaying decisions. Hater and Bass (1988) distinguished between passive management-by-exception, where the leader remains passive until problems that need correcting emerge and then intervenes with criticism or reproof, and active management-by-exception, where the leader actively monitors followers' performances to anticipate mistakes or deviations from standards before they become a problem. In either case, negative feedback, punishment, and discipline are the likely results (Bass & Avolio, 1993).

Bass (1985) posited that transformational leadership enables followers to transcend their own self-interests for a collective higher purpose, mission, or vision and to exceed performance expectations. Transformational leaders communicate a compelling vision of the future (charisma); provide symbols and emotional appeals to increase awareness of mutual goals (inspirational motivation); encourage followers to question traditional ways of doing things (intellectual stimulation); and treat followers differently but equitably on a one-on-one basis (individualized consideration; Bass & Avolio, 1993).

Previous empirical research and meta-analyses have indicated that transformational and transactional leadership have differential effects on individual performance. Over 35 studies have reported positive relationships between transformational leadership and follower performance (Kirkpatrick & Locke, 1996). Empirical evidence has suggested that transformational leadership or its components predict positive performance outcomes in field studies (Curphy, 1992; Hater & Bass, 1988; Howell & Avolio, 1993; Keller, 1992), laboratory studies (Howell & Frost, 1989; Kirkpatrick & Locke, 1996), historical archival studies (House, Spangler, & Woycke, 1991), field experiments (Barling, Weber, & Kelloway, 1996), and meta-analytic studies (Lowe, Kroeck, & Sivasubramaniam, 1996). Thus, transformational leaders who encourage followers to
question assumptions and generate new ideas, develop their capabilities, and aspire to accomplish challenging future goals are expected to enhance followers’ performance on the job.

The majority of previous empirical studies have demonstrated that contingent reward leadership also has a positive impact on follower satisfaction and performance (Hunt & Schuler, 1976; Klimoski & Hayes, 1980; Podsakoff, Todor, Grover, & Huber, 1984; Podsakoff, Todor, Grover, & Huber, 1984; Sims & Szilagyi, 1975), although negative relationships have been reported (Howell & Avolio, 1993; Yammarino & Bass, 1990). The majority of research findings suggest that contingent reward leadership has a positive effect on individual follower performance.

Empirical examination of the impact of management-by-exception leadership on followers' performance has obtained mixed results. Leadership scholars have reported positive relationships (Greene, 1976), negative relationships (Bass & Avolio, 1990; Bass, Waldman, Avolio, & Bebb, 1987; Hater & Bass, 1988; Sims & Szilagyi, 1975), and no relationships (Hunt & Schuler, 1976; Podsakoff et al., 1984) between leader contingent sanctioning behavior and follower performance. However, the weight of empirical evidence suggests that constant reprimand can lead to Bass's (1985) prediction of follower hostility, reduction in effort, and ultimately lower levels of performance.

LEADER FOLLOWER RELATIONSHIPS, LEADERSHIP BEHAVIORS, AND PERFORMANCE

LMX theory proposes that leaders establish different social exchange relationships with different followers. Unidirectional downward influence, economic exchange behaviors, formal role-defined relations, and loosely coupled goals characterize low-quality LMX relationships. Leaders in low-quality LMX relationships rely almost exclusively on the formal employment contract in exchanges with their members and maintain a distance between themselves and their followers (Dunegan, Duchon, & Uhl-Bien, 1992). Members in these relationships abide by the prescriptions and proscriptions of the employment contract, afford their leaders the authority of their positions, and are compensated for task performance by the organization (not the leader) in coin and various benefits (Dunegan et al., 1992; Graen & Uhl-Bien, 1995; Sparrowe & Liden, 1997; Wayne, Shore, & Liden, 1997).

High-quality LMX relationships are characterized by mutual trust, respect, influence, and obligation (Graen & Uhl-Bien, 1995). Leaders in such relationships rely more heavily on followers to act in their stead (Dunegan et al., 1992) and encourage them to undertake more responsible activities than they otherwise would (Graen & Uhl-Bien, 1995). Followers in high-quality LMX relationships interact frequently with their leaders and have their leaders' support, confidence, encouragement, and consideration, and they take on added duties, play a greater role in meeting work-group goals, and deliver performance beyond contractual expectations (Dunegan et al., 1992; Sparrowe & Liden, 1997; Wayne et al., 1997).

Graen and Uhl-Bien (1995) noted that LMX is both transactional and transformational because it begins as a transactional social exchange and may evolve into a transformational social exchange. Separating high- and low-quality relationships is the relative weight placed on
material exchange and social exchange in that material exchange is different from social exchange (and LMX) because when material exchange is the basis for the relationship, the process is not really leadership; it is closer to managership or supervision (Graen & Uhl-Bien, 1995, p. 238).

Graen and Uhl-Bien (1995) posited that low-quality LMX, characterized by downward influence, economic exchange, and formal role-defined relationships, is analogous to transactional leadership (Bass, 1985), in which leaders make requests of followers based on their organizational position, and followers comply because of their reporting relationship to the leader and the leader's control of rewards. Under transactional leadership, followers are motivated to fulfill their self-interests. Conversely, high-quality leader follower relationships, defined by mutual trust, respect, internalization of shared goals, and the willingness of followers to exert extra effort, are aligned with transformational leadership, in which leaders inspire followers to transcend their own self-interests for the broader collective purpose (Gerstner & Day, 1997; Graen & Uhl-Bien, 1995). In this instance, formal hierarchical relationships give way to partnerships between leaders and followers based on mutual reciprocal influence.

Graen and Uhl-Bien's (1995) arguments relating the quality of LMX to transformational and transactional leadership parallel Burns's (1978) discussion of these leadership behaviors as two ends of a continuum. Bass and Avolio (1993), on the other hand, conceived of transformational and transactional leadership as conceptually distinct but positively related behaviors. Empirical evidence supports Bass's (1985) fundamental proposition that transformational leadership augments transactional leadership in predicting leader effectiveness (Hater & Bass, 1988; Seltzer & Bass, 1990; Waldman, Bass, & Einstein, 1987). Moreover, the majority of previous studies and meta-analyses have demonstrated that transformational leadership and transactional contingent reward leadership have a positive impact on follower outcomes, although transformational leadership is more positively related to these outcome variables than contingent reward (e.g., Curphy, 1992; Lowe et al., 1996). Thus, in the words of Bass and Avolio (1993, p. 70), the evidence to date indicates that viewing transformational leadership as an extension to transactionally based models of leadership is clearly warranted.

Prior empirical studies (e.g., Graen, Novak, & Sommerkamp, 1982; Liden & Graen, 1980; Liden, Wayne, & Stilwell, 1993; Scandura & Schriesheim, 1994; Wayne & Ferris, 1990; Wayne et al., 1997) and a recent meta-analysis (Gerstner & Day, 1997) have demonstrated positive associations between LMX and performance ratings. Thus, the accumulated empirical evidence suggests a positive relationship between LMX and follower performance, as does the conceptual link between LMX and transformational and contingent reward leadership, which indirectly links LMX to follower performance.

PHYSICAL DISTANCE, LEADERSHIP BEHAVIORS, AND LEADER FOLLOWER RELATIONSHIP QUALITY

How organizational context influences the emergence and effectiveness of transformational leadership is a relatively unexplored issue (Avolio & Bass, 1988; Bass, 1985; Bass & Avolio, 1993; Bryman, 1992; Pawar & Eastman, 1997; Shamir, House, & Arthur, 1993). Likewise, Gerstner and Day (1997) observed that the role of organizational context in the LMX

362
model requires further examination. One contextual variable that may influence both the quality of leader-follower relationships and leadership behaviors is physical distance. Dramatic changes in organizational structures, size, complexity, and work arrangements imply that leaders are increasingly responsible for managing followers who reside in different locations. Leaders in network organizations, multinational companies, or domestic companies with far-flung sites are faced with the challenges of motivating and evaluating followers who they cannot see. How leaders' behavior and relationships with their followers is affected by the need to span physical distances is relatively unexplored.

Several leadership scholars have argued that physical distance decreases the opportunities for direct influence and potentially the effectiveness of the working relationship between leader and follower (Bass, 1990; Liden et al., 1997; Napier & Ferris, 1993). In fact, Kerr and Jermier (1978) observed that physical distance creates circumstances in which effective leadership may be impossible, as it tends to neutralize both relationship-oriented and task-oriented leadership behaviors. Conversely, physical proximity between leaders and followers facilitates the communication process and quality of exchange between leaders and followers (Bass, 1990).

The moderating effects of physical distance on the relationship between different leadership behaviors and follower performance and satisfaction have been directly studied in the leadership literature. For example, Podsakoff et al. (1984) reported that physical distance negatively moderated the relationship between contingent reward leadership and performance. They concluded that the leader's ability to establish contingent contracts between performance expectations and rewards, to observe follower performance, and to provide timely rewards on the fulfillment of the performance contract are undermined with increasing physical distance from followers. Extrapolating from Podsakoff et al.'s (1984) conclusion, with increasing physical distance from followers, leaders may be more likely to practice arbitrary or noncontingent punishment. In situations in which physical distance precludes personal interactions with followers, the leader's performance-related comments may be seen as arbitrary because the leader may not have had the opportunity to observe follower performance directly or to provide timely feedback. If distant followers perceive punishment as arbitrary or unwarranted, then their performance may be more negatively affected by management-by-exception leadership than punishment that is perceived as contingent or warranted, which may be the case for more proximate followers. The empirical evidence to date supports the moderating influence of physical distance on the relationship between contingent reward leadership and follower performance. Podsakoff et al.'s (1984) argument, extended to management-by-exception, suggests that management-by-exception leadership will produce worse follower performance when physical distance is high rather than low.

High-quality relationships are characterized by followers spending more time and energy communicating with the leader than do those in low-quality relationships (Graen & Scandura, 1987). Additionally, followers in high-quality relationships receive higher levels of support, confidence, and consideration from the leader (Graen & Uhl-Bien, 1995). Such high-quality relationships can be depicted in terms of social exchanges that are more easily fostered when physical proximity and face-to-face interactions are possible (Sparrowe & Liden, 1997).
Shamir (1995) advanced similar arguments in his discussion of the influence processes used by transformational leaders who are socially close versus those who are socially distant from their followers. He contended that in close leadership situations, leaders have a greater opportunity to show individualized consideration, sensitivity to and interest in followers’ needs, and support towards followers. Trust between leaders and followers is more likely in close than in distant circumstances because there are greater opportunities to interact directly, establish continuity in personal contacts, and engage in relationship building. Findings from a content analysis of interview transcripts of descriptions of close versus distant charismatic leaders revealed that close charismatic leaders were viewed as showing more consideration and openness with others, setting high performance standards, being unconventional in their behavior, and having a greater impact on followers' task-related motivation and behavior. Although Shamir's theoretical arguments and empirical evidence apply to social distance, similar arguments can also be applied to physical distance between leaders and followers (Napier & Ferris, 1993) because both variables influence the potential for interaction.

It may be equally challenging to be a follower at a distance. Working in the impression management field, Gardner and Martinko (1988a) noted that workers with offices located near their boss probably receive more cues and opportunities for upward influence than do relatively isolated employees. They also found that school principals spent more time on verbal self-presentation to higher status, external (physically distant) audiences, in this case superintendents and other central administrative staff (Gardner & Martinko, 1988b). Ferris, Judge, Rowland, and Fitzgibbons (1994) noted that physical distance had a significant negative effect on supervisor-focused influence tactics, possibly because of the types of behaviors used (doing personal favors for supervisors, complimenting them on their dress or appearance, showing interest in their personal life and volunteering help on tasks). This research implies that employees perceive a greater need to use upward influence tactics and engage in impression management when they are distant from their leaders, but that their opportunity to use those tactics effectively, and possibly to establish high-quality relationships with their leader, is limited by distance. In support of this argument, Judge and Ferris (1993) noted as the number of opportunities a supervisor has to observe an employee increases, that employee's performance rating also increases.

Increasing physical distance decreases the likelihood of forming and sustaining high-quality relationships by limiting the opportunities for both leader and follower to engage in the necessary behaviors to form high-quality relationships. Distance also means less opportunity for leaders to observe followers and potentially lower performance ratings for employees at a distance.

**LIMITATIONS**

This paper had several limitations that restricted. First, it is non-empirical and based on synthesizing extant literature and so represents secondary research. However, this is an appropriate and even necessary starting point for exploratory research seeking to link theory and practice. Another limitation of this study is that the secondary studies discussed did not report the time frames of the relationships between the leaders and followers. Data was provided on how long each follower has reported to each leader in his or her current position; however,
relationships that predate the current position are unclear. It is possible that some of these relationships are significantly longer than the data suggest. Future research needs to clarify how much up-close and personal time is required for building and maintaining high-quality leader-follower relationships.

The direction of causality represents another limitation of the present study. Although the secondary data provided by literature review included time measures in which leader behaviors and follower performance were measured no less than one year apart, the presence of this interval does not obviate questions about the causal direction underlying the results. It is possible that follower performance could influence leader behavior, particularly if the relationship is an extended one. Thus the results of the present paper are vulnerable to the possibility of opposite or bi-directional causal explanations due to prior acquaintance between leaders and followers. Future research should be designed using newly established leader-follower reporting relationships in order to more accurately assess the direction of causality.

Although the results indicate that LMX does not have a significantly lower relationship with contingent reward leadership than with transformational leadership, limitations in the methodology mitigate against drawing such a conclusion. According to Cooper and Richardson (1986), in order to conduct a fair comparison of the relative strength of the contingent reward and transformational leadership constructs, procedural and distributional equivalence of the measures of the constructs need to be demonstrated. Differences in the number of items measuring the transformational and contingent reward constructs, variations in the means and standard deviations for these measures from those reported in other studies (e.g., Bass & Avolio, 1990; Lowe et al., 1996), as well as other considerations suggest that procedural and distributional equivalence may be significant issues in the present study. Future research designed to test the augmentation hypothesis of transformational and contingent reward leadership (Bass, 1985) and the potentially different relationships between LMX and various leadership behaviors needs to ensure both procedural and distributional equivalence of the leadership measures.

After reviewing the literature it was noted that majority of study's leader samples were predominantly male (95%). Given that female managers are viewed by followers as more proactive role models who are trusted and respected and who demonstrate greater sensitivity to and interest in followers' needs in comparison with their male counterparts (Bass & Avolio, 1994), it would be interesting to conduct the analysis split on gender. Unfortunately, having so few female leaders in our sample mitigated against this type of analysis. Replicating the present paper in an environment in which there is a more even distribution of roles by gender would allow for this interesting comparison.

**RECOMMENDATIONS**

Future research is necessary to test whether the present findings apply to multiple levels of analysis (Dansereau, Yammarino, & Markham, 1995) and generalize to other organizational settings, industries and cultures. In addition, investigation of a wider array of individual variables (e.g., follower autonomy and self-efficacy) and contextual variables (e.g., resource availability and goal clarity) that may influence the leader follower relationship should be pursued. Finally,
collecting data over multiple time periods would allow researchers to trace the evolution of leader follower relationships. An understanding of the development of leader follower relationships and leadership style would provide insights into the career development experiences and training needs of leaders and the timing of these experiences.

This study also opens an avenue for the development and testing of theory regarding the potential moderating effects of contextual variables, such as physical distance, on the relationship between LMX and the various leadership behaviors. It is suspected that physical distance would moderate those relationships, as it does the LMX follower performance relationship, and that such hypothesis development and empirical testing would further enlighten our understanding of how effective leaders deal with the distance factor.

**SUMMARY**

In summary, this paper represents an attempt to integrate the Transformational, Transactional and LMX models of leadership over the full range of leadership behaviors. The author attempted to extend the work of transformational scholars (Bass, 1985; Hater & Bass, 1988) and LMX scholars (e.g., Deluga, 1992; Graen & Cashman, 1975; Graen & Uhl-Bien, 1995) by integrating the models in a longitudinal design and by adding a contextual factor in order to add richness to the understanding of the predictors of follower performance. Finally, secondary empirical data have provided further evidence that the quality of the leader-follower relationship has a strong, positive impact on follower performance. Several years ago, Bass and Avolio (1993, p. 75) commented that we have only scratched the surface in terms of connecting the model of transformational leadership to other leadership models. I hope this paper has briefly gone beneath the surface to illuminate the linkages between LMX, transformational leadership, distance, and performance.

**REFERENCES**


HOURS OF ETHICS TRAINING, PERCEIVED ETHICAL CONTEXT, AND SALES AND MARKETING PROFESSIONALS’ SATISFACTION WITH SUPERVISORS AND COWORKERS

Sean Valentine, University of Wyoming
Tim Barnett, Mississippi State University

EXTENDED ABSTRACT

Ethics training can strengthen organizational ethics (LeClair and Ferrell 2000; Loe and Weeks 2000), or the ethical values and cultures that prompt employees to make ethical decisions and to behave appropriately at work (Ferrell, Fraedrich, and Ferrell 2008; Hunt, Wood, and Chonko 1989; Trevino and Nelson 2007). Ethics training and a strong ethical environment can also prompt positive attitudes about work and the organization (Hunt et al. 1989; Schwepker 2001; Trevino, Butterfield, and McCabe 1998; Vitell and Davis 1990), which suggests that ethical leadership may facilitate a variety of beneficial workplace responses (Viswesvaran, Deshpande, and Joseph 1998; Viswesvaran and Deshpande 1996). Of particular importance is the notion that ethics initiatives should yield satisfaction with supervisors and coworkers.

This research question is important because management and line personnel can play a role in organizational ethics through their espoused values and actions (e.g., Ferrell et al. 2008; Hunt et al. 1989; Trevino and Nelson 2007). If high ethical standards are valued by employees, there is reason to believe that ethics training, functioning through a company’s ethical values and culture, prompts greater satisfaction with supervisors and coworkers because of their involvement in the develop of ethical business practices. Indeed, managers frequently function as ethical role models at work, and coworkers often influence the behavior of employees through vicarious social learning, providing credible support for the idea that ethical companies are staffed with managers and employees who prompt positive job satisfaction in others.

Using a national sample of 324 sales and marketing professionals representing a variety of organizations, this study examined the mediating role of perceived ethical environment in the proposed relationships between hours of ethics training and satisfaction with a supervisor and satisfaction with coworkers. The sample was particularly appropriate for this investigation because individuals working in the sales and marketing field often face a plethora of ethical challenges while performing their job duties (e.g., McClaren 2000; Wotruba 1990). The correlation analysis, which incorporated scales from past research (Cellucci and DeVries 1978; Hunt et al. 1989; Trevino et al. 1998), provided preliminary evidence of the existence of the relationships specified in the study framework. The results of multiple mediated regression models using two measures of ethical environment (corporate ethical values and ethical culture) also provided adequate statistical support for the proposed relationships in the study, with either full or partial mediation identified in both frameworks. Organizational leaders in the sales and marketing profession should consider using ethics training to institutionalize an ethical environment in sales organizations, as well as involve both sales managers and line employees...
in this institutionalization process. Such efforts could yield greater appreciation for supervisors
and coworkers and increased satisfaction with human relations in sales organizations.

SELECTED REFERENCES

Cellucci, Anthony J. and David L. DeVries (1978) *Measuring Managerial Satisfaction: A
Hunt, Shelby D., Van R. Wood, and Lawrence B. Chonko (1989) “Corporate Ethical Values and
Organizational Commitment in Marketing,” *Journal of Marketing* 53, 79-90.
Improve Sales Students’ Moral Reasoning,” *Journal of Personal Selling and Sales
Management* 20, 243-251.
McClaren, Nicholas (2000) “Ethics in Personal Selling and Sales Management: A Review of the
Literature Focusing on Empirical Findings and Conceptual Foundations,” *Journal of
Schwepker, Charles H., Jr. (2001) “Ethical Climate’s Relationship to Job Satisfaction,
Organizational Commitment, and Turnover Intention in the Salesforce,” *Journal of
Business Research* 54, 39-52.
Trevino, Linda Klebe, Kenneth Butterfield, and Donald McCabe (1998) “The Ethical Context in
Organizations: Influences on Employee Attitudes and Behaviors,” *Business Ethics
Quarterly* 8, 447-476.
Viswesvaran, Chockalingam, Satish P. Deshpande, and Jacob Joseph (1998) “Job Satisfaction as
a Function of Top Management Support for Ethical Behavior,” *Journal of Business Ethics*
17, 365-371.
Viswesvaran, Chockalingam and Satish P. Deshpande (1996) “Ethics, Success, and Job
Vitell, Scott J. and D. L. Davis (1990) “The Relationship between Ethics and Job Satisfaction:
with a Focus on Sales Organizations,” *Journal of Personal Selling and Sales Management*
10, 29-42.
THE ANALYSIS OF OPEN POLICY CHANGES IN MAINLAND CHINA’S FOREIGN TRAVEL AGENCIES AND THE EFFECTS ON TAIWANESE TRAVEL FIRMS

Shih-Ping Fan, National Kinmen Institute of Technology
Shu-Mei Hsu, Xiamen University

ABSTRACT

The rapid development of the Mainland China tourism industry after deregulation has transformed the country into one of the top five destinations the world over. This has resulted in effectively attracting foreign currency, increasing employment, and promoting economic progress. Thus, the tourism industry has become the most important service industry right now. The WTO (World Tourism Organization) has estimated that by 2020, China will replace France as the most visited country in the world. Aside from playing a pivotal role, travel agencies have been enjoying government protection and so after the SARS outbreak in 2003, the communist party suddenly announced the opening up of foreign investment to solely invest in travel agencies. This was a turnabout from the previously held position of limiting foreign investment to jointly held travel agencies. This study will first analyze the legal process, for many years, of China’s opening up of travel agencies to foreign investments, comparing the extent of liberalization at different stages, scopes, and influences. Special focus will be given to the long-term monopoly of state run travel agencies that has had to face this challenge. In addition, the study will propose measures that respond to legal changes directly affecting Taiwanese firms as travel ties between China and Taiwan become closer.

INTRODUCTION

Tourism industry of Mainland China experiences a rapid development after 1978, in which China adopted her reform and opening policy. Accompanied with this rapid development, travel agents play a vital role, because tourists no matter who enter the mainland China can not do business with others except through travel agents. Earning huge amounts of money, travel agents have been in the hands of Chinese government for a long time, monopolized. Anyone who wants to invest in the mainland travel agencies from overseas can only cooperate with these state-owned travel agencies to set up a “joint venture”, and any attempt to set up a private agency is proven in vain. However, the situation has changed in 2003 for the deregulation of travel agency industry, worthy of research on the causes and effects. On the other hand, resent cross-strait tourism exchanges become increasingly intensive, and most travel agencies in Taiwan initiate business to people form mainland China, so this policy change will directly affect business strategy of Taiwanese tourism agency industry. As to investors from Taiwan willing to have their own enterprises rather than the “joint ventures”, in the mainland travel agencies controlled or owned by the Taiwan tourism industry, I refer them to Taiwanese travel agencies because both sides of the strait define them as “Taiwanese entrepreneurs".
THEORETICAL BACKGROUND OF THE RESEARCH

The research adopts strategic management framework of SWOT analysis model. Donald A. Hay and Derek J. Morris posit that entrepreneurs will thoroughly consider the development of the industry that they decide to invest in, government policies and the other investment conditions such as supply and demand. As to industrial environment, the most concern is whether the host country possesses advantages, both subjective and objective, to develop this industry; in terms of demand analysis, the most important aspects are parameters in a specific product market, such as the price, quantity and trading opportunities; when it comes to supply conditions, labor, raw materials and cost of capital are of primary concern; while the analysis of government policy give more weight on privileges, institutions and facilitates. After finishing this preliminary analysis of four conditions, we will enter the decision-making framework. First, the entrepreneurs will make preliminary predictions under a rational analysis of the four conditions mentioned above, and these predictions include information of supply, demand and risk, which are three major parameters of the important decision-making, and eventually entrepreneurs make the specific investment decisions. Figure 1 illustrates the process.

![Investment strategy decision-making process map](image)


Philip Kotler, marketing professor at Northwestern University agree to that business investment profoundly influences the firm development strategy and product development strategy and market development strategy. So, entrepreneurs should think twice before deciding...
to invest in a specific industry. A rational choice should be based on the state industry policy, investment policy and trade policy, which is shown in figure 2.

**The relation between government and enterprises in amassing stage**

Figure 2. National wealth accumulation stage of the government and corporate relationships map


The popular tool to perform SWOT analysis is "SWOT Matrix", which is created by Heinz Weihrich. The main function of "SWOT Matrix" is to produce a matching strategy through evaluating the matrix of external-internal environment, enabling enterprises to make full use of their advantages and overcome their weaknesses, and avoid the threat of competitors through external opportunities.

**Table 1. SWOT analysis matrix**

<table>
<thead>
<tr>
<th>External</th>
<th>Internal</th>
<th>Strength</th>
<th>Weakness</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opportunity</td>
<td>SO</td>
<td>WO</td>
<td></td>
</tr>
<tr>
<td>Threat</td>
<td>ST</td>
<td>WT</td>
<td></td>
</tr>
</tbody>
</table>


The policy of Mainland China to set up foreign-controlled travel agency must have strong and profound influence on Taiwanese travel agency industry, this paper intended to produce matching strategies for Taiwanese travel agencies. With the tool of "SWOT Matrix", we examine the external environment first, which is, except for the threat of competitors from the other countries, almost an opportunity to Taiwanese tourism agencies, and then we analyze the relative advantages and disadvantages of internal environment, and finally we propose our solutions.
THE DEVELOPMENT PHASE FOR OPEN POLICY OF CHINESE MAINLAND TRAVEL AGENCIES

The open policies for Chinese mainland travel agencies can be divided into four stages, namely joint venture pilot stage, trade in services schedules stage, the regulations for travel agencies stage and temporary foreign-owned Interim Provisions stage. The first two stages occurred before China became a member of the World Trade Organization (hereinafter referred to the WTO), while the left two stages occurred after China entry into WTO.

The joint venture pilot stage

In 1993, the National Tourism Bureau issued "temporary regulations on first sort of Sino-foreign joint venture travel agencies in tourist resort area " (hereinafter referred to a joint venture pilot approach), which declared to open 12 national tourism resort district, such as Dalian, Qingdao, Hangzhou, Shanghai, Hainan to foreign investors to initiate joint venture enterprises, which is the first legal statement of open policy of Chinese mainland government for foreign travel agencies.

On December 2, 1998, the National Tourism Bureau, the Ministry of Foreign Trade and Economic Cooperation jointly issued the "Interim Provisions pilot Sino-foreign joint venture travel agencies" (hereinafter referred to a joint venture pilot scheme), is a turning point for Chinese government to open the Sino-foreign travel agencies.

The WTO trade in services schedules stage

During early 1990s, the mainland government proposed the draft on the trade in services. In July 1991, the "initial commitment list" including tourism industry is proposed by government. From 1992 on, the National Tourism Bureau participated in the series of negotiations for initial commitment to the service trade, and submitted the revised "list of commitments."

In 1994, "the General Agreement on Trade in Services" involved a total of 12 service categories, in which "tourism and travel-related services" is divided into four sub-categories, A: hotels, restaurants and meals on wheels; B: travel agents; C: guided tours; D: other. As to foreign-funded travel agencies, which perform their business in Chinese mainland, the crucial binding regulation is the provision B "travel agents and tour operators" (ID: CPC7471) of ninth item on "Trade in services schedules, which stressed two concepts "restrictions on market access" and "national treatment restrictions". The rules are based on commitments, so the role it played was mainly for show, and failed to implement in the short term.

According to the "Uruguay Round of multilateral trade negotiations text of the law" and "China's accession to the WTO legal document", the official commitment for Chinese tourism industry is listed in the "Annex 9" of the "People's Republic of China to accede to the Protocol," whose name is "Chinese People State trade in services and schedules of specific commitments
"(hereinafter referred to trade in services schedules), these documents were recognized in the ministers peak in November 2001, in Doha.

The regulations for travel agencies stage

In response to rapid changes in the travel industry after entry into WTO, the National Tourism announced on New Year's Day 2002, a revised "regulations for travel agencies". Chapter 4, "foreign-invested travel agencies in particular," is solely for foreign funds, which was basically a revised "joint venture pilot approach" which content are as follows:

From a perspective of control rights, "regulations for travel agencies" puts that a cap of foreign parties in the investment proportion of Sino-foreign joint venture travel agencies will be given by National Tourism Administration as well as Department of commerce. This claim is a vague statement, and meanwhile it paves ways to future changes. Basically, if we recall the statement that “investors from China must at least control 51% of the shares in the joint ventures, meanwhile the CEOs of the joint ventures must be appointed by Chinese investors and the cooperation will terminate in 20 years" in “the pilot joint-venture approach”, the ambiguity of "regulations for travel agencies" shows a increasingly bright direction of policy changes.

As to opening areas, "a joint venture of community approach" allows only 12 national tourism resort area to initiate joint venture travel agencies, while in "trade in services schedules," there were only totally 4 open areas: Beijing, Shanghai, Guangzhou and Xi’an. However, in "regulations for travel agencies", no such restrictive claims exist more, which shows more flexibility of setting opening areas. However, "regulations for travel agencies" insisted that no joint venture travel agencies can operate outbound travel, the "service trade concessions Table" and "joint-venture pilot approach" also insisted on this point, which witness a strong determination of communist party in restriction to outbound travel for Chinese.

On the other hand, "pilot venture approach" was set jointly by the national tourism bureau, and the ministry of foreign trade. So, it still belongs to the level of departmental rules and regulations although it was censored by the State Council ahead of the official launch. On the contrary, "Regulations for travel agencies" is personally signed by prier mister, and legislated as the administrative rules and regulations, so it was in a higher level than the previous two regulations. More important, it was more accepted in format as "national treatment principle" of WTO.

The foreign-owned Interim Provisions stage

On June 12, 2003, "the establishment of foreign holding, foreign-owned travel agency" Interim Regulations (hereinafter referred "Solely Temporary Provisions") promulgated. The first clause of "Solely Temporary Provisions" clearly states that "this provision is legislated and enacted according to relevant laws and regulations for foreigner-operated travel agencies, in order to adapt to the new situation of China's accession to the World Trade Organization, intensify the achievement of open policy in tourism industry, facilitate the development of tourism agencies in china". So the background of this open policy is WTO context.
It was originally expected to allow absolute control rights of foreign funds at the end of 2003, and allow 100% control right at the end of 2005, but thanks to the unexpected visit of SARS, which has forced the mainland government totally deregulate tourism industry and open the market entirely by the end of June 2003. Travel agencies purely controlled by foreign investors, intended to maximize their earnings, will no doubt intensify the marketing effort to attract travelers from their country to China, which fuel the development of china’s inbound travel industry. Native travel agencies, under the umbrella of Chinese government, make limited progress. Once the foreign owned travel agencies land onto Mainland China, they will no wonder bring the latest management culture and knowledge into this promising industry, “turning the threat into opportunity” in the competition.

In addition, as to foreign investment, mainland China shows a more pragmatic attitude. As mentioned above, the number 6 clause in "solely Interim Provisions" posited that the registered capital of foreign-owned or controlled travel agencies should be no less than four million Yuan. However, this requirement decreased to 2.5 million Yuan by the end of year 2005. In addition, the clause 7 stressed that foreign-owned or controlled travel agencies cannot do business except in the tourist resort approved by the State Council (Beijing, Shanghai, Guangzhou, Shenzhen and Xi'an), but this was finally eliminated in 2005.

THE ANALYSIS OF EXTERNAL ENVIRONMENT OF TAIWANESE TRAVEL AGENCY

Under the "Solently Temporary Provisions", Taiwan-funded travel agencies share the same treatment as foreign-owned travel agencies in general, and take the format of both wholly-owned or controlled. So it will exert a direct impact on Taiwan travel agencies that have interests in Chinese travel markets. We first analyze the opportunities and treats of external environment for Taiwanese travel agents.

The opportunity

The opportunities of Taiwanese travel agencies are outlined below:

*The rapidly growing tourism industry in mainland China*

Kotler emphases that investment strategy usually has relation with two conditions: one is the attractiveness of the industry, and the other is the country's competitiveness. To extent of the strength of these two conditions will produce 4 distinctive types of investment, as shown in Figure 3.

1) Investing to penetrate: this is the portfolio of high attractiveness of the industry with strong competitiveness of the country, which usually occurs in the early stage of an industrial development or of growth stage.

2) Investing to rebuild: a combination of high attractiveness of the industry with weak competitiveness of the country, which demonstrates that this industry has a splendid past.
3) Selective investment: Both the attractive to industry and the nation’s competitiveness ranking on average, so it is wise to invest in projects with net earnings but less competitive, and reduce or even abolish the ones lack of attractiveness.

4) Reduced investment: The worst combination, low attractiveness of industry and weak competitiveness of the countries, please reduce your investment in industries without development potentials or use selective investment strategy to invest in industries with high profits.

From the perspective of industry, the best way to invest is of course penetrating investment. A strong national competitiveness and high attractiveness of the tourism industry will guide the investors to invest in the strategy of penetrating, intensify the competition within the industry, so that these in whole enhance the competitiveness of this industry.

As to competitiveness of mainland China, economic research team of Goldman Sachs, in 2003, predicted that China will surpass Japan in 2014, and replace the United States to be in the world's largest economy in 2041.

![Investment strategy](image)

Figure 3. Type of investment. Source: Philip Kotler, Somkid Jatusripitak, Suvit Maesincee, The Marketing of Nations, p.222.

And when it comes to the attractiveness of the tourism industry, the Chinese mainland developed almost no tourist industry except for the so-called Foreign Affairs in 1949 to the Cultural Revolution in 1976. However, travel industry developed so rapidly after the reform and opening up that its inbound tourism created a lot of foreign exchange, ranking 34 in the global ranking in 1980, and the number of inbound visitors ranks 18; while in 2004, the exchange earned ranks 5, only behind the United States, Spain, France, and Italy, and the number of
inbound tourism inbound travelers ranks 4 only behind France, Spain and the United States. Exchanges earned during 1978 to 2004 increased from 200 million US dollars to 25.7 billion US dollars, and the inbound tourists from below 72 million to 800 million as shown in figure 4. The mainland (including Hong Kong) is the only Asian country as the world's top ten tourist destination, and also the one with fastest growth in the world. According to the prediction of World Tourism Organization, mainland China will overtake France, the United States, and Spain and become the destination with world's largest number of tourists in 2020, that is, 130 million people, accounting for 8.3% of world markets of tourism. Booming travel markets in Mainland China provide opportunities to Taiwanese travel agents.

*Foreign investment will enable the transformation and sustainable growth of tourism industry in mainland China*

Porter and Kotler, Strategic management professors at Harvard University stressed the important influence of foreign funds on domestic industrial development, particularly for developing countries. This coincides with China’s let-in policy for foreign travel agency.

**Number of inbound travel during 1978-2004 China**

Porter posits that the analysis based solely on production factors has difficulty to explain diversified trend of industrial development, a better specification is the analysis on the basis of national competitiveness. Under the premises of "dynamic and continuous development of competition", Porter develops "Diamond map" theory for national industries, as shown in figure 5.

Porter clears that the relation between state and industrial development, is a process in which the state stimulates the incentive of the industries. So it is crucial on how to guide new businesses to compete in the market, in which it is more effective for foreign funds to enhance competition than domestic funds because foreign funds bring into brand-new concepts and technologies more than money per se. Kotler also holds that foreign funds will bring advanced technologies, management expertise and of innovative information, which will improve international competitiveness of local enterprises. These are right purposes of mainland China to open travel agencies for foreign funds after SARS, and will accelerate restructuring and internationalization of local travel agencies. So, in the long run travel agencies in China will witness a global competitiveness.

The cross-strait close relation in sightseeing

On October 15, 1987, under the humanitarian considerations of Taiwan to improve cross-strait relations, Executive Yuan issued files titled "Taiwan people leave for the mainland to visit relatives," which is a stone mile in Taiwan history of sightseeing, because since then the mainland has become Taiwan's most important outbound tourism area. Figure 6 shows that a ascending trend for Taiwan people traveling to the mainland from 1988 onwards, although in 2003, SARS epidemic witness the first negative growth of outbound travel from Taiwan to
China, dropping by 25.4%, namely, 2.73 million passengers, but was reinstated in 2004 to 3.68 million trips, and hit new heights.

![Figure 6. 1988 to 2004 the people of Taiwan to Chinese tourism statistics. Source: The author collated from the calendar year to Visit China Statistical Yearbook](image)

According to the Statistics of Tourism Bureau of the Ministry of Transportation, in 2002 the total number of Taiwanese outbound travelers amounts to 7.31 million, in which 3.66 million people choose China as their destination, accounting for more than 50%. Even in 2003, the outbound trips dropped to 5.92 million due to SARS, the number of travelers to China still ranks number 1. People outbound in 2004 restored to 7.78 million, nearly a half with the destination to the mainland China. As shown in Table 2, Exchange remitted to mainland from Taiwan tourists has a steadily growing trend, indicating that the mainland has become Taiwan's most important outbound tourism market.

In addition, the number of mainland residents visiting Taiwan in recent years is increasing rapidly. "Documents on people from the mainland to Taiwan for sightseeing activities" is enacted in December 2001. In 2002, a total of 160 delegations of 2,324 visitors left China to Taiwan, while in 2003, the number increased to 909 delegations of 12,808 people. Basically, this only did a very limited favor to Taiwan's tourism industry, so everyone in this industry hopes to fully open the market to the mainland, Hong Kong and Macao people. According to the Taipei Association of Travelers’ estimation, under the assumption of an average of eight days per trip and one million visitors per year, if each mainland tourists consume 150 U.S. dollars daily in Taiwan, it can create about 40 billion new Taiwan Yuan per year, and its multiplier effect can also bring about a significant growth of other industries.
Table 2. 
Mainland China inbound tourism foreign exchange earnings

<table>
<thead>
<tr>
<th>Years</th>
<th>Total revenue of China from tourism industry (US dollars in million)</th>
<th>Revenue of China from tourism industry from Taiwan (US dollars in million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1994</td>
<td>732,300</td>
<td>101,700</td>
</tr>
<tr>
<td>1995</td>
<td>873,277</td>
<td>166,555</td>
</tr>
<tr>
<td>1996</td>
<td>1020,046</td>
<td>184,373</td>
</tr>
<tr>
<td>1997</td>
<td>1207,414</td>
<td>212,298</td>
</tr>
<tr>
<td>1998</td>
<td>1260,174</td>
<td>219,515</td>
</tr>
<tr>
<td>1999</td>
<td>1409,850</td>
<td>220,408</td>
</tr>
<tr>
<td>2000</td>
<td>1622,374</td>
<td>278,538</td>
</tr>
<tr>
<td>2001</td>
<td>1779,196</td>
<td>274,789</td>
</tr>
<tr>
<td>2002</td>
<td>2038,497</td>
<td>320,031</td>
</tr>
<tr>
<td>2003</td>
<td>1740,613</td>
<td>238,475</td>
</tr>
<tr>
<td>2004</td>
<td>257,3900</td>
<td>365,400</td>
</tr>
</tbody>
</table>

Source: The author collated from the calendar year to Visit China Statistical Yearbook

The threats

The external environmental threats for Taiwan travel agencies come mainly from the fierce competition from the rivalries.

The market suffering monopoly of state-owned enterprises

Since the travel agents in China have long been monopolized by state-owned enterprises, especially by three agents: the China Travel Service Co., China International Travel Service Co., China Youth travel service Co.. They three have branches all round China, not less than their cooperative companies, such as the hotels, the car firms, guided tours, attractions, etc., and they are completely familiar with the local tourism industry, therefore on the short term foreign-owned and controlled travel agencies are with extremely difficulty to compete with them. On the other hand, the state-run travel agencies are established by the government, for example, the China International Travel Service Co. is an utility of the National Tourism Administration, China Youth Travel Agency is one facilitates of the Communist Youth League, Travel Agencies across the Strait is affiliated to Taiwan Affairs Office of the State Council, China's travel agencies are belonged to the All-China Women's Federation, so Taiwanese travel agencies face great difficulty in such political atmosphere, it is rarely anticipated that there will be fair competition to a considerable extent.

Other foreign investors

Foreign travel agencies will make combination of hotels, restaurants, and shopping malls funded by the same countries, and form a huge and comprehensive travel system, which will exert strong influences on the interests of the mainland travel agencies; On the other hand, foreign travel agents will also gradually acquire various local travel agencies so as to grasp the market shares. At present, tourism groups including those from Japan and Germany have entered
the mainland. Japan's largest state-owned aviation company "Japan Airlines" (JAL) established the "JAL International Travel Service (China) Ltd." on July 18, 2003, which was the first travel agency belonging to foreign operators; the first foreign controlled travel agency (Germany) — "easy journey Company" was set up in Beijing on December 1 in the same year. German Chancellor Gerhard Schroeder attended the initiation ceremony, indicating that foreign travel agents are actively enter the mainland, obviously the agencies with the support of some hidden powerful multinational companies, even the government. However, due to the deadlock of cross-strait political relations, these government-backed advantages were out of the wild imagination of Taiwanese travel agencies.

The relevant provisions remain temporary

Present open policy of Mainland China are based on the provision "the temporary regulation of establishment of foreign holding, foreign-owned travel agency". Temporary, of course, means not for ever, and worse of worse, the authority and prestige of political leaders were always over the holy law, so relevant provisions may sudden change without anticipation; it is also a risk of external environment to Taiwanese investors.

THE ANALYSIS OF INTERNAL ENVIRONMENT OF TAIWANESE TRAVEL AGENCY

Taiwanese travel agencies that intend to set up business in mainland have to consider its internal environmental advantages and disadvantages:

Strengths of Taiwanese travel agency

Compare with others, Taiwanese agencies have a number of advantages, for the following reasons:

1) Communication advantage

Both countries share the same language and culture, which is why the people of Taiwan have a better understanding of the mainland people's ways of thinking and behavior; Also Taiwanese have better international contacts with foreigners without thinking and ideology conflicts. As the travel agency is part of the service industry with particular emphasis on people-to-people contacts, so Taiwanese travel agencies have such communication advantages that competitors from other countries obviously do not have.

2) Similarity in operation mode

Practical mode of operation of these two countries are similar and closer than others, which can reduce unnecessary transaction costs to a minimum, because the mainland travel agencies copied and learned many experiences of Taiwan businesses after the reform and open policy, coupled with a large number of Taiwan tourists to visit the mainland, both sides made frequent contacts, or even had gone through many incidents, such as the Qiandao Lake incident, and the crash of Guilin. On the other hand, travel-related sectors such as aviation, hotels as well as restaurants in Taiwan and the mainland can mutually and directly contact and communicate.
3) Advantages in marketing and management

Travel agencies in Taiwan have two advantages over their counterparts in mainland and even other countries. The first one is very close net relations; the other one is diverse alliances between travel agencies and other industries. Taiwan travel agents net can be divided into two aspects: First, the so-called "Internet travel agency," that is, their own virtual sites for consumers and businesses directly through the Internet to conduct business transactions and therefore there is no need for service personnel to complete transactions, such as e-travel and other travel agencies, this has been called the "virtual travel agent"; the other is the so-called "travel agency network," or the travel agents have their own entity's office, although the site were erected to introduce products and to provide information retrieval, in fact most of the business is done by face-to-face service, such as the Lions travel services.

In addition, a large number of travel agencies in Taiwan in recent years through different business alliance with the information technology industry, the financial industry, logistics industries, combined with each other to form new patterns in the travel industry business model.

The weaknesses of Taiwan travel agents

1) Large proportion of SMEs travels agents in Taiwan.

Taiwan companies are mostly SMEs, according to the "regulations for travel agencies," the establishment of the scope and scale of the largest "Comprehensive travel agents" only need NT 25 million, as to grade A and grade B of travel agents, the total capital needed is NT 6 million and 3 million. Taiwan has 2042 travel agents Corporation, of which integrated travel agencies amount 84, grade A takes 1833, grade B amounts 125, indicating that SMEs travel agents account for a larger scale, so its is very weak in risk-bearing, when there are natural disasters or cash flow problems, bankruptcies or mergers frequently occur.

On the other hand, Taiwan travel agents are in extremely fierce competition, so the industry pick up low-cost strategy, resulting in rather limited profits. The vicious cycle of travel agents under the current adverse competition is hard to improve.

2) Taiwan is difficult to cross the threshold

As mentioned above, the establishment of wholly foreign-owned travel agencies of foreign investors, requires a total income of 500 million US dollars per year, while registration capital of travel agents should not be less than 4 million RMP, these standards seems too high for Taiwan’s SMEs travel agents.

3) China's demand of open Taiwanese market to Chinese investor

Taiwan exerted a total ban on the China funded travel agencies through Law of exception and even foreign travel agents can only set up a "branch" in Taiwan and can only undertake promotional activities and cannot do business under the "regulations for travel agencies".
However, when the mainland China allows Taiwanese operators to set up foreign-owned travel services, Taiwan may have to open tourism market under the WTO counter-claims. This would enable Taiwan's travel agencies to encounter considerable threats. Because once the state-own travel agencies enter Taiwan market, with a strong financial background with the same culture, together with access to closer cross-strait exchange market, Taiwan companies will be dwarfed by their Chinese counterparts.

CONCLUDING REMARKS

Based on the analysis above, this paper asserts that as a whole, it is an opportunity more than a threat for Taiwanese travel agencies in terms of the external environment in mainland China, because the mainland tourist market in the future is still very optimistic and full of potential for growth, particularly in outbound tourism. Although at this stage, the Chinese Communist Party insists that foreign-owned or controlled travel agencies cannot operate outbound travel businesses, but this is the right attraction in the mainland market of travel industry. According to statistics delivered by the World Tourism Organization, in 2002 the Chinese mainland in the global outbound tourism spending ranked No. 7 and it forecasted that by the end of 2020, there would be 100 million outbound tourists from China to all round world, accounting for 6.2% of the global market shares, the fourth largest tourist source country only dwarfed by Germany, Japan, and the United States.

According to statistics issued by Hong Kong Tourism Board, the tourists with the most spending power are from the mainland in 2001, 5619 Hong Kong dollars per capita, replacing with the American tourists (5,072 Hong Kong dollars) for the first time to be No.1. As per-capita GDP has exceeded 1,000 US dollars, with Beijing, and Shanghai more than 3,000 US dollars per capita, the number of people who have potentials to travel abroad will witness a straight and intensity increasing trend. Therefore, we are afraid that opening outbound travel businesses to foreign-owned or controlled travel agencies is the real objective for them to enter the mainland travel industry. Thus in general, for the Taiwanese travel agency in terms of the external environment, the threats are relatively rare.

But the most concern at present is the internal environment of Taiwanese travel agencies. Short-term advantages may still exist for a while, but in the long run, unless the Taiwanese travel agencies create new advantages, the present advantages will gradually vanish to null. In contrast, the disadvantage of Taiwan travel agents is obvious, and difficult to resolve in the short term. We therefore believe that Taiwanese travel agencies posit in the matrix of maximum external opportunities and also maximum internal threats in face of mainland’s open policy for foreign-owned or controlled travel agency, so a "WO policy" should be taken.

According to Figure 4, “the strategic planning process map”, we posit that the most important and fundamental solution for Taiwanese travel agencies is to make the large larger and make the small smaller, namely, through the horizontal mergers model, which is on one hand, to build travel business empire in large, enhancing market power by large groups and integrated conglomerates, reducing cost through economies of scale and increasing profits and market shares, on the other hand, is to downsize the small travel agencies that have cost advantages to attract specific sources of customs to survive. At present, merger and acquisition is the similar
trend in different industries, such as Taiwanese financial industry, the IT industry, the civil aviation industry, and only if accompanied with these well-capitalized, well organized and supported by conglomerates, large travel agents can win their positions in the mainland travel industry.

As Porter said, the role of the state is to actively guide the new enterprises to participate in the competition, so the government must establish a favorable investment environment for new entries. Basically, only if the tourism industry within a country has potentials and attractiveness, foreign counterparts will make investments in it, thereby increasing competition among tourism industry within the country, enhancing the advantages as a whole of tourism industry and attracting more investments, which creates a "virtuous circle". The demand of mainland tourism industry for foreign funds continues to be strong in the future, and without doubt, relevant laws will inevitably move towards more open direction. On the other hand, the mainland is already the world's focus and most rapidly growing tourism market, Taiwanese travel agencies should fully grasp such an opportunity to expand themselves in the global background, turning around unpleasant situations into pleasant ones in addition to performing their own advantages, only by these means can Taiwanese travel agencies win first mover advantages and sustainable superior competitiveness in this emerging markets with strong rivalries from other countries.

REFERENCE


The National Tourism Bureau, (2004), the Tourism Statistics.
SERVICE DELIVERY FAILURE AND ATTRIBUTION IN SELF-SERVICE ENVIRONMENTS

Kevin J. Shanahan, The University of Texas at Tyler
Barbara Ross Wooldridge, The University of Texas at Tyler

EXTENDED ABSTRACT

Attributions for service failure depend upon cues, drawn from everything from employee dress and behavior to the physical layout and surroundings of the service provider. Consumers use these cues to assess causality for service failures. For example, a study on consumer attributions about travel agent failure found consumers attributed blame for the breakdown in service delivery to the travel agent when the physical surroundings were messy and cluttered, but to the holiday provider when the travel agency was orderly.

Consumers often have a self-serving bias where they take credit for purchase success and blame others or their situation for purchase failure. We suggest that this self-serving bias, coupled with an inability for consumers to make quality inferences in situations of self-service technology (SST) in a similar manner to failures in a corporeal environment, can be problematic for online marketers. Online-only services merely indicate a successful virtual environment, but the consumer cannot judge the quality of employees etc. and may be more likely to blame others, especially when unfamiliar with the technology.

Weiner (1986) suggests an explanation for self-serving bias. A consumer may be proud with a purchase and attribute the price paid to the consumer’s skill (i.e., Internet browsing), while another consumer might attribute the same price to ineptitude and feel embarrassed. In the case of a service failure, the embarrassment can turn to anger when the consumer perceives the provider is to blame.

Most causes can be classified on three dimensions: locus (who is responsible), control (does the responsible party have control) and stability (is it likely to happen again). When the firm has volitional control, the dissatisfaction felt by consumers is more likely to be expressed as anger. Sometimes the service failure is due to consumer action. Self-serving bias suggests the consumer will still attempt to place blame elsewhere. The extent of their anger, however, is tempered. When using an SST, the consumer has volitional control. Therefore, in the event of a service failure, due to consumer action, the anger and attribution of blame should be tempered.

The consumer will first try to assess if the failure is temporary or enduring. Traditional service failures can be temporary, as the service provider will replace poor employees that consistently make mistakes. However, because SSTs are simply automated responses to customer inputs, unless the failure is mechanical, service failures will be perceived as permanent. This is because the result is consistent over time, provided the same inputs are used. In other words, the failure is structural.
Within an SST environment, customers create the service for themselves so they may accept more responsibility for failures. A possible antecedent to the amount of blame a customer will accept for a self-inflicted service failure is the readiness to embrace new technologies. Somebody that is insecure using new technology will be more inclined to blame the technology for a service failure. Parasuraman (2000) suggests that this may be the case for recent adopters of technology, who are less technologically savvy. The technology readiness scale (TRS), designed to measure the readiness to embrace new technologies, can be used to measure consumer trust and willingness to embrace new technology as an antecedent to self-serving bias.

We propose there will be a positive correlation between the level of technology readiness by the consumer and the willingness to accept blame for a service failure using SST. Thus, the more technology ready, the less likely the customer is to blame the technology for the failure. Conversely, the less technology savvy the customer is the more likely he is to blame technology.

Proposition 1a: The higher the customer’s technology readiness, the less self-serving bias will be exhibited in a service failure using a self-service technology (SST).

Proposition 1b: The lower the customer’s technology readiness, the more self-serving bias will be exhibited in a service failure using a self-service technology (SST).

On the other hand, when a service employee acts as an intermediary, the level of technology readiness will not be a factor. If an employee is using the technology on behalf of the customer, when a service failure occurs, the traditional self-serving bias will manifest itself regardless of the customer’s level of technology readiness.

Proposition 2: When an employee acts as an intermediary and there is a service failure, regardless of the customer’s level of technology readiness, the blame for the failure will be attributed to the service provider.

If our propositions are supported, the implications are that previously held beliefs about self-serving bias may not hold true in SST environments. Consumers not satisfied with results may be less likely to attribute blame to technology, but rather will accept some blame for self-selecting the option chosen. Therefore, service failure may not result in switching behavior or negative word of mouth.

REFERENCES


CONCEPT AND STRATEGIES OF AMBUSH MARKETING

Kevin K. Byon, University of Florida
James J. Zhang, University of Florida

EXTENDED ABSTRACT

Since the initial recognition of ambush marketing at a major competition event during the 1984 Summer Olympic Games in Los Angeles, ambush marketers have continued to improve their tactics for ambush marketing practices to be effective. Meenaghan (1996) identified several common strategies that ambush marketers have utilized as promotional activities. The first strategy is to sponsor media coverage of an event. This tactic exploits a completely legitimate advertising opportunity. Lyberger and McCarthy (2001) enlightened that becoming a broadcast partner can generate success in terms of gaining attention from a significant number of broadcast audiences. Because of the potential magnitude of television audiences, the broadcast partner has been popularized as an ambush tactic. The Fuji vs. Kodak case was a good example of this strategy. Fuji was an official sponsor for the 1984 Summer Olympic Games, while Kodak was an official sponsor of the American Broadcasting Company (ABC) Television broadcast of the Games. In exchange for being a broadcast sponsor, Kodak obtained the rights to use the Olympic symbols and logos. Because of the ambush marketing efforts by Kodak, Fuji’s market share increased only four percentage points after being an official sponsor of the Games (Fannin, 1988).

The second strategy of ambush marketing is to sponsor a sub-category in a larger event (Meenaghan, 1996). Being a sub-category sponsor is obviously a cost-effective tactic. The dispute between Fuji and Kodak continued in the 1988 Summer Olympic Games in Seoul, Korea although their roles were reversed. Fuji secured a sub-category sponsorship of the U.S. swimming team while Kodak was an official sponsor of the entire Games (Fannin, 1988). Sub-category sponsorship was also prevalent in the 1990 World Cup Soccer Games held in Italy. Pepsi became an ambush marketer by sponsoring the Brazilian national soccer team for less payment than Coca-Cola who paid $25 million to be an official sponsor of the entire tournament.

The third strategy of ambush marketing is to purchase advertising time during an event (Meenaghan, 1996). Since major sporting events such as the Olympic Games and World Cup Soccer are often targeted by ambush marketers, this third strategy, known as theme advertising, has been well utilized. For example, McDonald’s was the official sponsor of the U.S. team during the 1992 Winter Olympic Games. At the same time, Wendy’s was featuring Olympic figure skating champion Kristi Yamaguchi in its advertising. Contradicting McDonald’s criticism in regard to this strategy of ambush marketing, Wendy’s justified that the corporation had a right to promote its brand during the Olympic Games, using legitimate airtime available to all advertisers (Jensen, 1995).

The fourth strategy of ambush marketing is to make a sponsorship-related contribution to the “Players Pool” (Meenaghan, 1996, p. 107). When Reebok was the official uniform supplier to the U.S. team in the 1992 Summer Olympic Games in Barcelona, Nike, Inc. sponsored several
big-time players. Reebok’s contract with the U.S. team required the players to wear Reebok apparel at the opening and medal presentation ceremonies. However, several athletes, including Michael Jordan, wore the team uniform with the U.S. flag covering the Reebok logo, maintaining their personal endorsement contracts with Nike, Inc. Consequently, Nike, Inc. gained enormous national and international attention from both event spectators and television viewers.

REFERENCES


HOW BAD IS AMBUSH MARKETING? ITS DETRIMENTAL EFFECT ON THE SPONSORSHIP OF INTERCOLLEGIATE SPORTS

Kevin K. Byon, University of Florida
James J. Zhang, University of Florida

EXTENDED ABSTRACT

Sponsorship is an important revenue source for sport teams and their affiliated organizations. It has provided various promotional advantages to corporations sponsoring sporting events (Payne, 1998). Increasing disillusionment with traditional television (TV) advertising methods and the capability to reach significant numbers of spectators have been the primary reasons that corporations invest in sport sponsorship. The rapid growth of sport sponsorship has been widely recognized (Meenaghan, 1999). According to Event Sponsorships (2002), sport sponsorship expenditures in 2001 were approximately $6.4 billion in the United States (U.S.) market, showing nearly a 50% increase from 1998. Worldwide spending on sport sponsorship has grown enormously over the past 12 years, from $11 billion in 1996 (Meenaghan, 1998) to $24.4 billion in 2002 (Event Sponsorships, 2002).

This evidence of increased investments in sport sponsorship has created both positive and negative consequences. As far as positive aspects are concerned, sport sponsorships are a common form of advertisement and remain an effective mode of marketing communication (Cianfrone & Zhang, 2006; Sandler & Shani, 1993). There are three major corporate objectives that have benefited from sport sponsorship: (a) broad corporate objectives that relate to the image of the organization; (b) marketing objectives that deal with promotion and sale increases; and (c) media objectives that relate to reaching target consumers cost-effectively through the media (Sandler & Shani, 1993).

Similar to traditional advertising, sport sponsorships generally affect potential consumers through hierarchical procedures. Based on Lavidge and Steiner’s (1961) AIDA (Attention → Interest → Desire → Action) theory, there are usually seven steps associated with the functional process of sponsorship, starting with the consumer being unaware of the product and ending with the consumer purchasing the product. The steps correspond with the various goals of advertising, including creating awareness of the product, affecting attitudes and feelings of the consumer about the product, and stimulating desire of the product. Following Oliver’s (1997) loyalty framework of consumers’ consistent consumption of specific brands or products, Madrigal (2001) submitted the belief-attitude-intentions sponsorship model. The model explains that individuals receive information from an advertisement or sponsorship and establish or renew interest based on previous experience, individual attitude, and personal beliefs. From these attitudes and beliefs, desires evolve through filtering the information and formulating favorable dispositions, and the individuals take action through cognitive, affective, conative, and behavioral involvement with the product. Meenaghan (2001) explained that sponsorships are advantageous over traditional advertisements because a sponsorship has an association between
the message and medium. Sponsorships can be viewed by consumers as being beneficial, as well as indirect and subtle, disguised, and of low alertness. The effectiveness of sport sponsorship relies on such key factors as consumer goodwill, image transfer, fan involvement, and consumer response to sponsorship, which contribute to superior effectiveness of sponsorships.

Conversely, the recognized benefits resulting from sport sponsorship have also been one of the main roots that appeal to an unethical business practice known as ambush marketing (McKelvey, 1994). Ambush marketing, sometimes known as parasite marketing (Payne, 1998), has been defined as “a planned effort by an organization to associate themselves indirectly with an event in order to gain at least some of the recognition and benefits that are associated with being an official sponsor” (Sandler & Shani, 1989, p. 11). In recent years, ambush marketers, who realized the escalating importance of big sport events and numerous benefits for their markets, have found ways to associate themselves with various sport events without paying necessary fees to event organizers (Shani & Sandler, 1998). Previous researchers explained that the main objective of ambush marketing is not exposure itself but to confuse consumers as to who the official sponsor or supporter of the event is, thereby either deflecting exclusive attention toward the official sponsor or significantly weakening brand awareness of the exclusive sponsor of the games (Lyberger, & McCarthy, 2001; Meenaghan, 1996; Sandler & Shani, 1989). Oftentimes, it is not difficult to find major market competitors of an official sponsor also involved in the same sport events as ambush marketers (Shani & Sandler, 1998).

One of the most notable examples of ambush marketing was the conflict between American Express and Visa that began in the 1992 Summer Olympic Games in Barcelona, Spain. Visa purchased the rights to be the official credit card of the Games for $20 million. Visa developed advertisements undermining the value of American Express by showing commercials with the line “the American Express Card was not accepted in Barcelona” (McKelvey, 1994). American Express then aired a commercial to sabotage Visa’s involvement with the Olympics. The advertisement said, “In Spain, you won’t need a visa.” Later on, American Express officials claimed the commercial simply meant that American citizens were not required to have a visa with their passports for traveling to Spain for the Olympic Games. This conflict confused consumers as to the identity of the official Olympic sponsor, and devalued the Olympic sponsorship for Visa (McKelvey, 1994). Confusion caused by ambush marketing was again validated by a research investigation conducted by Performance Research, Inc. (1992) during the 1992 Winter Olympic Games in Albertville, France. The research findings revealed that 57% of the participants incorrectly recognized Wendy’s (the ambush marketer) as the official sponsor of the Games; whereas, only 37% of the respondents were able to correctly recognize McDonald’s as the official sponsor.

The purpose of this symposium is to examine the detrimental effect of ambush marketing on the sponsorship of intercollegiate sports. There are three sections to be included in this symposium: (a) concept and strategies of ambush marketing, (b) recent studies on ambush marketing, and (c) examining the detrimental effect of ambush marketing.
RECENT STUDIES ON AMBUSH MARKETING

Kevin K. Byon, University of Florida
James J. Zhang, University of Florida

ABSTRACT

Despite the growing phenomenon of ambush marketing, research on this subject has been minimal in the context of sport marketing. To date, a small number of studies have been conducted to examine the effects of ambush marketing that are primarily focused on consumers’ attitude, recall, and recognition (Lyberger & McCarthy, 2001; McDaniel & Kinney, 1996; Meenaghan, 1994; Sandler & Shani, 1989). Previous studies were typically conducted with respect to specific sporting events such as the Summer Olympic Games (International Olympic Committee, 1997; Sandler & Shani, 1993, Shani & Sandler, 1998), the Winter Olympic Games (McDaniel & Kinney, 1998; Sandler & Shani, 1989; Stotlar, 1993), the Irish National Soccer Team (Meenaghan, 1994), and the NFL Super Bowl (Lyberger & McCarthy, 2001).

Sandler and Shani (1989), among the first researchers to examine the effects of ambush marketing, conducted a study to investigate whether consumers could link official sponsors with an event, measuring recall and recognition rates across seven product categories at the 1988 Winter Olympic Games in Calgary, Canada. The researchers categorized the companies into three groups: official sponsors, ambush marketers, and others not involved either as official sponsors or ambush marketers. Surveys were conducted to a convenience sample (N = 210) of faculty, staff, and students that were recruited on a college campus. The findings revealed that official sponsors could achieve higher brand awareness (both recall and recognition) in four of seven product categories; however, the researchers recognized that unless an official sponsor puts more resources into leveraging the sponsorship, the mere purchase of the right to be an official sponsor would not guarantee enhanced brand awareness when compared to a non-sponsor (ambush marketer). The researchers also found that gender was the only demographic variable that was significantly related to the ability to correctly identify official sponsors. Sandler and Shani (1993) conducted another study to evaluate the effect of ambush marketing during 1992 Summer Olympic Games in Barcelona, adopting research procedures similar to their 1989 study. In the week following the Games, a questionnaire was sent out to 400 randomly selected health club members in New York City, and a total of 189 respondents completed the survey. Findings of the study revealed that ambush marketers in two product categories (long distance communication and airline) were more highly identified by the respondents than official sponsors. The results indicated that ambush marketers, equipped with heavy advertising and other promotional activities, have become a major threat that official sponsors and event owners can no longer overlook in their campaigns.

As explained earlier, one of the main objectives for ambush marketers is to confuse consumers as to who the official sponsor is (Sandler & Shani, 1993). Shani and Sandler (1998) conducted a survey to examine consumer capability of differentiating between official sponsors and ambush marketers. They found that as event size increases, so does the level of confusion about official sponsors and ambush marketers. Consumers were usually unaware of ambush
marketing due to the existence of many types of subdivided sponsorship levels and television advertising. An interesting finding was that most of the respondents believed that anyone who advertised during an event telecast was an actual sponsor of the event. Findings from two other studies by Lyberger and McCarthy (2001) and McDaniel and Kinney (1998) also supported these connotations.

To prevent consumer confusion, researchers have suggested that event owners as well as sponsor companies focus more directly on educating and providing information to consumers (Sandler & Shani, 1993). Meenaghan (1994) tested this proposal in a study that compared loyal fans and casual fans in their reactions to the practice of ambush marketing by a financial company toward the Irish National Soccer team. As predicted, the researcher found that fans deeply involved with the Irish National Soccer team were more knowledgeable about the benefits of official sponsorship and also indicated a strongly negative attitude toward ambush marketers. However, casual fans, who were considered to have insufficient knowledge about the official sponsors relative to ambush marketers, showed neutral attitude (i.e., “I don’t care”) or even positive attitude toward ambush marketers if the ambush marketer provided unique promotional opportunities such as give-away or a free trip to the event site (Meenaghan, 1994). Pitts (1998) further highlighted the relationship between highly committed fans and their recognition of official sponsors by finding that spectators attending the Gay Games had significantly higher rates of identification of official sponsors (92.3%) than non-attendees.

Overall, the review of literature indicated that ambush marketing has been considered an effective communication strategy by non-sponsor companies. Previous researchers have consistently found that ambush marketing exerts substantial influence on the cognitive awareness and affective orientations of consumers. Nevertheless, there are two major limitations in previous studies. First, most of the studies have been narrative and descriptive in nature. Findings of these studies cannot be generalized beyond the research samples of the studies (e.g., Lyberger & McCarthy, 2001; Meenaghan, 1996, 1998; Sandler & Shani, 1989, 1993). More rigorous research procedures, such as an experimental or quasi-experimental study, need to be adopted to further understand the impact of ambush marketing. Second, although a few studies have provided preliminary evidence that consumers were usually confused by ambush marketers when attempting to differentiate sponsorship status (e.g., McDaniel & Kinney, 1998; Shani & Sandler, 1998), these studies failed to quantify the level that ambush marketing influences consumers’ ability to recognize and recall official sponsors. Given the fact that growing ambush marketing activities have undermined the value of official sponsorship for sporting events, previous studies lacked specific usefulness when formulating appropriate marketing strategies by sponsor companies and event organizers. A systematic investigation that adopts a quantitative approach and better control of extraneous variables is needed in an effort to enhance the internal and external validity of the research findings.

**SELECTED REFERENCES**


EXAMINING THE DETRIMENTAL EFFECT OF AMBUSH MARKETING

Kevin K. Byon, University of Florida
James J. Zhang, University of Florida
May Kim, University of Florida

EXTENDED ABSTRACT

The purpose of this study was to examine the detrimental impact of ambush marketing on sponsorship effectiveness of the National Collegiate Athletic Association (NCAA) football Bowl Championship Series (BCS) and Division I Men's Basketball Championship (March Madness). Through a quasi-experimental design, levels of consumer awareness and consumption intentions of various sponsorship and ambush products were compared after adjusting for differential consumption backgrounds of research participants. BCS and March Madness games were chosen considering that they are two of the most visible and commercially profitable NCAA championship events (Slattery & Pitts, 2002). This area of inquiry is particularly needed because no previous studies on the effect of ambush marketing have been conducted in a context of college sports; whereas, international sport events such as the Olympic Games (McDaniel & Kinney, 1996, 1998; Sandler & Shani; 1993, Shani & Sandler, 1998) and the NFL Super Bowl (Lyberger & McCarthy, 2001) have primarily been studied. Three product categories (soft drink, automobile, and wireless cellular phone) were included in the study. Selection of these three products was based on the following consideration: (a) they are the most prevalent sponsorship categories in intercollegiate sports; (b) they were sponsors of both basketball and football championship events when this study was conducted; and (c) a corresponding ambush product (not an official sponsor but purchased a television commercial slot to be aired during the event's broadcast) was identified for each of the three categories.

A factorial (2x3) doubly repeated measure of multivariate analysis of covariance (MANCOVA) design (Norusis, 2004) was conducted for three groups of subjects: football spectators, basketball spectators, and their combination. There were two within-subject factors: (a) sponsorship status with two levels (sponsorship brand and ambush brand) and (b) product category with three levels (soft drink, automobile, and wireless cellular phone). For each group of subjects, participants were measured on recall rate, recognition rate, and purchase intention of both sponsorship and ambush products in the three product categories. Due to the diverse influence levels of past consumption background variables of both sponsorship and ambush products in the three product categories; they were measured as covariate variables. Subjects (N = 164) were spectators of the televised BCS and March Madness games that were recruited in two cities located in two eastern states: 98 individuals for the BCS games and 66 individuals for the March Madness games. Consistent with the purpose of the study, a questionnaire was formulated that was based on modifications of items used in three crucial studies of ambush marketing effects (Johnston, 2001; Lyberger & McCarthy, 2001; Sandler & Shani, 1989). The first section included six demographic background items: gender, age, ethnicity, income, education level, and marital status. The second section included nine items that were utilized as covariate variables in the study. Of them, six items assessed past consumption level of both
sponsorship and ambush products in the three categories associated with BCS and March Madness games; whereas, the remaining three items pertained to the level of influence that a sponsorship or ambush brand was used as a criterion for consumption. The third section contained a total of 15 items that were designated as dependent variables in the study. Of these items, six measured recall rates of both sponsorship and ambush products in the three categories associated with BCS and March Madness games. Three items measured recognition of both sponsorship and ambush products. Six items measured purchase intention of both sponsorship and ambush products. All information regarding the official sponsors and ambush marketers of both game series for this study were obtained from the Street & Smith’s Sports Business Journal and the BCS website (Bowl Championship Series, 2004; Lee, 2004). Directions were provided for respondents to follow the sequence of the questionnaire in terms of the three sections. Sections in the questionnaire were also presented in different pages. For the third section, recall and purchase intention items were first presented. The recognition items were placed on a separate page and arranged at the end of the questionnaire in order to control potential contamination to the recall questions. Respondents were instructed to proceed with the sequence of questions, and they were not allowed to go back to previous pages. Content validity of the questionnaire was tested by a panel of experts including four university professors in sport management, as well as a panel of targeted consumers that included a total of 10 individuals between 18 to 45 years old, who were selected through a systematic sampling procedure. The panel members of the two groups were asked to examine the relevance, clarity, and representativeness of the items. With some revisions in the areas of content and sequencing, the two panels approved adoption of the questionnaire.

Data were primarily collected at grocery stores, shopping malls, restaurants, and movie theaters. The researchers contacted the manager of each community location to obtain permission to conduct the study. To ensure the best possible representation of samples with different backgrounds, the data collections were conducted from 2 p.m. to 9 p.m. on weekdays and from 10 a.m. to 6 p.m. on weekends. Each data collection location was sampled on both weekdays and weekends to further ensure data representation.

The Statistical Package for the Social Sciences (SPSS) for Windows (SPSS, 2004) program was utilized to conduct data analyses. Descriptive statistics were calculated for the demographic, past consumption background, and dependent variables. For the BCS spectator group, the March Madness spectator group, and their combination group, a factorial (2x3) doubly repeated measure MANCOVA was conducted to examine the effects of marketing form (sponsorship vs. ambush) and product categories (soft drink vs. automobile vs. cellular wireless phone) on recall rate, recognition rate, and purchase intention after controlling for the effect of past consumption background and brand influence variables. Factorial (2x3) doubly repeated-measure MANCOVA revealed that after adjusting for the differences in consumption background, ambush marketers made substantial influences in the consumers’ cognition and conation of ambush products although the mean vector for the sponsorship brands was slightly greater than that of the ambush brands. The findings implied that event organizers, sponsors, and television companies should work together to employ preemptive procedures to minimize the impact of ambush marketing. Anti-ambush marketing strategies and future studies are further discussed.
THE INTERRELATIONSHIPS BETWEEN VISITOR SPENDING AND RETURN VISITS: AN ANALYSIS OF SPECTATOR SPORT TOURISTS

Thomas F. Cannon, University of Texas at San Antonio
Jamie Ford, University of Texas at San Antonio

ABSTRACT

This study measures the interrelationships between demographic and trip characteristics, visitor spending patterns, and previous and planned return visits of sports event travelers. Results indicate a previous visit to the destination is a key factor in estimating spending and the probability of returning, but the reverse is not true. Significant variables that impacted spending were income levels, longer trip duration and distances traveled, age ranges of persons in the party, and previously visiting the destination. Significant variables for repeat visitation included out-of-state residence, longer trip duration, age ranges of persons in the party, and a previous visit to the destination.

INTRODUCTION

Spectator sport is a significant segment of the travel industries. The U.S. Bureau of Economic Analysis (BEA) estimates that Americans spent $14.8 billion in 2004 attending sporting events, increasing from $12.4 billion in 2001 (BEA 2005). Over a 5 year span, more than 75 million U.S. adults attended a sports event while traveling (TIA 1999). Considering travel spending associated with this, the economic impact of sports travel totals $27 billion (TIA 1999). Furthermore, BEA research indicates that 37% of all spectator sports receipts are attributable to tourists (Kuhbach and Herauf 2005).

Communities and regions have recognized and attempted to capitalize on the tourism attraction potential offered by hosting large sporting events (Gratton, et al 2005; Smith 2005). Numerous studies have attempted to estimate the direct and indirect economic impacts of sports travel on a host community (Liu 1986; Murphy and Carmichael 1991; Kang and Perdue 1994; Black and Pape 1995; Andersson and Solberg 1998). Studies such as these collect primary expenditure data from spectators and/or analyze secondary sales or tax revenue figures and estimate the economic impacts of the event using techniques such as input-output and cost-benefit models.

Such analyses provide a measure of the overall impact of visitor spending in the community due to an event and are important to host communities for planning, evaluative, and promotional purposes. Yet, aggregated impact figures do not address the issues of the factors which affect the spending patterns of visitors. By understanding the expenditure patterns, destinations can focus their marketing efforts to attract optimal economic benefits (Regan and Damonte 1999).
In addition, the relationship of previous visits to a destination and intended re-visits to visitor spending has received increasing attention. While the Marketing discipline literature contains numerous examples of the benefits repeat purchasers provide to marketers, the Tourism discipline literature has only recently addressed the issue (Reid and Reid 1993; Oppermann 2000; Lau and McKercher 2004; Petrick 2004). This is unfortunate, as a significant amount of visitor behavior entails seeking “novelty”, an ideal seemingly in conflict with repeat purchase or visitation to a destination (Bello and Etzel 1985; Snepenger 1987).

This article analyzes the interrelationships between demographic and trip characteristics, visitor spending patterns, and previous and planned return visits of sports event travelers. Specifically, the analysis addresses the effects of previous/future visitation on visitor spending and of visitor spending on previous/future visitation.

REPEAT VISITATION

Research has shown that the costs for marketers to attract repeat customers are significantly below that of first-time customers (Reid and Reid 1993; Oppermann 2000). This is true for a variety of reasons, not the least of which is that the consumer already has brand awareness and the re-purchase decision is thus less risky. Reid and Reid also note that much of the customer data (names, addresses, etc.) may be available from the previous purchase. While various segments of the travel industry, such as airlines, have “frequent flyer” programs to increase customer brand loyalty, the extent that such loyalty can be extended to leisure tourism destinations is an open question which has only recently been addressed. As noted by Lehto, et al (2004), destinations differ from individual businesses across a variety of dimensions with regard to repeat patronage.

Oppermann (1998) developed a law of repeat visitation for a destination, stating that destinations should strive for a balance of first-time to repeat visitors in order to maintain sustainability. In addition, repeat visitors will increase as a percentage of the total visitation over the life cycle of the destination. Mature destinations tend also to have higher levels of stated intention to re-visit than do less mature sites (Kozak 2001).

Previous studies have indicated that re-visiting a destination offers less risk to travelers than visiting an unfamiliar locale, increasing their intentions to travel there again (Gitelson and Crompton 1984; Ryan 1995; Sonmez and Graefe 1998). Similarly, re-visitation has been shown to be related to visitor satisfaction, perceived attractiveness, and perceived value—which are good predictors of the probability of re-visit—due to more realistic expectations by the visitors (Petrick, et al 2001; Um, et al 2006).

Complicating this is the issue of novelty seeking inherent in many aspects of leisure travel (Petrick 2002; Chang, et al 2006). Bello and Etzel (1985) present a model of 2 types of pleasure travelers: (1) persons with low levels of excitement in their everyday life seek high arousal or novelty in their leisure trips, and (2) persons with hectic, busy lifestyles seek familiarity and less stimulation. Visitors seeking novelty seldom re-visit a destination regardless of their satisfaction level (Snepenger 1987). Two types of tourist behavior patterns seem to be
evident with regards to repeat visitation, with continuous repeaters (risk-averse) at one end of the spectrum and continuous switchers (novelty-seeking) at the other pole (Oppermann 1998).

**VISITOR CHARACTERISTICS, VISITOR EXPENDITURES, AND REPEAT VISITS**

The effects of visitor demographic and trip characteristics on visitor expenditure patterns have received limited attention in the literature. Generally, the key factors which have been identified as having a relationship with visitor expenditures have included age, marital/family status, income, visitor origin, party size, trip activities, and trip duration (Cannon and Ford 2002).

The literature also indicates that repeat visitors are significantly different than first-time visitors in factors such as trip behavior, intentions to revisit, socioeconomic characteristics, and benefits sought. However, researchers have only recently begun to analyze the relationships between visitor spending and repeat visitation, and many of the studies conflict with the findings of other studies in terms of significant factors predicting either expenditure levels or repeat visitation.

Repeat visitors tended to be older, seeking relaxation, and more likely to visit friends and relatives (Gitelson and Crompton 1984). One explanation of the significance of age is that the older a person is, the more likely one is to have been to a particular destination previously (Moutinho and Trimble 1991), although this does not address issues such as timing and frequency of previous visits.

Previous visitation is the major positive influence on intention to revisit probability. Repeat visitors are more likely to return in the near future, such as the following year, while first-time visitors who indicated they would return would do so over a longer time period (Gyte and Phelps 1989). This indicates a segment of repeat visitors who have developed strong loyalty to a destination. Similarly, visitors who indicated that the destination and/or their resort were their first choices were more likely to return. However, a “wear-out curve effect” is evident after 3-4 visits, decreasing the probability of further visits (Moutinho and Trimble 1991).

Other significant factors in probability of re-visititation include occupation, age, gender, and distance traveled, while the impact of income has been mixed (Gabe, et al 2006). Satisfaction and perceived value have also been found to be primary indicators of revisit probability (Petrick, et al 2001; Sampol 1996). Other significant factors included type of accommodations (staying in hotel versus other lodging type) and type of booking arrangement (utilization of a tour operator versus a travel agency).

Numerous differences exist between first-time and repeat visitors in trip characteristics such as length of stay and attractions visited. Oppermann (1996) found that first-time visitors tend to visit more attractions and be more active than repeat visitors. This seems to confirm the novelty versus relaxation thesis (Bello and Etzel 1985; Snepenger 1987). First-time visitors travel more widely through the region and visit the primary attractions while repeat visitors engage in more social activities such as shopping and dining (Lau and McKercher 2004).
A negative association exists between repeat visitation and per-visit expenditure (Godbey and Graefe 1991; Oppermann 1997; Lehto, et al 2004; Petrick 2004). As visitation to a specific destination moves away from the novelty arena and becomes an ordinary part of life, the rewards for spending large amounts of money per trip decreases. Thus, per-visit expenditure lessens. This suggest that the tourism industry could maximize profits in destinations which are booked to capacity by limiting “core” repeat visitors and increasing “fringe” visitors. However, patterns differ depending on the origin market of international visitors. Alegre and Juaneda (2006) posited that the lesser information resources first-time visitors have regarding a destination, compared to repeat visitors, combined with the opportunity cost and other non-monetary costs they face in attempting to find bargain prices lead new visitors to have higher expenditures. However, this is somewhat mitigated by a high proportion of loyal repeat visitors who are motivated by quality and are willing to pay accordingly high prices.

RESEARCH METHOD

This study consists of an analysis of visitors to American college football bowl and championship games, spectator sporting events held annually (bowl game) and on occasion (championship game) during December in San Antonio, Texas. Surveys of spectators were conducted for the 1999 Big 12 Conference Championship and the Alamo Bowl games as part of a larger economic impact/spectator profile study. Approximately 5,000 surveys were distributed at each game. A total of 1,374 respondents completed the Big 12 Championship Game survey for a response rate of 27.5%, and 2,037 (41.0%) responses for the Alamo Bowl event.

The Big 12 Championship Game is a college football game which is played to decide the yearly champion of the Big 12 Conference. The 1999 game was held in the Alamodome in San Antonio, Texas in the first week of December, matching the University of Texas against the University of Nebraska. The Alamo Bowl is an annual college football bowl game also played in the Alamodome in San Antonio. The game is played the last week of December and features major university football teams from the Big 12 and Big 10 Conferences, the teams in 1999 being Texas A&M University and Penn State University. Both games were sold out, with attendance levels of 65,035 and 65,380 respectively. Approximately 49,950 of the spectators (72.2%) for the Big 12 Championship Game resided outside of the San Antonio metro area, as did 46,800 (71.6%) for the Alamo Bowl.

Survey questionnaires were distributed to samples of spectators at their seats and collected after halftime of each game. The samples were arranged to achieve a balance between tickets sold through each university, to corporate sponsors, and to the general public. The survey identified origin, party size, demographic characteristics, spending patterns, and trip behavior such as length of stay. In addition, the respondents were asked if they had visited the San Antonio area previously and whether they planned to visit again within the next 12 months. Spectators from the local four-county metro area and day trip visitors were removed from the data set in order to analyze only overnight visitors to the region. The final data set—combined for the two events—numbered 806 observations. Table 1 presents the respondent characteristics.

The objective of the study was to identify the interrelationships between repeat visits and visitor spending patterns. This was analyzed in 3 ways:
(a) An ordinary least squares (OLS) model was estimated for per person per day visitor spending, model (1).

(b) A logistic model was estimated—model (2)—in order to analyze the determinants of previous visitation to the San Antonio area.

(c) A logistic model was estimated—model (3)—in order to analyze the determinants of intention to visit the San Antonio area within the next 12 months.

Table 1
Profile of respondents.

| Mean Daily Expenditures per Person | $67.39 |
| Mean Nights Stayed                  | 2.94   |
| Mean Party Size                     | 5.42   |
| Parties With Children               | 34.5%  |
| Marital Status: Married             | 65.9%  |
| Race Ethnicity:                     |        |
| African-American                    | 2.6%   |
| Hispanic                            | 19.5%  |
| White, Non-Hispanic                 | 76.7%  |
| Other                               | 1.2%   |
| Education Level of Head of Household: |      |
| High School Diploma or Less         | 5.6%   |
| Some College or Vocational School   | 17.0%  |
| Bachelor Degree or Higher           | 77.4%  |
| Household Income:                   |        |
| $25,000 or Less                     | 4.1%   |
| $25,001 to $75,000                  | 36.0%  |
| More Than $75,000                   | 59.9%  |
| Residence Out of State (Texas)      | 27.1%  |
| Previous Visit to San Antonio       | 62.1%  |
| Intention to Re-Visit within 12 Months | 72.6% |

Sample Size: N = 806

Based on the literature, model (1) was predicted to identify a positive relationship between daily expenditures and income and education levels, and a negative relationship between expenditures and length of stay, party size, the presence of children in the party, age ranges of the party, and being married. Also, differences were expected in terms of visitor spending by race and ethnicity, previous travel experiences to San Antonio and intentions to re-visit.

Models (2) and (3) were formulated as logistic regression functions, with previous visitation/planned re-visitation as the respective dependent variables and similar independent variables as model (1), coupled with trip expenditures. Logistic functions have been used to estimate discrete choice models such as consumer participation versus non-participation in a recreation activity (Stynes and Peterson 1984; de la Viña, et al 2001). The dependent variable is a
binary choice (0,1) while the independent variables are typically socioeconomic, demographic, and environmental factors. The discrete choice is a probability function, which can be converted to linear form through the logit transformation. Logits are the natural logarithms of the odds of participation versus non-participation (Stynes and Peterson 1984). The parameters for the probability model are estimated through maximum likelihood methods, and the model takes the form:

\[ \text{Prob(event)} = \frac{e^Z}{1 + e^Z} \]

where e is the base of the natural logarithms and Z is the linear combination of the coefficients and independent variables \( B_0 + B_1X_1 + \ldots + B_nX_n \).

THE MODELS: VISITOR EXPENDITURES

Model (1) was formulated as \( DAILY\_SPEND = f(\text{NIGHTS, TOT\_ATTEND, CHILDREN, HS\_OR\_LESS, SOME\_COLLEGE, LOW\_INC, MID\_INC, MARRIED, BLACK, ANGLO, HISPANIC, OUT\_OF\_STATE, PREVIOUS, INTEND}) \) where

- \( DAILY\_SPEND \) = per person daily expenditures;
- \( \text{NIGHTS} \) = number of nights stayed;
- \( \text{TOT\_ATTEND} \) = total party size;
- \( \text{CHILDREN} \) = dummy variable equal to 1 if children are part of the party;
- \( \text{HS\_OR\_LESS} \) = dummy variable equal to 1 for head of household education level of high school graduate or less;
- \( \text{SOME\_COLLEGE} \) = dummy variable equal to 1 for head of household education level of some college or vocational school;
- \( \text{LOW\_INC} \) = dummy variable equal to 1 for household income of $25,000 or less;
- \( \text{MID\_INC} \) = dummy variable equal to 1 for household income of $25,000 to $75,000;
- \( \text{MARRIED} \) = dummy variable equal to 1 if respondent was married;
- \( \text{BLACK} \) = dummy variable equal to 1 for African-American race/ethnicity;
- \( \text{ANGLO} \) = dummy variable equal to 1 for non-Hispanic white race/ethnicity;
- \( \text{HISPANIC} \) = dummy variable equal to 1 for Hispanic race/ethnicity;
- \( \text{OUT\_OF\_STATE} \) = dummy variable equal to 1 for residency outside of Texas;
- \( \text{PREVIOUS} \) = dummy variable equal to 1 for visiting San Antonio previously;
- \( \text{INTEND} \) = dummy variable equal to 1 for intending to visit San Antonio within the next 12 months.

Table 2 presents the results for Model (1). The results indicated a \( R^2 \) value of 0.116. While such a \( R^2 \) value is lower than would be desired in terms of explaining the variation in daily visitor expenditures, they were similar to results achieved in the literature (Fish and Waggle 1996).

The number of nights stayed, the presence of children in the party, middle income levels, having some college education, out-of-state residency and previous visitation to San Antonio were significant at the .05 level. Lower levels of income was significant at the .10 level. Otherwise, total party size, marital status, race/ethnicity, and intentions to return to San Antonio
within the next 12 months were not significant factors in explaining visitor expenditures. These results were similar to findings of previous studies regarding demographic and trip characteristics (Cannon and Ford 2002) and validate the conclusion that previous visits have a negative effect on visitor spending.

Table 2
Results of regression analysis of expenditures.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Model (1)</th>
<th>Significance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dependent: DAILY_SPEND</td>
<td></td>
<td></td>
</tr>
<tr>
<td>INTERCEPT</td>
<td>63.89</td>
<td>.0133(^a)</td>
</tr>
<tr>
<td>NIGHTS</td>
<td>-3.44</td>
<td>.0006(^a)</td>
</tr>
<tr>
<td>TOT_ATTEND</td>
<td>-0.42</td>
<td>.2511</td>
</tr>
<tr>
<td>CHILDREN</td>
<td>-20.99</td>
<td>.0002(^a)</td>
</tr>
<tr>
<td>HS_OR_LESS</td>
<td>17.56</td>
<td>.1868</td>
</tr>
<tr>
<td>SOME_COLLEGE</td>
<td>-16.93</td>
<td>.0193(^a)</td>
</tr>
<tr>
<td>LOW_INC</td>
<td>-27.11</td>
<td>.0929(^b)</td>
</tr>
<tr>
<td>MID_INC</td>
<td>-11.67</td>
<td>.0409(^a)</td>
</tr>
<tr>
<td>MARRIED</td>
<td>-2.67</td>
<td>.6512</td>
</tr>
<tr>
<td>BLACK</td>
<td>39.83</td>
<td>.1699</td>
</tr>
<tr>
<td>ANGLO</td>
<td>31.97</td>
<td>.1934</td>
</tr>
<tr>
<td>HISPANIC</td>
<td>27.34</td>
<td>.2777</td>
</tr>
<tr>
<td>OUT_OF_STATE</td>
<td>30.47</td>
<td>.0000(^a)</td>
</tr>
<tr>
<td>PREVIOUS</td>
<td>-18.10</td>
<td>.0061(^a)</td>
</tr>
<tr>
<td>INTEND</td>
<td>-3.83</td>
<td>.5872</td>
</tr>
</tbody>
</table>

Model Diagnostics:
- \(R^2\) : .116
- Standard Error : 72.67
- F Statistic : .0000

\(^a\) Significant at the .05 level  \(^b\) Significant at the .10 level

THE MODELS: PREVIOUS VISIT

The second model was a logistic regression model explaining the determinants of previous visits to San Antonio (not necessarily, though, to attend the same events). This model utilizes logistic regression due to the dependent variable, PREVIOUS, being a dichotomous choice variable.

Model (2) was formulated as:

\[ \text{PREVIOUS} = f(\text{NIGHTS, SPEND_LOW, SPEND_MID, CHILDREN, HS_OR_LESS, SOME_COLLEGE, LOW_INC, MID_INC, MARRIED, BLACK, ANGLO, HISPANIC, OUT_OF_STATE}) \]

The same variables are repeated from Model (1), with the exception of removing total party size from the list of independent variables. In addition, per person daily expenditures was divided into equal thirds with DAILY_SPEND replaced by two dummy variables, SPEND_LOW and SPEND_MID. These new variable are:
SPEND_LOW = dummy variable equal to 1 if per person daily expenditures were equal to or less than $24.00;
SPEND_MID = dummy variable equal to 1 if per person daily expenditures were between $24.00 and $65.00.

Table 3 presents the results for model (2). The model diagnostics were adequate, as the model chi-square was 179.2 with a significance level of .000. Thus, the null hypothesis that the coefficients of the independent variables equal 0 was rejected and, therefore, the independent variables provided better predictions than a model with only the constant term (Menard 1995). The goodness of fit test totaled 805.7 with a significance level of .42. The large significance level led to the conclusion that the model did not differ significantly from the perfect model. The classification table indicated that 74.75% of the predicted outcomes matched observed outcomes. This compared favorably to the naive model, or assigning the mode to all cases. The null hypothesis that there were no differences in the predicted outcomes between the current model and the naive model was therefore rejected (Menard 1995).

Table 3
Results of logistic regression analysis of previous visit.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Model (2) Coefficient</th>
<th>Significance</th>
<th>Odds Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dependent: PREVIOUS</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>INTERCEPT</td>
<td>.1317</td>
<td>.8711</td>
<td></td>
</tr>
<tr>
<td>NIGHTS</td>
<td>.1470</td>
<td>.0052(^a)</td>
<td></td>
</tr>
<tr>
<td>SPEND_LOW</td>
<td>.7012</td>
<td>.0851(^b)</td>
<td>2.0163</td>
</tr>
<tr>
<td>SPEND_MID</td>
<td>.2725</td>
<td>.1681</td>
<td>1.3132</td>
</tr>
<tr>
<td>CHILDREN</td>
<td>.1634</td>
<td>.3539</td>
<td>1.1775</td>
</tr>
<tr>
<td>HS_OR_LESS</td>
<td>.1378</td>
<td>.7461</td>
<td>1.1478</td>
</tr>
<tr>
<td>SOME_COLLEGE</td>
<td>.0341</td>
<td>.8839</td>
<td>1.0347</td>
</tr>
<tr>
<td>LOW_INC</td>
<td>.0273</td>
<td>.9601</td>
<td>1.0276</td>
</tr>
<tr>
<td>MID_INC</td>
<td>-.1641</td>
<td>.3735</td>
<td>.8486</td>
</tr>
<tr>
<td>MARRIED</td>
<td>.1236</td>
<td>.5133</td>
<td>1.1315</td>
</tr>
<tr>
<td>BLACK</td>
<td>-.6916</td>
<td>.4512</td>
<td>.5008</td>
</tr>
<tr>
<td>ANGLO</td>
<td>.2494</td>
<td>.7520</td>
<td>1.2832</td>
</tr>
<tr>
<td>HISPANIC</td>
<td>.4395</td>
<td>.5877</td>
<td>1.5520</td>
</tr>
<tr>
<td>OUT_OF_STATE</td>
<td>-2.35</td>
<td>.0000(^a)</td>
<td>.0953</td>
</tr>
</tbody>
</table>

Model Diagnostics:
-2 Log Likelihood     886.08     .0160
Chi-Square             179.23     .0000
Goodness of Fit        805.66     .4177
Predictive Efficiency  .307       .0000

\(^a\) Significant at the .05 level \(^b\) Significant at the .10 level

The independent variables which were statistically significant at the .05 level included longer trip
durations and not residing out-of-state. Having per person daily expenditures in the lower third ($24.00 or less) was significant at the .10 level. Demographic factors were not significant. The findings indicate that repeat visitors tend to stay longer than first-time visitors but spend less per day. Distance traveled, measured by out-of-state residency, is also a key determinant.

THE MODELS: INTENTION TO RE-VISIT

The third model was a logistic regression model explaining the determinants of intention to visit San Antonio within the next 12 months. This model again utilizes logistic regression because the dependent variable, INTEND, is a dichotomous choice variable. Model (3) was formulated as

\[
INTEND = f(NIGHTS, SPEND_LOW, SPEND_MID, CHILDREN, HS_OR_LESS, SOME_COLLEGE, LOW_INC, MID_INC, MARRIED, BLACK, ANGLO, HISPANIC, OUT_OF_STATE, PREVIOUS).
\]

Table 4 presents the results for model (3). The model diagnostics were adequate, as the model chi-square was 259.0 with a significance level of .000. The goodness of fit test totaled 823.0 with a significance level of .21. The large significance level led to the conclusion that the model did not differ significantly from the perfect model. The classification table indicated that 82.5% of the predicted outcomes matched observed outcomes. Again, this compared favorably to the naive model. The null hypothesis that there were no differences in the predicted outcomes between the current model and the naive model was rejected (Menard 1995).

The independent variables which were statistically significant at the .05 level included not living out-of-state as well as having visited San Antonio previously. Longer trip duration and having moderate income were significant at the .10 level. Other demographic factors and daily expenditures were not significant. The findings indicate that distance traveled and previous visitation were the most important determinants of re-visitation intentions.

Note that a limitation of the study is that model (3) utilized stated intention to revisit, with no follow-up to track actual return visits over the subsequent period. Previous studies have concluded that—although stated revisit intentions are an imperfect measure—such declarations offer an important positive influence on potential visitation (Gabe, et al 2006). Furthermore, a relatively short duration (12 months in this study) from the intention to the actual behavior provides a more likely correlation between the two (Petrick 2001).

CONCLUSIONS

The analysis of this study clearly indicates that visitor expenditures are negatively impacted if the visitor has previously visited the destination, validating prior research conclusions and extending the results to sport spectator visitors. Significant demographic and activity variables impacting expenditures are the out-of-state residency of the visitor and previous visitation. Furthermore, repeat visitors tend to stay longer but spend less per day. Whether or not a sporting event visitor will return to the destination is determined by the distance traveled and prior visitation. Visitors who have visited the destination before are more likely to revisit.
Table 4
Results of logistic regression analysis of re-visit intention.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Model (3)</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Coefficient</td>
<td>Significance</td>
<td>Odds Ratio</td>
</tr>
<tr>
<td>Dependent: INTEND</td>
<td>1.8527</td>
<td>.1171</td>
<td></td>
</tr>
<tr>
<td>NIGHTS</td>
<td>.1167</td>
<td>.0582b</td>
<td>.8775</td>
</tr>
<tr>
<td>SPEND_LOW</td>
<td>-.1306</td>
<td>.6376</td>
<td>.9311</td>
</tr>
<tr>
<td>SPEND_MID</td>
<td>-.3735</td>
<td>.1175</td>
<td>.6871</td>
</tr>
<tr>
<td>CHILDREN</td>
<td>-.0714</td>
<td>.7324</td>
<td>.7265</td>
</tr>
<tr>
<td>HS_OR_LESS</td>
<td>-.3196</td>
<td>.5124</td>
<td></td>
</tr>
<tr>
<td>SOME_COLLEGE</td>
<td>-.2277</td>
<td>.4039</td>
<td>.7963</td>
</tr>
<tr>
<td>LOW_INC</td>
<td>-.0131</td>
<td>.9833</td>
<td>.9869</td>
</tr>
<tr>
<td>MID_INC</td>
<td>.3987</td>
<td>.0693b</td>
<td>1.4899</td>
</tr>
<tr>
<td>MARRIED</td>
<td>.2491</td>
<td>.2614</td>
<td>1.2829</td>
</tr>
<tr>
<td>BLACK</td>
<td>-.9034</td>
<td>.4954</td>
<td>.4052</td>
</tr>
<tr>
<td>ANGLO</td>
<td>-.19107</td>
<td>.1017</td>
<td>.1480</td>
</tr>
<tr>
<td>HISPANIC</td>
<td>-.18084</td>
<td>.1283</td>
<td>.1639</td>
</tr>
<tr>
<td>OUT_OF_STATE</td>
<td>-.14480</td>
<td>.0000a</td>
<td>.2350</td>
</tr>
<tr>
<td>PREVIOUS</td>
<td>2.2378</td>
<td>.0000a</td>
<td>9.3724</td>
</tr>
</tbody>
</table>

Model Diagnostics:
-2 Log Likelihood 665.72 .9995
Chi-Square 258.97 .0000
Goodness of Fit 822.99 .2088
Predictive Efficiency .322 .0000

\(^a\) Significant at the .05 level \(^b\) Significant at the .10 level

From an application perspective, many visitors to sporting events have a propensity to revisit the destination hosting the event. Event organizers and local tourism promotion agencies may discover that a targeted marketing effort to these visitors after the event will generate incremental revenue for the destination’s community months and even years after the event. However, such promotion activity must take into consideration the probability of lowered spending by repeat visitors on subsequent visits.

Further research should focus on the effect on expenditures and repeat visitation as the number of previous visits increases. In addition, psychological factors such as novelty-seeking, risk-aversion, and quality motivation merit further study as they relate to the economic issues of visitor expenditures and trip duration.

REFERENCES


PART I - A NEW MEDIA MARKET: AN EXAMINATION OF SPORT VIDEO GAMES AND ONLINE GAMING

Beth A. Cianfrone, Georgia State University

EXTENDED ABSTRACT

This paper provides an overview of the sport video game (SVG) industry, including market size, target market, stakeholders involved, and marketing implications. An understanding of the SVG industry is critical for analyzing marketing elements associated with the SVG market, such as consumption levels of gamers, gamers’ motivations to play SVGs, and in-game advertising and sponsorships.

Recently, SVGs have become a popular entertainment source and a large segment of the $24.5 billion worldwide gaming industry (King, 2005). In 2005, SVGs garnered $1.3 billion in sales in the United States with approximately 33 million games sold (ESA, 2006). SVGs are fantasy-based interactive computer games that depict numerous sports, including both traditional and non-traditional sports. SVGs are among the top in total video game sales each year; they are popular for a few reasons. Their resemblance to televised sports due to licensing agreements with the parent organization allows for game play to be very realistic to televised sport. Technological control allows gamers to act as a coach and/or player of the selected sport. This ability for people to “play” as their favorite player or coach their favorite team has appeal to many sports fans (Kim & Ross, 2006a).

The SVG target demographic is defined as the traditional sport demographic: 18-34 year old male consumers (Richtel, 2005). Nearly 60% of this demographic owns a video game system (“Media Usage”, 2006). Nielsen reported more men aged 18-34 played console video games than watched major network television (Della Maggiora, 2006). It also has been found that sport video gamers are sport fans (Cianfrone & Zhang, 2006; Kim & Ross, 2006). This shift in media consumption has implications for sport consumption via televised and live attendance. Similarly, traditional televised promotions, such as commercials or product placements, may suffer due to the lack of television viewership. Due to this shift, online and console gaming are receiving increased attention.

Many segments of the sport, business, and gaming industries are involved in SVGs. Console corporations (Microsoft, Nintendo, Sony) and game publishers (EA Sports, 2K, etc.) are the fundamental pieces. Sport organizations/leagues are a major component due to the licensing contracts with game publishers that enable SVGs to be as realistic as possible. Using team, stadium, logos, and player likeness via licensing contracts with the leagues, SVG publishers add credibility and realism to their games. The NFL and NFL Players Association have a five year $300 million deal with EA Sports that began in 2004, further indicating that SVGs are a lucrative licensing outlet for leagues (Lefton, 2004). This contract made EA Sports the exclusive publisher of NFL football video games. In 2004, the NFL earned nearly 50% of its total licensing revenue from video game sales, suggesting SVGs are a worthwhile marketing tool for them.
A result of the high cost of licensing and fulfilling a need to add more realism to the games, publishers have begun selling sponsorship and advertising within the games. Sponsorships of sport video games introduce various stakeholders. Athlete endorsement of the games (Madden NFL 07, Tiger Woods PGA 07, etc.) and sponsorships within the game (product placement within the games, sponsoring segments of the games, etc.) garner revenue for the gaming publishers as well as make the games more similar to a televised sporting event. Athlete endorsers and corporate sponsors who advertise within SVGs are a rising component of the gaming industry. Finally, video game organizations which organize professional and amateur gaming leagues are a subsequent part of the market.

SVGs can be both a marketing tool as well as a training tool for athletes. The new versions of SVGs are released to coincide with the affiliated sport season (e.g., NCAA Football 08 was debuted in July before the collegiate season began). In a recent poll by the The SportsBusiness Journal, 600 sport executives identified the major benefits of sports video games to sports organizations as “building fan interest in the sports (50%)” (“Turnkey Sports”, 2007). SVGs are utilized as a sports training tool by amateur and professional athletes when they need to simulate real life conditions (Emmons, 2003; Ross, 2007). One example is when NASCAR drivers have played the NASCAR series video games to learn and simulate the various race tracks.

In summary, the SVG and competitive gaming industry is one that is unique and growing. With an expanding marketplace and many stakeholders involved, research on the various aspects should be addressed in future studies.

REFERENCES


Hruby, P. (2007, October 7). So you wanna be a professional video game player? ESPN.com


PART II – MOTIVATIONS TO PLAY SPORT VIDEO GAMES

Beth A. Cianfrone, Georgia State University
James J. Zhang, University of Florida

EXTENDED ABSTRACT

Motivation is “an activated state within a person-consisting of drive urges, wishes, and desires-that leads to goal-directed behavior” (Mowen & Minor, 1998, p. 160). A person’s motivation is important in predicting behavior, thus is often examined in consumer behavior literature. In this case, when a person’s motivation to consume a product (play a SVG) can be identified, marketers can implement various tactics to optimize this motivation. In turn, examining sport video gamer motives would be beneficial for the game publishers, associated sport organizations, and sponsoring corporations. This paper considers the theoretical framework for studying SVG motives.

In the sport literature, motivation theory has been applied in two areas: sport spectator motivation (e.g., Funk, Mahoney, & Ridinger, 2002; Milne & McDonald, 1999; Sloan, 1989; Trail & James, 2001; Wann, 1995) and sport participant motivation (e.g., Gill, Gross, & Huddleston, 1983; Milne & McDonald, 1999; Raugh & Wall, 1987). Motives for sport spectators are usually based on social and psychological needs (Trail & James, 2001); while motives for sport participants combine social, psychological, and physical needs (e.g., Gill et al., 1983; Milne & McDonald, 1999; Raugh & Wall, 1987). Sport video gamers are both spectators in the very act of playing the video game and participants actively involved in the games. Thus, to determine motives of sport video gamers it is necessary to examine both sport spectator and sport participant motivations.

The Uses and Gratifications approach identifies personal needs to consume media sources (Katz, Blumler, & Gurevitch, 1974). According to Kim and Ross (2006), as a media device, it is also necessary to examine media based motivational theory when assessing SVGS. Television consumption and traditional video game consumption motives served as the foundation to the only attempt to assess sport video gamer motives. The motives for an individual to play a SVG are developed from the general motivation literature, sport spectator literature, sport participatory, and media literature.

Sherry, Lucas, Greenberg, and Lachlan (in press) studied video game motives with the Uses and Gratifications theory. The identified a set of uses and gratifications traits and determined their predictability of game consumption (usage). The purpose of the study was to identify a set of uses and gratifications traits and determine their predictability of game consumption (usage). Six motivation factors for video game play were found: Competition (to prove gaming skills), Challenge (to push to a higher level of skill), Social Interaction (to play with others), Diversion (to avoid stress), Fantasy (to do things that cannot normally be done), and Arousal (to stimulate of emotions). They developed a scale based on these six factors and a factor analysis determined 27 items were usable. Finally, they used the scale to find the levels of uses and gratifications traits and their relationship with video game consumption, among
college, eleventh grade, eight grade, and fifth grade students. Diversion, social interaction, and arousal were significant predictors of game consumption. The motives examined in these studies are all similar to the previous sport and participant motives, except for the idea of fantasy. These traits explained 28% of the variance in game play (Sherry et al., in press).

Kim and Ross (2006) were the first to identify motives and develop a measurement scale for SVG players. They analyzed sport video gamer motives with the Uses and Gratifications Approach (Katz et al., 1974). They developed the Sport Video Game Motivation Scale (SVGMS) and identified seven factors of motivation for gamers to play SVGs: Social Interaction, Fantasy, Competition, Entertainment, Pastime, Knowledge Application, and Interest in Sport. Knowledge Application and Interest in Sport were two factors that had not been used in previous video game motivation research. These factors need to be assessed further to verify their application in other SVGs and other target demographics.

SELECTED REFERENCES

Funk, D. C., Mahony, D. F., & Ridinger, L. L. (2002). Characterizing consumer motivation as individual difference factors: Augmenting the Sport Interest Inventory (SII) to explain level of spectator support. Sport Marketing Quarterly, 11(1), 33-43.


SPORT VIDEO GAME SPONSORSHIPS AND IN-GAME ADVERTISING: A REVIEW OF LITERATURE

Beth A. Cianfrone, Georgia State University
James J. Zhang, University of Florida

EXTENDED ABSTRACT

As sports fans often turn to sport video games (SVGs), there has been a shift in sport consumption. Some corporations aiming to reach the 18-34 year old sport fans have abandoned traditional television based sponsorship and advertising in an effort to achieve more promising results. As male gamers, aged 18-34 years old, are playing SVGs more often than watching television (Della Maggiora, 2006), sponsors have delved into a different avenue of marketing. The rise in SVG popularity has suggested a shift in the marketing efforts from televised medium to the interactive SVG medium (Della Maggiora, 2006). This presentation examines the current and future literature surrounding advertising and sponsoring within SVGs.

Video game sponsorships are a new and growing portion of the promotional mix. SVG sponsorships can be fulfilled via virtually inserting static billboard signage with a corporation’s brand logo to more integrative in-game advertising approaches (McClellan, 2005). Brand logos of the sponsoring companies have been inserted into specific segments of the SVGs (e.g., the Halftime, Red Zone, and Player of the Game sponsorships in NCAA Football). Athletes and coaches through endorsement deals sponsor games (e.g., the Tony Hawk’s Pro Skater series and Madden NFL series). The billboard signage insertions or game segment sponsorships are similar to virtual advertising on television, except for the fact that video games are all “virtual.” Some products are fully integrated into the game; for example, the ability for a golfer to select specific Nike clubs when playing Tiger Woods’ PGA Tour game (McClellan, 2005).

An advantage of SVG sponsorships and in-game advertising is the integration of the advertisements within the games. This leads to an inability for gamers to skip the advertisements. Due to the integration of the sponsorships into the game, the gamers are exposed to the sponsorship when they play and the sponsorships are unavoidable. For example, a game sponsorship of the coin toss to start a football game would be integrated into the game in a manner where the commentators mention the sponsoring company and the gamer must select if they want to kick, receive, or defer to start the game. These sponsorships are different than a television commercial, which can be skipped by a viewer changing the channel. Further advantages of SVG sponsorship include access to a highly coveted demographic, repetition of game use and therefore sponsorship exposure, and the interactive nature of the games.

Video games are a growing outlet for sponsorships and advertisements, and many corporations have adopted SVGs as a marketing tool in an effort to reach SVG consumers. Sponsoring and advertising within a SVG offers companies a way to integrate and display their brands or products through a heavily consumed virtual medium. In 2005, about $56 million was spent on game advertising. That figure will likely reach between $400 and $732 million by 2010.
Some have even predicted that in-game advertising spending would reach between $1.6 billion to $1.8 billion by 2010 (Shields, 2006). Although growth estimates have varied, the widespread utilization of SVGs as promotional outlets is imminent and certainly a marketing platform on the continued rise.

Research shows consumer awareness of video and computer game advertisements or sponsorships is a promising promotional outlet. Nelson (2002) conducted an experimental study to determine consumers’ awareness of and attitudes towards local and national brand advertisements in computer and console video games. Recognition of sponsors was examined via a longitudinal study with 13 console gamers. The console gamers played a car racing game and were surveyed on recall and recognition. The results of the experiments revealed that advertisements were somewhat recalled and recognized initially. A follow-up survey five months later resulted in high levels of decay. The attitude-toward-advertising experiment tested 10 computer gamers on the same race car game. Attitude toward the advertising was generally favorable. In this study, the gamers’ playing habits were not taken into consideration and the racing game was not a SVG; yet, it provided a foundation for the SVG sponsorship studies.

Recently, Cianfrone, Zhang, & Trail (2007) examined SVG in-game advertising effects on gamers’ awareness, affect, and purchase intentions. This study was performed as an experimental design comparing unaided recall, aided recall, and recognition rates of sport video gamers playing EA Sports’ NCAA Football games. Gamers who were just exposed to the in-game advertisements showed about 40% recognition rates. Similarly noteworthy, the gamers who were not exposed to the in-game advertisements still had relatively high levels of recognition rates, indicating they were so accustomed to playing the SVG with advertisements that they did not recognize that they were not present. SVG in-game advertisements and sponsorships are a new promotional area and its affect on consumer’s cognition needs more study. While one type of SVG advertising has been shown to be favorable in one study, its ability to predict or influence brand attitude remains to be determined.

SELECTED REFERENCES


TREND ANALYSIS OF WILDLIFE RECREATION PARTICIPATION: A CROSS-REGIONAL COMPARISON

Jamie Ford, University of Texas at San Antonio

ABSTRACT

A large proportion of governmental funding for wildlife recreation initiatives is derived from consumptive activities, such as state-level hunting/fishing licenses and related excise taxes. Previous research has established that a relationship exists between participation in consumptive and non-consumptive wildlife recreation. Sport hunters are more likely to participate in wildlife observation, and wildlife observers are more likely to participate in hunting activities. However, analyses of recreation participation in two states using data from the 1991 and 2001 National Survey of Fishing, Hunting, and Wildlife-Associated Recreation Survey sample sets indicates that the relationships are not stable across regions or time periods.

INTRODUCTION

Wildlife recreation in the United States is being affected by numerous socio-demographic trends, including population shifts from northern to Sunbelt states, urbanization, aging, increasing education levels, declining sport hunting participation, and increasing nonconsumptive recreation activities (Li et al 2003; Hay and McConnell 1984).

The shifting recreation pattern between consumptive and nonconsumptive activities is complicated by government revenue generation derived from hunting and fishing licenses and other user fees and excise taxes, which typically fund various state park and wildlife departmental budgets. For example, the U.S. Fish and Wildlife Service in fiscal year 2006 apportioned more than $233 million to the states and territories for wildlife restoration and hunter education activities, $291 million for sport fish restoration, and an additional $60 million for various state wildlife grants (U.S. Fish and Wildlife Service 2006). The sources for the funding are Federal excise taxes on hunting and fishing equipment. These funds, coupled with hunting and fishing license revenue, are the primary budgets for wildlife recreation management for many states.

With hunting activity declining and nonconsumptive activities increasing, the issue of funding sources for wildlife recreation becomes increasingly contentious. State park and wildlife departments are beholden to revenue-producing stakeholders whose ranks are declining relative to the general recreating population. However, research indicates that sport hunting participants are more likely than non-hunters to engage in nonconsumptive wildlife recreation, and the reverse is true as well (Hay and McConnell 1984; Miller and Hay 1981; Hay and McConnell 1979).

Yet, such participation interaction is not constant across time or regions of the United States. This study analyzes participation in both sport hunting and nonconsumptive wildlife
recreation in 1990 and 2000 across two states, Pennsylvania and Texas. Logistic regression modeling indicates that gender, marital status, employment status, income levels, state of residence, and participation in nonconsumptive recreation activities primarily affect the odds of participation in sport hunting, while marital status, education level, employment status, and participation in sport hunting primarily affect the odds of participation in nonconsumptive recreation. Note that income levels and residence in a metropolitan area were also primary predictors for participation in nonconsumptive recreation in 1990 but not in 2000.

**STUDY BACKGROUND**

Research has indicated that changing socio-demographic trends are affecting wildlife recreation participation. Li et al. (2003) list factors such as population shifts from northern to Sunbelt states, urbanization, aging, increasing education levels, declining sport hunting participation, and increasing nonconsumptive recreation activities.

The U.S. population is shifting from northern regions to the Sunbelt. Large population increases are evident in southern and western states, while northeastern states have experienced limited growth. From 1990 to 2000, Pennsylvania’s population grew only 3.4% while the population of Texas increased nearly 23% (U.S. Bureau of the Census 2001). Furthermore, Americans are residing more often in metropolitan areas compared to rural areas. The U.S. metropolitan population increased 27 million (14%) from 1990 to 2000 compared to a 5 million (10%) increase in rural populations (Ibid).

Evidence exists that people tend to shift recreation patterns as they move to new locations (Li et al. 2003). The explanations for such changes are many, including disruption of social groups within which recreation is undertaken as well as limited knowledge of the environment. Urbanization presents additional barriers to wildlife recreation. These include greater travel distances to recreation locations, greater congestion at recreation sites, fragmentation and development of undeveloped recreation land areas, and socialization of youth into other, non-wildlife related recreation activities. Of course, relocation and urbanization may not always lead to decreasing recreation, as participants might move to areas with increased opportunities for recreation, perhaps due to more conducive climate or more sites for preferred activities, or the novelty of new activities might attract participants to recreate in a manner new to them. While most research findings indicate that rural residence is a primary indicator of sport hunting participation, Stedman and Heberlein (2001) found that rural upbringing is only one of several significant variables, the interplay of which—when controlled—mitigates much of the impact of rurality.

The U.S. population is also aging and becoming more educated. The median age in the United States rose from 32.9 to 35.3 during the 1990s, while educational attainment increased at both the high school graduate level (75% in 1990 to 84% in 2000) and the college graduate level (20% to nearly 26%) (U.S. Bureau of the Census 2001). These trends are expected to continue. Previous studies, as summarized in Li et al (2003), have indicated that aging tends to lead to less physical recreation choices, while increasing education levels tend to increase participation in various recreational activities.
Li et al (2003) also outline the relative decline in sport hunting compared to other outdoor recreation activities. Indeed, the decline of sport hunting is well-documented in the literature (Mehwood et al 2003; Miller and Vaske 2003; Schulze et al 2003; Wright et al 2001). While the absolute number of licenses has remained stable in such states as Texas, hunters as a percentage of the overall population decreased more than 20% between 1985 and 2001 (Adams et al 2004). The reasons for the relative decline in sport hunting are multi-faceted and include both practical issues (declining undeveloped areas, game scarcity, time constraints, costs) and societal/cultural (shifting ideas of cruelty, detachment from nature, competition with other leisure activities, perceived excessive governmental regulations). In addition, research has indicated that racial/ethnic minorities in the United States participate in hunting at lower rates than do Anglos (Ibid).

With the shifting patterns in recreation, the issue of revenue sources to fund recreation management looms large, as various stakeholders push for more resources for their desired alternatives. Hay and McConnell (1984) frame the problem of historically limited governmental funding for nonconsumptive recreation while hunting and fishing programs receive regular revenue streams from excise taxes and licensing. This has led to frustration and antagonism by nonconsumptive participants toward what is perceived as undue attention being given to consumptive activities, even as overall participation moves increasingly to nonconsumptive recreation. Similarly, Schulze et al (2003) document the changes in natural resource agencies’ programs, with holistic ecosystem management competing with traditional game management activities.

Yet, research has indicated that sport hunting participants are more likely than non-hunters to engage in nonconsumptive wildlife recreation, and the reverse is true as well (Hay and McConnell 1984; Miller and Hay 1981). This seems to suggest that policy makers need not view the two camps (consumptive and nonconsumptive recreators) as completely separate stakeholders and can seek commonalities of purpose in terms of allocating scarce recreation management resources.

Note, however, that this participation interaction is not constant across time or regions of the United States. While comparative studies are relatively rare regarding this topic, Li et al (2003) analyzed the differences between states in disparate regions of the United States and found significant differences in terms of consumptive and nonconsumptive recreation patterns. While some of the differential outcome can be attributed to differences in opportunity, the authors believed that factor inadequate to explain all of the variation found. Wright et al (2001) found that participation patterns in sport hunting were stable across short time periods—in this case, three years—but were dynamic at the individual level, and that while perceived constraints to hunting were stable overall, the intensity of perception of the constraints varied over time and between subgroups.

**STUDY METHODOLOGY AND DATA**

The purpose of this study is to identify the determinants of sport hunting and nonconsumptive recreation, and to analyze whether these determinants are constant over time and across regions. To represent the regions, the states of Pennsylvania and Texas were selected.
While these two states share many characteristics (population size, strong hunting and outdoor traditions), they also represent the shifting demographic trends from the northeast to Sunbelt regions. The periods analyzed in the study are 1990 and 2000.

This study uses a series of logistic regression models to estimate the joint decision patterns regarding wildlife recreation participation, using a framework developed by Hay and McConnell (1984). Specifically,

\[ y_{1x} = \begin{cases} 1 & \text{if the individual participates in sport hunting and 0 otherwise, where } x \text{ is the state of residence,} \\ 0 & \text{otherwise.} \end{cases} \]

\[ y_{2x} = \begin{cases} 1 & \text{if the individual participates in nonconsumptive recreation and 0 otherwise, where } x \text{ is the state of residence.} \\ 0 & \text{otherwise.} \end{cases} \]

\[ P(y_{1x}/y_{2x}) \] is the probability of sport hunting, conditional on participation in nonconsumptive recreation, and \( P(y_{2x}/y_{1x}) \) is the probability of nonconsumptive recreation, conditional on participation in sport hunting. The conditional probabilities are dependent on exogenous demographic characteristics of the individuals.

The data for the study are the 1991 and 2001 National Survey of Fishing, Hunting, and Wildlife-Associated Recreation (NSFHWAR) samples compiled by the U.S. Fish and Wildlife Service (U.S. Fish and Wildlife Service 1993; U.S. Fish and Wildlife Service 2003). The NSFHWAR is a nationwide sample of households regarding participation in wildlife recreation which has been conducted every 5 years since 1955. While sampling methodologies have changed over the 50 year period, the 1991, 1996, and 2001 samples are considered comparable for trend analysis (McDowell and Mock 2004).

The NSFHWAR asks telephone interviewees whether anyone in the household participated in wildlife recreation activities such as sport fishing, sport hunting, and nonconsumptive activities during the previous year. The initial screening samples consisted of 129,500 households in 1991 and 116,583 in 2001, and employed a stratified sampling methodology with the corresponding weights for each respondent provided in the data file. The models in this study utilize the SPSS Weighting procedure to adjust the data based on these supplied weights. Only the observations for state of residence equal to Pennsylvania and Texas were included in the data set, and respondents below the age of 18 were removed from the analysis. The 1991 sample totaled 8,670 responses after removing missing values (or 17,787,296 cases in the models due to the weights), and 3,210 responses (or 18,607,703 cases after weighting) for the 2001 sample.

In addition to participation questions, the samples include data on respondent and household demographic and socioeconomic characteristics. Table 1 lists the profile of the respondents for both samples by state of residence. The socio-demographic profiles are not markedly different for both states across both sampling periods, with the exception of Hispanic ethnicity.

Table 1
Profile of Respondents, by State

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Hunters</td>
<td>11.1%</td>
<td>7.0%</td>
<td>10.2%</td>
<td>8.5%</td>
</tr>
<tr>
<td>Nonconsumptive</td>
<td>12.6%</td>
<td>7.3%</td>
<td>14.4%</td>
<td>11.2%</td>
</tr>
<tr>
<td>Hunters who are Nonconsumptive</td>
<td>29.1%</td>
<td>12.3%</td>
<td>32.4%</td>
<td>31.3%</td>
</tr>
<tr>
<td>Gender: Male</td>
<td>47.3%</td>
<td>48.5%</td>
<td>46.7%</td>
<td>47.7%</td>
</tr>
<tr>
<td>Marital Status: Married</td>
<td>65.6%</td>
<td>67.3%</td>
<td>61.9%</td>
<td>60.3%</td>
</tr>
<tr>
<td>Employment Status: Employed</td>
<td>65.4%</td>
<td>64.6%</td>
<td>58.6%</td>
<td>62.3%</td>
</tr>
<tr>
<td>Race/Ethnicity: Black</td>
<td>10.3%</td>
<td>6.9%</td>
<td>6.1%</td>
<td>6.2%</td>
</tr>
<tr>
<td>Hispanic (of any race)</td>
<td>19.8%</td>
<td>28.9%</td>
<td>1.1%</td>
<td>1.5%</td>
</tr>
<tr>
<td>White</td>
<td>67.3%</td>
<td>61.1%</td>
<td>91.5%</td>
<td>91.3%</td>
</tr>
<tr>
<td>Other</td>
<td>2.6%</td>
<td>3.1%</td>
<td>1.3%</td>
<td>1.0%</td>
</tr>
<tr>
<td>Income(^a): &lt; $10,000</td>
<td>13.9%</td>
<td>9.5%</td>
<td>11.7%</td>
<td>6.3%</td>
</tr>
<tr>
<td>$10,000 - $24,999</td>
<td>29.2%</td>
<td>18.6%</td>
<td>30.2%</td>
<td>18.4%</td>
</tr>
<tr>
<td>$25,000 - $49,999</td>
<td>35.5%</td>
<td>33.6%</td>
<td>39.3%</td>
<td>29.3%</td>
</tr>
<tr>
<td>$50,000 - $74,999</td>
<td>13.2%</td>
<td>17.3%</td>
<td>12.2%</td>
<td>20.4%</td>
</tr>
<tr>
<td>$75,000 or more</td>
<td>8.2%</td>
<td>20.9%</td>
<td>6.7%</td>
<td>25.5%</td>
</tr>
<tr>
<td>Residence: Metropolitan Area</td>
<td>76.6%</td>
<td>79.3%</td>
<td>66.0%</td>
<td>68.1%</td>
</tr>
<tr>
<td>Age (mean)</td>
<td>42.9</td>
<td>45.6</td>
<td>46.2</td>
<td>48.7</td>
</tr>
<tr>
<td>Years of Education Attended (mean)</td>
<td>12.6</td>
<td>12.8</td>
<td>12.6</td>
<td>13.3</td>
</tr>
</tbody>
</table>

\(^a\) The 1991 and 2001 samples used differing Income categories (7 categories in 1991, 10 in 2001). Table 1 presents collapsed categories, although the models utilize the original data.

While both states had similar participation rates for both sport hunting and nonconsumptive recreation, a major shift occurred in the percentage of participants of both activities for Texas between the 1991 and 2001 samples. The measure for participation in nonconsumptive recreation utilized in this study is specifically whether or not the respondent household took “any trips or outings for the primary purpose of observing, photographing, or feeding wildlife” (U.S. Fish and Wildlife Service 1993; U.S. Fish and Wildlife Service 2003).

A series of four logistic regression models were formulated. Models (1) and (3) have the binary dependent variable participate in sport hunting with the socio-demographic variables from Table 1 plus participation in nonconsumptive recreation as predictor variables. Conversely, models (2) and (4) have the binary dependent variable participate in nonconsumptive recreation with the same predictor variables as models (1) and (3), excepting replacing participation in nonconsumptive recreation with participation in sport hunting. Models (1) and (2) utilize the 1991 sample data while models (3) and (4) utilize the 2001 sample.

The predictors included both categorical and interval variables, and generally followed the specification of models of participation in wildlife recreation in the literature (Li et al. 2003; Mehwood et al 2003; Hay and McConnell 1984; Miller and Hay 1981; Hay and McConnell 1979): gender (male = 1); marital status (married = 1); employment status (employed = 1); black race/ethnicity (yes = 1); Hispanic race/ethnicity (yes = 1); other race/ethnicity (yes = 1); household income (7 categories in 1991 sample and 10 in 2001, but entered as interval data);
residence in metropolitan area (yes = 1); age (interval); years of education (interval); and state of residence (Texas = 1). In addition, participation in nonconsumptive recreation (yes = 1) is included in the models with participation in sport hunting as the dependent variable, and participation in sport hunting (yes = 1) is included in the models with participation in nonconsumptive recreation.

**STUDY RESULTS**

The results of the logistic regression modeling are presented in Table 2 for models (1) and (3) and in Table 3 for models (2) and (4). Due to the large number of cases in the analyses, the model \( X^2 \) values were large and each had \( P \) equal to .000. In addition, all of the predictor variables in each model had \( P \) equal to .000.

**Table 2**

*Results, Models of Hunting Participation*

<table>
<thead>
<tr>
<th>Characteristic</th>
<th>1991 Coefficient</th>
<th>Odds Ratio</th>
<th>2001 Coefficient</th>
<th>Odds Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nonconsumptive</td>
<td>1.066</td>
<td>2.903</td>
<td>.814</td>
<td>2.256</td>
</tr>
<tr>
<td>Gender: Male</td>
<td>2.247</td>
<td>9.462</td>
<td>2.713</td>
<td>15.075</td>
</tr>
<tr>
<td>Marital Status: Married</td>
<td>.336</td>
<td>1.400</td>
<td>.319</td>
<td>1.376</td>
</tr>
<tr>
<td>Employment Status: Employed</td>
<td>.259</td>
<td>1.296</td>
<td>.030</td>
<td>1.030</td>
</tr>
<tr>
<td>Race/Ethnicity: Black</td>
<td>-1.332</td>
<td>.264</td>
<td>-1.282</td>
<td>.278</td>
</tr>
<tr>
<td>Hispanic (of any race)</td>
<td>-1.143</td>
<td>.319</td>
<td>-1.326</td>
<td>.266</td>
</tr>
<tr>
<td>Other</td>
<td>-1.013</td>
<td>.363</td>
<td>-1.769</td>
<td>.171</td>
</tr>
<tr>
<td>Income</td>
<td>.091</td>
<td>1.096</td>
<td>.124</td>
<td>1.132</td>
</tr>
<tr>
<td>Residence: Metropolitan Area</td>
<td>-.971</td>
<td>.379</td>
<td>-.819</td>
<td>.441</td>
</tr>
<tr>
<td>Age</td>
<td>-.023</td>
<td>.977</td>
<td>-.022</td>
<td>.979</td>
</tr>
<tr>
<td>Years of Education Attended</td>
<td>-.051</td>
<td>.950</td>
<td>-.066</td>
<td>.936</td>
</tr>
<tr>
<td>Residence: Texas</td>
<td>.419</td>
<td>1.521</td>
<td>.021</td>
<td>1.021</td>
</tr>
</tbody>
</table>

\( a \) 1991 \( X^2 = 2877920.27, P = .000 \), Nagelkerke R Square = .293  
\( b \) 2001 \( X^2 = 2472937.94, P = .000 \), Nagelkerke R Square = .287

The results for sport hunting participation for both the 1991 and 2001 samples indicate that being male, married, employed, Anglo, having higher income levels, residing in non-metropolitan areas, and participating in nonconsumptive recreation are positive predictors, while increased age and years of education are negative predictors. Residing in Texas is also a positive predictor. For nonconsumptive participation, the results varied between the 2 time periods. While being married, employed, Anglo, having higher education levels, and participating in nonconsumptive recreation are consistently positive predictors and being male and older and residing in Texas are consistently negative, the variables household income and residence in metropolitan area shift from positive in 1991 to negative in 2001.

While each predictor variable was significant, the more interesting issue concerns which factors are the largest influence on participation in sport hunting and nonconsumptive recreation, and any difference between the states and study periods. The odds ratios for each variable

422
provide the best indication of effects, with odd ratios greater than 1 indicating meaningful influence. The odds ratio provides the relative odds for the binary dependent variable to have a value of 1 when a predictor variable also has a value of 1—for categorical variables—or increases by one unit—for interval variables (Crown 1998). Tables 3 and 4 also present the results of the odds ratio analysis.

Table 3
Results, Models of Nonconsumptive Participation

<table>
<thead>
<tr>
<th>Characteristic</th>
<th>1991 Coefficient&lt;sup&gt;a&lt;/sup&gt;</th>
<th>1991 Odds Ratio</th>
<th>2001 Coefficient&lt;sup&gt;b&lt;/sup&gt;</th>
<th>2001 Odds Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hunting</td>
<td>1.048</td>
<td>2.851</td>
<td>.866</td>
<td>2.377</td>
</tr>
<tr>
<td>Gender: Male</td>
<td>-.168</td>
<td>.845</td>
<td>-.152</td>
<td>.859</td>
</tr>
<tr>
<td>Marital Status: Married</td>
<td>.371</td>
<td>1.449</td>
<td>.408</td>
<td>1.504</td>
</tr>
<tr>
<td>Employment Status: Employed</td>
<td>.017</td>
<td>1.017</td>
<td>.005</td>
<td>1.005</td>
</tr>
<tr>
<td>Race/Ethnicity: Black</td>
<td>-.937</td>
<td>.392</td>
<td>-.693</td>
<td>.500</td>
</tr>
<tr>
<td>Hispanic (of any race)</td>
<td>-.551</td>
<td>.340</td>
<td>-.842</td>
<td>.431</td>
</tr>
<tr>
<td>Other</td>
<td>-1.079</td>
<td>.576</td>
<td>-.482</td>
<td>.617</td>
</tr>
<tr>
<td>Income</td>
<td>.016</td>
<td>1.016</td>
<td>-.010</td>
<td>.990</td>
</tr>
<tr>
<td>Residence: Metropolitan Area</td>
<td>.029</td>
<td>1.029</td>
<td>-.365</td>
<td>.694</td>
</tr>
<tr>
<td>Age</td>
<td>-.018</td>
<td>.982</td>
<td>-.014</td>
<td>.986</td>
</tr>
<tr>
<td>Years of Education Attended</td>
<td>.094</td>
<td>1.099</td>
<td>.126</td>
<td>1.134</td>
</tr>
<tr>
<td>Residence: Texas</td>
<td>-.152</td>
<td>.859</td>
<td>-.411</td>
<td>.663</td>
</tr>
</tbody>
</table>

<sup>a</sup> 1991 $X^2 = 1043613.46$, $P = .000$, Nagelkerke R Square = .101

<sup>b</sup> 2001 $X^2 = 909593.70$, $P = .000$, Nagelkerke R Square = .099

The variables gender, marital status, employment status, income levels, state of residence, and participation in nonconsumptive recreation activities primarily affect the odds of participation in sport hunting, while marital status, education level, employment status, and participation in sport hunting primarily affect the odds of participation in nonconsumptive recreation. Thus, state of residence is a major factor influencing hunting participation but not nonconsumptive recreation. In addition, income levels and residence in a metropolitan area were primary predictors for participation in nonconsumptive recreation in 1990 but not in 2000.

DISCUSSION

The results clearly show that while strong interrelationships exist between participation in consumptive and nonconsumptive wildlife recreation and that these activities are complementary, these patterns are not constant across regions and time. Therefore, state policy makers must be cautious as they wrestle with the issues of funding sources for wildlife recreation and placating the various stakeholders. Policy actions which affect wildlife resources may not only impact the specific activity targeted by the action, but also any complementary activities. In short, different approaches may be necessary for the various regions of the United States and continuing research is warranted to monitor these trends.

In addition, the results confirm much of the literature in that age, urbanization,
employment status and marital status are primary predictors of outdoor recreation. What is interesting is the differences between the results for consumptive and nonconsumptive participation, and the differences between the 1991 and 2001 samples in terms of the shifting influence of income levels and metropolitan area residence.

A need also exists to continue the NSFHWAR with comparable methodologies so as to compare trends going forward from the 1991 sample. It is hoped that the 2006 sample, set to be released in 2008, will provide a consistent data set and that the 2011 and future surveys will not significantly alter the data collection process.

REFERENCES


THE “LIVING CLASSROOM” AS A VITAL COMPONENT OF SPORTS MARKETING EDUCATION: BENEFITS OF DEVELOPING PARTNERSHIPS WITH LOCAL SPORTS BUSINESSES

Brenda G. Pitts, Georgia State University
Beth A. Cianfrone, Georgia State University
Carol Lucas, The Georgia Dome and Georgia World Congress Center
Chia-Ying (Doris) Lu, Barry University
Mark Howard, Georgia State University

EXTENDED ABSTRACT

“Education is not a preparation for life; education is life itself.” ~John Dewey

Relationships with local sport businesses are valuable for sport marketing faculty, students, and the sport business professional in a number of ways. Each benefits from the interaction, shared knowledge, familiarity with work, and opportunity for networking. The purpose of this presentation is to provide an overview of how the ‘living classroom’ concept is used in a sport marketing field research seminar course.

A “living classroom” is an instructional paradigm in sport marketing courses that enables students to gain valuable hands-on experiences in real sport business settings (Pitts, 2005). Every sports marketing professor and student can benefit in a number of ways from partnerships and relationships with local sport businesses, some of which include: for industry to provide work related experience for the students, for professors to provide valuable knowledge and consultation to the industry professionals, and for students to provide help to industry and learn from valuable experience. The local sports business provides the possibility of a living classroom. For the sport business, understanding that they are helping with the education of future sport business professionals is important. And for the student, understanding the many benefits of being a part of this relationship as well as the exceptional experiences gained are an essential part of the overall student’s education. This presentation will offer an example of how a partnership was built with a local sport business in which everyone benefits from the experiences. This presentation is organized in four parts (we’re calling them 4 quarters) to present the example first, followed by a period of time for questions from the audience. The following outlines the presentation.

1st Quarter. Establishing Partnerships Between Sport Businesses and Sport Management Programs That Work and Benefit Everyone. Presenters: Brenda G. Pitts, Professor, Georgia State University, Atlanta, Georgia, USA; Beth Cianfrone, Assistant Professor, Georgia State University, Atlanta, Georgia, USA; Carol Lucas, Marketing Research Manager of The Georgia Dome and Georgia World Congress Center.
In this part of the symposium, the partnership between the sport business – the Georgia Dome and Georgia World Congress Center – and the sport management program – at Georgia State University – will be presented. In summary, through a seminar course, students are involved in learning basic sport market research using sports events held at the Dome. The faculty member as well as the industry professional teaches and supervises the students throughout the projects. In the end, the students give a formal presentation to the CEOs and other staff at the Dome.

2nd Quarter. Establishing Partnerships Between The Student in Sport Marketing and Local Sport Businesses. Students in the sport management program at Georgia State University who have been in this course and worked in the partnership with the Georgia Dome will share their experiences.

3rd Quarter. The Research: An Example of One of the Studies Conducted for the Georgia Dome. An Examination of Spectator Attendance at a Sports Event at the Georgia Dome. Presenters: Chia-Ying (Doris) Lu, Brenda Pitts, Carol Lucas, and Students. One of the many market studies conducted will be presented. Emphasis will be on how to design the research to benefit the sport business and the faculty member’s research agenda for publication.

4th Quarter. Audience Question and Discussion Period. Time will be saved for the audience to ask questions about our example, the course, and the experiences.

(Authors’ Note: An earlier portion of this work was presented at a previous conference.)

REFERENCES

ADAPTATION AND STANDARDIZATION CLARIFICATION - A CRITICAL DEFINITION OF PRODUCT

Russell Adams, University of Texas Brownsville

ABSTRACT

In 2005 The Journal of Marketing called for a renaissance in marketing. One of the issues that are raised is the lack of agreement on definitions and limited research in international marketing. This critical essay attempts to address some of these issues by exploring the nuances of standardization and adaptation and offering a new perspective on how these terms effect the understanding of the product concept.

INTRODUCTION

Recently (October 2005) the Journal of Marketing asked for a Renaissance in marketing, and discussed imperatives for improving marketing, this essay will help touch on some of the issues the esteemed authors raised. In international marketing literature a consistent theme of debate is whether standardization or adaptation is the best way for companies to pursue markets. Most would agree that standardization is preferable yet not completely possible (Jain 1989) therefore adaptation is necessary. The question posed in this critique is: what is the salience of adaptation or standardization in the modern world? It will be argued that because of its entrapment in the post world war two view of the IPLC model (Vernon 1971) it limits research and understanding of the pertinent questions to marketing. The more applicable approach is global market segmentation in the vein of Hofstede, Steenkamp and Wedel (1999, 2002) and Hassan, Craft, and Wael (2003) for example. By modifying the concept of standardization and adaptation we can begin to view the world as one potential market without borders and then begin to identify our target markets regardless of borders. If one also accepts marketing’s Post Modernist shift (Firat and Venkatesh 1993) we can see that this view reflects more realistically what is occurring in the world of the multinational global economy (Ross 1988). This is not to say that we cannot ignore country borders as these can be a constraint primarily for political reasons, but that in our process of identifying our potential customers we should be blind to their location. Currently the process is to start at the country levels and then identify customers. This essay argues that we should reverse the process, identify customers and then look to the country level to determine if the constraints make reaching the market unfeasible. Levitt (1983) points to the problems in his seminal article yet it apparently has not really changed the research in the subsequent 25 years. One reason I believe that his call was not heeded because he does not provide actionable solutions. The idea is good but how do we implement it? One of the keys to modifying the debate is through a more critical and clear definition of what a product is. The key to this problem is the erroneous or cumbersome use of product definition. By creating a new more clear and appropriate definition of product from the global sense, and arguing for a global perspective I hope to create and theoretical framework that can lead to clear and useable research.
LITERATURE REVIEW AND DEFINITIONS

What is globalization? In the broadest sense the term globalization seems to capture the idea that borders are diminishing in importance. When we understand that the political system in the Modernity sense is giving way to economics and the market we see the dominance of the markets and it is the spread and intersection of these markets across political and nationalistic or ethnocentric culture is what globalization is describing. Therefore globalization by this definition links directly to the idea of global market segments.

One critical element in the standardization or adaptation debate is the way product is operationalized and subsequent unnatural dissection of its meaning. Literature points to the fact that we can standardize the product but we need to adapt the marketing (Szymanski, Bharadwaj and Varadarajan 1993, Chang 1995), can the two be standardized or adapted separately? Laroche, Kirpalni, Pons and Zhou (2001) develop a framework for the standardization of advertising from an organizational view but do note that most marketing and standardization studies has viewed marketing from the market mix paradigm for review this is product, price, place and distribution. It is regularly taught that the product was the complete package of benefits received by a consumer and that the promotion (i.e. marketing) plays a role in determining what the benefits are to a consumer. By separating the advertising form the product we are in essence no longer studying the same thing possibly explaining the conflicting evidence in research regarding the most appropriate strategy? To make sense of this we must redefine what a product is. Some authors have attempted to do this by discussing the physical product as separate from the marketing but yet I do not see that this is sufficient because we still use marketing to determine what the physical product shall be.

What may help clear the air is to look at the core benefit versus the core product. This way people seek core benefits and secondary or psychological benefits. This concept is akin to the total product concept proposed by Levitt (1986) Applying this definition has clear advantages. This also fits with Vargo and Lusch’s (2004) description of a new dominant logic in marketing that pulls us away from the economic production view of products and marketing and more towards the service or value that products confer to the user. Firat and Dholakia (1982) view consumption choice at the macro level, taking this view supports both the benefit view of products as well as supporting the view of market segments versus country segments. Much of the International marketing literature is confusing because of the delineations and definitions used as applied to products and marketing resulting in no standard application and an endless circle of semantical exercises. By defining products based on the benefit, we avoid separating the physical from the psychological, consumers do not separate the two so why should researchers. For example when a customer buys Cheetos in the U.S. they are looking for a cheap flavorful snack, when in Taiwan they are bought for the same reason although the flavor will be prawn to suit the local tastes. Under the old paradigm of international marketing theory the physical product has been changed and therefore adapted. This type of dissection however is not meaningful because clearly it does not recognize that the same benefits are being pursued in both cases. Focusing on the benefit elements of product allows us truly differentiate products and determine if we are in fact adapting a product, creating a new product or standardizing. Pricing a product so that it reaches the same target market in a foreign country also follows this logic. If a price point is determined to match the economics of a country we then recognize that we may
to reduce the quantity offered at this price point, some will argue that this is adaptation but by recognizing price point is once again merely maintaining the benefit it becomes much easier to determine what changes should be made in a market, it allows for a more formulaic and straightforward methodology. Once again the benefits to the target audience are the same because the value proposition stays the same.

Are the core attributes and its related value propositions the same in every country? This method of definition removes the petty arguments of the nitpickers who say a smaller bottle is adoption. If it presents the same value proposition and core benefit then it is not. Kotler (1986) argues with a Barbie in Japan that you must adapt to the market or fail, under the conventional view of adaptation this is true. However recognizing the benefit view of a product it would become clear that slight changes would be necessary to create the benefit sought in Japan. Granted one might argue that this paper just presents semantical differences of what changing a product is but this definition has the added benefit in that it now allows us to view the global market segments in clear realistic terms. Recognizing that market adjustments are minor constraints we can remove the blinders of countries as segments and view the reality of customers as segments. Rolex and other luxury brands have figured this out as has MTV. What is the problem with everyone else? These are not aberrations these are just examples of groups of organizations who have figured out how it is.

Another major issue is the continued defense of the idea that the nature of the product differentiates whether standardization is suitable or not. Jain (1989) summarizes for example that industrial and technology products are more appropriate than personal low tech products for example. Well Coca Cola’s success flies in the face of this. The view that the product categories that have been standardized in the past are those best suited for standardization is tautological and does not help those that want to standardize their products for maximized economic efficiency (Buzzell 1968). It is better to either a product is standardizable or not, regardless of type or industry. By accepting this view we can see that saying a product is not standardizable is a refutation of those products and brands that have been successful. The successes are not outliers but the example.

CONCLUSION

Native culture or country culture does not matter and we need to stop thinking in this simplistic unsophisticated, ethnocentric and biased way. An individual’s culture is all that matter. The idea that the country that a person is born fixes them with a culture, though convenient for research purposes, is just plum silly. Humans are dynamic and ever-changing but the hegemonic view in the world is that your countries culture is the core of everything from which you then grow. Those who have traveled frequently during their upbringing understand that a person can evolve without a home culture but one adapts to the culture they are immersed in. One of the primary reasons for this fixation on country culture is due to ethnocentricity and for political motives, and yes this applies to researchers. So may answers too so many interesting questions cannot be answered because we are not allowed to discuss ethnicities, minorities etc. This is very limiting. Once again allowing ourselves to look at the world from a global perspective frees us from these limitations. More importantly with continuing globalization and the broad reach of telecommunications and other media we see a shared culture of consumerism (Featherstone
that transcends national borders. With the standardization of product definition we will be better equipped to view the global markets based on their benefits and companies can then deliver accordingly, in the end the consumer benefits most.

REFERENCES


A HIDEOUS TRUTH BEHIND A CONVENIENT LIE: THE UNFORTUNATE CONSEQUENCES OF LAX LENDING REGULATIONS ON THE MARKET PRICES OF HOUSES

John Cason, Berry College
Nancy D. Albers-Miller, Berry College

EXTENDED ABSTRACT

In the aftermath of a shake up of subprime mortgage lending, foreclosures and defaults are escalating across the United States. Two years ago, subprime mortgages, with fixed introductory rates, seemed to be the answer to the American dream. Prospective buyers who could not qualify for traditional mortgages found answers in the subprime market. Banks were eager to offer huge loans with little paper work and little to no evidence of ability to pay. Buyers failed to adequately consider what would happen in two years. When mortgages began to escalate – in some cases to more than the household income – the availability of easy money was gone. The impact is obvious with over $100 billion dollars of losses within the subprime market. Since the end of 2006, over thirty subprime originators have filed for bankruptcy or run out of business. With defaults up and the brakes on new lending, home buyers cannot refinance and cannot make payments. Housing markets are beginning to flood with foreclosure and empty speculative homes. New housing starts are down and the ripple is being felt across the economy. Analysts predict that we are not at the bottom and investors worry the housing market is a tightly stretched bubble waiting to burst.

Few would argue that lax lending increased demand for new houses. Under loose lending practices, people with questionable credit and uncertain income could qualify for homes. People with excellent credit and steady incomes could qualify for expensive luxurious houses. People were climbing the property ladder, trading in a less expensive home for more valuable real estate. Or were they? Without a doubt people were selling less expensive homes and buying more expensive homes, but were they really truly buying up? Did lax lending regulations truly support the American dream or in effect destroy it? In the wake of the collapse, not only did home buyers find themselves in houses they could not afford, but evidence suggests that they found themselves in houses valued well below the purchase price.

One of the economic impacts of readily available money is an increase in demand, but the impact on the economy affects the supply side as well. With more people with available funding in the market, sellers could charge more but supply less. Many researchers are exploring the current and long range consequences of the collapse of the subprime market on demand and the economy. This study examines this issue from an entirely different angle. The purpose of this study is to look at the impact that loose lending regulations have had on the market prices of homes. Using secondary data, this study examines the relationship between lax lending and surging home prices. Managerial and public policy implications are provided.
VALUES OF MARKETING NON-PROFIT HEALTHCARE ORGANIZATIONS: A CASE REVIEW

Ashish Chandra, University of Houston Clear Lake
Ashutosh Gupta, University of Houston Clear Lake
Roger Durand, University of Houston Clear Lake

ABSTRACT

Marketing is an important business expense budgeted and paid for by the for-profit and not for profit organizations. Charity Organizations do not, always, have resources allocated for marketing activities and direct their resources towards their mission of providing free care to the patients. Due to the lack of visibility, there is often very little or no awareness about the activities of the charity organizations and the care provided is often perceived as “low quality care for poor”. The main purpose of this paper is to examine the current marketing strategies of charity organizations.

INTRODUCTION

There are different types of marketing strategies adopted by non-profit organizations, healthcare organizations are no exception to this rule. This paper will address the values of marketing non-profit healthcare organizations. Some of the strategies that the non-profit healthcare organizations adopt are directed towards –

a) Consumers – so that the clients who will be assisting in generating revenue for the institution are aware of the services provided by the organization
b) Healthcare professionals – who are the mainstay for the success of any healthcare organization. Without having good healthcare professionals, it is almost impossible to have a healthcare organization that is successful in providing quality care in a productive environment.
c) Other stakeholders – includes Human Resource staff of corporations, they might be funneling donations to the healthcare organizations as well as the human resource staff of the healthcare organization itself who will be involved in recruiting the best talent available to make a viable healthcare organization.
d) Information about different types of marketing strategies – directed to consumers, directed to healthcare professionals, directed to Human Resources staff of corporations and organizations.

There are three main kinds of healthcare organizations that dominate the U.S. health care scenario: for profit healthcare organizations, non-profit healthcare organizations, and charity healthcare organizations. Another significant type of healthcare organization that exists in U.S. is the Government supported healthcare organizations. However, the government mandates their sources of funding and hence they will not be discussed in this paper.

A brief discussion on the marketing strategy often adopted by the three types of
For-profit healthcare organizations: Marketing activity in a for-profit healthcare organization is well defined; it is a business expense and is budgeted. Usually coordinated by the trained professionals and the funds are available for marketing activities. Revenue from patient care activities comes through payments made by the Medicare / Medicaid, private insurance and patients.

Not-for-profit healthcare organizations: Marketing activity in a not-for-profit healthcare organization is well defined and is considered important business expenditure. The non-profit organizations collect revenues in form of payments from the Private Insurance, Medicare / Medicaid and patients. Non-profit does not mean that the organizations do not make profits; it only means that the profit earned is not used for disbursement to the stakeholders. The profit is actually put in reserves to be used for the expansion of services, expansion of facilities, enhancing the quality of care or such activities as approved by the board of governors of the non-profit organization.

Charity Dependent Organizations: Marketing activity in a charity healthcare organization does not make to the list of important business expenses. The focus of charity healthcare organizations is to provide free care to as many patients as possible. The target group is generally well defined and is often based on financial condition, specialty care or age of the patients. Generally, care is provided to the patients free of charge. The administrative cost is recovered through donations from multiple sources – large corporations, patients and families of the patients who were treated by the healthcare organization. There are many ways to help – from direct gifts to planned gifts, Gifts of Appreciated Assets - gift of securities, real estate, or other appreciated assets. Donors also contribute by planned gifts through wills, charitable remainder trusts, and other planned gift vehicles.

STRENGTHS AND DRAWBACKS OF CHARITY BASED HEALTHCARE ORGANIZATIONS

Strengths:
- The strength of charity healthcare organization lies in the fact that the healthcare workers and not the insurance company determine the quality of healthcare. Physicians decide the length of stay for the patients depending on the condition of the patients, this results in better quality of care and increased patient satisfaction. It is a common perception that insurance companies decide the length of stay in for profit and not-for profit hospitals.
- Health plans and managed care plans have no direct impact on who gets care at the charity hospitals, it is offered free to everyone who comes through the gates. This leads to better outcomes as patients often present themselves for treatment at these hospitals and get the treatment. This helps reduce the social cost for the society and gives a better lifestyle to the members of the society.

Drawbacks:
- Most of the charity organizations often face challenges due to lack of funding. The biggest challenge the charity healthcare organizations face in this age of rising healthcare
costs is lack of funding. Most of the charity care hospitals depend on their membership, philanthropic funds of corporations and small donors for their funds, these resources are becoming scarce with the passage of time thus making it challenging for the charity care organizations to continue the good work.

- It is a common perception that “free care is poor care”. The charity hospitals like Shriners Hospitals for Children provide quality healthcare and are involved in most advanced delivery of specialty care often become the victims of this common perception. The marketing activities of these hospitals are geared towards changing this perception as well as creating awareness about the services that they offer to the deserving target population.
- Though most of the healthcare professionals like to volunteer their time and resources for charity hospitals there would be some health care professionals who may not want to associate themselves with a charity organization as it is not “glamorous”. This is especially true for areas of specialty where there is acute shortage of qualified professionals, like nurses, pediatric orthopedic surgeons etc.

**Select Marketing Strategies of Charity Based Healthcare Organizations:**

Charity organizations use various vehicles to raise funds to further their goals. Some of the vehicles used by these organizations include:

**TV Marathons** – celebrities and known people contribute their time and name to work the phone and collect pledges on the phone, this is a very effective way and many charity organizations use this as an important vehicle to raise money.

**Charitable Walks** – this is very popular vehicle among charity organizations. Usually these walks are organized to generate awareness for a health issues or to raise funds towards research or treatment of a common health issue.

**Charitable Games** – Professional sports players give their time and name to be associated with a particular charity to raise funds and create awareness towards the goals of the organization and specific health conditions. A case in point here is the East West Shrine Games. Select players from the colleges in the nation are invited to play a charity football game. The two teams comprise of players from the colleges to the east and west of the Mississippi river and they form the two teams, all the proceeds collected from these games go to the Shriners Hospitals for Children. Players also spend time interacting with patients (children) from the Shriners Hospitals for Children and bringing smiles to them. As the Shriners say, “the fastest legs run so that the weakest legs can walk”. This tradition of East West Shrine Game is 83 years old and the latest version of the game was played right here in Houston on January 19, 2008.

**Real Estate companies and Corporations match program** – Some corporations take part in the program and they match an amount equal to the employee contribution.

**Future Challenges:**

- Expansion of healthcare to foreign markets, patients have started considering hospitals located outside USA for health care due to rising healthcare costs in the USA. This trend will not have any impact on the Charity hospitals, as it is not dependent on insurance companies or health plans.
With the changing demographics of the population and the increase in uninsured and undocumented citizens there will be additional pressure on the healthcare systems, especially charity hospitals.

Capitalistic environment is not the same for non-profit and for-profit organizations. Charity care holds edge in that area also.

Charity healthcare institutions have to compete with other charitable organizations. With the shrinking budget of the common man there is not much left for various charity organizations. These organizations depend solely on the donors for their funding; they will find new challenges in the area of raising donations.
NIGHTMARE ON WOM STREET: THE AFFECTS OF POSITIVE WORD OF MOUTH FROM UNFAVORABLE SOURCES

Lauren Disharoon, Berry College
Nancy D. Albers-Miller, Berry College

EXTENDED ABSTRACT

A great deal of research has examined the benefits of positive word of mouth (WoM) support for products and companies. Positive word of mouth (PWoM), presumably from a likable, credible source, has been associated with the generation of interest in the brand, positive attitude toward the brand, positive publicity, and brand knowledge (Balter and Butman 2006). On the other hand, negative word of mouth (NWoM), presumably from a likable, credible source, has the exact opposite effect and has an even stronger impact on consumers (Laczniak, DeCarlo, and Ramaswami 2001). NWoM is considered to be interpersonal communication dealing with a marketing organization or brand that denigrates the object of the communication (Laczniak, DeCarlo, and Ramaswami 2001).

One of the key components of effective WoM is source credibility. Source credibility in part relies on the communicator’s assumed expertness (legitimate skills and/or knowledge about the subject) (Belonax, Newell, and Plank 2006). The more expertise a person displays, the more likely the source will be believed as credible (Wiener and Mowen 1987). When the source has poor credibility, the impact of the message is expected to be reduced (e.g. diminishing gain from PWoM and diminishing harm from NWoM). Conceivably, at the lowest end of the credibility scale, WoM from a source with little to no credibility might have the opposite effect. PWoM from a source with little to no credibility might generate negative consequences and NWoM from a source with little to no credibility might generate positive consequences. Furthermore, PWoM from a knowledgeable but unlikable source might generate negative consequences and NWoM from a knowledgeable but unlikable source might generate positive consequences.

The purpose of this research is to examine the relationship between positive word-of-mouth through a negative spokesperson and the resulting effects on the consumer. This study uses experimental manipulations of source credibility and source likeability to examine the impact of PWoM from negative sources on intention to buy and attitude toward the product.

SELECTED REFERENCES

CONSUMER BEHAVIOR CHARACTERISTICS ASSOCIATED WITH THE SELECTION OF RUNNING STYLE: A COMPARISON OF CASUAL AND COMPETITIVE RUNNER PERSONALITY TRAITS

Kaylin Gadoua, Berry College
Nancy D. Albers-Miller, Berry College

EXTENDED ABSTRACT

According to the National Sporting Good Association of the more 30 million Americans who run, only about 8 million participate in running races and marathons. A vast majority of runners are casual runners. Running in America has become big business. Both casual and competitive runners purchase apparel and supplies to support their activities with sales in the billions annually. While competitive runners may have more exacting consumption demands, casual runners represent a substantial consumer market.

Several researchers have studied the competitive runners to understand the differences between various groups of competitors including age and sex. Understanding the athletic identity of marathon runners has been the focus of the majority of research on these athletes. A great deal has been learned about marathon runners.

Unfortunately, little to no research has considered the characteristics which differentiate competitive from casual runners. In this study, the previous sports marketing research in the area running will be expanded to include non-competitive runners. This research explores the characteristics which can be used to distinguish casual from competitive runners. Measures on the Motivation of Marathoners Scale (MOMS), Athletic Identity scale and measures of extraversion, neuroticism, openness to experiences, and perfectionism are used to develop a better understanding of the casual runner. Managerial implications are provided.
WHAT PRICE SERVICE?

Chris Harney, Berry College
Nancy D. Albers-Miller, Berry College

EXTENDED ABSTRACT

The war between “big box” and “mom and pop” retailers takes place on the battlefields of price and service. Mega retailers, with bulk buying power, offer price related bargains and small retailers, with closer buyer/seller relationships, offer greater customer service. If all consumers are truly only concerned with low prices then the war has already been lost for the smaller retailer who lacks sufficient bulk buying to directly compete on price with the super stores. If on the other hand, at least some consumers are willing find an acceptable compromise between prices and service, then smaller retailers can develop appropriate strategies for profitability and prosper.

Previous research in the areas of price and service offer a great deal of insight. Research in the areas of retail store image and shopper satisfaction provides support for the need for appropriate customer service. Happy and loyal customers generate high profit margins. On the other hand, research in the area of retail pricing has strongly suggested the increasing nature of consumer price sensitivity.

The purpose of this research is to examine consumer behavior relative price and service expectations. What consumer characteristics are associated with being more sensitive to quality service and less sensitive to price? What services are held in higher value in the minds of consumers? Which product and/or service categories require higher levels of service? Is there an appropriate balance between quality customer service and resulting increase in price?
HIV/AIDS PREVENTION ADVERTISING: IMPLICATIONS ON ATTITUDES AND BEHAVIORS OF HIV/AIDS-INFECTED POPULATIONS

Delphine Hartshorn, Berry College
Nancy D. Albers-Miller, Berry College

EXTENDED ABSTRACT

Every seven seconds somebody new contracts AIDS and every eleven seconds a person battling the disease loses that battle (UNPF 2007). AIDS has caused the deaths of approximately 19 million and leaves nearly 40 million HIV positive (Turk, Ewing, Newton 2006). When delivering messages intended to encourage changes in sexual behaviour with regards to AIDS/HIV prevention, it is important to target not only at risk individuals but also the sectors of the population which are already infected with the disease. By gaining an understanding of the impact of the messages delivered to this population and examining the affective responses and attitudes generated by these messages, campaigns can become better developed to encourage prevention among the infected population. Such results will have a positive effect on the prevention and control of the spread of the disease. Primarily, previous research has focused on the importance of message strategies and the effectiveness of advertising related to behavioral changes among at risk audiences. While such research provides valuable insight, little research has examined the resulting impact on AIDS/HIV infected populations. Anecdotal reports suggest that the infected population feels exploited by preventative messages.

This study seeks to empirically determine which message strategies reduce negative attitudes and feelings of exploitation by AIDS/HIV infected populations while identifying strategies which are most effective for eliciting proactive prevention efforts by these populations. Managerial and public policy implications are provided.

SELECTED REFERENCES


EPIDEMIC PROPORTIONS: AN EXAMINATION OF THE
ADVERTISING OF FOOD PRODUCTS TO CHILDREN

Drue Hocker, Berry College
Nancy D. Albers-Miller, Berry College

EXTENDED ABSTRACT

Obesity in the United States has been called an epidemic. Obesity rates among children are high and are continuing to increase. Rates of children with an unhealthy body weight have increased from 5 percent in 1980 to over 15 percent in 2001 (Oliver, 2005). Poor eating habits developed in childhood can follow a person through life.

Unhealthy eating habits by children are less about convenience and more about appeal (Spurlock, 2004). While some companies are making strong public statements about efforts to help reduce childhood obesity, such as Coca-Cola’s policy change regarding soft drink sales at schools and fast food restaurants offering alternative to soft drinks and fries, many suppliers of unhealthy food products continue to use cartoon characters, toys and rewards to promote their products.

The degree that any food is considered to be appealing by a child is influenced not only by family, but also by social pressures. Billions of dollars are spent each year marketing food products to children, including billions of dollars to produce packaging and designs specifically to influence young decision makers (Palmer and Carpenter, 2006). Co-branding efforts are often used to tie food choices to popular cartoon characters. Unhealthy food options are frequently promoted. If children are making food consumption decisions based on what is appealing, then parents and public policy makers will benefit from a stronger understanding of how food products are marketed toward children. The purpose of this study is to explore the advertising of food products directed toward children.

SELECTED REFERENCES

EXPLORING TRAVEL AGENCY RELATIONSHIP QUALITY
AND RELATIONSHIP OUTCOMES IN CHINA

Yinghua Huang, Xiamen University
Fei Chang, Xiamen University

ABSTRACT

This study investigates the determinants and outcomes of relationship quality in the context of the China travel industry. A conceptual model was developed and tested to identify the determinants of relationship quality and the relationships between relationship quality and key relationship outcomes. Stepwise regression analyses on the survey data show that five of six proposed predictors have significant influences on relationship quality. Further investigation of structural equation modeling demonstrates that higher relationship quality resulted in higher reputation and customer loyalty. The findings will provide travel agency managers with a guideline to develop and implement effective marketing strategies in Chinese tourism market.

INTRODUCTION

Intense competition for market share in today’s travel industry urges managers to attend to cultivate loyal customers. Relationship marketing as an emerging strategy has received considerable attention, so as to insure that customers return to the same travel agency for new purchases, and that they recommend it to their social circles. Although the importance of relationship quality (RM) as a mediating role between predictors and relationship outcomes is well established in the literature, some central questions concerning the relationship between these constructs have not been fully explored (Kim et al. 2007). In the field of tourism literature, only limited empirical studies have investigated the determinants and outcomes of relationship quality (Kim and Cha 2002; Jones et al. 2007; Moliner et al. 2007), of which most focus on the hospitality sector. Rare studies have been conducted in the travel agency sector to examine the cause-effect relationships of relationship quality.

So far, most empirical studies on the topic have mainly been conducted within a western context (Roberts et al. 2003; Crosby et al. 1990). It warrants further examination that whether existing conclusions derived from western settings would be universally applicable regardless of cultural differences and various industrial characteristics. Specifically, being a high context culture, China needs to be understood within its own context (Wong and Cha 1999). The concept of “relationship” in Chinese society is evolved under a specific term—Guanxi, which plays a significant role in shaping and influencing the social behaviors of the Chinese (Leung et al. 1996), and is perceived to be one of most controversial research topics (Wong and Cha 1999). This study attempts to investigate the determinants and outcomes of relationship quality in the context of China travel industry. Based on literature review in relationship quality, this study posits six variables (mutual disclosure, employee’s expertise, customer orientation, core service delivery, effective communication and likability) as predictors of relationship quality, while it regards customer loyalty and the travel agency’s reputation as key relationship outcomes.
Specifically, the following two research questions are examined: (1) the ways in which the six proposed predictors may affect relationship quality, (2) and the relationships between relationship quality, customer loyalty and the travel agency’s reputation. This study also seeks to provide insights to better understand the relationship quality construct in China, helping travel agency managers to develop and implement effective marketing strategies in the Chinese tourism market.

**CONCEPTUAL FRAMEWORK AND HYPOTHESES**

The conceptual framework guiding this study is presented in Figure 1. Based on the literature review, the authors have generated nine hypotheses associated with the model. These hypotheses focus on the interrelationships among six predictors of relationship quality, the travel agency’s reputation, customer loyalty and relationship quality.

![Conceptual model](image_url)

*Figure 1. Conceptual model.*
Relationship Quality: Definitions and Dimensions

Relationship quality has been defined as the “degree of appropriateness of a relationship to fulfill the needs of the customer associated with [it]” (Hennig-Thurau and Klee 1997). The concept can be regarded as a metaconstruct composed of several key components reflecting the overall nature of relationships between companies and consumers. Although there is not a common consensus regarding the conceptualization of relationship quality (Hennig-Thurau 2000), discussions often emphasize the importance of customer satisfaction with the service provider’s performance, trust in the service provider and commitment to the relationship with the service firm (Baker et al. 1999; Garbarino and Johnson 1999), which are proposed as key dimensions of relationship quality in this paper. Three primary terms used in this study are discussed below.

Satisfaction - Satisfaction with delivered products and services has been suggested and empirically tested to be an influential element in a customer buying decision to continue a relationship (Anderson and Weitz 1989; Fornell 1992), and conversely reduce the likelihood of exit from the relationship (Singh 1988). When a buyer is satisfied with a supplier, he/she expects that that supplier is able to deliver what has been promised. Yau (1994) found that there is a positive relationship between satisfaction and intention to re-purchase a product in a Chinese consumer survey.

Trust - One party’s trust on the other party means taking the other party’s words as fact and reducing the likelihood that the other party acts opportunistically (Bradach and Eccles 1989). In relating to that, one party has confidence and a general expectancy in the other party’s reliability and integrity (Moorman et al. 1993; Morgan and Hunt 1994). A trusting relationship is a pre-requisite generating a relational bonding that may likely have lower transaction costs because a simple contract is sufficient to run an exchange relationship (Ganesan 1994).

Commitment - In the service marketing context, Berry and Parasuraman (1991) state that “relationships are built on the foundation of mutual commitment.” Commitment has been defined “as an enduring desire to maintain a valued relationship” (Moorman et al. 1993). It is based on the belief that a relationship is worth the effort to be maintained. Committed relationship partners are unlikely to switch even if a competing supplier outperforms the incumbent’s value offer (Ulaga and Eggert 2006).

Antecedents of Relationship Quality

Core Service Delivery - The core service refers to the essence of a service (Sureshchandar et al. 2002). Schneider and Bowen (1995) note that in a service business a lot of emphasis has been placed on the procedures, processes and contexts for service to the extent the service firm tends to overlook, and there is also something called the “core service”. As a matter of fact, this core service is regarded as a “given” promise that any service provider must deliver with consistency if the customer wishes to stay in business (Gronroos 1983), and whatever service features are offered is as important as how it is delivered (Rust and Oliver 1994). Therefore, the following hypothesis is proposed:
H1: There is a positive relationship between core service delivery and relationship quality in a travel agency’s service.

Customer Orientation - Customer orientation is generally viewed as the practice of marketing concept at the level between individual salesperson and customers. In general, behaviors associated with customer orientation involve the diagnosis of need satisfaction and problem solution (O’Hara et al. 1991), putting customers’ interests ahead of one’s own (Swan et al. 1985) and implementing a low-pressure selling approach (Saxe and Weitz 1982). Brown et al. (1991) echo that a salesperson should actively avoid actions that sacrifice customers’ interests to increase the probability of making an immediate sale. In particular, applying to the tour guide situation, his/her primary responsibilities are to provide good service, solve problems and assure customer satisfaction during the journey, but not to be focused on short-term self-interest (e.g., tips) by adopting a ‘hard’ selling approach to tourists. Therefore, it is hypothesized that:

H2: There is a positive relationship between customer orientation and relationship quality in a travel agency’s service.

Employee’s Expertise - Expertise is the extent to which a person possesses knowledge, experience or skills relevant to a particular topic (Lagace et al. 1991). In service settings involved with uncertainties and risks, customers may strongly emphasize controls to ensure that every detail comes well together (Nakata and Sivakumar 1996). Demonstrating expertise can eliminate customer’s uncertainties, consequent feelings of vulnerability (Andaleeb and Anwar 1996), hence leading to higher level of trust within the relationship (Anderson and Weitz 1989). In addition, product or market knowledge, an indicator of competence and expertise, is also noted among the most important criteria in determining customer satisfaction with the salesperson. In the context of the travel industry, for example, tourists have to rely on the expertise and professional knowledge of the travel agency staff that is expected to introduce destination-related information such as historic and cultural spots, attractions, food, climate and customs, etc. Hence, it is hypothesized that:

H3: There is a positive relationship between expertise and relationship quality in a travel agency’s service.

Mutual Disclosure - Mutual disclosure is a process by which two parties let themselves be known by each other (Derlega et al. 1987). It is important to note that mutual disclosure should be a two-way interaction (Kim and Cha, 2002), which is a reciprocal behavior in a healthy relationship in the sense that disclosure from one party will be reciprocated from another one. In the sales context, a salesperson has to disclose him/herself in order to let customers know well that s/he wants to develop a relationship. By disclosing him/herself to the customer over time, the customer will get to know more about this salesperson and bestow trust. Accordingly, salesperson’s disclosure also acts as an incentive of reciprocity of information exchange to his/her customer. This information exchange is important as the customer’s disclosure facilitates the salesperson’s understanding of the complex and ill-structured problems (Crosby et al. 1990). Such customer’s disclosure is an expression of trust in the salesperson too. In the travel industry, it is likely that mutual disclosure is an effective way to maintain the harmony and relationship among the tour group members. The following hypothesis is posited:
H4: There is a positive relationship between mutual disclosure and relationship quality in a travel agency’s service.

**Effective Communication** - Communication involves exchange of information that is regarded as an important element of relationship marketing (Anderson and Narus 1990). Moorman et al. (1993) emphasize that timely communication can align perceptions and expectations and foster trust by helping to resolve disputes. Morgan and Hunt (1994) suggest that a partner’s perception that past communication from another party is frequent and is of high quality (relevant, timely and reliable) will result in greater trust. In Kim et al.’s (2001) study of relationship quality in the hotel sector, effective communication plays a significant influence in maintaining relationship quality. Therefore, it is hypothesized that:

H5: There is a positive relationship between communication and relationship quality in a travel agency’s service.

**Likability** - Likability is defined as the extent to which one person is friendly, nice and has a sense of humor (Doney and Cannon 1997). Studies of likability have predominantly focused on the trust aspect of relationship quality (Swan and Nolan 1985; Hawes et al. 1989). Likability of a service provider is important to a customer’s trust in the sense that unpleasant treatment by a service provider can lead to a negative psychological consequence beyond expectation and thus attenuate trust (Andaleeb and Anwar 1996). This is particularly true in the travel industry. Once the tourists pick up a group tour package, it is believed that a likable tour guide may help maintain the harmony within the group members and manage the tourists’ expectations. Therefore, it is postulated that:

H6: There is a positive relationship between likability and relationship quality in a travel agency’s service.

**Key Outcomes of Relationship Quality**

**Reputation** - A service firm’s reputation is defined as the extent to which a service organization is believed to be honest and concerned about its customers (Doney and Cannon 1997). Reputation is a valued asset (Chiles and McMackin 1996) and is generally associated with the name of the company (Aaker 1990). Service firms try to avoid a bad reputation. A key function of reputation is that it influences the buyers’ purchasing decision, for example, a good reputation stimulates purchasing by simplifying decision rules (Andreassen 1994). In this context, reputation becomes an issue of attitudes and beliefs with regard to customer satisfaction (Fornell 1992). These attitudes and beliefs are influenced by previous experience, and consumers with little or no experience on the supplier may base their attitudes and beliefs on reputation (Andreassen 1994). As service is essentially intangible in nature and based on performance, reputation is believed to be an important factor to be influenced by relationship quality. Thus, the following hypothesis is posited:

H7: There is a positive relationship between relationship quality and reputation of a travel agency.
Customer Loyalty - Customer loyalty expresses an intended behavior related to the service or the company. This includes the likelihood of future renewal of service contracts, how likely it is that the customer changes patronage, how likely the customer is to provide positive word-of-mouth. The current study focuses on two constructs of customer loyalty: repeat purchase and word-of-mouth recommendation. Repeat purchase is an important consequence measure, and is viewed as an indicator that signals whether a customer will remain with or defect from the company (Zeithaml et al. 1996). Word-of-mouth, another consequence measure, is the extent to which a customer will inform friends, relatives and colleagues about an event that has created a certain level of satisfaction or dissatisfaction in terms of word-of-mouth publicity (Soderlund 1998). Based on the above discussion, the following three hypotheses were developed:

H8: There is a positive relationship between relationship quality and customer loyalty.
H9: There is a positive relationship between a travel agency’s reputation and customer loyalty.

METHOD

Survey Instrument Development

Measurement items were mostly adapted from existing relationship quality studies and were modified in the light of a pilot test in a number of 30 respondents and interviews with experienced tour guides and managers of travel agencies, so as to capture the unique features of the China travel industry being studied. A total of 55 items (i.e. 34 items for six predictors of RM, 12 items for three RM dimensions, and 9 items for two key outcomes of RM) were generated by the researchers and can be found in the Appendix. For each item, five-point Likert scales anchored by 5=strongly agree and 1=strong disagree with 3=neutral (neither agree nor disagree) as the midpoint were utilized. Additional questions about respondents’ demographic profile were also employed.

Sampling

A survey was conducted at Xiamen in China from March to April, 2007. Questionnaires were sent to Chinese tourists who had bought a package from a travel agency in the last two years. A random sampling procedure was conducted. Respondents were selected at random in the tourists’ attractions (e.g. Gulangyu Island, Nanputuo temples, etc.) or from tour groups, and asked to fill out questionnaires according to the latest travel package they purchased from a travel agency. Out of 300 questionnaires distributed, 164 useable questionnaires were returned, yielding an effective response rate of 54.67%.

RESULTS

Reliability Test and Exploratory Factor Analysis
Aiming to assess the unidimensionality of each scale, a reliability test was used to purify the measurement scale for each construct. Using SPSS 13.0, the coefficient alphas of 9 constructs are above .6, which was acceptable for the study, ranging from .63 to .93 (see Appendix). Exploratory factor analysis with varimax rotation of relationship quality, its predictors and outcomes supported the unidimensionality of each scale in that the items of each scale loaded highly on a single factor. The most factors with eigenvalues greater than 1 were retained. In addition, all items with a factor loading above .4 were retained.

To test the appropriateness of exploratory factor analysis, three steps were evolved via SPSS 13.0. First, for predictors of relationship quality, the Kaiser-Meyer-Olkin Measure of Sampling Adequacy (KMO-MSA) was .92, which fell within the acceptable range. In addition, the Bartlett’s test of sphericity was significant at p=.000, which showed a significant correlation among the variables. Likewise, for relationship quality and its outcomes, the KMO-MSA were .92 and .89, which both fell within the acceptable level. In addition, the Bartlett’s test of sphericity were both significant at p=0.000, which showed a significant correlation among the variables.

**Determinants of Relationship Quality**

Hypotheses 1 through 6 address the relationships among relationship quality and six proposed predictors. A stepwise regression procedure was applied to test hypotheses. First, in specifying the regression model, each variable was measured through a single index by averaging the item scores. Second, six new proxies of proposed predictors were entered in a stepwise fashion to determine statistically which of them were significant in predicting relationship quality. The ability for each of these predictors to enter the equation (or not to enter the equation) will provide answers to the hypotheses. Third, a significant regression equation was obtained from a stepwise regression analysis (F=55.74, p<.001) accounting for an adjusted variance of 62.7%. The regression equation was estimated as “Relationship quality = -0.237 + 0.185*CSD + 0.186*CO + 0.289*MD + 0.214* EE + 0.148*EC + e”.

Based on the regression results shown in Table 1, except for likability, the other five proposed predictors have significant influence on relationship quality in the context of the China travel industry. Therefore, the results show that hypotheses 1 to 5 can be accepted, while hypothesis 6 must be rejected. Five accepted determinants of relationship quality have a positive impact on relationship quality.

**Table 1**

**Result of Stepwise Regression**

<table>
<thead>
<tr>
<th>Model</th>
<th>B</th>
<th>S.E.</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Step 5</td>
<td>Constant</td>
<td>-0.237</td>
<td>0.288</td>
<td>-0.823</td>
</tr>
<tr>
<td></td>
<td>Core Service Delivery (CSD)</td>
<td>0.185</td>
<td>0.075</td>
<td>2.452</td>
</tr>
<tr>
<td></td>
<td>Customer Orientation (CO)</td>
<td>0.186</td>
<td>0.062</td>
<td>2.996</td>
</tr>
<tr>
<td></td>
<td>Mutual Disclosure (MD)</td>
<td>0.289</td>
<td>0.100</td>
<td>2.884</td>
</tr>
<tr>
<td></td>
<td>Employee’s Expertise (EE)</td>
<td>0.214</td>
<td>0.071</td>
<td>3.001</td>
</tr>
<tr>
<td></td>
<td>Effective Communication (EC)</td>
<td>0.148</td>
<td>0.070</td>
<td>2.102</td>
</tr>
</tbody>
</table>
Relationship Quality and Its Key Outcomes

Hypotheses 7 though 9 pertain to the relationships among relationship quality, the travel agency’s reputation, and customer loyalty. Using AMOS 5.0, structural equation methodology was used to test the hypothesized relationships. In specifying the model, each component of relationship quality (notably, satisfaction, trust and commitment) was measured through a single index by averaging the item scores. Maximum likelihood (ML) estimation was used to estimate model parameters. The approach to model fit assessment involved using several diagnostics to judge the simultaneous fit of the measurement and structural models to the data collected for the study (Kim and Cha 2002). The structural model results in Figure 2 show that the overall structural model fit is within an acceptable level in general.

Hypothesis 7 suggests that relationship quality affects a travel agency’s reputation. The result is consistent with this prediction as demonstrated by a positive path estimate ($\beta=.759$, $p<.01$). Hypothesis 8 predicts a positive relationship between relationship quality and customer loyalty. As hypothesized, the path estimate is positive and significant ($\beta=.82$, $p<.01$), thus supporting hypothesis 8. Hypothesis 9 predicts that a travel agency’s reputation will display a positive relationship with customer loyalty. Path estimate is consistent with this prediction as evidenced by a positive path estimate ($\beta=.25$, $p<.01$).

![Figure 2. The result of structural relationship model](image)

CMIN/DF=2.352; GFI=0.905; AGFI=0.842; TLI=0.943; CFI=0.959; RMSEA=0.091

Note: ** indicates $p< 0.01$
DISCUSSION AND MANAGERIAL IMPLICATIONS

Relationship quality as an emerging concept in the literature on relationship marketing has been applied to the context of travel industry in this study. Based on the stepwise regression, the results show that five of six proposed antecedents (core service delivery, mutual disclosure, employee’s expertise, customer orientation, effective communication) have significant influence on relationship quality at the .05 level of significance, except for likability. In particular, it is demonstrated that mutual disclosure and employee’s expertise are two primary determinants of the relationship quality within the China travel industry. Furthermore, the findings of structural equation analysis demonstrate that higher relationship quality resulted in higher travel agency reputation and customer loyalty, while travel agency reputation plays a mediating role between relationship quality and loyalty.

Mutual disclosure shows the strongest influence on relationship quality based on the data collected in this study. The finding differs from the conclusion of Kim and Cha (2002), which discovered that mutual disclosure activities did not show a significant relationship with guest satisfaction and trust in the hospitality industry. Therefore, one major concern is that the nature of service delivery within travel industry is distinctive from hospitality service. In context of hospitality industry, hotel products and services sold to guests depend less on the salesperson in hotels than in travel agencies. In contrast, within the travel industry, since a tour guide escorts tourists in the whole journey, contacting tourists should be sensitized to the nature of the social process underlying interpersonal relationship development. Efforts to elicit information disclosure from tourists, which may be vital in appropriately diagnosing the fulfilling their needs, must be met with reciprocal disclosure by the tour guides. Being aware of this, human resource training programs should emphasize that tourists may use disclosure to “test” the tour guide’s motives and trustworthiness.

Employee’s expertise is found to be another important determinant of relationship quality. It is necessary for a travel agent to have the following expertise in the service encounter: (1) professional training and education; (2) adequate knowledge about the travel package and service; (3) be competent in providing service. Notably, employee’s expertise includes the basic professional experience and appearance, but in long-term exchange relationships takes on added meaning as the travel agent’s consultative role expands, and it becomes clear that solutions to the tourist’s problems must transcend traditional service boundaries.

Customer orientation influences relationship quality significantly. For travel agency managers, this indicates that employees’ customer orientation is important for developing and maintaining a good relationship with their customers. In order to improve the customer orientation, a travel agency should both understand tourist needs well and solve any conflicts expeditiously. For example, a travel agency needs to be knowledgeable about the tourists’ preferences and try to understand the change of tourists’ needs.

Higher core service delivery and effective communication also leads to higher relationship quality. A successful travel agency must maintain consistently high-quality service performance. It is important for a travel agency to provide excellent tour guide service, good travel packages and convenient travel facilities. Meanwhile, to build a cooperative relationship,
communicating relevant information to the customer in a timely manner is essential in building guest trust and satisfaction (Kim and Cha 2002). Nowadays, China travel agencies could take advantage of online and offline promotional opportunities, mass media advertising, and telemarketing services.

This study may contribute to the body of relationship marketing knowledge in several ways. First, existing western theories and practices may not be universally applicable because of the existence of cultural differences. Previous empirical research (Jones, Mak and Sim 2007; Moliner 2007) is mostly based on western setting; however, this study explored and identified five determinants of relationship quality in the China travel industry. Second, for practitioners, this investigation identifies that relationship quality actually drives positive, quantifiable relationship outcomes in terms of a travel agency’s reputation and loyalty. Third, the mediating effect of a travel agency’s reputation in the relationship between travel agent employee service and travel agent guests’ loyalty has been explored in this study.

LIMITATIONS AND RECOMMENDATIONS FOR FUTURE RESEARCH

This study was subject to several limitations that affected the interpretation of the result. The first limitation derives from the sample size. Gorsuch (1983) and Hatcher (1994) proposed a minimum subject to item ratio of at least 5:1 concerning exploratory factor analysis, and they noted that higher ratios are generally better. This study only collected 164 useable questionnaires, yielding a relative low item ratio. In addition, those variables examined in this study, especially the most significant predictors affecting relationship quality, may vary pending on travel agency type, whether domestic or international. Further studies should examine whether determinants of relationship quality differ according to travel agency type or other control variables.

REFERENCES


## APPENDIX

Unidimensionality Test for RM, Its Predictors and Key Outcomes

<table>
<thead>
<tr>
<th>Construct and Scale Items</th>
<th>$\alpha$</th>
<th>Eigenvalue</th>
<th>Factor Loading</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>PREDICTORS OF REALTIONSHP QUALITY</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Core Service Delivery</td>
<td>.89</td>
<td>13.57</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. All articles in the contract of my travel package are consistent with my rights and interests</td>
<td></td>
<td></td>
<td>.70</td>
<td>Amy Wong (2004)</td>
</tr>
<tr>
<td>2. My travel agent offers convenient service (e.g. broad business hours, variety of travel packages, etc.)</td>
<td></td>
<td></td>
<td>.58</td>
<td></td>
</tr>
<tr>
<td>3. The transportation service conforms to the corresponding article of my package contract</td>
<td></td>
<td></td>
<td>.62</td>
<td></td>
</tr>
<tr>
<td>4. The accommodation arrangement conforms to the corresponding article of my package contract</td>
<td></td>
<td></td>
<td>.57</td>
<td></td>
</tr>
<tr>
<td>5. The food service conforms to the corresponding article of my package contract</td>
<td></td>
<td></td>
<td>.63</td>
<td></td>
</tr>
<tr>
<td>6. The tour guide pays attention to my personal safety and their property during the journey</td>
<td></td>
<td></td>
<td>.49</td>
<td></td>
</tr>
<tr>
<td>7. My travel agent arranges shopping activities according to my needs</td>
<td></td>
<td></td>
<td>.73</td>
<td></td>
</tr>
<tr>
<td>8. My travel agent provides good service in general</td>
<td></td>
<td></td>
<td>.57</td>
<td></td>
</tr>
<tr>
<td>Customer Orientation</td>
<td>.81</td>
<td>1.73</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. My travel agent is knowledgeable about my needs</td>
<td></td>
<td></td>
<td>.61</td>
<td>Tam &amp; Wong (2001), Kim &amp; Cha (2002)</td>
</tr>
<tr>
<td>2. My travel agent tries to understand the change of my needs</td>
<td></td>
<td></td>
<td>.70</td>
<td></td>
</tr>
<tr>
<td>3. My travel agent offers appropriate travel package according to my situation</td>
<td></td>
<td></td>
<td>.60</td>
<td></td>
</tr>
<tr>
<td>4. My travel agent deals with my inquiry and complaint expeditiously</td>
<td></td>
<td></td>
<td>.69</td>
<td></td>
</tr>
<tr>
<td>Construct and Scale Items</td>
<td>$\alpha$</td>
<td>Eigenvalue</td>
<td>Factor Loading</td>
<td>Source</td>
</tr>
<tr>
<td>----------------------------------</td>
<td>----------</td>
<td>------------</td>
<td>----------------</td>
<td>-----------------------------</td>
</tr>
<tr>
<td>Mutual Disclosure</td>
<td>.63</td>
<td>1.18</td>
<td></td>
<td>Crosby et al. (1990)</td>
</tr>
<tr>
<td>1. I ask my travel agent detailed questions</td>
<td>.68</td>
<td></td>
<td></td>
<td>Tam &amp; Wong (2001)</td>
</tr>
<tr>
<td>2. I show respect to my travel agent</td>
<td>.74</td>
<td></td>
<td></td>
<td>Kim &amp; Cha (2002)</td>
</tr>
<tr>
<td>3. I have expressed to my travel agent dissatisfaction with service</td>
<td>.48</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. My travel agent is able to provide me appropriate advices to my inquiry</td>
<td>.54</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. My travel agent shows respect to me</td>
<td>.51</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. My travel agent told me about the mistakes that he/she made in the past</td>
<td>.56</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee’s Expertise</td>
<td>.87</td>
<td>1.61</td>
<td></td>
<td>Crosby et al. (1990)</td>
</tr>
<tr>
<td>1. My travel agent has professional training and education about service</td>
<td>.54</td>
<td></td>
<td></td>
<td>Kim &amp; Cha (2002)</td>
</tr>
<tr>
<td>3. My travel agent is competent in providing service</td>
<td>.67</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. My travel agent seems to have a lot of experience</td>
<td>.83</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. My travel agent seems to have appropriate past career pattern</td>
<td>.73</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. My travel agent’s appearance is professional</td>
<td>.54</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Effective Communication</td>
<td>.86</td>
<td>1.34</td>
<td></td>
<td>Crosby et al. (1990)</td>
</tr>
<tr>
<td>1. My travel agent devotes time for me</td>
<td>.52</td>
<td></td>
<td></td>
<td>Tam &amp; Wong (2001)</td>
</tr>
<tr>
<td>2. My travel agent is in constant contact with me (phone, fax, e-mail, letter, etc.)</td>
<td>.57</td>
<td></td>
<td></td>
<td>Kim &amp; Cha (2002)</td>
</tr>
<tr>
<td>3. My travel agent contacts me in a timely manner to ask for my feedback</td>
<td>.61</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. I receive birthday card or presents from my travel agent</td>
<td>.58</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. My travel agent provides information about new tour package promotion programs</td>
<td>.77</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. My travel agent treats me equally no matter how much I purchase</td>
<td>.55</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7. My travel agent desires to keep a good relationship with me</td>
<td>.52</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Construct and Scale Items</td>
<td>α</td>
<td>Eigenvalue</td>
<td>Factor Loading</td>
<td>Source</td>
</tr>
<tr>
<td>--------------------------</td>
<td>-----</td>
<td>------------</td>
<td>----------------</td>
<td>-----------------------------</td>
</tr>
<tr>
<td>Likability</td>
<td>.88</td>
<td>1.85</td>
<td></td>
<td>Andaleeb &amp; Anwar (1996)</td>
</tr>
<tr>
<td>1. My travel agent is friendly and courteous</td>
<td>.65</td>
<td></td>
<td></td>
<td>Doney &amp; Cannon (1997)</td>
</tr>
<tr>
<td>2. My travel agent has high proximity</td>
<td>.63</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. My travel agent is always willing to help me</td>
<td>.63</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>KMO=.92, Bartlett’s test of sphericity=3298.90, df=.56, p=.000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>RELATIONSHIP QUALITY</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Satisfaction</td>
<td>.85</td>
<td>1.00</td>
<td></td>
<td>Crosby et al. (1990)</td>
</tr>
<tr>
<td>1. My travel agent’s service satisfied my expectation</td>
<td>.79</td>
<td></td>
<td></td>
<td>Tam &amp; Wong (2001)</td>
</tr>
<tr>
<td>2. I am satisfied with my travel agent’s performance</td>
<td>.64</td>
<td></td>
<td></td>
<td>Kim &amp; Cha (2002)</td>
</tr>
<tr>
<td>3. I am satisfied with my travel agent’s overall packages</td>
<td>.72</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. I am pleased with my latest travel package provided by the travel agent</td>
<td>.80</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trust</td>
<td>.92</td>
<td>7.14</td>
<td></td>
<td>Crosby et al. (1990), Kim &amp; Cha (2002), Roberts et al. (2003)</td>
</tr>
<tr>
<td>1. My travel agent keeps promises</td>
<td>.69</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. My travel agent is sincere</td>
<td>.76</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. My travel agent is reliable</td>
<td>.84</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. My travel agent is honest</td>
<td>.85</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. My travel agent puts customers’ interests first</td>
<td>.72</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commitment</td>
<td>.87</td>
<td>1.00</td>
<td></td>
<td>Hennig-Thurau et al. (02)</td>
</tr>
<tr>
<td>1. I feel emotionally attached to my service provider</td>
<td>.79</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. I continue to deal with my service provider because I genuinely enjoy my relationship</td>
<td>.80</td>
<td></td>
<td></td>
<td>Roberts et al. (2003)</td>
</tr>
<tr>
<td>3. I continue to deal with my service provider because I like being associated with them</td>
<td>.79</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>KMO=.92, Bartlett’s test of sphericity=1426.38, df=66, p=.000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>KEY OUTCOMES OF RELATIONSHIP QUALITY</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Construct and Scale Items</td>
<td>α</td>
<td>Eigenvalue</td>
<td>Factor Loading</td>
<td>Source</td>
</tr>
<tr>
<td>--------------------------</td>
<td>-----</td>
<td>------------</td>
<td>----------------</td>
<td>---------------------------------------</td>
</tr>
<tr>
<td>Customer Loyalty</td>
<td>.93</td>
<td>5.76</td>
<td></td>
<td>Zeithaml et al. (1996),</td>
</tr>
<tr>
<td>1. I will continue the relationship with my travel agent</td>
<td>.83</td>
<td></td>
<td></td>
<td>Tam &amp; Wong (2001),</td>
</tr>
<tr>
<td>2. I will purchase travel package from my travel agent next time</td>
<td>.85</td>
<td></td>
<td></td>
<td>Kim &amp; Cha (2002),</td>
</tr>
<tr>
<td>3. I will recommend my travel agent to someone who seeks my advice</td>
<td>.89</td>
<td></td>
<td></td>
<td>Roberts et al. (2003),</td>
</tr>
<tr>
<td>4. I will tell other persons about good things of my travel agent</td>
<td>.84</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. I will consider my travel agent the first choice in the next few years</td>
<td>.70</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reputation</td>
<td>.88</td>
<td>1.16</td>
<td></td>
<td>Andreassen (1994),</td>
</tr>
<tr>
<td>1. I am often informed of news about my travel agent through newspapers, magazines, TV and other media</td>
<td>.80</td>
<td></td>
<td></td>
<td>Izquierdo et al. (2005)</td>
</tr>
<tr>
<td>2. Many people in my circle know my travel agent</td>
<td>.83</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Many people in my circle believe that my travel agent provides good service</td>
<td>.78</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. My travel agent has a good reputation in the market</td>
<td>.81</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

KMO=.89, Bartlett’s test of sphericity=1148.47, df=36, p=.000
DISTORTED PERCEPTION: THE IMPACT OF
ADVERTISEMENTS ON MALE BODY IMAGE

V. Myles Landers, Berry College
Nancy D. Albers-Miller, Berry College

EXTENDED ABSTRACT

The negative effect of advertisements on adolescent girls has been well documented in
past research; however, the effect of advertisements on adolescent males remains fairly
unexplored. Past research has noted a recent trend in the media toward setting unrealistic
expectations for boys (Kilbourne, 1996). With the increased use of harmful weight controlling
methods among males (Harmatz, Gronendyke, and Thomas, 1985; Peters and Phelps, 2001;
Pope, Phillips, and Olivardia, 2000) it is important to see how advertisements have an effect on
adolescent males’ perceived body image.

Research conducted by Festinger (1954) proposed that humans evaluate themselves with
others when nonsocial means are unavailable. Wood (1989) used Festinger’s original model of
social comparison, which applied to the evaluation of abilities and opinions, to prove that
comparisons also occur in the evaluation of personal traits. Richens (1995) was able to show
that these comparisons lead women to feel less satisfied with their bodies. While the studies
conducted on women have found that they seek an ideal thin body; men have shown to idealize a
more muscular body (Moore, 1990).

The lack of research on how advertisements affect adolescent males raises the question of
whether or not advertisements result in a negative body ideal among adolescent boys. The
purpose of this study was to examine the effect of advertisements on boys’ body image and
whether or not this will result in unhealthy weight control habits (i.e. excessive exercise, steroid
use, anorexia). Do young men have appropriate images of their own bodies? Do flawless model
body types have an effect on boys’ perceived body image? When perceptions become distorted,
what extraordinary methods are boys using to achieve an unrealistic ideal body image? Does the
use of reasonable models have negative consequences on attitude toward the advertisement,
attitude toward the brand, or the intention to buy?

This study used experimental manipulations of male model body types in parallel mock
advertisements. High school and early college respondents were randomly sorted to one of three
groups. Results offer insight into the growing problems of poor male body image and high risk
weight control efforts by young men. Implications for marketing managers and public policy
makers are provided.

SELECTED REFERENCES

unrecognized problem group of body image research,” The Journal of Obesity and
Weight Regulation, 4, 258-267.
OBTUSE, MISUSE AND ABUSE: THE CONSUMPTION OF PORNOGRAPHY BY ADOLESCENT USERS

Robert Powell, Berry College
Nancy D. Albers-Miller, Berry College

EXTENDED ABSTRACT

Since the removal of stringent censorship laws in the late 1970s and early 1980s, pornography has slowly become infused with American culture. Pornographic content is the most prevalent content on the Internet (Paul 2005) and the pornographic film industry brings in more money than the mainstream film industry (Jensen 2007).

The limited scholarly work in the area of pornography has indicated that pornography use does have negative effects, including increased comfort with sexual violence, dissatisfaction in real sexual interactions, perpetuation of a male dominated hierarchal system inside and outside of sexual relationships and increased detachment from sex (Jensen 2007, Bonino et al. 2006, Cook 2006, Johansson and Hammaren 2006, Paul 2005, Attwood 2004, and Scott, 1988). Unfortunately, the research being done has generally only focused on all users of pornography. Very little research has investigated the specific effects of pornography on any of the subsets of the pornography audience.

Without a doubt, many teenagers and adolescents are sexually active. Even so, this group has limited knowledge about sexual relationships and often relies on pornography as a legitimate source for sexual education (Levy 2004). The use of pornography as a source of information about appropriate sexual relationships creates and environment which condones sexual aggression and sexual violence (Jensen 2006, Scott and Schwalm 1988). Therefore, adolescent and teenage use of pornography is particularly problematic and deserves additional academic focus.

This study examines adolescent use of pornography and the associated perceptions. Respondents provided perceptions of the acceptability of the use of pornography by adolescence, the usefulness of pornography as a source of information, acceptability of sexual violence, adolescent sexuality, and male and female sex roles. Public policy implications are provided.

SELECTED REFERENCES

Attwood, Fiona (2004), "Pornography and objectification: Re-reading 'the picture that divided Britain'," Feminist Media Studies, 4.
Johansson, Thomas and Nils Hammaren (2007), "Hegemonic Masculinity and Pornography:
Young people's attitudes toward and relations to pornography," The Journal of Men's Studies, 15.
EXTENDED ABSTRACT

Trust is the cornerstone of a patient-doctor relationship. However, without privacy a patient may not trust their doctor enough to provide necessary confidential information. If personal information isn’t held privately, then it can be obtained by anyone and used for commercial information by various businesses or possibly used to discriminate against the patients by denying them credit, jobs, or insurance based on medical information. With internet capabilities spanning the globe and electronic medical records becoming the wave of the future, there is no question that everyday people can lose their personal healthcare or individual identification information if it is not protected.

The trend to outsource services to other countries has emerged across many industries, most recently, Healthcare. Private individual identifiable and healthcare data is being outsourced for transcribing, billing, as well as non-health related activities that affect the patient. Internet technology plays a significant role in the transmission of this highly sensitive personal patient information. If personal information is able to reach unlimited number of various entities for business purposes without patient consent, then the very fabric of trust in the U.S. Health Care system would diminish greatly. Over the past decade several government and non-government entities have started paying significant attention to patient privacy issues related to confidential individual identifiable data being handled across various medium (e.g., paper, electronic, & oral transmission). Perhaps the most significant steps were initiated when Congress passed the Health Insurance Portability and Accountability Act (HIPAA) of 1996, discussed, in brief, below.

As a result of HIPAA, the U.S. Department of Health and Human Services published a regulation in December of 2000 entitled, Standards for Privacy of Individually Identifiable Health Information or “the Privacy Rule” (DHHS-OCR, 2003). This Regulation is referred to as the first attempt to set national standards for the protection of health care information by limiting the use of patient medical records or other identifiable health information without permission, regardless of whether it is communicated electronically, orally, or by paper. The Privacy Rule was written to cover the following 7 areas (DHHS, 2007):

- Increases patient access to medical records
- Forcing providers to give privacy practices to patients
- Limits personal medical information to non-treatment related entities without consent
- Prohibits healthcare information being used for marketing purposes without consent
- Strengthens State laws by setting a national privacy standard
• Encourages confidential communication of healthcare services to the patient

• Created complaint process for privacy practices of a health plan or covered provider

The original privacy rule stated that “a covered healthcare provider must obtain the individuals consent...prior to using or disclosing protected health information to carry out treatment, payment or healthcare operations,” however, the amended rule of 2002, that became effective on April 14, 2003 stated that “consent...[is] replaced with a new provision...that provides regulatory permission for covered entities to use and disclose protected health information for treatment, payment, or healthcare operations” (DHHS-OCR, 2003). This seemingly small change was actually huge as patients no longer had to be asked about which information could be shared and which could be kept private. Instead, this amendment opened up access to individuals, government agencies, and corporations, including creditors for “routine” use. These ‘routine’ uses don’t require a written notice from your provider telling you that your health information has been disclosed, nor is there any way to audit “routine” uses and disclosures of patient information. In addition, retroactive access to your medical records from birth to death could be considered “routine” whether you paid out-of-pocket or were guaranteed privacy at the point of service (PPRF, 2004).

All healthcare organizations are slowly, but steadily jumping on the bandwagon of adapting effective marketing strategies for their organizations to gain market share, which, in healthcare, means patients and potential patients. It is a well known fact that the U.S. consumer guards their privacy regarding all personal data, including healthcare information, diligently. At the same time consumers are becoming more and more aware of the fact that several activities conducted by the organizations are being outsourced (e.g. transcribing physician notes, diagnostic radiographs, and billing to name a few). This can cause a marketing nightmare for any healthcare organization if they lose the faith of their market due to loss or misuse of sensitive patient data. Therefore, the Healthcare Executive should carefully evaluate various tangible, intangible, and opportunity costs associated with the outsourcing of services. In this highly litigious healthcare society all types of healthcare institutions, regardless of whether they are government, for-profit, not-for-profit...etc. should incorporate personal privacy within the culture of the organization.

There is no doubt that the future will yield an increase of policy makers and government involvement, not only at the federal level, but also at the state level to increase and maintain patient privacy. More intense regulations may be in place soon to protect individual information and to address the need for medical practices to take patient discussions behind closed doors more frequently.

SELECTED REFERENCES


APPLICATIONS OF STRUCTURAL EQUATION MODELING IN MARKETING AND CONSUMER RESEARCH: DID RESEARCHERS HEED BAUMGARTNER AND HOMBURG’S (1996) ADVICE?

Krist R. Swimberghe, Northwestern State University

EXTENDED ABSTRACT

Structural Equation Modeling is a well established and important research tool in the marketing and consumer behavior literature. There are several reasons why SEM is such an attractive data analysis method. First, it takes into account measurement error which seems especially important when working with survey data. Second, it allows the researcher to conduct Confirmatory Factor Analysis of the measurement structure and enables theory testing and modeling of direct and indirect relationships between observed and unobserved constructs. These advantages and the continued development and availability of user-friendly software, will continue to encourage increased use of SEM.

In a study published in the International Journal of Research in Marketing in 1996, Baumgartner and Homburg provided a number of guidelines for future users of SEM. This paper reviews SEM applications in the Journal of Marketing and the Journal of Consumer Research published during the period 2000-2006. I evaluate whether any progress has been made since the publication of the study by Baumgartner and Homburg (1996) and whether, more than 10 years later, researchers are taking heed and following the guidelines presented in this earlier study.

First, SEM is best suited for confirmatory analysis of theoretically sound measurement structures and parsimonious structural models. Authors have extensively used parceling techniques and calculated composite scores in order to achieve this objective. These techniques also have enabled models to be tested with smaller sample sizes. Given the difficulty in collecting additional sample data I suggest that research could also benefit from reporting the expected cross-validation index (ECVI), an index computed from a single sample, that indicates how well a solution obtained in one sample is likely to fit an independent sample from the same population (Browne and Cudeck, 1989; Cudeck and Browne, 1983).

Second, little has changed in the reporting of the underlying assumption of multivariate normality over the past ten years. Few researchers report summary measures covering such related issues as normality, outliers, and kurtosis. This perhaps may be due to the relative robustness of the maximum likelihood method which is frequently used in SEM. Another, more likely reason for failing to report these summary measures may be related to the increased costs involved with the publishing process and the accompanying pressure to limit the number of pages when submitting research papers.
Third, researchers no longer rely exclusively on the $\chi^2$ statistic in order to evaluate overall model fit. Advances in software development now allow authors to report a number of stand-alone fit indices and incremental fit measures. No consensus has been reached however in the research community on the superiority or appropriateness of these fit indices. I caution against deliberately choosing to report only those fit measures which suit the purpose of the research while ignoring others.

Finally, few researchers currently provide data input matrices or graphical representations of the full model in their paper. While it would clarify the statistical data analysis to the readers and allow for replication of the results, this may be the first thing to be cut from being included when page limits are an issue.

In conclusion, SEM has become a popular tool for the analysis of survey data. Advances in SEM software allow researchers to select from a large number of fit indices and have made reporting summary statistics a much more manageable task. Yet, a lack of agreement in the research community on what fit measures are most appropriate and increased pressure on researchers to include as much information as possible in limited space may prevent a more organized and clear discussion of the results.

REFERENCES

