Developments in Marketing Science:
Proceedings of the Academy of Marketing Science

K. Grant
I. Walker *Editors*

Proceedings of the 1995 World Marketing Congress

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4.14 - 5.15 pm

11.2 THE OLYMPICS AND THE MARKETING OF SPORTS : SPECIAL ISSUES IN SPONSORSHIP

RETHINKING MEDIA EVALUATION: TOBACCO SPONSORSHIP MESSAGES AND NARRATIVE CONVENTIONS IN MOTORSPORT TELECASTS

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ABSTRACT

This paper reviews critically three media-based methods presently being used by industry to evaluate the effectiveness of sponsorship messages: media exposure, equivalent advertising value of media exposure, and impressions. An alternative approach to evaluation is proposed using narrative-based analysis. The latter focuses on the narrative codes and production values of the media coverage and assesses the communicative success of the sponsorship message within the media production. Results are reported from a study of tobacco sponsorship of 3 North American races in the 1994 CART (Championship Auto Racing Teams) series. The continued success of the tobacco companies in securing efficient and effective broadcast promotions for their cigarette brands in the face of stringent legislation in North America prohibiting broadcast advertising of tobacco products is testament to the sophistication of their media planning and execution and supports the thesis of the paper that message-based evaluation and planning are a necessary complement to extant methods.

SPONSORSHIP EVALUATION

Media coverage is generally considered an important component of the value of sport sponsorship (Harris, 1993; Wilkinson, 1993; Scott and Suchard, 1992; Meenaghan, 1991), and in many cases constitutes the key component sought by the sponsor (Abratt, Clayton and Pitt, 1987). Despite this, industry methods for evaluating media coverage remain under-developed (Cornwell, 1989, 1990). In particular, sponsorship message evaluation continues to uses measures that are overly simplistic and in some cases inaccurate. A common means for evaluating media coverage, for example, is to simply measure the media exposure of the sponsor, using clippings and column inches in print and duration of exposure in broadcast media as the unit of measure. A second somewhat more sophisticated variant of this technique converts the raw exposure scores into a "value of exposure" co-efficient by computing the equivalent cost of buying rate-card advertising. For broadcast coverage this is typically done by dividing the total exposure time by 30 seconds and multiplying the result by the cost of buying a 30 second spot in the broadcast (Vavra, 1990; Cornwell, 1990). In print media the valuation measure is based on the editorial space of articles mentioning the sponsorship and the cost of equivalent ad space in the section. Industry proponents of these methods generally agree that they are approximate measures and that further computations are necessary in order to specify the value of the coverage, however, there is disagreement over how to do this. On the one hand some advocates support "discounting" the derived equivalent value figure because incidental editorial coverage is not of the same calibre as targeted advertising (Parker, 1991), whereas others support using a "multiplier" because third party editorial support for a product or corporation has more credibility and impact than an advertisement (Harris, 1993). A third (and sometimes companion) method of evaluation focuses on the number of "impressions" achieved by media coverage of the sponsorship. Here the valuative limitations of the "advertising equivalency" approach are overcome by focusing on the *reach* of the media representations of the sponsorship. Audience and readership statistics for the broadcast or publication are used to work out how many people were exposed to the sponsorship message. The demographic and psychographic make-up of the audience can also be obtained from the broadcaster or publisher and a descriptive profile developed of who the affected publics were. These figures, in turn, can be compared to the cost of reaching the same publics using conventional advertising, although this subsequent step of deciding the value of the "impressions" is often not taken. In many cases, raw audience figures are used as a measure of the communicative success of the sponsorship (Harris, 1993).

Corporate sponsors using these methods tend to rely on traditional consumer survey research to provide the "hard numbers" that enable them to evaluate the communicative success of a sport sponsorship. Pre- and post-event surveys are widely used to establish the level of awareness, familiarity and favourability achieved by the sponsorship (McDonald, 1991). Even though in general terms this may appear to be a sound practice, however, there are several reasons to question the effectiveness of this particular combination of message-based and consumer-based evaluation methods. For one, recent work by Parker (1991) demonstrates that traditional pre- and post-event surveys of consumer opinion may in themselves constitute an insufficient basis on which to evaluate sponsorship effectiveness. Results of a tracking study conducted by Research Services Limited of sponsorship awareness of the 1990 World Cup (pp. 28-29) reveal wide variations in awareness levels pre-, during, and post-event even though overall a normal "build-up, peak and tail-off" pattern emerged. Parker concludes that traditional "*ad hoc* dipstick" methods of taking measurements pre- and post-event may not have sufficient sensitivity.

> (They lack) the sensitivity of the tracking approach..., because the sponsor cannot be sure (his/her) points of measurement hit the peaks and troughs, as desired. In addition, even more importantly, such an approach misses the tail-off effects completely, and this can differ enormously with sponsorship. (p. 20)

Secondly, it is clear that not all "mentions" in the media are equally useful and beneficial to the sponsor. Negative publicity, message clutter and poorly constructed messages are real possibilities, and must in some manner be controlled for and evaluated. Whereas some researchers (including Parker) tend to relegate media research to simple measures of consumers' "opportunity to see" (p. 27), however, there are alternative models for evaluating message contents and for ascertaining message impacts. Media research can and arguably ought to do more than provide counts of mentions and estimates of equivalent value. At the very least a more extensive reckoning ought to be taken of how the sponsorship message shows up in the broadcast or in editorial contents and some kind of qualitative assessment done of the sponsorship message itself. This is true both for the purposes of evaluating the communicative performance of a sponsorship, and for anticipating media coverage of a future sponsorship and working to maximize its message efficiency and positive benefits in terms of awareness, familiarity and favourability.

Public Relations agencies have developed a number of message-based methods for anticipating, monitoring and evaluating media coverage of clients. Tom Harris (1993), for example, identifies three organizations in the United States that presently use quantitative and qualitative methods to evaluate media coverage: PR Data Systems and News Analysis Institute (NAI), Porter/Novelli (PRESS - Public Relations Evaluation and Support System), and Ketchum Public Relations (Publicity Planning and Tracking System). A key part of the planning and execution of public relations campaigns by these agencies involves identifying and targeting specific media that reach the right demographic and psychographic groups for the client. Public relations messages are then planned, executed and delivered to these specific media, and the results monitored in a parallel manner to an advertising campaign. In conjunction with these measures, focus groups are also used to evaluate the resulting media messages, and pre- and post-campaign surveys are done of awareness levels. Harris stresses that measuring how publicity is presented in the media is not itself an adequate indicator of the success of a public relations campaign, and that measures of the consumer impacts of that presentation must also be used. At the same time, however, his overriding argument is that public relations methods can be used to promote brands (MPR - Marketing Public Relations) as well as corporations (CPR - Corporate Public Relations), and that brand promotions using MPR can and should be undertaken with a similar level of targeted execution and planning of the media message as are advertising campaigns. Evaluating the design and effectiveness of media messages is therefore a key part of the overall evaluation process in Harris' MPR approach. Among the promotional and image vehicles that he discusses are events and sponsorships. Sport sponsorship in Harris' view can be used within a broader MPR approach to help segment and target a market and to develop and/or enhance a brand identity. It seems possible, therefore, that planning and evaluation of sports sponsorships could profitably be enhanced by adopting an MPR approach in which specific attention is given to incorporating the sponsorship into a broader public relations strategy. Attention would need to be given, for example, to how the media messages surrounding the brand and the sport could be combined (synergy) and consumer awareness enhanced. Attention would also have to be given to the particular narrative contexts and demands of the media vehicles targetted in the strategy. Possibilities for brand marketing public relations would seem to be particularly good with sports sponsorships that have major media involvement, yet narrative conventions in sports broadcasting vary considerably from sport to sport, and as a result, the unique narrative context of the broadcast sports product would have to studied carefully.

TOBACCO SPONSORSHIP OF MOTORSPORTS: A CASE STUDY

In this paper, I report the findings from a study of tobacco sponsorship of motorsports as a case study in the use of marketing public relations to promote brand awareness. The study used narrative-based analysis to evaluate how the sponsorship messages of tobacco sponsors were realized in race telecasts. Three North American races in the 1994 CART (Championship Auto Racing Teams) series were recorded off-air in Vancouver, Canada and analyzed (Indy 500, Cleveland Grand Prix, Toronto Molson Indy). On the basis of the research team's (3 members) repeated viewing of the races, a taxonomy of four kinds of coverage was developed reflecting what were seen to be distinguishable narrative conditions in the portrayal of the sponsorships. These included shots of the sponsor's logo - typically on the course or a car - lasting less than two seconds ("fly-bys"), longer than two second panned shots of the logo ("extended shots"), dramatic moments of coverage created through replays or biographical stories and external "B role" material featuring the car, driver or race team with logo ("created drama"), and verbal mentions of the sponsor by drivers, race officials and/or on-air personalities ("voice-over"). A content analysis (single coder) was conducted of the three races to determine the distribution of these four narrative "events" within the respective telecasts for two tobacco brand sponsors, Philip Morris' *Marlboro* brand (Penske racing team; 3 cars and drivers: Emerson Fittipaldi, Paul Tracey, and Al Unser Jr.) and Imperial Tobacco's *Player's* brand (Player's Ltd. Racing; 1 car and driver: Jacques Villeneuve).

The findings demonstrate that although "fly-bys" have little narrative content value, their regularity in race coverage is quite valuable for initial signaling and identification of a sponsorship. In the American races, the prevalence of race course and pit signage as a background condition and car, driver and pit-crew decals as a foreground condition made it virtually impossible for a viewer to tune into the race during any period of live race coverage and not instantly see evidence that *Marlboro* was a major race sponsor. For example, the average interval between tobacco sponsorship messages (all types) in the Cleveland race was 23 seconds. In the Canadian race, *Player's* had a similar position, and the average interval for tobacco messages (all types) was 11 seconds with 21 seconds between fly-bys. Extended shots, while less frequent (average duration 5-8 seconds, average interval 1-2 minutes), were also a reliable source of visual information about sponsors. These shots tended to be framed from the perspective of on-board trail or nose cameras and from overhead (elevated platform) cameras and roving cameras. Qualitatively, therefore, these "extended shots" tended to involve the viewer in the live action of the race more, and to give a more coherent picture of the race in addition to providing longer and clearer exposures to the sponsor's logos. The successes of the Penske team early in the CART race schedule, meant that *Marlboro* received a significant amount of attention within the broadcasts in the form of "created drama". For example, coverage of the Toronto Molson Indy began with a two minute lead-in summarizing the Penske wins to date and featuring repeat finish-line shots of the *Marlboro* cars from prior races. Jacques Villeneuve, the *Player's* driver, also received a lot of attention. As a Canadian driver and son of the well known (in Canada) deceased Formula One driver Gilles Villeneuve, Jacques was constructed as a local hero. There was speculation during the telecast, for example, about whether Villeneuve would become rookie of the year (a distinction he was later awarded). "Created drama" events were observed to have an average duration of 15-25 seconds and to occur on average every 4-5 minutes, depending on the broadcast. "Voice-over" mentions of tobacco sponsors (average interval 12-14 minutes) occurred predominantly when drivers or race team members were interviewed. *Player's*, however, ran a series of 30 second spots aired in conjunction with the race broadcasts on Canadian network television which promoted the *Player's* Ltd. Racing Team.

CONCLUSIONS

It is concluded on the basis of these findings that the tobacco companies are making good use of the narrative conventions of motorsport broadcasting and succeeding in gaining consistent and salient on-air exposure. These findings are not uncontentious, however. It has been noted (Crompton, 1993; Cornwell, 1990; Meenaghan, 1983) that tobacco sponsorship of sports was prompted, in part, by national legislation in the U.S. (Public Health Cigarette Act of 1969 - see Warner, 1986) that in 1971 banned cigarette advertising in broadcast media. In Canada, the tobacco industry voluntarily withdrew cigarette advertising from radio and television broadcasts in 1964 following a self-imposed industry code that was intended to pre-empt anti-tobacco legislation (Fairley & Fraser, 1992). In both countries, the result was that individual tobacco companies turned to sponsorship of broadcast sports and cultural events as a means to circumvent the broadcast advertising restrictions, and concomittantly brought with them to the sponsorship sector in the 1970s the marketing sophistication and expertise they had forged in the tobacco brands feuds of the 1960s (Johnson, 1988). It is often noted, ironically, that the involvement of tobacco interests in sponsorship in the 1970s was seminal in the overall development of sponsorship as a marketing discipline (Cornwell, 1990; Meenaghan, 1983). Rather than quieting down, however, anti-tobacco sentiments and legislation continued to become more widespread during the 1970s and 1980s. The Tobacco Products Control Act, assented to in Canada in 1988, prohibits all tobacco advertising (other than on-site signage) and all tobacco brand sponsorship (1988 contracts were allowed to continue to termination). Similar legislation is being considered in the United States. Tobacco company responses to such changes continue to be creative, however. In Canada, for example, Imperial Tobacco has created limited holding companies named after its major brands and keyed with similar lettering, colours and symbols. As noted above, the *Player's* brand motorsport sponsorships are now *Player's Ltd. Racing* sponsorships. Imperial Tobacco carried 30 second spots during race telecasts to advertise the association.

The findings of this study indicate that Philip Morris and Imperial Tobacco have turned motorsport sponsorships into an effective and efficient marketing tool by merging their sponsorship messages into the narrative context of motorsport telecasts. In addition to having salient and recurrent coverage within the broadcasts, the tobacco companies enjoy a further benefit through motorsport sponsorship in that they can avoid the requirement of communicating health warning messages since sponsorship is still not considered an advertising context and not subject to tobacco advertising guidelines and legislation (Crompton, 1993). Additionally, market research shows that through motorsports the tobacco companies are able to reach a youth segment that is rebellious and risk-oriented and a prime market for smoking initiation (Stoner, 1992). Research also demonstrates that race fans are very brand loyal, and tend to buy brands that support their favourite motorsport, race team, and driver (Stoner, 1992). The result is that tobacco sponsorship of motorsports presently stands as a superlative example of the use of MPR in maximizing sponsorship communications. Collectively, the air-time allocated to the *Marlboro* and *Player's* brands serves as a testament to the abilities of the tobacco companies (in this case, Philip Morris and Imperial Tobacco) to work within the context of extant legislation in the United States and Canada prohibiting tobacco advertising on television (and in the Canadian case, tobacco brand sponsorships) and to use sponsorship as a means of gaining first rate broadcast coverage. This finding ironically underscores the importance of message-based evaluation in sponsorship planning and execution, and emphasizes the critical relationship between the narrative dynamics of the sponsorship message and the media production. A subsequent phase of research in this project is presently underway. Focus groups of young race enthusiasts are being asked to evaluate the broadcast "event" taxonomy that has been developed and to give their reactions to the sponsorships.

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THE INFLUENCE OF SPONSORSHIP ON PRODUCT RECALL AND IMAGE AMONG SPORT SPECTATORS

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INTRODUCTION

A recent trend in corporate marketing and promotion is the heavy emphasis on sporting event sponsorship, whether local, national, or international in scope. In 1990, approximately 70 percent of all sponsorship money was spent on sports (Mullin, Hardy & Sutton, 1993). In the same year, 25 of the 39 televised Professional Golf Association (PGA) events were named for sponsors, as were 17 major college football bowls.

Corporations benefit from their sponsorship as much as the sport organization because of the publicity it receives that leads to public recognition of respectability, responsibility and status. Abratt and Grobler (1989) claim corporate sponsorship has a positive effect on consumers, the trade, and a corporation's employees. Among consumers, it can improve brand awareness and image, encourage trial and promote consumer loyalty. State Abratt and Grobler, "a good program can provide the trade with a special sales tool, serve as a springboard from merchandising and promotion themes, and form the foundation for some exciting incentive and motivation programs."

One has only to view the Olympic Games, a professional sport match, or automobile race and count the numerous corporate names and logos appearing on the participants and signs on-site to agree that the use of sponsor visibility in sport marketing is prevalent and widespread (Mullin, Hardy, & Sutton, 1993). From the sporting event organizer's perspective, sponsorship and advertising signage are major revenue sources (Branvold, 1992). Increasing public and target market awareness of the company and its products or services is a primary objective of corporations engaging in sport sponsorship (Turco, 1994; Irwin & Asimakopoulos, 1992). What effects, if any, does this visibility have on spectators' perceptions of sponsoring corporations and subsequent consumer decisions?

Purpose of the Study

The purpose of this study was to determine whether or not spectators' perceived image of a corporation and its products was influenced due to their sponsorship of an international sporting event. Specifically, spectators were asked to recall sponsors at a large-scale horse race, cite their consumption levels of the sponsors' products, and whether or not their perceptions of the sponsors were more favorable as a result of their sponsorship.

Event Description

Sport sponsor awareness data were collected at the 69th Annual Virginia Gold Cup Steeplechase Race, the world's richest steeplechase event with a $140,000 purse. The event held on the 500 acre Great Meadow race course in Warrenton, Virginia, attracted a capacity crowd of 50,000 people. Pre-race activities began at 10:00 a.m. and featured a musical concert, food, beverage and souvenir sales. Post time for the first of seven steeplechase races was 1:30 p.m.

The nature of the Virginia Gold Cup permitted considerable promotional visibility and numerous sponsorship exposures. One hundred-seventy-five corporate hospitality tents and twenty corporate sky boxes were sold by event organizers, and banners and sign boards prominently displaying corporate logos were featured near the race course.

Data and Methods

Data from 392 spectators were collected during the Virginia Gold Cup by trained field surveyors using an instrument developed by the researcher with input from the organizing committee. Interviews were conducted with a systematic sample of adult spectators at six locations on the event grounds; every tenth spectator (n=411) was approached by an interviewer as they passed a designated area and asked to participate in the study. Spectators were also asked if they had previously participated in the survey and, if so, were politely dismissed by the interviewer. Interview locations were purposely chosen without view of sponsor signage or advertising.

Surveyors were instructed to complete ten interviews at a designated location and then move to another interviewing location in a pre-determined sequence. No interviews took place while the races were in progress in order to avoid intruding on the leisure experience of spectators. In aggregate, these procedure controlled the distribution of the survey to event spectators, avoided personal bias in sample selection, self-selection by attendees, assured total numbers contacted and high response rates.

Data were coded, entered, and analyzed using the Statistical Program for Social Sciences-PC (SPSS-PC) to generate descriptive statistics and determine statistical significance between the various levels of consumers.

FINDINGS

SPONSOR RECALL

Spectators were asked to identify the names of three event sponsors and to describe their level of product/service use for each sponsor (Exclusive, frequent, occasional, rare or never). Sponsorship identification questions were posed without aid of response. Numeric values were not assigned to the sponsor product consumption level response categories in terms of frequency. For example, category "Frequent" was not operationalized as consuming the product 4-7 times per week.

Eighty-one percent of the attendees identified the title sponsor, Bavarian Motor Works (BMW); 15.6 identified Sprint; 12.7% identified Miller Brewing Company. Other corporations identified as Virginia Gold Cup sponsors included: Tiffany's (4.5%), Mobil (3.8%), and MCI (3.0%).

Seventy-one percent of the attendees stated they had a more favorable image of the event sponsors as a result of their affiliation with the Virginia Gold Cup. Fifty-seven percent of the spectators indicated they were more likely to purchase the products of Virginia Gold Cup sponsors.

Data pertaining to the top three sponsors (BMW, Sprint & Miller) as identified by spectators, were further analyzed to measure their influence on consumer behavior. Among attendees who identified BMW as a sponsor, 72.2 percent had a more favorable image of the company's products as a result of their event sponsorship. Further, 44.3 percent indicated that their decision to purchase a BMW product in the future would be positively influenced as a result of the company's Virginia Gold Cup sponsorship.

The influence of event sponsorship on consumer decision-making was equally as impressive for the Miller Brewing Company. Among attendees who identified Miller as a sponsor, 68.8 percent had a more favorable image of the company's products as a result of their event sponsorship. Approximately 70 percent indicated that their decision to purchase a Miller product in the future would be positively influenced by the company's Virginia Gold Cup sponsorship.

Among those attendees who identified Sprint, an international long-distance telephone corporation, 57.9 percent indicated they had a more favorable image of the company as a result of their affiliation with the Virginia Gold Cup. Approximately 35 percent (34.8%) indicated that their decision to use Sprint in the future would be positively influenced by the company's sponsorship of the Virginia Gold Cup.

The high levels of spectator influence found in this study are consistent with previous sponsor-spectator research. Results from a study on sport event signage revealed 59 percent of those surveyed usually noticed sponsor or brand logos at events and that 54 percent had a more favorable attitude toward companies involved. Johnson (1992) reported that 43.5% of Chicago Blues Festival attendees identified the event's title sponsor, Miller Brewing Co.; of those identified who Miller, 94.0% had a more positive image about the sponsoring company; and 73% attested that they would be more likely to purchase a product made by a company that sponsored the event.

SPONSORSHIP INFLUENCE - Table 1

Sponsor	Enhanced Image	Influence Product Purchase
BMW	72.2%	44.3%
Miller	68.8	69.7
Sprint	57.9	34.8

Attendees were asked to classify their present consumption level of the sponsor's products. Table 2 reveals that 21.4 percent of the attendees exclusively or frequently drive a BMW automobile. Nearly one-third of the attendees considered themselves "Exclusive" or "Frequent" consumers of Miller Brewing Company products. Approximately thirty percent (29.4%) of the attendees exclusively or frequently use Sprint.

PRODUCT USAGE - Table 2

	BMW	Miller	Sprint
Exclusive	15.7%	29.0%	20.4%
Frequent	5.7	29.0	9.0
Occasional	9.5	12.9	9.0
Rare	2.0	9.6	2.2
Never	45.8	19.3	54.4

DISCUSSION

Increasing product awareness and enhancing product image are two crucial components of the consumer decision-making model. While it is conceded that a true cause/effect relationship between corporate sponsorship promotional exposure and spectator consumption rarely exists, the importance of such exposure should not be taken for granted. Exposure to corporate names and logos at sport events does increase product awareness and may subsequently lead to product consumption.

CONCLUSIONS

Results of this exploratory research indicate corporation's can influence consumers' image of their products through sponsorship of sporting events. Future research in the area of sponsorship recall and image enhancement involving other case examples, such as the Olympic Games or other professional sports is warranted. The challenging task is to measure the effectiveness of enhanced product image due to sponsorship rather than enhanced image in general.

Sporting event organizations should continue seek to determine the influence of corporate sponsorship on consumer behavior. Sporting event organizers may gain considerable financial resources by quantifying the enhanced corporate image of their sponsors as perceived by spectators. Such information should be communicated to present and prospective corporate sponsors to emphasize the importance of their affiliation with staged attractions.

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SHORT TERM RECALL AND RECOGNITION OF ADVERTISING AND SIGNAGE IN TELECAST STADIUM SPORTING EVENTS

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ABSTRACT

This study investigated the effect on the viewing audience of advertising messages during the first round of the 1994 Rugby League State of Origin series. The study used a standard recall and recognition test of companies providing advertising messages as well as companies that did not advertise. Recall and recognition rates were analysed by location of the message (in both telecast and stadium), number of advertising locations, and memory decay (recall and recognition rates 24 and 48 hours after the event). Results indicated that location of signage affected both overall recall and recognition as well as decay rates. Results also indicated that these rates were affected by the number of message locations, and that the optimal number of locations was three to four.

INTRODUCTION

It has been argued that "sponsorship can overcome the now severe difficulties encountered by advertisers in gaining attention and interest from a wide range of publics who may have limited interest in the sponsor's advertising" (Crowley, 1991, p.11).

This belief in the ability of sponsorship to communicate with a wide range of hitherto unreachable publics has seen the proliferation of corporate sponsorship of sporting events, and a large investment in advertising both at stadia and during telecast of sporting activities. One commentator estimated a total of 1,233 advertising messages associated with the telecast of a one day cricket match, during which "advertising appeared for 226 minutes, or 58.4% of the total time" (Harris, 1988 p. 68).

Concerns with the effectiveness of such communication with viewers arise in relation to clutter and excessive frequency. In relation to repeat advertising, Singh and Cole (1993, p. 102) observed "if ...overexposure (more than four) is massed (shown in a concentrated cycle) ...it may cause reactance and tedium in the viewers."

The methods used to communicate advertising and sponsor messages connected with sporting events have been identified by several commentators. Harris (1988) identified the following with regard to telecast events:

- Commercials;
- Superimpositions of data such as computer generated statistics, with a sponsor identified;
- Perimeter advertising;
- Crawls (or pullthroughs).These are the small superimpositions bearing an advertising message, usually presented at the bottom of the screen.

There are other telecast mechanisms available as well, and it is important to recognise what Crowley refers to as the "overriding importance of achieving media coverage as a means of exploiting sponsorship" (Crowley, 1991, p.18). These other mechanisms include:

- Event title;
- Exposure to attendance (through perimeter or stadium signage);
- Heart of action (Crowley, 1991, p.19).

We would add here that the event title can take more than one form, with broadcasters now selling "sponsorship" of the actual media coverage as opposed to the event itself. Heart of action refers to signage actually on or at the field of play.

An American survey examined responses to stadium advertising by attendees at sporting events (Stotlar and Johnson, 1989). Using a direct recognition test completed by attendees the researchers found that "70% of them correctly identified what they had seen" (Stotlar and Johnson, 1989, p.99). They also found that the recognition rates were affected by sign location, and that there were moderating factors involving the nature of the advertising firm's product. Overall, they concluded that "the use of stadium advertising should be strongly considered by companies whose products are used in conjunction with sporting events, such as fast food, soft drinks, beer, cigarettes, and radio/ TV/ newspapers" (Stotlar and Johnson, 1989, p.101). However, this research did not examine the effects of telecasting the event, nor of what Crowley described as heart of action exposure.

We are all aware of the propensity of corporate sponsors and advertisers to use the medium of televised sport as a communications vehicle. We also know that signage location at sporting events, and audience expectation of the type of firm which will advertise at these events, has a bearing on the outcomes of these communications. However, no study could be found that measured the effects of advertising message location on viewers of telecast sporting events.

METHOD

The purpose of this research was to provide advertisers, sponsors and sporting administrators with information regarding the effectiveness of varying locations for advertising messages in major televised sporting events. The locations examined were taken from those identified by Harris (1988) and Crowley (1991) and discussed in the introduction to this paper. The event chosen was Round One of the 1994 State of Origin Rugby League match held at the Sydney Football Stadium. We were particularly interested in the short term effect of signage and advertising, given Stotlar and Johnson's findings, and the decay factor implied therein.

We surveyed two groups of Brisbane residents. The first group (40) were surveyed 24 hours after the match, the second (140) 48 hours after the match. Not all respondents viewed the game, and those who did not are identified in the results as "Did not view game."

We asked each subject to list on a blank piece of paper all brand or company names they recalled seeing, either as a sign or as an advertisement during telecast of the match. Those who did not see the match were asked to list those brand or company names they would have expected to see. Findings for this part of the survey appear in our results as "Recall."

After collecting these papers, we then showed subjects a list of brand and company names, half of which did appear in the signage or advertising, half of which did not (placebos). We asked the subjects to tick those they recognised as appearing during the match or, if they did not see the game, those they would have expected to see. These findings appear in our results as "Recognition".

FINDINGS AND DISCUSSION

<<Table 1 about here>>

Table 1 shows a listing of brands and companies we identified as having advertising and/or signage displayed at this football match. We identified signs and advertising in the following areas:

- field of play (i.e. the playing field itself or the goal posts);
- ground level perimeter placards;
- entrance tunnel (including dressing rooms);
- on player equipment (including clothing);
- on officials' equipment (including clothing);
- in the grandstand (not at ground level);
- as a telecast sponsor;
- in advertisements during commercial breaks;
- in "pullthrough" during game time.

The brands and companies are ranked by the recognition rate achieved after 24 hours. The figures given are percentages of the subjects who recalled or recognised the brands and companies involved.

Looking first at XXXX and Toohey's, we believe that the difference in rates between these two brands of beer is purely parochial in nature, and that an opposite finding would probably have occurred had the survey been conducted in Sydney rather than Brisbane.

The top four companies far exceeded the others as expected sponsors or advertisers (ranging from 12% to 52% for recall, and 55% to 86% for recognition for the "Did not view match" category). The recognition rate for those who did not see the game was a good predictor of the 24 hour recognition rate for those who did see the game. However it was not such a good predictor of the 48 hour recognition rate. Similarly, looking at the first three brands, we note that the recall rate of those who did not see the match was a reasonable predictor of 24 hour recall for those who did see the game, but not as good for the 48 hour group.

Our conclusions regarding the reasons for this predictor effect are as follows:

- the top four companies are well known sponsors of sport, so both recall and recognition of their names was easier;
- the decay in recall and recognition for those who viewed the match appears to result from other factors which we discuss below.

Some companies ranked highly in 24 hour recall and recognition, but not as highly among those who did not see the game. We attribute this to the fact that these advertisers restrict their sport promotion activities to Rugby League, so that those who do not watch this sport (such as those who do not watch State of Origin) were unaware of their presence. Those who did watch the game, however, scored them quite highly in the 24 hour recall group.

Other brands were neither recalled nor recognised at 24 or 48 hour levels. Our analysis showed that this was probably due to several factors. First: the brands involved were not associated by the public with sport; second: the number of locations of signage/advertising was inappropriate; and third: the specific locations of signage/advertisements was inadequate. We will return to this issue of message location shortly.

We also observed that some brands which were advertised at the game were either recognised poorly or not at all by those who viewed the match, yet recognised as brands they would have expected to see by those who did not see it. We believe that this may well result from an expectation in the public that certain types of firms are likely to advertise at, or to sponsor, sporting events.

To show this point more clearly, we categorised all the brand and company names, both genuine or placebo, that were used in our survey into fourteen categories of company types. The results of this analysis are presented in Tables 2 and 3. Table 2 shows the company types listed alphabetically and Table 3 shows them ranked by non-viewer recognition. We interpreted non-viewer recognition as an expectation that this brand will advertise during or sponsor a sporting event.

Clearly, subjects in this study who did not view the match - and from that we would argue, the general population - have an expectation that alcohol, tobacco and soft drink companies will advertise during, or sponsor, sporting events. This expectation seems to carry over strongly to recall and recognition of these companies and brands after the event for those subjects who did view the match.

Expectation of this sort of promotion for other industry types was also fairly high, notably in Electronics and Communications, Insurance, Transport, and Banking and Finance. This high expectation rate was not strongly found in recall and recognition rates for the viewing audience, which indicates to us a lag time in the development of association of these companies and brands with sport in the minds of the public.

The question must be then, how to develop recall and recognition rates effectively, and thereby reduce the time frame involved? We believe that the location of signage is critical to this, in addition to the "promoting the promotion" methods used by the more successful sport associated promotion campaigns.

Table 4 shows the effect of multiple advertising locations at this event. We have excluded XXXX, Toohey's and Winfield from this analysis, because their other promotion campaigns allied to Rugby League cloud the results.

Quite clearly, multiple advertising locations associated with a sporting event are beneficial, and it appears that the optimum number is 3 or 4 locations. Note here that we are not saying 3 or 4 messages or signs, but 3 or 4 locations, which could include multiple signs.

We have included the zero locations factor to demonstrate the effect of a perceived association with sport, even though the firms who gained scores in recall and recognition for this category did not advertise or display signs at the event in question. This "ambush" marketing is very successful for brands associated with sport in the public's mind.

The reason we limit the number of locations to three is that there appears to be an actual decline in recall and recognition rates after this number of locations. We believe that this results from the same sort of factors as are found in studies of advertising frequency. This finding then leads to the need to establish which particular locations are the best for achieving recall and recognition without high decay.

Table 5 shows the level of contribution of each of the locations we have identified. On the scale we have used the best possible result is + 1.0, the worst is -1.0. We note that Field of Play is a hands down winner in this analysis. But, we have already observed that the "promote the promotion" campaign of some companies has clouded the results, so in Table 6 we exclude Field of Play (used by XXXX and Toohey's) to tell us something about the other locations. Note that we are not denying the value of Field of Play, we are only excluding it to better examine the other options.

The results presented in Table 6 suggest that Ground Level Perimeter Signage, and identification as Telecast Sponsors are the most beneficial options for obtaining higher recall and recognition rates at stadium sporting events. This is, of course, after Field of Play.

In fact, Ground Level Perimeter Signage and Telecast Sponsorship showed very little decay, as Table 6 shows. This is in contrast to Equipment, Advertisements in Breaks and Grandstand Signage (not at ground level), all of which show significant decay over 48 hours. We would argue, therefore, that signage at these levels is most appropriate where the viewing audience is likely to purchase the product in the very near future.

It is also suggested in Table 6 that some forms, while not being counter-productive, are of doubtful benefit in isolation: for instance, the Entrance Tunnel and Pullthroughs (which includes screen overlays). We reinforce here that this result relates to an isolated exposure. We have already established that multiple locations are optimal.

CONCLUSIONS

We conclude from this survey that the benefits of advertising or displaying signage at sporting events are cumulative in nature. That is to say, the concept of "promoting the promotion" to the public will pay dividends in recall and recognition rates for brands associated with sport. There also appears to be a time period involved in establishing the association with sport.

Clear benefits can be gained by association with sport generically, in that it appears that the public will associate firms of this type to both general and specific sports, allowing these brands to "ambush" their competitors in sport advertising. One long term outcome from this effect is that later actual investment in sport promotional activities could be reduced, with a continuing accrual of benefits from the earlier investment.

We also conclude that multiple advertising and signage locations are optimal for achieving good recall and recognition rates from televised sport stadium situations. The optimal number of locations appears from this data to be about 3 or 4. Individually, the best locations for advertising messages in televised stadium events appear to be: field of play, telecast sponsorship, and ground level perimeter signs. Messages on player and officials' clothing and equipment are subject to extreme decay and we suggest that these be used for advertising of goods which are likely to be purchased by the viewing audience within 24 hours. Advertisements in commercial breaks, signs in grandstands, pullthroughs, and in the entrance tunnel to the stadium, we feel, on the evidence here, have little impact.

This research has confirmed previous findings about the effect of location and company type on audience recall and recognition in stadium advertising. It has also extended these findings to include telecast sporting events and an examination of other communication locations within that context. Future research needs to be performed to examine longer term implications.

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Table 1
Recall and Recognition Rates - Companies with Advertising Exposure
Ranked by 24 Hour Recognition Rate

Company Name	Percentages					
	Tested after 24 hours		Tested after 48 hours		Did not view match	
	Recall	Recog	Recall	Recog	Recall	Recog
XXXX	88	91	41	69	52	86
TOOHEYS	76	73	32	44	12	55
WINFIELD	21	55	10	28	33	64
COCA COLA	0	39	4	23	17	55
MMI	9	30	6	22	6	22
METWAY	6	24	5	14	1	16
TELECOM	3	21	4	22	9	41
CANTERBURY CLOTHING	9	20	1	3	0	0
TNT	0	18	0	6	1	7
COURIER MAIL	6	15	0	13	1	19
ANSETT	0	12	1	15	1	19
QANTAS	0	12	0	5	1	28
BEAUREPAIRES	0	9	0	8	0	16
TDK	3	6	0	6	1	9
CIC	0	6	3	8	0	10
SONY	0	6	0	10	0	10
GIO	0	6	0	9	0	19
DEFENCE FORCE	0	6	0	1	0	3
SUBARU	3	5	0	0	0	0
N0RWICH UNION	3	3	0	1	0	4
AGFA	0	3	0	4	0	7
KING GEE	0	3	1	3	0	16
MITRE 10	0	3	0	0	0	3
THRIFTY	0	3	0	0	0	1
AGC	0	0	0	6	0	10
SAMSUNG	0	0	0	5	1	13
CHUBB	0	0	0	3	0	3
SLAZENGER	0	0	0	4	0	12
SYDNEY MORNING HERALD	0	0	0	3	0	12
PANASONIC	0	0	1	1	0	0
STEEDEN	0	0	1	1	0	0
SUN HERALD	0	0	0	1	0	6
TOWER LIFE	0	0	0	1	0	0
BRADFORD BATTS	0	0	0	0	0	0
CLASSIC SPORTSWEAR	0	0	0	0	0	10
CROWN CASIN0	0	0	0	0	0	1
DEXION	0	0	0	0	0	0
ELASTOPLAST	0	0	0	0	0	0
HANNAS	0	0	0	0	0	0
JACK DANIELS	0	0	0	0	0	0
LAND ROVER	0	0	0	0	0	0
OLD EL PASO	0	0	0	0	0	0
SCHICK	0	0	0	0	0	0
STRATHFIELD CAR RADIO	0	0	0	0	0	6
STRONGBOW	0	0	0	0	0	0
TAUBMANS	0	0	0	0	0	4
UNISYS	0	0	0	0	0	0

Table 2
Recall and Recognition Rates - Company Types
Alphabetical Listing

Company Type	Percentages					
	Tested after 24 hours		Tested after 48 hours		Did not view match	
	Recall M (sd)*	Recog M (sd)	Recall M (sd)	Recog M (sd)	Recall M (sd)	Recog M (sd)
Alcohol	14.9 (33.3)	15.5 (33.2)	8.4 (14.6)	12.2 (23.5)	11.5 (17.7)	18.7 (32.1)
Automotive	0.3 (1.0)	2.3 (3.6)	0.6 (1.0)	1.8 (3.5)	0.8 (1.3)	4.7 (7.9)
Consumables	0.0 (0.0)	0.2 (0.8)	0.4 (0.8)	0.4 (1.2)	0.9 (1.8)	1.4 (3.8)
Electron-Comm	0.8 (1.7)	4.5 (7.4)	0.6 (1.5)	5.6 (7.2)	1.4 (2.7)	11.3 (16.1)
Finance-Bank	0.8 (2.1)	4.1 (8.6)	1.1 (1.9)	6.6 (6.1)	1.3 (1.2)	9.8 (8.9)
Hardware	0.0 (0.0)	0.6 (1.3)	0.0 (0.0)	1.2 (1.6)	0.0 (0.0)	3.2 (2.2)
Insurance	0.9 (2.6)	6.5 (8.7)	0.8 (1.8)	6.0 (7.0)	1.2 (2.0)	10.5 (10.4)
Media-Ent	1.0 (2.4)	2.5 (6.1)	0.0 (0.0)	3.0 (5.0)	0.3 (0.5)	7.0 (7.3)
Petrol	0.0 (0.0)	2.0 (3.5)	0.3 (0.6)	4.0 (4.6)	0.0 (0.0)	8.3 (8.0)
SoftDrink	0.0 (0.0)	9.0 (17.0)	0.8 (1.8)	4.6 (10.3)	4.4 (7.1)	14.4 (23.9)
SportEquipCloth	0.9 (2.6)	3.7 (7.2)	0.5 (0.5)	1.8 (2.6)	0.6 (0.9)	6.0 (8.7)
Tobacco	3.5 (8.6)	9.2 (22.5)	2.0 (3.9)	4.8 (11.4)	7.5 (12.6)	17.2 (27.7)
Transport	0.4 (1.1)	6.4 (7.4)	0.1 (0.4)	3.9 (5.5)	0.6 (0.5)	9.6 (10.8)
Other	0.0 (0.0)	1.0 (2.4)	0.3 (0.5)	0.2 (0.4)	0.2 (0.4)	0.5 (1.2)

* M - Mean percentage (average of all companies of this type).
(sd) - Standard Deviation of percentages for all companies of this type.

Table 3
Recall and Recognition Rates - Company Types
Ranked by Non-Viewer Recognition Rate (Expectation only)

Company Type	Percentages					
	Tested after 24 hours		Tested after 48 hours		Did not view match	
	Recall M (sd)*	Recog M (sd)	Recall M (sd)	Recog M (sd)	Recall M (sd)	Recog M (sd)
Alcohol	14.9 (33.3)	15.5 (33.2)	8.4 (14.6)	12.2 (23.5)	11.5 (17.7)	18.7 (32.1)
Tobacco	3.5 (8.6)	9.2 (22.5)	2.0 (3.9)	4.8 (11.4)	7.5 (12.6)	17.2 (27.7)
SoftDrink	0.0 (0.0)	9.0 (17.0)	0.8 (1.8)	4.6 (10.3)	4.4 (7.1)	14.4 (23.9)
Electron-Comm	0.8 (1.7)	4.5 (7.4)	0.6 (1.5)	5.6 (7.2)	1.4 (2.7)	11.3 (16.1)
Insurance	0.9 (2.6)	6.5 (8.7)	0.8 (1.8)	6.0 (7.0)	1.2 (2.0)	10.5 (10.4)
Transport	0.4 (1.1)	6.4 (7.4)	0.1 (0.4)	3.9 (5.5)	0.6 (0.5)	9.6 (10.8)
Finance-Bank	0.8 (2.1)	4.1 (8.6)	1.1 (1.9)	6.6 (6.1)	1.3 (1.2)	9.8 (8.9)
Petrol	0.0 (0.0)	2.0 (3.5)	0.3 (0.6)	4.0 (4.6)	0.0 (0.0)	8.3 (8.0)
Media-Ent	1.0 (2.4)	2.5 (6.1)	0.0 (0.0)	3.0 (5.0)	0.3 (0.5)	7.0 (7.3)
SportEquipCloth	0.9 (2.6)	3.7 (7.2)	0.5 (0.5)	1.8 (2.6)	0.6 (0.9)	6.0 (8.7)
Automotive	0.3 (1.0)	2.3 (3.6)	0.6 (1.0)	1.8 (3.5)	0.8 (1.3)	4.7 (7.9)
Hardware	0.0 (0.0)	0.6 (1.3)	0.0 (0.0)	1.2 (1.6)	0.0 (0.0)	3.2 (2.2)
Consumables	0.0 (0.0)	0.2 (0.8)	0.4 (0.8)	0.4 (1.2)	0.9 (1.8)	1.4 (3.8)
Other	0.0 (0.0)	1.0 (2.4)	0.3 (0.5)	0.2 (0.4)	0.2 (0.4)	0.5 (1.2)

* M - Mean percentage (average of all companies of this type).
(sd) - Standard Deviation of percentages for all companies of this type.

Table 4

Recall and Recognition Rates - Number of Advertising Locations

	Tested after 24 hours				Tested after 48 hours			
	Recall M (sd)*		Recog M (sd)		Recall M (sd)		Recog M (sd)	
0	0.2	(0.8)	1.8	(4.4)	0.6	(1.8)	2.3	(4.8)
1	0.6	(2.0)	3.0	(6.7)	0.3	(1.1)	3.1	(5.0)
2	1.5	(2.7)	10.5	(11.4)	1.0	(1.7)	6.4	(8.0)
3	6.0	(0.0)	24.0	(0.0)	5.0	(0.0)	14.0	(0.0)
5	0.0	(0.0)	12.0	(0.0)	1.0	(0.0)	15.0	(0.0)

* M - Mean percentage (all companies except for three with highest recognition levels).
(sd) - Standard Deviation of percentages.

Table 5

Level of Contribution to Recall and Recognition Rates
Position of Advertising

	Tested after 24 hours		Tested after 48 hours	
	Recall	Recog	Recall	Recog
Field of Play	0.97	0.79	1.00	0.84
Ground Level Perimeter	0.07	0.25	0.08	0.21
Telecast Sponsor	0.10	0.23	0.16	0.29
Officials Equipment	0.02	0.11	-0.03	0.00
Adverts in Breaks	0.00	0.01	-0.02	0.02
Player Equipment	0.06	0.07	0.02	-0.01
Grandstand	-0.05	-0.03	-0.06	-0.01
Entrance Tunnel	-0.03	-0.13	-0.05	-0.04
Pullthrough	-0.08	-0.15	-0.14	-0.25

Table 6

Level of Contribution to Recall and Recognition Rates
Position of Advertising with Field of Play Removed

	Tested after 24 hours		Tested after 48 hours	
	Recall	Recog	Recall	Recog
Ground Level Perimeter	0.19	0.32	0.12	0.27
Telecast Sponsor	0.26	0.25	0.20	0.21
Officials Equipment	0.13	0.18	-0.05	0.01
Player Equipment	0.30	0.11	0.05	0.00
Adverts in Breaks	0.07	0.06	-0.05	0.05
Grandstand	-0.10	0.06	-0.06	0.07
Pullthrough	-0.02	-0.04	-0.06	-0.07
Entrance Tunnel	-0.06	-0.10	-0.06	-0.02

11.3 INTERNATIONAL TRADE, JOINT VENTURES AND RELATED STRATEGIES : ISSUES IN JOINT VENTURES

GOING TO CHINA? - QUESTION THE CONVENTIONAL WISDOM

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ABSTRACT

This paper investigates the influence of some major strategic marketing determinants on the performance of international joint ventures (IJV) operating in China. The related contextual variables which may moderate the linkage between marketing factors and IJV performance are also examined. The result suggests that 1) not all the strategic marketing factors widely recognized in the market economy context have an identical impact on firm performance in China, and 2) the country-unique marketing factors are statistically significant for IJV's accounting return and market growth]

INTRODUCTION

In recent strategic marketing/management and international business literature, an increasing attention has been paid to examining the underlying determinants of corporate success and to identifying appropriate investment and competition strategies for maximum long run profitability (Kogut, 1988). Strategic marketing/ management literature has centered on examining such business strategy variables as product quality (Phillips & Chang, 1983; Dawar & Parker, 1994), R&D intensity (Fagre & Wells, 1982; Hoskisson & Johnson, 1992; Kravis & Lipsey, 1992), firm size (Caves & Mehra, 1986; Calof, 1994), pricing (Padmanabhan & Bass, 1993; Gallego & VanRyzin, 1994) and advertising (Chauvin & Hirschey, 1993; Green & Krieger, 1993), for domestic or international firms. However, it is not very clear that if the findings of these studies are applicable to operations of international joint ventures (IJVs), because the IJV is neither an external, market-based method of organizing economic activity, nor a traditional intra-firm structure (Williamson, 1975). Concurrently, very little research has been done on the issue of generalizability of the analyses of these studies to the foreign businesses in transforming economies, China, in particular. This study is thus designed to examine empirically an impact of strategic marketing factors on IJV performance given the Chinese business and investment environments.

IJVS IN CHINA: BACKGROUND AND CONTEXT OF STRATEGIC MARKETING FACTORS

As the world's largest developing country and fastest-growing economy, China continues to attract a great amount of foreign direct investment and has now become the second largest FDI recipient in the world (surpassed only by the United States). It does so primarily through the establishment of IJVs. However, in order to succeed under this peculiarly economic, cultural, and political context, IJVs in China require an understanding of the unique marketing environment and the adoption of a realistic marketing strategy.
China officially opened its door to foreign investment in 1979 with the promulgation of its joint venture law. Since then and through the end of 1993, Chinese authorities had approved the establishment of over 167,500 foreign invested enterprises involving $241.50 billion foreign capital, of these about 107,000 are IJVs; over 80,000 of total foreign invested enterprises representing $67.2 billion investment have commenced operation (*People's Daily*, 1994a). The industrial output and import/export volume of these ventures have reached to 11% and 34.40% of nation's total respectively, and about ten million Chinese people are recently employed in foreign invested ventures (*People's Daily*, 1994a).

Although the ratio of wholly foreign-owned ventures has been growing (about 7% prior to 1990 and 22% in 1993, in terms of number of ventures), the international equity joint venture is still a dominant mode which accounts for 64.72% of the total number of projects and 55.73% of the total value of utilized capital in 1993 (*People's Daily*, 1994b).

In recent years, the production and the sales structure of IJVs in China have been changing markedly. The percentage of capital- and technology-intensive projects has increased to about 35 percent of total number of ventures in 1994, and the growth rate is much higher than average for investments in telecommunications, transportation, and electric power (*People's Daily*, 1995a). It seems that foreign investors in these industries rely on their specific competencies in an effort to achieve monopolistic competition advantages from Chinese market structure imperfections. On the other hand, the labor-intensive light industrial products continue to constitute major export items, and the processing-exporting pattern remains unchanged. Apart from the obvious benefit of low labor cost, the preferential treatment accorded to export-oriented products by the authorities may also contribute to the pattern.

There is a threefold impact of Chinese market structure imperfection on the performance of foreign ventures: First, the profit/sales growth rate of the *specific* industry the investor has selected will affect the venture's accounting and market performance; Second, the categorization of projects as technologically-advanced, export-oriented, import-substitution, and domestic-oriented will affect the venture's eligibility for preferential treatment from the government, thus influencing the firm's profitability; Third, IJV's location, whether or not within the Economic and Technological Development Zone (ETDZ) will influence venture's return and growth since the government treatment to IJVs differed by the location. These contextual variables are likely to moderate or mediate the linkage between firm's strategic marketing factors and its performance. To what extent these moderators or mediators affect IJV performance is an empirical question.

Foreign ventures face less government intervention at the business unit level, compared to the corporate operation level. Nevertheless, there still exist certain restrictions, on product quality, pricing and advertising in particular. According to China's product quality law, producers are prohibited from manufacturing products that are deemed by the state to be obsolete. Producers that fail to comply with this provision may be ordered to cease production, and have their business license revoked and sales proceeds confiscated. At a minimum, all products must meet the standard product quality requirements, which are determined by either the State Council quality supervision and control departments or industry custom and practice. China has also established a spot-check system whereby central or local authorities examine the quality of major industrial products. Results of these spot checks are to be made public.

The pricing of IJV products is regulated by the provisions of the joint venture law. According to its guidelines, ventures can freely set the price of their exports, except those controlled by Chinese foreign trade corporations. As for products sold on the domestic market, their prices depend upon their classification into one of the three categories determined by law. These include fixed pricing, managed pricing and free pricing. In practice, IJVs do not produce the type of goods that are rigorously controlled by the Chinese government. Indeed, it is highly unlikely that the authorities will be forthcoming in granting the necessary approvals for a production project of this nature.

In China, advertising for domestic and foreign products was reinstituted in 1979 after a ban instituted during the Cultural Revolution. Advertising volume is now growing at about 30% annually. A variety of media have been used by the foreign ventures to advertise their products and services in China. Despite the positive function of advertising, the Chinese government does, in fact, have regulations in place designed to control advertising practices. The regulations stipulate that advertising must be clear and truthful and may not "hoodwink or deceive end-users and consumers."

In the process of implementing their business strategies, foreign ventures have to face Chinese business practices often sharply dissimilar to those prevalent in their home countries. As a result, sensitivity to local Chinese business conditions, such as the importance attached to personal relations (*guanxi*) with customers, or the practice of extending credit terms in marketing must be developed. In particular, cultivating and extending firm's *guanxi* should be a preoccupation for business success. Given the pervasive influence of *Guanxi* in Chinese societies, sales force marketing is a crucial selling tool for firms operating in these environments. Likewise, the provision of preferential terms of payment for customers is common across firms and in every economic sector in China.

STRATEGIC MARKETING VARIABLES

The identification of the underlying determinants of corporate success and strategies resulting in long run firm profitability, has long been a central issue in strategic marketing/management literature. Fagre & Wells (1982) and Hoskisson & Johnson (1992) have found that firm performance is positively influenced by the strategic importance of the firm's R&D intensity. Caves & Mehra (1986) and Kogut & Singh (1986) have demonstrated that the size of the FDI influences the entry mode and the subsequent performance of the venture. Phillips & Chang (1983) and Dawar & Parker (1994) empirically proved that product quality has a significant impact on firm economic performance. Padmanabhan & Bass (1993) found a positive linkage between pricing and profits, this linkage being moderated by product quality and market factors. Chauvin & Hirschey (1993) empirically demonstrated that spending on advertising can be viewed as a form of investment in intangible assets with predictably positive effects on future cash flows. Because of a lack of theoretical and empirical support, the following relationship is presented here tentatively, and only as a research question: *Do those strategic marketing variables such as R&D, quality, pricing, advertising, and size, widely analyzed in strategic marketing/management literature, have identical influences on the performance of IJVs operating in China?*

One prominent characteristics of doing business in China is, albeit no relevant empirical evidence could be found in earlier studies of Chinese marketing and management, that Chinese nationals tend to rely heavily on personal relationships (*guanxi*) in business dealings (Chen, 1994). In China's new, fast-paced business environment, *guanxi* has become extremely important. It has in large part filled the vacuum and is more entrenched than ever, heavily influencing Chinese social behavior and business practices (Punnett & Yu, 1990). *Guanxi* provides the lubricant for Chinese to get through life. It was a form of social investment (Chen, 1994). *Guanxi* pervades the business world in Chinese societies. No company in the Chinese business world can go far unless it has extensive *guanxi*. *Guanxi* binds literally millions of Chinese firms into social and business web that can be particularly useful for the IJV which just started up its business or lacks of core competencies that are scarce in China. As a result, sales force marketing, an activity relied on *guanxi*, become an increasingly popular and effective marketing means.

Although *guanxi* brings obligations and costs (*Renjing*) to the beneficiary of *guanxi*, these obligations are mainly social obligations rather than economic terms, and, the marginal costs to achieve *guanxi*, as opposed to the corresponding marginal benefits, are exceedingly low. Therefore, the marginal contribution of sales force expenditure to accounting return is normally high (>1). In view of the above, the following hypothesis states that *sales force expenditure is significantly and positively related to both accounting return and domestic sales growth.*

Another primary feature of marketing activity in China has something to do with credit-liberalization. According to a recent report of the Chinese State Statistical Bureau, the average age of domestic accounts receivables is growing. Two major reasons can be advanced to explain this situation: 1) In China, preferential terms of payment, particularly, temporal extension of payment deadlines, are widely used as a primary marketing tool. This credit-granting practice may be, to some extent, a reflection of culture. In a country where personal relations are painstakingly nurtured and the maintenance of harmony is of paramount importance, sellers would do their utmost to avoid embarrassing customers temporarily unable to pay (accounts receivable more than 100 days-old are not uncommon). 2) A sustained tight monetary policy, reflected in particular, in an increase in interest rates and a reduction in bank lending (a situation of 'credit crunch'), has resulted in liquidity problems for many businesses. In sum, the practice of permitting customers to delay payment for a longer period is a crucial selling tool for Chinese firms. Based on the preceding observations, it is hypothesized that *the growth rate of domestic accounts receivables for an IJV in China is positively related to its domestic sales growth.*

However, the practice results in greater credit costs (interest expense and bad debt allowance) as well as financial risk (transaction and economic exposures) for the seller. Therefore, *the growth rate of domestic accounts receivable for an IJV in China is expected to be negatively related to its profitability on accrued accounting principle basis.*

The empirical testing must develop a model where all constructs having an effect on each other are included. Thus, the aforementioned moderators or mediators must be incorporated in the model as control variables. The following is a brief discussion regarding these variables.

First, according to provisions promulgated by the Chinese State Council, the producers of "export-oriented" and "technologically-advanced" goods benefit from a preferential treatment, specifically they enjoy: (1)

Reduction in corporate income tax. For instance, currently the rate for these privileged projects is 10-24% while the rate for others is 33%; (2) Reduction in land-use fees; (2) Exemption from the profit remittance tax; (3) Receipt "priority" in obtaining water, electricity, transportation, and communication services. Hence, IJV performance is likely to vary across different type of projects. Second, the State-instituted Economic and Technological Development Zones (ETDZ), often located near a harbor and designed to provide the basic infrastructure for the establishment of new ventures, have proved to be a pervasive and substantial magnet for FDI in China, in recent years. In these zones, IJVs benefit from preferential treatment in a number of areas such as Enterprise Income Tax (EIT), Customs Duties, Industrial and Commercial Consolidation Tax (ICCT), and land rent. For instance, EIT is 15% for IJVs in ETDZs while 33% for IJVs in other areas (except for export- and technology-oriented products). As a consequence, it is predicted that location within or outside an ETDZ significantly influences IJV performance

Third, Caves and Mehra (1986) have shown that the relationship between firms business strategy and their performance is moderated by the characteristics of the industry (e.g., industry sales growth). In China where the industry and market structures are still far from perfection, certain sectors are undergoing transition while others are lagging behind. For instance, the dual-pricing system still remains in effective in some industries. When government instituted supply side controls are lifted in an industry, a rapid initial development will ensue, reflected in a surge in industry sales growth. Thus a positive association is expected between firm performance and industry sales growth.

Given the inherent weaknesses of single measures of performance and in order to capture and probe different strategic objectives of foreign investors, this study will measure the IJV performance along two dimensions: accounting return (ROA and ROI) and market growth (domestic sales growth and export growth). In SAS (Statistical Analysis System) modelling, these multi-dimensional performance measures are coded as the dependent variables, while all the strategic marketing variables and control factors including their interactions are included as the independent variables. A detailed explanation of the measures of independent and dependent variables is provided in the appendix.

RESEARCH METHODOLOGY

Data and Sampling

Cross-sectional data for 127 randomly selected IJVs, in operation during the 1989 - 1991 period in Jiangsu Province, were obtained from the Provincial Commission of Foreign Economic Relations and Trade, where one of the authors worked as a division head at the time. Jiangsu now ranks second in China in terms of GDP and the level of foreign investment absorption, as reflected in the number of IJVs and the total committed volume of foreign capital. The policies, rules and measures adopted in the province vis-a-vis FDI have been widely applied elsewhere in the country. The data is based on a survey of external financial statements (including related notes) that IJVs were required to submit to the above Commission.

Statistical Approach

This study relies on the General Linear Models Procedure (GLM) to run a multivariate regression under SAS software. Specifically, the Forward Selection (selection level=0.10) regression method is used to identify the relationship between individual dependent variables and forward selected independent variables in sequence of significance level. Based on the result of the forward selection process, those insignificant independent variables($p > 10\%$) are deleted from the regression list. Moreover, given the need to examine the aggregate multivariate effect from the whole model and the interrelationships between strategic marketing and control variables, the GLM procedure also incorporates a MANOVA test.

RESULT AND DISCUSSION

Forward Selection Regression (Table I) and General Linear Model Statistics (Table II) present the following findings:

Product Quality and Pricing: Product quality (QUAL) significantly and positively affects all four performance measures, whereas price (PRIC) is inversely associated with domestic sales growth. The latter relationship supports the view that Chinese consumers tend to value low cost over other product attributes, despite a tremendous growth in real purchasing power (Mahatoo, 1990). In addition, there is a significant interaction between pricing and industry structure, suggesting the IJV pricing policy may vary across industries.

R&D Intensity: R&D intensity (R&DI) demonstrates a marginally significant influence on IJV performance. While positively associated with market measures, it is negatively related to accounting performance. The relatively short history of the IJVs (most were set up after 1984) may explain this result. Indeed it is argued that the full effect of R&D expenditures on performance is likely to transpire after a longer time lag. However, as shown in Table II, the interactions of R&D intensity with location (ETDZ) and industry structure (INDY) are statistically significant, thus, R&D intensity seems to vary by if-Zone-location and industry.

Advertising and Size: Advertising (ADVT) is found to have an insignificant influence on firm performance except for a moderate positive effect on sales growth. Moreover, the function of ADVT on firm performance may vary across different industries, since ADVT interacts significantly with industry structure and affects local marketing performance. On the other hand, size is significantly and positively related to market performance. Indeed, greater size implies an ability to benefit from economies of scale and scope and invest in advanced equipment and technology. These are among the competencies needed for foreign investors in order to outperform the Chinese local firms.

In sum, and to answer the research question formulated earlier, the present results seem to indicate that not all these common strategic marketing variables (e.g., advertising and pricing) have similar effects on firm performance, or more accurately, on specific dimension of performance, across different economies.

Sales Force Marketing and Credit-liberalization: Sales force expenditure (SFMK) and domestic accounts receivable growth (DARL) have a statistically significant and positive impact on accounting profitability (ROI and ROA) and domestic sales growth (SGR). Thus, the hypothesis for sales force marketing and the first hypothesis for liberal credit granting are supported, while the second prediction for credit granting is rejected. This rejection could be attributed to a better customer/buyer network and/or ability to offset the negative impact on profit growth by maintaining higher gross margins.

Table I and II suggest the following results concerning contextual (control) variables. First, industry sales growth (INDY) has a moderate positive influence on ROI, ROA and SGR, but a negative impact on export growth (EGR). As a reflection of the imperfection of industry structure in China, a particular industry may experience a sudden burst of sales growth. When this happens, IJVs may tend to exploit the rapid local expansion rather than turn to export. Second, since TYPE is not significantly related to performance measures, no causal relationship can be inferred between type of products and firm performance, except for import-substitution (IS) products which were found to have a marginally significant positive relationship with accounting return. This result seems to indicate that the incentives offered by the Chinese government may not influence foreign investment decisions. Third, Table I and II suggest that IJV location in an ETDZ is significantly and positively related to IJV export growth. The implication here is that the preferential policy to encourage export of ventures located in ETDZ has been successful at least judging from results from the present sample.

CONCLUSION

This paper is designed to examine the impact of strategic marketing variables and related contextual factors on accounting- and market growth-based performance of IJVs operating in China. To the extent that Chinese settings are analogous to those in other developing or transforming economies, the findings also have implications for investing and managing strategies by foreign firms entering these markets.

In sum, the findings of this study suggest that: 1) product quality has a significant and positive influence on all the dimensions of IJV performance including both profitability and market expansion, and both domestic sales and export growth; 2) relative to certain quality, pricing is negatively related to local market growth. The Chinese consumers appear to be value-conscious and price-sensitive. 3) R&D intensity has a moderate and positive effect on market growth and a negative impact on accounting return. The reason for this may have something to do with the fact that the majority of IJVs in the study were set up after 1984. Some IJVs may not be mature enough to achieve the R&D return yet; 4) size is significantly and positively associated with market performance. Most IJVs in China receive new technologies transferred from the foreign partner and produce relatively narrow product lines. Big size thus implies having more advanced equipment and technology, leading to scale economies and market power for IJVs; 5) advertising has only a marginal positive influence on indigenous sales growth. Lack of confidence from the Chinese consumers on the truthfulness of advertising, arising from frequent emergence of spurious advertising, may be the major explanation for it; 6) sales force marketing is significantly and positively related to both accounting return and domestic market growth. Chinese are naturally preoccupied with the task of personal relation (*guanxi)* construction. They have developed extremely sophisticated skills that facilitate the development of interpersonal relationships. To do business with the Chinese, westerners need a basic understanding of *guanxi* dynamics - even if they don't want to play by Chinese rules; 7) there is a positive relationship between IJV's accounting and market performance and provision of lenient terms of payment for customers of IJVs in China, that is, the elaborate plan for an extension of credit to buyers is not systematically linked to lower profitability, although the extent to which the seller can go in providing credit facilities without incurring unsustainable costs is very firm- and situation- specific. Flexibility and solicitude toward consumer needs appear to be of utmost importance; 8) some contextual variables, such as industry growth and firm location have a moderating function on the linkage between strategic marketing variables and IJV performance, thus, the influence of strategic marketing variables on firm performance may vary across different industries and locations.

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Table I — Strategic Marketing Variables and Control Factors Affecting IJV Performance

Forward Selection Statistics (N=127, SLE=0.10)

Independent Var. Entered	Parameter Estimate: Intercept ROI	ROA	SGR	EGR	Coefficient ROI	ROA	SGR	EGR	p-value ROI	ROA	SGR	EGR	Incremental R^2 ROI	ROA	SGR	EGR
	-8.22	-10.5	-16.3	-5.98												
QUAL					6.55	8.11	3.43	1.25	0.005***	0.008***	0.007***	0.040**	0.12	0.11	0.15	0.07
PRIC							-3.76				0.075*				0.07	
SFMK					0.22	0.20	0.06		0.020**	0.025**	0.001***		0.09	0.10	0.12	
DARL					1.58	1.04	0.66		0.058*	0.043**	0.031**		0.08	0.11	0.08	
SIZE					0.01		0.01	0.01	0.061*		0.051*	0.029**	0.09		0.10	0.09
R&DI					-1.89	-0.99	1.22	2.64	0.083*	0.085*	0.088*	0.080*	0.06	0.07	0.05	0.06
ADVT							0.01				0.077*				0.05	
INDY					1.07	1.27	0.80	-3.26	0.054*	0.070*	0.041**	0.003***	0.08	0.07	0.07	0.26
ETDZ								2.77				0.031**				0.13
IS					0.55	1.88			0.076*	0.066*			0.03	0.03		

* $p < 0.10$; ** $p < 0.05$; *** $p < 0.01$

TABLE II — General Linear Models Statistics For Business Strategy and Control variables (N=127)•

Whole Model, Indep. Variable & Interactions	Mean Square ROI	ROA	SGR	EGR	F-value ROI	ROA	SGR	EGR	Pr > F ROI	ROA	SGR	EGR
Model	198.65	116.51	908.84	26.00	8.02	5.22	26.66	2.39	0.004***	0.017**	<0.001***	0.136
Error	24.77	22.32	34.09	10.88								
QUAL	1028.94	301.32	1932.9	47.00	41.54	13.50	56.70	4.32	<0.001***	0.001***	<0.001***	0.048**
SFMK	253.40	205.34	1027.1	19.37	10.23	9.20	30.13	1.78	0.002***	0.003***	<0.001***	0.193
DARL	154.07	172.76	209.65	16.76	6.22	7.74	6.15	1.54	0.011**	0.008***	0.016**	0.231
SIZE	131.53	55.80	129.54	66.37	5.31	2.50	3.80	6.10	0.024**	0.114	0.057*	0.018**
R&DI	94.13	68.52	95.79	38.08	3.80	3.07	2.81	3.50	0.054*	0.087*	0.092*	0.063*
PRIC	63.66	58.03	119.66	20.13	2.57	2.60	3.51	1.85	0.111	0.103	0.067*	0.183
ADVT	21.55	29.46	161.59	14.14	0.87	1.32	4.74	1.30	0.358	0.260	0.034**	0.265
TYPE	54.25	32.81	37.50	16.75	2.19	1.47	1.10	1.54	0.130	0.241	0.301	0.190
INDY	80.25	69.19	156.13	59.84	3.24	3.10	4.58	5.50	0.073*	0.082*	0.039**	0.020**
ETDZ	40.37	35.04	77.73	57.34	1.63	1.57	2.28	5.27	0.198	0.204	0.135	0.024**
INDY*R&DI	52.51	64.73	107.38	18.82	2.12	2.90	3.15	1.73	0.140	0.090*	0.081*	0.190
INDY*PRIC	71.34	55.57	289.76	4.68	2.88	2.49	8.50	0.43	0.091*	0.112	0.005***	0.523
INDY*ADVT	36.16	42.63	95.45	6.42	1.46	1.91	2.80	0.59	0.220	0.184	0.095*	0.484
ETDZ*R&DI	69.85	57.36	107.38	51.24	2.82	2.57	3.15	4.71	0.092*	0.103	0.081*	0.036**

* $p < 0.10$; ** $p < 0.05$; *** $p < 0.01$.

• 1) It is not our intention to examine the interactions within business strategy determinants which are thereby not incorporated in the SAS model design;

2) For interrelationships, only those significant interactions to any one of dependent variables are listed.

APPENDIX: VARIABLES AND MEASUREMENT

Dependent Variable:
1) Return On Investment (ROI); 2) Return On Asset (ROA)
3) Domestic Sales Growth Rate (SGR); 4) Export Growth Rate (EGR)

Independent Variables:
A. Strategic Marketing Variables
1. ADVT-advertizing expenditure
2. SFMK-sales force expenditure
3. DARL-growth rate of domestic accounts receivable
4. R&DI-R&D expenditure divided by total assets
5. PRIC-pricing, measured by average selling price of product in business relative to industry's average price, weighted by sales percentage of specific goods in total if multiproducts[1]
6. QUAL-product quality, measured by percent of products rated superior to competitors minus percent rated inferior[2]
7. SIZE-firm size, measured by total assets

B. Contextual Variables (Control Variables)
1. TYPE-type of product, dummy variable, measured by: Technology-Advanced(TA), Export-Oriented(EO), Domestic-Oriented(DO), Import-Substitution(IS)
2. ETDZ-firm location, dummy variable
3. INDY-industry sales growth rate

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1. The industry's average price is based on the Detailed Report of Jiangsu's Industrial Products, the third section of Annual Statistics Report of Jiangsu Province, Jiangsu Statistics Bureau. The firm's average selling price is derived from Financial Statement #04.
2. In quantifying "quality", this research is relied on the Report of Top Ten Enterprises in Each Industry (Jiangsu), and Introduction of Superior and Famous-brand Products in Jiangsu Province, both from Jiangsu Statistics Bureau.
3. Three categories are inherent in local partner variable: among the top ten, top 50, and other enterprises in each industry, based on the annual report of above Bureau.

CONCEPTUALIZATION OF CONFLICTS IN JOINT VENTURES

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Many researchers have concentrated on diversified joint venture conflicts, rendering conceptualization of such conflicts difficult. This paper therefore reviews joint venture studies in order to develop a conceptual framework for joint venture conflicts. A conflict model, based on strategic and operational causes with respect to life cycle position and environmental influence from a dynamic perspective, is proposed.

Conflict in joint venture (JV) is nothing new, on the contrary, it has been identified, discussed and analyzed in a great deal of JV literature (see e.g., Edström, 1975; Franko,1971; Koot, 1986; Matssura, 1989; Simiar,1983). Seventy percent of the partnerships in studies by McKinsey and Coopers & Lybrand eventually broke up, as well as half of those in Harrigan's sample, and a third of those in Franko's (Gomes-Casseres, 1987: 97). The presence of conflict, however, does not necessarily result in a breakdown. Instead, it is rather more common that ventures survive for many years, despite entanglement in a variety of problems during their lifetime. Finding joint ventures where some form of conflict does not exist may be difficult. Hyder (1988) reviewed a large number of JV studies and observed that more than 50% of these studies acknowledged the presence of either implicit or explicit conflict. By definition, joint ventures are created by different partners as independent organizations in order to exchange resources and facilities for mutual benefit through shared activities. The sharing of activity and facilities is in itself conflicting and parties involved in this process are for obvious reasons adhering to conflicting situations.

It is however interesting to contemplate many the worldwide increased awareness and willingness of firms to engage in some form of JV activities. Compared with the approximately 10,000 fully- owned foreign affiliates, there are 14-15,000 affiliates in the United States, in which the U.S. parent's share is less than 100 percent (Contractor, Lorange, 1988). Christelow (1987), who examined the importance of JV, observed that U.S. firms were increasing their participation in such ventures, especially in the manufacturing sector. Researchers are thereby confronted with an apparent dilemma: why increased intensity and new areas of conflict in JVs are getting exposed on the one hand, and why firms are getting more and more involved in joint ventures on the other. This can however explain many researchers' pondering management and success of joint venture operations. For example: Walmsley (1982) and Newman (1992) examined how viable JVs could be established; Lyles (1988) and Child & Marko'czy (1993) discussed the importance of JV learning; Beamish (1984) and Geringer & Herbert (1989) monitored JV performance; while Berg & Friedman (1980), Killing (1983), O'Reilly (1988), and Schaan (1983) stressed the success of JVs.

One main reason for this multitude of studies, is that JV itself is a complex organizational form and problems associated with it are even more complex. Complex systems are analytically indeterminable and unpredictable (Lorange & Probst, 1987: 72). Furthermore, JV researchers came across a diversity of conflicting situations, implying that the situation has not gotten better and that there is a lack of general understanding on JV conflicts. No attempt has yet been made to systematically structure the conflicts discussed in the various JV literature. The problem is not that we know little about JV conflicts, it is rather associated with categorizing and treating these conflicts in a meaningful way. This article therefore aims to review JV studies in order to identify and thereupon conceptualize a number of JV conflicts. The study attempts to demonstrate how conflicts in JV are linked to each other and how they can be better interpretated and conceived.

In this paper, conflict in JV has been recognized in connection with a few central organizational issues. These issues, namely, resource, goal, control and performance have been discussed in the following four sections concerning the emergence of conflict. Afterward, a conflict model for JV type of organization is proposed from a dynamic perspective. The paper ends with a conclusion.

RESOURCE CONFLICT

Firms will cooperate in forming JVs only if the needs of each partner are great enough and if they can add resources which are complementary to the other's attributes (Harrigan, 1984: 10). Walmsley (1982) observed the depth of the JV relationship, and found a deliberate alliance of resources between two independent organizations. Since the main reason behind JV formation, and its success, is associated with acquiring vital resources, partners are sensitive to this issue and examine each other's resource contribution over time closely. Scarce resources are valuable, for which, each partner will tend to allocate as little of them as possible to the JV. In the JV literature, most conflicts are therefore reported to occur on the grounds of resource exchange (cf. Berg & Friedman, 1980; Dymsza, 1988; Hyder, 1991; Koot, 1988; and Lyles, 1993; Reynolds, 1984). Harrigan (1984) found each party to the operating JV making a substantial contribution in the form of capital, technology, market experience and personnel or physical assets. Pfeffer & Salancik (1978) argued that conflict was not possible unless there was criticality of resources and interdependence. On the basis of Pfeffer & Salancik's viewpoint, Hyder (1988) examined exchange of five resource variables; raw material, capital, manpower, technology and market between partners, and he found conflict was related to the last four resource variables. This section is therefore based on these resource variables.

EQUITY

Reynolds (1984) observed the local partner's inability to raise funds for further investment as a cause of conflict. Hyder (1988) also dealt with conflicting situation due to either inability or unwillingness on the part of local partner to invest further capital in the venture. When undercapitalization and extended pre-operating difficulties came together, several ventures were not-profitable far longer than had been anticipated (Reynolds,1984: 27). Problems with local financing of expansion programs was also acknowledged by Hall (1984). He also found a 50-50 JV problematic because in such arrangements even small impasses might block management decisions (see even Killing, 1983 and Tomlinson, 1970).
Friedmann & Be'guin (1971) argued that many foreign investors sought voting control, i.e. majority ownership, in JVs as a necessary condition for management control. They further related this to a case study where the executives of a German company felt that only if they had a decisive say in the management of a JV were they able to apply their own technical skills. According to this company, a firm without voting control of a venture is too easily subject to constant interference from the other partner or party involved. Some managers in larger firms may also view minority equity investments as a transitional step toward majority or full ownership, a threat to their smaller partner (Doz, 1988). Hall (1984) argued that JVs open areas of conflict with local partners, whether or not foreign firms have a majority. No matter what the initial agreement on control and ownership may have been at the start of venture, environmental and strategic changes over time may shift the relative bargaining power among the partners (Kogut, 1988: 177).

PERSONNEL

Child & Marko'czy (1993) recognized six types of managerial learning in JV, two of which, i.e. non-learning and forced learning were likely to result in conflict.[1] Neither cognitive nor behavioral change occur when *non-learning* takes place. Cognitive change is primarily concerned with understanding the new system and doing business within it. Child & Marko'czy (1993) described behavorial change to be primarily concerned with adopting more effective practices such as accepting decision-making responsibility, communicating information, and introducing performance-related personnel practices. *Forced learning* results in behavioral change but no cognitive change or personal acceptance does occur. Although the term 'forced' refers to how learning is brought about and not necessarily to how the process is perceived by those on the receiving end, it is likely to meet reluctance among host country managers (Child & Marko'czy, 1993: 626-627). There is fair evidence that expatriates try to implement the foreign frim's policies without considering the importance of local norms and values (Hyder, 1988).
Conflict of loyalty to the JVs versus the parent companies is a considerable problem for most employee groups in the JV system (Franko, 1971; Kobayashi, 1967; Peterson & Shimada, 1978; Yoshino, 1968; Young & Bradford, 1977). Loyalty problems stem from the multiplicity of entities involved in the JV framework (Shenkar & Zeira, 1987). Rosten (1991) studied Soviet-U.S. joint ventures and observed dual allegiance with Soviet personnel, i.e. they report to the Soviet partner and also to the JV. They must assure that their actions comport with the views and interests of the Soviet partner before they take action on behalf of the JV (Rosten, 1991: 98).

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[1]Child & Marko'czy (1993) termed the other four learning types as imitation, received learning, integrative learning and segmentation, which mainly occurred through cooperation.

There may be hidden agendas among the parent firms that influence decision-making for a JV and renders its manager's job more difficult (Lyles,1988). Many researchers found cultural differences, especially in the developing countries, a major problem (cf. Barlew, 1984; Beamish & Lane 1982; Raveed & Renforth, 1983). The greater the cultural gap between the parent's base countries, the greater the problem (Killing, 1983: 57). Otterbeck (1979) and Wright (1979), who studied JV problems in Japan, also found communication gap to be a serious problem.

TECHNOLOGY

Access to technology and market are the key bargaining chips in negotiations leading to joint venture creations, reconfigurations and terminations (Harrigan, 1984: 12).
Matsuura (1989) studied conflicts between Japanese and Korean firms and observed why Japanese firms were reluctant to supply technology to the Korean partners. It many cases, it happens that South Korean firms became competitors in the international market of the Japanese through licensing agreements or JVs, who originally provided the technology to the Koreans. The greatest fear among Japanese executives is that any technology transferred to Korea will be simply taken over by the Koreans (Matsuura, 1989: 66). Three out of the four Japanese interviewed for this study indicated that they would licence technology than invest in JVs with the Koreans (Matsuura, 1989: 66).
Technological transfer and technical support of the foreign firm often play a crucial role for the success of a JV, so the local partner always tries to ensure this resource. Dymsza (1988) however, argued that since JVs in developing countries were generally a small part of the total international business of most transnational companies, they may not grant high priority to them in resource allocation, management and technological effort. Doz (1988) studied difficulties with technology partnerships between larger and smaller firms. He found that especially cultural distance, i.e., difference between the collaborating firms' ways of operating, would deeply hamper the technology transfer process. He further argued that partnership is a partly competitive relationship and the larger partner would try to capture the smaller's valuable technolgy.

MARKET

Tyebjee (1988) found differences between Japanese and American partners regarding supply of information to the customers. The Japanese partner was willing to provide cost information to the customers, as he considered them as belonging in some way to the JV. This was unacceptable to the American partner as it would have an adversary effect in price negotiations with customers.
Harrigan (1984) described formation of JV as a method of preventing the other partner from ever becoming a competitor or gaining control over the market resource. Dymsza (1988) found that transnational companies emphasized maximization of profit through adaptation of global strategy, particularly in the area of marketing. This measure severely cuts JV independence and reduces its status to the subsidiary level, which a local partner can hardly accept. Hyder (1988) observed that a local partner was keen to take marketing responsibility for the JV products. The local partner adopted traditional ways of marketing instead of modern marketing technique which the foreign partner was, at any cost, eager to apply. Conflict in respect to marketing emerged, partly due to divergent belief and practice of the partners, and partly to their financial interests, A JV between a marketing-oriented transnational company and a national firm can fail because of major differences between the parties about marketing policies and procedures (Dymza, 1988).
Reviewed studies in this section imply that there are varying forms of conflict between partners during the exchange of resources. One important reason for these conflicts is the difficulty to assess on anothers' actual ability and future motivation in contributing resources. Killing (1982 & 1983) argued that the need for resources would change over time, making the partners less important to each other. Franko (1971) criticized the view of partner contributions as a static bundle of skills or inputs. In my view, variation of contribution can occur in two ways: partners no longer attach the same interest in contributing resources or there is still the same interest but one of the partners has not the ability to fulfill his earlier commitment. I argue that the last situation will not occasionally evoke conflict due to the gap between expected and actual contributions by the parties. Emergence of resource conflict in JV is presented in figure 1.

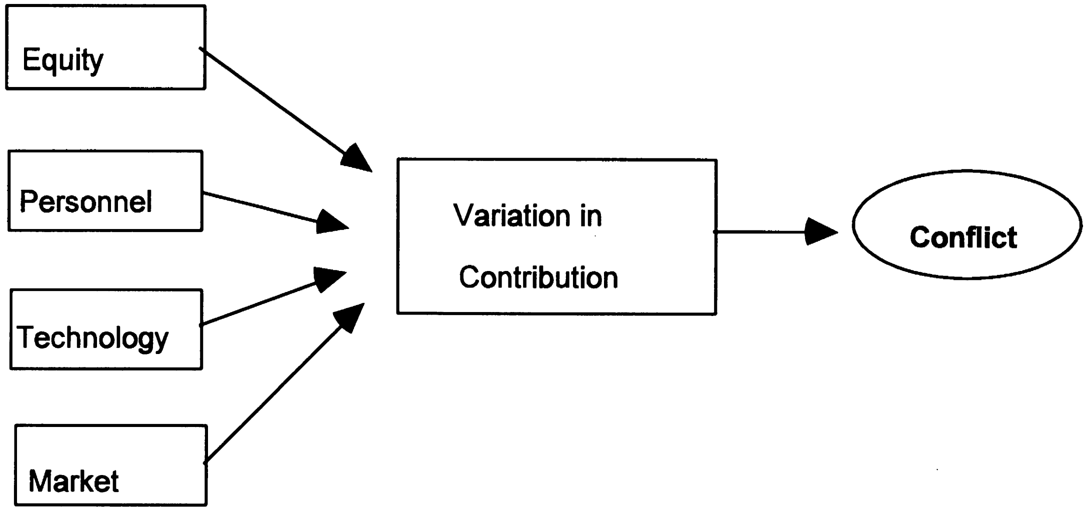

Figure 1
Occurrence of Conflict as a Result of Exchange of Resources

GOAL CONFLICT

"Lack of goal congruence" has been cited by many authors as a major reason for conflict in JV. Sinker & Zeira (1987) described multiplicity of goals as one of the reasons for the JV emerging as a unique complexity. Habib (1987), who studied manifest conflict, found there was a significant disparity of goals between the partners of JVs. He further observed that the greater the disparity in partners' goals, the higher the level of conflict in a venture. Reynolds (1984) found that the shifting of power over time caused divergence of objectives from initial congruence. The partners' business objectives may differ so radically that agreement on how to operate, fund and benefit from the venture may be difficult or even impossible to reach (Barlew, 1984: 50). Environmental conditions and parent firms may change and the child itself will evolve over time (Edström, 1975; Harrigan, 1984), which brings forth changes in events and objectives of the parties, not necessarily in favor of them both. As a firm's capabilities grow, it may no longer need the cooperation of its JV partner (Gomes-Casseres, 1987: 101). Studying stability in Swedish JVs, Edström (1975) observed that differences in goals and in the ability to accumulate resources were the main causes of conflict between the partners.

Mixed motives and hidden agendas are sources of future conflicts between partners (see Lyles, 1987 and Dymsza, 1988). A partnership may be a blocking position, meant to prevent the partner from entering an alliance with another firm, at least temporarily (Doz, 1988: 324). Simiar (1983) identified two major causes of conflict between partners in Iran: 1) difficulty in understanding each other's culture and customs, and 2) lack of goal congruence. He noted that the foreign firms' interests were associated with the development of a market and the creation of a foothold in the region for long-term profitability, while the objectives of the local partners were to expand through diversification and withdraw all or most of the profits to invest elsewhere. Difference in the partners' expectations concerning time orientation (short-term versus long-term) had also been covered by Schaan & Beamish (1988).

Tyebjee (1988) identified JVs through family ties while studying JVs between Japanese and American partners. He found two types of problems were prevalent in those ventures. Firstly, the venture has a relatively narrow market focus which leads to differences in opinion between parents about the growth objectives of the venture. Secondly, the Japanese supplier tends to see itself as a part of its customer's organization, while the American supplier prefers an arm's-length business relationship with customers (Tyebjee, 1988).

CONTROL CONFLICT

In JV, control is more difficult to achieve because ownership is shared by multiple partners (Harrigan, 1985; Killing, 1982 and Lyles, 1988). Within a unified structure the lines of authority, control over decision-making, and resource allocation, are clearer and more stable than in a JV (Lyles, 1993: 399). But it does not mean that partners will not try to assume control. On the contrary, partners will be more tempted to seek control over the operation and the resources, since they feel a need to secure their investment in the JV. Conflict is a natural outcome when partners compete with each other to attain maximum control.

Policy makers in international JVs discovered that decision- making is a particularly complicated process because of the conflicting expectations of at least three different task environments (Shenkar & Zeira, 1987: 551). Difficulties arising from differences in size force partners to confront power issues (Lyles, 1987).

In JV, the functions of the partners are often unclear. If the JV's planning functions are "split" among the various partners in such a way that less realistic learning and adaptive feedback measures are generated, then the JV will face disadvantages due to this lack of self-relience (Lorange & Probst, 1987: 73). Killing (1983) distinguished three JV types according to the pattern of control exercised. *Dominant parent* JV signifies that one of the parent firms manages the venture as if it was a wholly-owned subsidiary, *shared management* JV considers both partners' contributions relevant and necessary, while the third type, *independent* JV excludes any significant contribution by the parents.

Friedmann & Be'guin (1971) found that foreign firms preferred to retain control in JVs to apply their own technological skills, to secure external financing, and finally, to create links and avoid competition among the affiliated companies. Host countries often see the JV as a necessary vehicle to enhance local control of production and, at the same time, a medium through which benefits of foreign technical and managerial know-how can be derived (Afriyie, 1988). Retaining control of the JV has therefore been an area of conflicting interest between local and foreign firms. Schaan & Beamish (1988) found foreign firms usually tended to duplicate their managerial systems and processes through their own personnel having little or no experience in less developed countries or with JVs.

Upon comparing Schaan's work (1983), Killing (1983) concluded that inexperienced partners would rely more on the negative aspects of control. It takes time to learn the technique of control, so an inexperienced partner will be inclined to acquire majority ownership in JV. It is also possible that during the period of operation, a partner can learn something of importance to the JV of which he had no previous knowledge (see Harrigan, 1986; Killing, 1982). This will however reduce the criticality of the resource and no longer be a source of control. An unexpected decrease in criticality of a resource often causes imbalance of power and the affected partner may be involved in conflict (Hyder, 1988).

Engwall & Johanson (1980) and Larsson (1985) addressed formal and informal control where they found legitimacy/authority as the power base of formal control, and access to scarce resources as the power base of informal control. Similarly, Schaan (1983) discussed positive and negative control mechanisms in JV. Positive control mechanisms are usually exercised through informal arrangements in order to promote certain behaviors, while the latter are used through formal agreements in stopping or preventing the venture from implementing certain decisions or activities (see Geringer & Herbert, 1989). Hyder (1989) also distinguished two types of control: formal control and control through resources, both of which can lead to conflict. Not all control practices are discouraged in JV, but control itself is a negative word so can often be recognized in relation with conflict. How control results in conflict is exhibited in Figure 2.

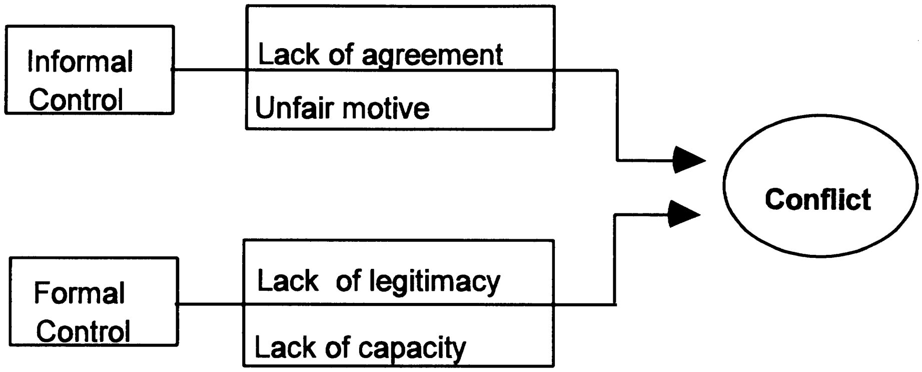

FIGURE 2
Control Pattern in Joint Venture Leading to Conflict

Informal control can be positively related to conflict in two ways. Firstly, when one of the partner's contributes some resource which neither of the partners have previously agreed upon. Secondly, a resource facility is supplied by one of the partners only to gain advantage. An example of such an advantage could be offering marketing support to the JV to sell its products. Formal control, suggested as being mainly involved in causing problems, also leads to conflict in two ways. The first is when one partner without authority, exercises control on the JV, and the other is when formal control is not properly backed by negotiated resources.

PERFORMANCE CONFLICT

In a comparison of his own survey with those of Franko (1971), Janger (1980) and Killing (1978), Beamish (1984, 1985) argued that firms would encounter more performance problems with JVs in developing countries than in developed countries. Unclear performance expectations create stress (Lyles, 1987: 80). Differences between expectation and achievement can affect the interests of partners positively or negatively depending on their initial conception and final performance (Hyder,1988).
Schaan (1983) reported from the study of ten Mexican JVs three findings concerning measurement of performance. He first mentioned that firms used a variety of qualitative and quantitative criteria for this purpose. Moreover different parents had different measurement criteria. Secondly, is the difference in success criteria between the partners' and the JV managers' success criteria. Managers in parent companies tend to decide on the JV's success, based on how well the venture meets their own expectations, while the JV general manager's judgement is based on the avoidance of bad relationship between the parties involved (Schaan, 1983). The primary goal of the JV general manager is to avoid or solve conflicts between the parents and his secondary goal is to meet the parents' expectations. For the parents it is quite the opposite. The third finding Schaan made concerned the changing nature of the success criteria over time. What is an appropriate measure at one point in time may not be appropriate at another point (Schaan, 1983: 318). The first two findings had also been recognized by Koot (1986).
Killing (1983) argued that JV's profitability is not solely based on profits, but also on transfer prices, royalties and other non-traditional financial performance measures. Due to this deficiency, traditional financial measures were consequently judged to be inadequate for use within JV context (Geringer & Hebert, 1989: 244). Bivens & Lovell (1966) observed that in JVs firms bring both tangible (e.g. financial resources, technical know-how) and ill-defined (e.g. local business ties, management ability) assets. Contribution through intangible assets can easily be evaluated whereas the latter type is difficult to assess. This deficiency will make trouble for the partners in deciding where they really do stand concerning resource allocation and how far and in which ways they are responsible to the JV performance.

JV CONFLICT MODEL

What is apparent from the foregoing literature review, is the divergence of conflicts in joint venture emerging from mere misperception to issues of strategical significance. It is therefore important to develop some standard criteria by which JV conflicts can be structured and understood. One such criterion that is proposed here, is to discern conflicts on the grounds of their occurrence. The argument behind this criterion is that conflicts could be described only when we knew why they had emerged. Lyles (1987) investigated basic causes of JV mistakes and recognized three causes: poor judgment, human behavioral error and unanticipated events. These causes are important, but I argue that they are not sufficient in understanding JV conflicts. If partners have divergent interests, they will differ on virtually all strategical points, and none of Lyles' causes address these. It is evident from the earlier review that partners fall into conflict because of a need for control. This is however rather uninteresting unless we investigate further and find out what it is that generates this need. Doz (1988) however stated that when convergence of purpose was missing, partnerships would be in danger. He stressed the relationship between strategic and operational aspects in managing the partnership over time. I therefore suggest two broad categories, i.e. strategic causes and operational causes, in studying JV conflicts.

Another criterion in explaining conflicts is to pinpoint the position of a JV on its life cycle. A newly established JV involves completely different situations compared to an older one, with respect to both resource allocation and management practices. It means the age of JV will largely dictate the kinds of problems with which they are likely to be entangled. Evidence in support of this argument can be found in Shenkar & Zeira (1987) who reported emergence of different conflicts during the various stages in the evolution of JV. They found that unfamiliarity was greatest during the early phases of international JV operation, that the screening of information might peak when the venture was on the threshold of dissolution and that the two partners were likely to become competitors in the same market, According to Koot (1986), problems were threefold: the JV was hard to direct to its goals; it required a formation period with hardship; and it was difficult to manage even when it began to operate.

A third criterion, which I have called "environmental effect", has been addressed by many authors in the context of JV conflict. This factor is a matter of uncertainty which can cause the JV to fail, despite the fact that it is in possession of all of the qualities and resources required for success. Gomes-Casseres (1987) argued that a JV might lead to changes in firm capabilities and scope, that would reduce the benefits or increase the costs of the partnership. Whatever the case in either direction partners will be made uncomfortable and even the partnership may be difficult task. It is well and good to start the JV with technical know-how, but if the market changes or competitive strengths develop, the partners will constantly reassess the other partner's ongoing contribution (Young & Bradford, Jr.,1977). Lyles (1987) termed this unanticipated events pertaining to future. Learning in JV is also related to the environmental effect. Killing (1983) observed that change in the need for resources from one another occurred due to the presence of continuous learning. All learning does not cause conflict, especially if the partners have deliberately agreed upon it in advance.

A very important aspect of JV is related to dynamism, which has been recognized by many authors. A dynamic, evolutionary view of the cooperative venture's development may be needed (Lorange & Probst, 1987: 71). As commented by Harrigan (1984), JVs are formed within dynamic environments and therefore it is necessary to study a joint venture more intensively as it develops. Shenkar & Zeira (1987) and Doz (1988) also stressed the dynamic characteristic of JV. So it would seem quite reasonable to consider even conflicts in JV from a dynamic perspective. As mentioned earlier, in general, Pondy (1976) treated conflict as a dynamic process. Necessity of such a view on JV conflict is further supported by Lyles (1987). Although most research on JVs has looked only at a particular point in time, analyzing mistakes involves looking backwards in time to determine why a certain action did not achieve the desired results (Lyles, 1987: 80). In the proposed model (figure 3), conflict in JV is therefore shown on a continuum.

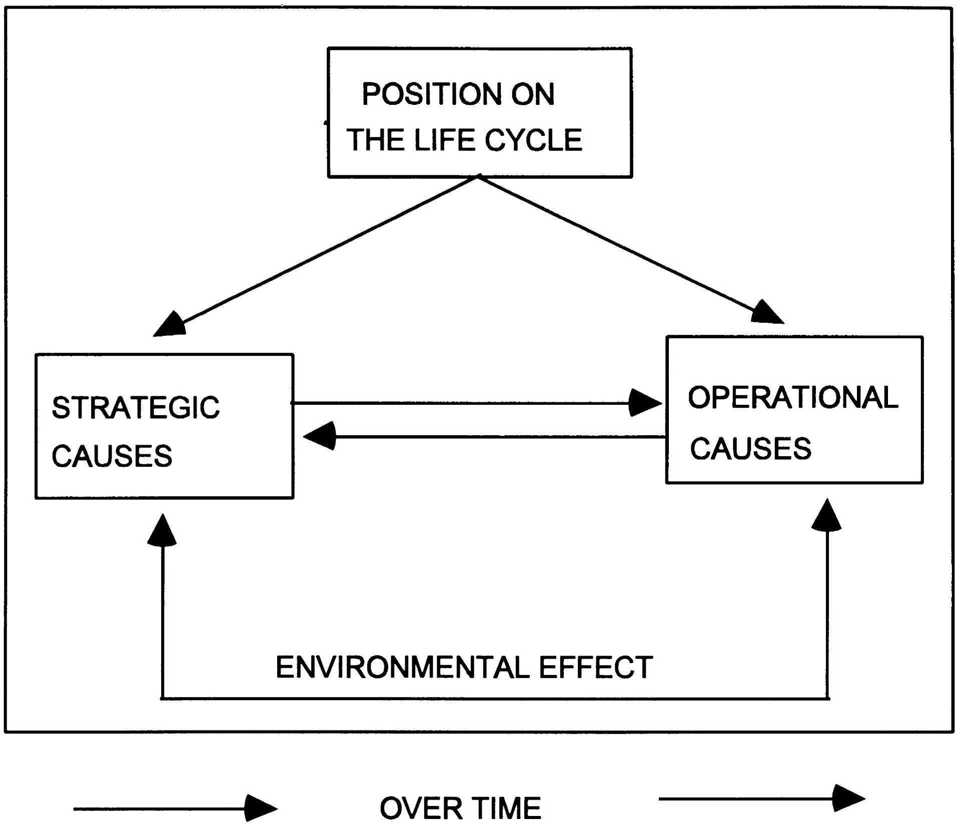

FIGURE 3
A Joint Venture conflict Model from a Dynamic Perspective

CONCLUSIONS

The number of studies on JV conflicts has increased, indicating that interest for this type of investment is continuously growing. Strategical alliance, a recently developed configuration of JV, has also drawn attention from many international marketing researchers. An increased amount of JV conflict literature can however also mean that the studies have not yet been entirely satisfactory in properly understanding and conceptualizing the conflict mechanism in JV. I argue that one major drawback of these studies is in their considering JV problems at a particular point in time. A JV is not a static arrangement, and even conflicts follow a dynamic process. If two partners engage in conflict at a certain point in time, the same partners, at some other time, can resolve these conflicts and have a more collaborative venture than other successful business enterprises. What is needed, is a complete picture of the process, not a partial view. The model proposed in this paper emphasizes therefore the dynamic characteristic of JV conflict.
Diversity has been a major obstacle in conceptualizing conflicts. Unless issues and problem causes are recognized, the situation will remain complicated and any good or genuine explanation will not suffice. Broad categorization of activities in strategic and operational areas in this paper addresses, in particular, the above issue. Since conflict is a central phenomenon in JV operation, this study will be helpful in understanding and further developing JV theories. Researchers will be able to see JV conflicts from a broader perspective and can thereby formulate interesting future research problems.

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THE NEXUS OF POLITICAL AND ECONOMIC FACTORS IN INTERNATIONAL RELATIONS : A MARKETING PERSPECTIVE

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ABSTRACT

Relations between governments and private organizations are shaped by a composite of cultural, social, political and economic criteria. This conceptual paper examines the conditions under which political criteria set the pace of economic relations and vice versa. The paper suggests that in their international relations, nation-states observe a certain hierarchy of interests in terms of their vital importance to the society. The paper introduces the concepts of ÒCore economic interestÓ and ÒCore political interestÓ to describe this hierarchy.Ó Examples from Finland's relation with Russia and some Arab countries are reported.

INTRODUCTION

The nexus of political and economic factors in international relations has been recognized both in the literature of economics and of political science. International relations are seen as molded, shaped and modified on the bases of perceived national interests. The delineation of these interests encompasses an amalgam of economic and political factors. Sovereignty over own demarcated territory and national security, are recognized at the apex of political interests. However, securing access to certain economic factors (energy, raw material, market), is often perceived as a vital national interest tantamount to national security. The concept of security is increasingly being used in connection with some economic element: food security, water security, and energy security.

The study of political factors has almost entirely been left to the realm of political science and partly international economics at the macro level (Lindblom 1977, Mann 1986, Blake and Walters 1987, Paul 1988 Russett 1992 and Shaw 1991). Little effort has been made to integrated econo-political relations in the firm level.

Every marketing text book contains some reference to political factors as instrumental in international business: political system, political stability, governmental regulation, and the like. These are perceived as risk factors and are treated largely in a normative manner. Most marketing models include a cell in which political factors are compiled and acknowledged as exerting an influence (Kotler 1991). Some studies addressed the role of ÒgovernmentÓ as an actor in the marketing network emphasizing: political relations between countries, attitudes towards foreign companies, and governmentsÕ buying behavior. (Kotler 1991, Hadjikhani and Sharma 1993, Ahmed 1993). Political economy frameworks are also introduced, applying concept of power in marketing context (Stern & Reve 1989), and power and bonds Easton & Araujo 1989)

This paper addresses the question of government to government relations in as much as these affect relations between firms from the respective countries, an angle that has not received sufficient attention. When and under what conditions do political relations nurture business opportunities? When and under what conditions do business opportunities nurture political relations? When do economic considerations dictate the political agenda and when does political realities dictate economic relations?

These questions are worth investigation from a marketing standpoint and should have important implications for marketing strategies. Is the decline of communism and the decrease in world tension an indication heralding an era when politically and ideologically centered trade relations is fading away? Is the increasing global business overshadowing nation-state concepts (March 1994). What are the wider implications for world trade, with ÒGlobal political and security issues are effectively settled by a directorate of the United States, Britain and France, world economic issues by a directorate of the United States, Germany and Japan (Huntington 1993).

This paper draws upon the network approach and examines the impact of political actors (governments) on the activities of commercial actors (firms) and vice versa. Political actors pursue political agenda and apply sets of criteria (i.e., National security, sovereignty, socio-political and ideological principles). Commercial actorsÕ agenda and sets of criteria focus on the economic impact of certain industries in the home country. In all international relations issues, a balance between these sets of criteria is observed. When the political criteria are perceived to be vital, they decide the direction of trade, pushing it in a certain direction rather than the other. When the commercial criteria represent a higher stake, they may lead the political actors.

These issues are discussed in sections II and III below. First the dynamics of political and economic interests are addressed. Conditions when either of the these factors clearly dominate are identified. Section III addresses the cases when the two factors are at work with none gaining clear over dominance. These are more frequently encountered situation and they call for some reshuffling of priorities both on the political and on the business levels. The concepts of hierarchy of interests are introduced and treated at some length.
The arguments presented here are illustrated in the case of FinlandÕs relations with two of her trading partners: the USSR (Russia) and the Arab countries of the Middle East. Sections IV examine FinlandÕs trade with the USSR, a trade ÒmanagedÓ by political considerations ever since the imposition of war reparations on Finland in 1944. Marketing effort merely followed the politically drawn frame. This pattern continued long after the reparation has been paid out. On the other hand, Finland has had hardly any political relations with the Arab countries until the 1960Õs. Following the boom triggered by the first oil crises, political relations were hurriedly established with most countries of the area. Section V examines Finland's trade with Arab countries. The development of trade with these two regions is compared and analyzed emphasizing the roles played by the different actors at various stages.
The paper concludes with some suggestions for further elaboration on the concepts presented, managerial implications and policy recommendations.

THE 'ECONOMIC' AND THE 'POLITICAL' IN INTERNATIONAL MARKETING

It should be emphasized that at a certain level of analysis, the line of demarcation between the economic and the political becomes blurred. Interests are certainly composite in nature and are dynamically changing constantly. Furthermore, "political" interests are constantly shaped by economic factors. The political agenda of a country is dictated by the sum of interests (economic and otherwise) of the various segments and pressure groups of the society. The Soviet Union never concealed its objections on the prospects of Finland joining the EEC. Today, Russian officials repeatedly assert that Finland joining the EU is in their own economic interests. Finnish membership in other political or defense organizations (NATO) is of course a different matter.
In the last few years, the United States engaged in military actions in Grenada, in Panama, in the Gulf, in Somalia and in Haiti. Direct and clear threat to US national interests can be identified in perhaps only one of these cases. IraqÕs invasion of Kuwait in August 1990 could hardly be viewed as a direct threat to the national security of the US in pure political terms. However, the prospect of Iraq extending control over a large portion of World oil supplies was seen a direct threat to the economic interests of the US. Also, the perception of what is "political" and the 'economic' is subjective, depending on the actor involved. For the US, Iraq's invasion of Kuwait in 1990 was a direct threat to the economic interests, for the Kuwaitis and Saudis, it was a question of national survival.
Gunnar Myrdal (1977) observed: "I came to see that in reality there are no economic, sociological, psychological problems, but just problems and they are all mixed and composite."

1. Political and Economic Factors Intermix

The political interests of two countries may clash with each other in various spheres and degrees. A country may experience another as a threat to its vital national security, to its strategic interests or simply as an antagonistic to its socio-political values and ideology. Similarly, economic relations with another country may be perceived as of major impact on the national economy as a whole, or simply with only insignificant impact on a peripheral industry. Figure I depicts the possible courses when political and economic factors intermingle.
When both the economic as well as the political interests are perceived as concur with each other, they are expected to be set for intensive and mutually beneficial cooperation. By contrast, when the economic and economic interests of any two countries clash, that is, when they are perceived by both parties are adversary and antagonistic, there is every reason to expect that they will engage in what is referred to as Negative Relations. Negative relations should not be confused with simply being indifferent to each other. Rather they imply active and deliberate attempt *not to* cooperate with another country e.g. by boycott or embargo. (Paul 1988, Losman 1979).
Cases of extreme negative relations, (the upper right cell of Figure I) are becoming rare (e.g. US and Cuba, US and Iraq, and Iraq and Kuwait). Considering the shifting realities in the ever changing world, it is difficult to imagine these cases to linger far an extended time. The U. S relations with Vietnam, with North

Korea and with China are cases in point. Cases when the political and economic interests are not cognate, represent a special challenge specially from a marketing perspective. This is treated in the following section.

2.Core and Peripheral Interests Hierarchy

Should economic interests be perceived more positively, business interests may be expected to apply pressure to modify political attitudes. Examples are found in the renewal of Most Favored Nation (MFN) status to China amidst political disagreement over China's human rights record, lifting the embargo on Vietnam before resolving the issue of MIA. Likewise, when political relations are perceived more positively, political decision makers may exert influence or offer attractive incentives for business to engage in the desired country. Foreign aid, financial guarantees, and loans are common practices.

How serious is the perceived threat/benefit to national interests?

It was the US ban on the sale of scrap metal to Japan that triggered the latter's attack on Pear Harbor and the threat to oil supply that prompted the Gulf war (1992)

It is possible to state that the Gulf War in early 1991 was in the first place, aiming at defending strategic *economic* interests of the US. For the Saudis, and the Kuwaitis on the other hand, the question was primarily a question of their very political existence or survival.

Figure II delineates conditions where political criteria and economic criteria conflict and the perceived hierarchy of interests become an issue. Political relations are presented along a dimension having three hierarchical categories in terms of their significance to the national interests of the country: "Core Political Interest", matters related to national security are presented on column three. These include matters that have direct bearing on the security and safety of the country, on its territorial integrity, its sovereignty and defense. Matters having "Potential Strategic Significance" are put on column two and include situations that may on the long run have a bearing on national interests. Regional cooperation, global environmental questions and relations with potential allies are some examples of these criteria. Finally, in column are situations related basically to shared ideological values, political and social ideals, democracy, political participation, and human rights are typical examples

Economic interests are, likewise presented in a hierarchy in terms of the impact on the economy. Row one represents cases where the impact affects "Peripheral" industry in the country concerned, that is less significant and with minor impact on limited economic activities. Row two comprises economic activities that have significance to some certain growth industry, with potential impact on a wider sector of the economy. Row three contains activities that have major significance to the national economy as a whole. Strategic material and energy are two examples.

In the figure, Cell E3P3 on the top right depicts a situation when the core political interest of the country, converges with the "Core Economic Interests". In such cases, close and intensive cooperation is expected. This represents a kind of "Kin country" relation (Huntington 1993). Both political actors and business actors are expected to engage in active attempts to integrate their activities. By contrast, Cell E1P1 depicts the situation where both political and economic criteria are weakest. The impact of the economic relation on the economy is minor and the two countries share nothing beyond general values and ideology. Motivation for common effort, both at the political level and at the economic effort is minimal. Actors are largely passive.

Moving further to Cell E2P2, we see the case when potential pay-off for some growth industry is expected. Simultaneously on the political dimension, potential strategic significance is expected from the relation between the two parties. Here we find both the political and the economic actors equally motivated to initiate and enhance the relation.

Column one depict cases when political criteria are at the shared value level with the political actors taking a secondary role. However, while in Cell E2P1 the political actors may be expected to lend support to the economic actors, in Cell E3P1, with the economic impact of the relationship important to the national economy, political support is very much likely to be forthcoming. Correspondingly, Column three depicts cases when political significance for the cooperation is at its height. In Cell E2P3 political actors lead and usher business actors, while themselves are rather motivated for the cooperation. In Cell E1P3, business actors shall be needing more incentives from the political actors to engage into the relationship.

In the following sections we shall review the relation between Finland and Russia on the one hand and between her and some Arab countries in the Middle East. The two cases are quite illustrative to the arguments presented here.

FINLAND AND RUSSIA

Finland's history is a typical example of a small nation sandwiched between larger and more powerful neighbors. As far back as 1155, Finland has been a province of Sweden. Sweden's defeat in the war with Russia in 1809 forced her to surrender Finland that became a semi-autonomous grand Archduke of Russia. Repeated attempts to gain independence led to occasional bursts of unrest. All along however, Finland continued to play a very significant role as an economic gateway to Imperial Russia. European technology and industrial products reached Russia through Finnish intermediaries. At the turn of this century, nationalistic movements in the decaying Russian Empire called for incorporating Finland into the empire.
Instantaneously after the Bolshevik Revolution, Finland declared her independence (December 1917). A civil war erupted between Finnish "Reds" and "Whites" with some Russian Army units extending help to the "Reds". After the "Whites" prevailed in 1920, peace was reached with the new Soviet Union. Relations with the giant neighbor continued to be guardedly correct.
With the rising tension in Europe in the late 1930's, the USSR demanded some "security" arrangements from Finland. On the pretext of fortifying the defense of Leningrad (St. Petersburg), Finland was asked to give some territorial concessions and when Finland refused, a bitter war flared and the Red Army advanced to occupy parts of the South East of the country.
A peace treaty was signed with the USSR in Paris in 1944 according to which Finland had to surrender territories lost in the war. More significantly from the viewpoint of this paper was the so-called war reparations imposed upon Finland according to the terms of the peace treaty.
As a compensation for her "aggression", Finland had to pay the USSR war reparations to the amount of over US dollars 300 million at the pre war dollar value. In reality and in current value, that meant well over US dollars 700 million. Roughly one third of the reparation was to be paid in the form of forest products, the rest was in the form other industrial and engineering products; machinery and equipment, transport systems, ships and metal industry products.
The war reparations, painful as they were, proved ultimately to be a blessing in disguise. On the one hand hey provided an effective boost to Finland's industry and on the other created a degree of dependency on the part of the USSR. Finnish industrial firms that were engaged in these supplies came later on to be the best known, the largest and most successful. Nokia Corporation, perhaps the best known Finnish international corporation is the descendant of Finnish Cable Works Co., which for decades, supplied the USSR with its needs of cables. Similarly, Rauma Repola, Valmet and Wartsila owe their later success largely to the War reparation supplies.
When all reparations were paid out in the late 1950's, the USSR -partly for ideological reasons, partly for "technological dependency", but also partly because of economic considerations, wanted to continue economic relations with Finnish companies along the previous line. Except of course that, from now on, Finnish products had to be paid for. The two countries adopted a form of "managed trade"; a bilateral trade agreement was signed between the two governments that set the frame value for their trade for the next period. Trade commissions met to draw and to adopt specific commercial transactions from both sides to fill the predetermined frame. Finnish firms would provide certain projects, products, goods or services to a predetermined value. Soviet organizations would supply Soviet goods and material the same value. The Commission worked in fact as a sort of a clearing house for commercial transactions.
This was a politically imposed trade relation dictated by political reality and initiated by political bodies. Firms had to follow the lead. In practice, The Economic Commission was composed of Finnish Government representative (the prime minister level), senior bureaucrats as well as business and economic leaders.
All along the post war years and until the collapse of the USSR and the socialist system, Finnish-Soviet trade relations were regulated through annual bilateral trade agreement that set the frame for economic cooperation. Marketing effort of Finnish exporters had to pass through the political channels. The volume of total trade was set up and individual companies had to come in to fill the quotas. Political realities and the desire to preserve national integrity dictated by the time the channeling of the country's economic apparatus to fulfill that objective.

FINLAND AND THE ARAB WORLD

Finland is separated from the Arab World, not only by facts of geography, but by history as well. Historically, the two parts never really came in direct contact with each other. Some indirect encounters -by proxy- may be observed as when Finland was under Russia and the Arab World was incorporated in the Ottoman Empire. The two big powers occasionally used their subjects some way or the other.

Finnish forest industry products, notably timber, has been exported to the timber poor Middle East region for decades. Until very recently however, this trade was carried out through European intermediaries. In fact in most Arab countries sawn timber is simply known as Swedish wood.

In the late 1960's, Finnish firms were ready for international expansion. Arab countries of the Middle East represented an attractive prospect on two grounds: Some Arab oil exporting countries were initiating programs of infrastructure building. Also, by the time the USSR was exerting a political influence, and some development projects, in some Arab countries and some Finnish companies were introduced as sub-contractors.

Finland had hardly any political or diplomatic relations with countries of the area. Finland had embassies only in three Arab countries. In the span of five years after the first oil crises in the mid 1970's, agreements on economic and technical cooperation were signed between Finland and almost all Arab countries. In many cases, (Kuwait and UAE) commercial attache offices were opened long before embassies. Finnish companies moved in first and the Finnish political apparatus followed - or was summoned in- to assist in the effort. Finnish Cable Works (the forerunner of Nokia Corporation), was instrumental in taking Finland to the Middle East, also on the political level (Ahmed 1993). Some Finnish companies were effective in shaping Finland's official aid programs to various developing countries as well. With the war reparation to the USSR behind, and with the completion of the infrastructure at home, Finnish companies emerged with certain underutilized capacity. Finnish industry began a drive seeking opportunity beyond the Soviet market. In the early 1970's several Finnish construction companies became very active in the area. Saudi Arabia and other Gulf states represented a boom for construction industry worldwide and many Finnish companies moved in. By the time, Finland did not even have diplomatic relations with most of these countries. Diplomatic recognition was hurriedly extended, and diplomatic missions exchanged. The case with Saudi Arabia is particularly interesting in this regard. The first Finnish construction company entered Saudi Arabia already in 1958. By the mid 1960's a few Finnish companies were active in there. The two countries established diplomatic relations towards the end of 1969. Finland opened an embassy in Jeddah early 1971. However, the Saudi faltered in opening an embassy in Finland and did not even accredit representation in Finland. Reports attribute that to a misunderstanding on the Saudi side who were led to believe that Finland is a communist country. It took many years (until 1987) when the Saudis accredited their Ambassador in Stockholm to represent his country in Finland as well.

The Nokia case, being a fast growing industrial enterprise could have the clout to usher the political act. The company, and its industrial activity, may be seen as representing a significant core economic interest for Finland. Similarly, the depressed construction companies in the 1970's with their considerable underutilized capacity come close to represent core economic interest as well. Finland's national oil company Neste, was also involved in securing energy supplies and in exporting know how for petrochemical industry. This involvement had effective impact on the political relations.

The examples above help to drive the point that certain "core economic interests" may indeed be instrumental in initiating, shaping and enhancing political relations.

CONCLUDING REMARKS AND IMPLICATIONS FOR MARKETERS

The function of marketing is undergoing process of soul searching. Established approach emphasizes the satisfaction of needs and wants; "the planning and executing the conception, pricing, promotion and distribution of ideas, goods and services to create exchange and satisfy individual and organizational objectives (AMA definition as quoted by Gronroos 1993). Other recent approaches emphasize "Interactions and Networks" (Hakansson 1982), and the promise concept, and "establishing, maintaining and enhancing" relationships at a profit (Gronroos 1993). Whatever scope is adopted, recognition of the nexus of political and economic factors in the marketing process is essential. The international marketing management function is a constant cruise amid a grid of political and economic criteria. Sometimes political considerations restrain the marketing process, at times it may trigger or initiate it. The international marketer needs to constantly scan the political environment in which he functions and evaluates the opportunities and the threats provided by political developments between his home country and his target countries. At times he may recognize that he can enlist the support of, or influence the attitudes of the political decision makers in either country. A sort of SWOT analysis needs to be carried out continuously. The ideas put here are presented and examined against only two very special cases; Finland and the USSR on the one hand and Finland and the Arab countries on the other. Further examination on more varied cases should help refine and test the basic concepts.

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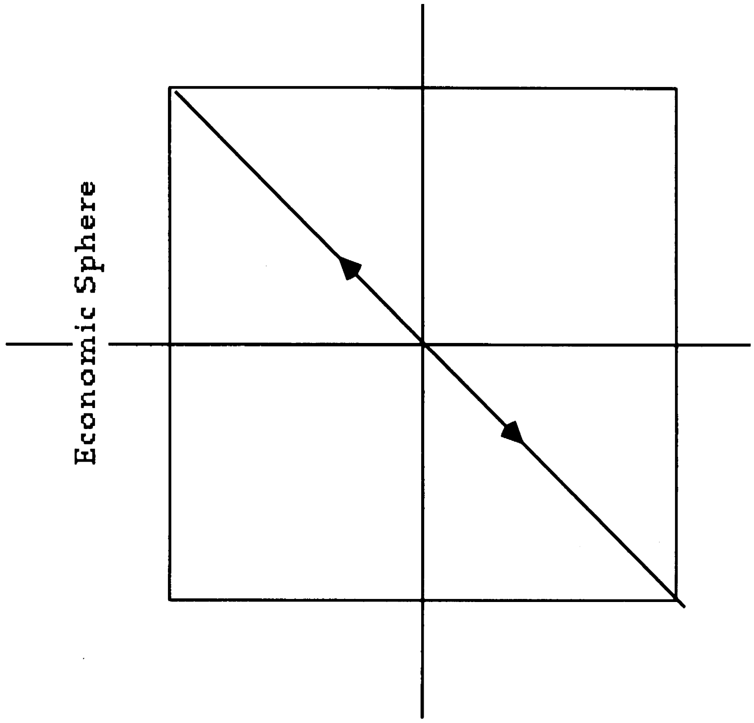

Figure I
Shared political and economic interests are conducive to intensive cooperation, while adversary political and economic interests result often in negative relations. Cells representing disparate interests delineate areas where hierarchy of interests exerts its influence.

ECONOMIC DIMENSION			
Major Impact on National Economy	E3P1 Economic Criteria Prevail. Business Lead, Political Support Likely	E3P2 Business Lead, Likely Political Support	E3P3 Core Political and Economic Interests Converge. Intensive Cooperation "Kin Country"
Potential Pay off for Growth Industry	E2P1 Business Lead. Possible Political Support	E2P2 Market Forces Techno-Economic Criteria Prevail	E2P3 Political Criteria Prevail. Political Lead. Business Not Far Behind
Impact on Peripheral Industry	E1P1 Peripheral Interests Market Forces Techno-Economic Criteria Prevail	E1P2 Possible Political Lead, Potential Business Growth?	E1P3 Political Criteria Prevail, Political Lead, Business Need Motivation
	Shared Values and Ideology	Potential Strategic Significance	Major Significance to National Security

Political Dimension

Figure II
Hierarchy Matrix of Political / Economic Factors in International Relations.

ENVIRONMENTAL BASES FOR INTERNATIONAL MARKET SEGMENTATION: A COMPREHENSIVE REVIEW AND CRITIQUE

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ABSTRACT

This paper attempts to provide a comprehensive review and critique of previous international market segmentation research. The majority of empirical and conceptual research have focused on identifying global market segments through applying purely environmental bases (such as variables related to the geographic, political, economic, or cultural environments of markets) for segmentation, despite the various limitations of relying merely on environmental bases for segmentation. The paper forwards the rationale behind the adoption of such methods. In addition, the paper highlights the drawbacks of backing solely on environmental variables in identifying global market segments. A series of propositions are extracted with respect to these variables and their impact on marketing strategy. Methodological and managerial critiques of the studies are discussed.

BUSINESS ETHICS AS AN ELEMENT OF COMPETITIVE MARKETING STRATEGY

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ABSTRACT

This paper enumerates the ethical violations in marketing management and identifies their implications on the firm's ability to satisfy customer needs and compete effectively in the business. The author proposes that organisations should strategically redefine their marketing mix by integrating business ethics with the elements of its marketing mix strategy to gain competitive advantage in the market place. The paper outlines an approach to incorporate ethical aspects in each of the elements of marketing mix strategy.

INTRODUCTION

The societal marketing concept like the marketing concept recognises profit as a major business motive and counsels firms to market goods and services that will satisfy consumers under circumstances that are fair to consumers and that enable them to make intelligent purchase decisions, and cautions firms to avoid marketing practises that have deleterious consequences for society (Schwartz, 1971). This concept requires from business a commitment to the solution of the social problems of the world and argues that if profits are viewed in sufficiently long-run and indirect terms, then the human concept can be said to contribute towards business survival and profitability. In short, it means that to practise the societal marketing concept, firms have to be socially responsible.

Social responsibility essentially is the ethical actions of the firm in respect of individual and public well-being, trust and truthfulness in dealing with others and justice for injuries from products and services. Caroll (1981) distinguishes social responsibility and business ethics on the basis that the former is primarily an organisational or corporate concern, while the latter is the concern of the individual manager or business decision-maker. This indicates that to be socially responsible, marketers must first be ethical. As such, ethics should be the focus of all marketers in their marketing strategy, only through such ethical marketing actions can the firm be called socially responsible or seen to be practising the societal marketing concept.

ETHICS

The role of ethics in marketing is to provide the broad framework within which business life must be understood. Corporations are part of society that consists of something more than a market. Some people argue that doing what is right is somehow contrary to doing what is good for business. But Garfield (1992) argued that profits and ethics are not oil and water: the two mix well in peak performing individuals and organisations. This is because the ultimate benefit of ethics is its contribution to an organisation's reputation and hence image. Nothing is more dangerous to a business than a tarnished image. The fact is that a tarnished image has direct consequences, for sales, for profits, for morale, for the day-to-day running of the business. People prefer to deal with those whom they trust. A poll conducted by Opinion Research Corporation in the United States shows that a company's reputation often determines which products 89% of adults will buy - and which they will not buy (Garfield, 1992). Hence, there is no doubt that ethical practice is good business. This can be supported by the success of many organisations which, to some extent, has been attributed to the firm's level of ethics. For instance, Levi Strauss patriarch, Walter Haas states that '*When we do what we believe is proper, the company gains. I don't know how to translate that value into a number that appears on a financial statement, but I know that we wouldn't want to be in business and we would not be the leader in our industry if we did not enjoy this kind of relationship with our people*' (Garfield, 1992).

The Body Shop, a skin and hair-care store is also a living proof that a company thoroughly committed to ethical behaviour can also be a financial success. The company is most well known for selling well-being which forms the basis of the company's marketing strategy. The company rejects promising cosmetic products because of its stand against animal testing. Other ethical behaviour also include refusing to make extravagant claims for their skin and hair care products, all derived from natural ingredients, other than they cleanse and polish (Oates, 1988). In the process, Body Shop is already a legend in the United Kingdom. For a decade, sales and profits continued to grow, on average 50% a year despite the onset of a recession in retailing (Burlingham, 1990).

These examples demonstrate that ethical behaviour promotes improved performance in business. A firm that is concerned with ethical practices will maintain a long-term perspective in all of its dealings. This will do a lot to ensure the long-run success of the organisation; it also means that the societal marketing concept will perforce be considered (Friedman and Friedman, 1988). It is therefore clear that ethics can be used as an element of marketing strategy for gaining competitive advantage as businesses have a controllable resource in the marketing mix. It is the company's choice of marketing mix variables that should include ethical considerations. Ethical aspects in marketing mix must be understood before one can go on to show how ethics can be integrated as an element of marketing strategy for gaining competitive advantage.

ETHICAL VIOLATIONS IN MARKETING

Very often the media brings to the notice of the general public incidents of ethical violations in different elements of the marketing mix. It is important to understand what constitutes ethical violations for each of the marketing mix elements - product, place, price and promotion.

Product of one of the most successful advertising campaigns in history, the 'Marlboro man' revolutionised the image of Marlboro cigarettes, making it a top selling brand year in, year out (Shaw and Barry, 1989). Everybody knows that smoking is hazardous to one's health. Ethical violations for product can be observed in terms of product safety, product quality, and labelling and packaging. According to Davies (1992), '......the impact of ethical violations can be arrayed along a continuum which reflects the potential degree of harm an ethical product claim violation produces at the individual or societal level.' One end of the continuum reflects ethical product claim violations that have slight immediate long-term or harmful consequences for either the individual consumer or society at large. For instance, a detergent with a new ingredient and the implied promise of better cleaning, which does not in fact clean better, merely disappoints the user and deprives him or her of a small amount of financial resources. Neither the individual nor society suffers any severe or long-term harm. This reflects ethical violation in terms of product quality - that is quality of product does not measure up to the claims made about it. At the intermediate stage in the continuum are marketing claims that, if not consumer truthful, have the potential for a strong negative impact at the individual but not the general societal level. For instance, implying that a consumer will be healthier or live longer if he or she eats one product versus another, or will be safer when selecting one automobile tyre versus another when, in fact, no such result is likely to occur are examples of claims occurring at this intermediate stage, having severe detrimental consequences for the individual but society as a whole suffers only marginally. This reflects ethical violation concerning product safety. The extreme end of the continuum consists of ethical claim violations which have the potential to produce severe harm at both the individual and societal level. Rarely do products fit into this category but one such set of claims has recently arisen - those related to environmental or 'green' marketing.

As for ethical violations for labelling and packaging, they centre around marketer's general responsibility to provide clear, accurate and adequate information. Despite the millions of dollars spent on advertising, a product's label and package remains the consumer's primary source of product information. Yet labels are often hard to understand or misleading and what they omit to say may be more important than what they do say. Packaging shapes can exploit certain optical illusions. Tall and narrow cereal boxes look larger than short, squat ones which actually contain more cereal. A representative study on supermarket shoppers has proven that some shoppers are fooled by such things as labelling and packaging (Weiss,1968). Language abuse partly accounts for consumer bewilderment in the market place. Frequently, shoppers are mystified by terms such as large, extra large, and economy size; by net quantities of the contents (ounces, pints, quarts, liters, and grams); as well as by special product terms, such as those applied to meat, like prime, choice, graded or ungraded (Shaw and Barry, 1989).

Ethical violations relating to place include actions leading to consumers not able to obtain the firm's product from easily accessible outlets. Direct marketing as a rapidly growing field raises ethical issues tending to focus on privacy, confidentiality and intrusion. A firm operating parallel imports, diverting its products to unauthorised channels, playing one channel intermediary against another, hoarding products aimed to create artificial shortage in the market place, and establishing unauthorised channels of distribution for its products or services are some of the examples of unethical conduct by a firm.

Examination of pricing from the perspective of ethics essentially involves understanding if the price of the product being sold really reflect its value and whether or not consumers getting their money's worth from the purchase of a product. Although it is generally true that prices do reflect the costs of materials, labour, operating expenses, in many cases non cost factors such as location and psychological factors help shape the price. For many consumers, higher prices mean better products. Manufacturers arbitrarily raise the price of a product to give the impression of superior quality or that the buyer is getting something special. But often the price is higher than the product's extra quality. For example in the case of jeanswear, Levi's jeans may cost only $50 while an Giorgio Armani jeans may cost $300. Does that mean that Levi's jeans is inferior in quality? The answer is definitely no, because all that the consumer is paying for is the brand name. Consumers pay more as they often assume that the brand name or the higher price implies a better product. Another ethically dubious practise is that of manufacturers who print a suggested retail price on their packages than what they know the retailer will charge. When the retailer marks a new price over the suggested price, customers receive false impression that the item is selling below its customary price. Retailers themselves are on questionable ethical ground when they use special pricing codes, or fail to put a price on, or post it near products, thus hindering consumers from comparing prices easily (Shaw & Barry, 1989).

Lately, more attention has been devoted to price fixing, which despite its prevalence, is widely recognised as violation of the 'rules of the game' in a market system whose ideal is open and fair price competition. Recently, TNT Ltd. and Ansett Freight Express in Australia were hit with combined penalties of $6.5 million over long run price-fixing allegations (Jackson, 1994).

Since advertisers are trying to persuade people to buy their products, and since straight product information is not necessarily the best way to do this, there is a natural temptation to adumbrate, confuse, misrepresent or even lie. In an attempt to persuade, advertisers are prone to exploit ambiguity, to conceal facts, to exaggerate and to employ psychological appeals. When advertisements are ambiguous, they can be deceiving. In all aspects of advertising, much potential ethical danger lies in the interpretation. For instance, for years consumers have inferred from its advertisement that Listerine mouthwash effectively fought bacteria and sore throats. In 1978, the FTC ordered Listerine to run a multimillion dollar disclaimer. In such cases, advertisers and manufacturers invariably deny intending the inference that consumers draw. But sometimes the advertisement is so ambiguous that a reasonable person could not infer anything else (Shaw and Barry, 1989).

The ethics of government promoting gambling activity through advertising Lotto is another form of deceptive advertising. These promotions incite people to trust that they are indirectly helping the poor by saying part of the proceeds goes to charity. In actual fact, most of the income from Lotto goes into state revenue. Furthermore, Government through such advertisements implicitly endorse gambling by showing people having the joy of winning but the amount of odds to win the big prize is not disclosed. Advertisers can also mislead through exaggeration; that is making claims unsupported by evidence. For example, claims that a particular brand of pain reliever provides 'extra pain relief' or is 50% stronger than of a competitor's brand contradict evidence which indicates that all analgesics are effective to the same degree. Therefore, consumers must be able to differentiate between deception and puffery.

Use of fear appeals and marketing to the elderly is another example of unethical practice in advertising. Waddell (1976) and Koeskc and Srivastava (1977) pointed out that the elderly are commonly perceived as a vulnerable group, more susceptible to unscrupulous business practises than younger groups and exhibit strong fear of victimisation. Koeske and Srivastava (1977) proposes two possible reasons for the fewer incidences of complaining among the elderly consumer group. Firstly, the elderly may have a less sophisticated view of the marketplace as such they may be more tolerant of unfair business practises. Alternatively, the elderly may have just be conditioned not to protest against unfair practises due to years of unsuccessful complaining. Other reasons that reflect their vulnerability may include their efficiency to process information, how they acquire information, how they get access to information and the proneness to anxiety.

Advertisements aimed at children are another clear case of manipulation. Children, particularly the younger age group, tend to be very impressionable. They believe most of what they hear and see and are unable to distinguish clearly truth from fancy, and have very little critical skill or experience.

BUSINESS ETHICS AND MARKETING STRATEGY

Marketing strategy primarily involves development of a marketing program for effective allocation and coordination of marketing resources and activities to accomplish the firm's objectives within a specific product-market. With an understanding of what constitutes ethical violations in each of the marketing mix elements, marketers can initiate actions to encourage ethically responsible behaviour. However, it is important to recognise that the achievement of social responsibility through ethics is an obligation not only of the marketer, but also of the consumer. Hence marketing efforts should also be aimed at informing consumers about their obligation and influence their decisions. The marketing mix should be strategically redefined to include societal considerations. A firm can improve its competitive position in the market place by integrating business ethics with the elements of its marketing mix strategy. Approaches to incorporate ethics in each of the elements of marketing mix are outlined below.

ETHICS AND PRODUCT MIX

Product safety should be one of the prime element in a firm's product design strategy. Marketing strategists should abandon the commonly held misconception that accidents occur exclusively as a result of product misuse or abuse. Product planning and strategy should incorporate close contact with manufacturing to ensure that the manufacturing process is monitored continuously to ensure product safety.
Continuous monitoring and investigation of consumer complaints should form part of the product strategy. Shaw and Barry (1989) illustrated the case of a company which successfully acted ethically concerning product safety to ensure the safety of its consumers. In the early 1960's, a few of the radios sold by JC Penny were reported to have caught fire in customers homes. JC Penny tested the radios and discovered a defective resistor in a few of them, less than 1%. Nonetheless, the company informed the manufacturer, withdrew the entire line of radios, ran national ads informing the public of the danger and offered immediate refunds. This was before the Consumer Product Safety Commission even existed. A firm's product planning should incorporate systems and protocols to recall from the market without delay unsafe/defective products.
Environmental considerations such as pollution and waste of resources, should be part of product strategies even if profits suffer in the short-term. Altering products from time to time to take advantage of consumer's increasing concern for the environment and change in firm's attitude to voluntarily to stay ahead of tightening regulations reflecting public attitudes on environment should be part of a firm's product policy.
Product strategies of a firm should bear a general responsibility to ensure that the quality of a product measures up to the claims made about it and to reasonable consumer expectations. One way that businesses can meet this responsibility is through warranties, obligations that sellers assume to purchasers.
Labelling and packaging strategy of a firm should include methods to ensure clear and specific identification of the product in an appropriate part of the label. The net quantity contents should be prominently located. In addition, the label should contain clear, accurate and adequate consumer information including information to those people whose health necessitates certain dietary restrictions.

ETHICS AND PLACE MIX

A firm's strategy for reaching its products and services to consumers should exclude the practice of *tying* - refusing to sell to an intermediary (ie., wholesaler, retailer, etc.) a desired product unless the intermediary undertakes to purchase another product of the company; in an effort to use the market power of one product to help another. Distribution strategies should abdicate *enforced exclusive dealing* - refusing to sell to the distributor or refusing to grant the distributor the same price unless the latter agrees not to carry competing brands.
A firm's place strategy should focus on providing to consumers it's products in easily accessible outlets. This is far more important when the firm's products are critical (eg. daily necessities, life saving drugs, etc.,) to consumers. Place strategies of firms engaged in non-store retailing and direct marketing should incorporate systems and protocols to ensure privacy of consumers and confidentiality of customer information. Activities such as parallel imports, diverting products to unauthorised channels, playing one channel intermediary against another, hoarding products aimed to create artificial shortage in the market place, and establishing unauthorised channels of distribution for their products or services should be kept

out of an organisation's distribution strategy. A firm's distribution planning should incorporate systems and protocols for effective after-sale service and handling of consumer's complaints.

ETHICS AND PRICING MIX

From an ethical point of view, prices should be just but for prices to be fair, consumers must be in a position to have perfect knowledge which more than often are denied because it is too costly to provide complete information. As such, pricing strategy of a firm should embody the practice of pricing products according to factors that affect its prices and exclude unscrupulous price fixing activities. The emphasis of pricing strategy should be on long term profitability and customer relationships over short-term gains, at the same time maintaining adequate return to shareholders. Pricing strategies should restrain deceptive or misleading pricing practices, price discrimination, misleading pricing tactics, phony list prices, phony sales and price fixing conspiracies within industries.

ETHICS AND PROMOTION MIX

According to Abratt and Sacks (1988) the golden rule for marketers to display ethical behaviour is 'avoid messages that exploit buyer emotions or take advantage of unsophisticated elements of the population'. In its efforts to persuade people to buy their products, an organisation's promotion strategy should not lose sight of providing product information. In formulating promotion strategies firms should ensure that ambiguity, concealing facts, exaggeration and employing psychological appeals have no place in advertising and promotional programs. Advertisements targeted to the poor and uneducated should be far more responsible and should not suppress information that is unflattering to the products. An organisation's promotion strategy should exclude high-pressure sales tactics, misleading credit sales, use of fear appeals, coercion and manipulation in advertising and subliminal advertising. Promotional programs aimed at children should be thoroughly scrutinised for accuracy, truthfulness and relevance.

CONCLUSIONS

In recent years marketing received several criticisms of being unethical, wasteful, deceptive and that it stimulates excessive demand. These charges are justified in some situations. When the marketing actions of a firm are manifestly at variance with public well being the law usually intervenes. This will blemish the reputation of the firm. Hence the scope of marketing need to be expanded to encompass business ethics. A business should work toward improving marketing's contributions to society by following marketing ethics and by practicing social responsibility. A firm can improve its image and competitive position when people view the firm invest in well being of society, insist on honesty in its dealings and seek the just solution. Hence organisations should strategically redefine their marketing mix to include societal considerations in order to satisfy the needs and wants of the various publics of the organisation - customers, employees, suppliers, society and in the long run, ensure accomplishment of the objectives of the organisation. An organisation can improve its competitive position in the market place by integrating business ethics with the elements of its marketing mix strategy. Marketers can effectively influence consumer decisions through the design and implementation of an ethical marketing mix. Consequently, organisations must look beyond financial performance to judge their success in satisfying customers. However, it is important to recognise that our economic systems are structured in a way that the resources are guided by financial incentives. The imposition of ethical constraints inconsistent with those financial incentives creates a paradox, the more ethical constraints to business decisions, the less efficient the system becomes in its ability to offer precisely the products deemed ethically more important. Ethical considerations are important, but some kind of incentives must be provided to make sure they are realised. Marketing strategy devoid of ethical business practices and reasonable financial incentives, is not likely to promote organisational success

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BAD BLOOD BETWEEN COUNTRIES: A CALL FOR INTERNATIONAL REGULATION OF THE BLOOD INDUSTRY

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ABSTRACT

The management of blood products varies significantly around the globe. The fact that there is no standardized regulation of the blood industry even though blood products are imported and exported worldwide results in a potential threat to the well being of donors not only within a given country but also globally. This paper examines the differences in blood safety management around the world and then describes six impediments to the delivery of safe blood products worldwide. The paper concludes by identifying some changes that are necessary in the global management of blood products if the world's blood supply is to be considered safe. Clearly international regulation of this life-giving industry is necessary.

INTRODUCTION

Every patient who needs blood worries about receiving tainted blood products. One is hard-pressed to pick up a newspaper or periodical without reading about tainted blood that has resulted in adverse, if not deadly, patient reactions in countries such as Brazil, Britain, Canada, China, France, Germany, India, Italy, Japan, Kenya, Nigeria, Romania, Russia, Spain, Thailand, Uganda, the U.S., and Zaire (Newman, Podolsky, and Loeb 1994; Reuters 1992; Kinzer 1993; Nullis 1993; Perlez 1993; Langan 1993; Reuters 1993; and Dishneau 1994). The gift of life has become an agent of death for many unsuspecting recipients worldwide. We have, historically, looked at blood safety and quality of life within country boundaries, instead of across these boundaries. However, a sizable amount of imported blood is used in many countries. This blood is not always subject to the same regulation as domestically drawn blood. For example, the Food and Drug Administration oversees the blood industry in the United States, but has no jurisdiction over European blood centers that provide two percent of the U.S. blood supply (Newman, Podolsky, and Loeb 1994).

This paper will address issues concerning the safety of the world's blood products and the forces impeding the blood product industry's ability to deliver safe products globally. Moreover, how these forces are requiring changes in blood product management will be detailed. Changes must occur on both the transfusion side and the blood collection side of the industry. The paper concludes with a call for international regulation of blood products.

How Safe Are the World's Blood Products?

Blood transfusion has never been a risk-free process. Transfusions can produce immediate adverse reactions like red cell destruction resulting from an antigen-antibody reaction or bacterial contamination (Peschel 1986). Blood transfusions can also result in delayed reactions such as a patient contracting AIDS after receiving blood products that falsely tested negative for HIV in laboratory tests, or a patient contracting a disease for which a laboratory test is not yet available (e.g., HIV pre-1985). According to blood center administrators, the chances of these adverse reactions to blood transfusions are minimal. In the U.S. the risks per unit of blood transfused are (Sandler and Popovsky 1990, p. 26):

Hepatitis C	1:1,000 to 1:200
Hepatitis B	Less than 1:2,000
AIDS Virus (HIV)	1:1,000,000 to 1:40,000
HTLV-I	1:600,000 to 1:60,000
Syphilis	Less than 1:1,000,000

Of course, these risks assume the prudent use of available blood screening tests and errorless collection and distribution of blood products.

These risks were also calculated after the advent of tests for Hepatitis C, HIV, and HTLV-I which arrived on the scene in the mid-1980s. Before these tests, however, the risk of getting AIDS from a transfusion in the U.S. was at least 1 in 660, and 1 in 25 in high-exposure cities like San Francisco (Newman, Podolsky, and Loeb 1994). Despite improved testing, errors still occur and are committed by physicians, nurses, and blood bank technicians who must learn increasingly sophisticated tests in organizations that have a history of being unresponsive to the needs of patients. This lack of responsivity is attributable to the fact that blood centers have been granted a virtual monopoly on the collection of blood and the sale of blood products.

Blood centers, as not-for-profit entities with minimal resources, often utilize volunteers to decrease costs associated with collecting and distributing blood. Volunteers are often used to screen donors, help in the collection process, and distribute blood products to hospitals. These volunteers are usually not licensed to perform these tasks, and as a result, there is the potential for them to make errors (e.g., not filling out a donor questionnaire completely, mislabeling a blood bag). These errors, coupled with the errors committed by health care professionals, bring in to question the safety of the blood supply.

The Food and Drug Administration has tracked blood bank errors and accidents since 1989. In 1989, 1,000 errors and accidents were reported to the F.D.A. In 1992, those errors increased to 10,456; and in 1993, errors reported were nearly 9,000. Through March 1994, mistakes numbered 4,615 (Newman, Podolsky, and Loeb 1994). Errors include storage and shipping mistakes, inadequate testing for blood type, inadequate testing for hepatitis, and incorrect product released. Furthermore, accidents occur when donors call back to report hepatitis-related illness and when donors call back to report intravenous drug usage or at-risk sexual behaviors.

The AIDS epidemic focused critical attention on the hazards of blood transfusion (Silvergleid 1986). Most affected have been hemophiliacs. Hemophiliacs use an antihemophilic factor (AHF) that is derived from blood plasma. In the U.S., about half of all 20,000 hemophiliacs have contracted HIV from blood products. At least 2,029 of them have died of AIDS. Most of these individuals were infected by tainted products before a test for HIV existed, but hemophiliacs are still concerned about increased errors reported by blood centers.

The U.S. is not alone in its concern over blood safety. Similar tragedies have occurred in other countries as well as detailed in Table 1 (Nullis 1993). Problems with blood safety in other countries are attributable to errors and accidents as in the U.S., but they are also a result of blood collection that relies on a paid donor system. Paid donor systems were eliminated in the U.S. in the late 1970s, because paid donors' motivations for giving overrode their desire to be forthcoming about their at-risk behaviors (e.g., drug usage, sexual promiscuity). Countries with paid donor systems are considering volunteer systems given the potential risks to the blood supply. For example, a drug-addicted bisexual in Colombia knew he had AIDS, but he needed money so he sold his blood 12 times to a laboratory. Twelve patients received the blood between 1989 and 1990 and those twelve infected another 200 people through sexual contact (Nullis 1993).

Other countries have also exported products to lesser developed countries, or countries lacking blood supplies, that do not meet the necessary screening standards. Romanian blood products received from a German company were recently found to be contaminated with HIV (Perlez 1993). More than ten percent of the blood collected and tested in Bucharest was discovered to be tainted with HIV or hepatitis B (Perlez 1993). The German company in question is Koblenz-based UB Plasma, which is suspected of serious medical deficiencies and possible crimes (Reuters 1993). The company also distributed blood products to Italy, Switzerland, and Austria who recalled those blood products in question upon finding out that they originated from UB Plasma (Reuters 1993).

Four French health officials were convicted in 1992 for knowingly allowing hemophiliacs to receive blood-clotting products tainted by HIV in 1985. Heat-treated plasma was available from the U.S. in 1984, but the head of France's national blood bank, Dr. Michel Garretta, decided the imports would be too costly (Nullis 1993). Moreover, Dr. Garretta wanted to wait until a French company completed the development of its technology for heat-treating plasma (Hunter 1993). This decision resulted in 1,200 hemophiliacs being contaminated by the untreated Factor 8 they used to clot their blood and prevent bleeding.

The U.S. Food and Drug Administration halted shipments of Canadian-source plasma for processing in the U.S. in September 1994 because the Canadian Red Cross Society was found to have substandard donor-screening procedures and sloppy record-keeping (Reuters 1994). In 1993, Canada recalled three million units of Factor 9, the antihemophilic factor (AHF) used in treatment of hemophilia (Langan 1993).

Blood supplies in Africa are not consistently tested. This has hindered the efforts of countries on that continent to lessen the spread of AIDS. Parts of Africa and Latin America use family replacement donors, which is a scheme that allows paid donors to pose as relatives of the patient. Other developing countries rely heavily on paid donor systems as well. These countries include India, Pakistan, and Russia whose paid donors may include prostitutes and drug addicts who need money (Nullis 1993). Contaminated blood products clearly affect the world's poorest nations to the world's most prosperous nations. What are the impediments to delivering the gift of life?

Impediments to Delivering Safe Blood Products Worldwide

Before addressing the impediments to delivering safe blood products, we need to examine what a safe blood product is. Blood transfusions are tissue transplants, and tissue transplants are not risk-free. Consumers need to understand that blood transfusions are not 100 percent safe. Very few consumers admitted for surgery get this information, however. In the U.S., for example, only one hospital in eight obtains patient consent for transfusions (Newman, Podolsky, and Loeb 1994). This number is probably less in lesser developed countries such as Romania and Pakistan. This suggests that patients are uninformed as to the safety of blood transfusions. The first impediment to delivering safe blood products is consumer ignorance. The better informed patients become, the more pressure will be brought to bear on the agencies that deliver blood products.

The second impediment is the paid donor system in places such as Africa, Latin America, Eastern Europe, and Asia. Safe blood products can be developed if blood centers recruit and retain low-risk blood donors. If money is the motivation to donate blood, the wrong donor is often incentivized to give blood. Even in volunteer donor systems, however, recruiting methods can often result in at-risk donors giving blood. For example, mobile blood drives are often planned to be held in a person's workplace. An individual's colleague in an organization might pressure her/him into donating, because s/he doesn't want to admit to at-risk lifestyles in front of other people. Many blood centers are focusing on retaining healthy donors with known donation records, instead of tapping new markets with unproven donation records. First-time donors are more likely to carry infectious viruses than repeat donors.

A third impediment is inconsistent testing procedures. Inconsistent testing procedures often result from the lack of oversight of blood products that cross countries' borders. The F.D.A. in the U.S. has differing guidelines from Canada's Health Department which differ from those of France's Health Ministry. Some agencies have enforcement powers, like the F.D.A., while others lack the power of enforcement, like the World Health Organization. These inconsistent testing procedures also emanate from an industry ruled by a few dominant blood collection organizations (e.g., the Red Cross) who don't agree on industry practice, and who are often guided by different vendors providing competitive blood tests (Burton 1993). Ideological and jurisdictional differences prevent uniform policy and the common planning so needed to protect the safety of the world's blood supply.

A fourth impediment to delivering safe blood products is the efficacy and availability of laboratory tests to screen donated blood. Infectious diseases have a window period when the infection cannot yet be detected according to Sandler and Popovsky (1990). For example, an individual exposed to the AIDS virus may not produce antibodies to HIV until six to 12 weeks after exposure. Researchers have found individuals who have carried the AIDS virus for 36 months prior to producing antibodies. Blood screens can only detect exposure if antibodies have been produced. Further, tests are not available for all infectious diseases (e.g., malaria, Epstein-Barr) that can be spread by blood products (Sandler and Popovsky 1990).

Excessive utilization of blood products can also be an impediment to patient safety. Physicians need to reevaluate their use of blood transfusions and avail themselves of alternatives to blood transfusions (e.g., interoperative salvage of patient blood) to avoid adverse patient reactions. Moreover, physicians should recommend that patients donate units of blood for themselves (i.e., autologous donations) since receiving their own blood is the safest transfusion they can receive.

The sixth impediment to blood safety has to do with sloppy record-keeping and product handling. Mistakes in handling, labeling, storing and shipping, and releasing of blood products have elevated risks associated with blood transfusions. Finally, blood safety has the potential to be compromised because of cost pressures present in the health care industry. Many blood centers are reluctant to develop new safety procedures, or to add scientifically-questionable laboratory tests, because of increased expenses that result in higher-priced blood products.

Necessary Changes Required in Global Blood Product Management

Blood utilization is predicted to decrease overall despite the impact of advances in medical knowledge that require transfusions (e.g., organ transplants) and aging populations in post-industrial nations. This decrease should occur due to the continued focus on cost containment in health care organizations and the reeducation of physicians on the appropriate use of blood products. Further, new technology like intraoperative salvage machines used to recoup a patient's blood during surgery should contribute to the decrease in blood utilization. Blood substitutes like Somatogen (Saltus 1994) are also being tested as an alternative for human blood, but these substitutes are not being marketed yet. Concerns over transmission-associated infection should also decrease utilization of blood products. In spite of these decreases, patients worldwide will continue to need human blood products for everything from cardiovascular disease to cancer to fractures.

In light of this continued demand, changes in blood center administration and oversight of the blood industry are necessary. Blood organizations must end the practice of paying donors for their blood. In the U.S., countries in Western Europe, and Japan donors are not paid for their blood by blood centers. Blood centers operating in countries like China, Russia, Uganda, and India continue to pay their donors, however.

Blood centers must be encouraged to provide autologous donations (i.e., the donation of blood to oneself) to patients who know they will need blood transfusions in the immediate future. Patients receiving their own blood do not experience adverse reactions typically associated with blood transfusions because they are receiving their own tissue. Unfortunately, many blood centers make autologous donations difficult for patients. This occurs because autologous donors are seen as disrupting business as usual and increasing the costs of collection. Licensed blood technicians are the individuals who typically draw blood from healthy volunteer donors, but they often lack the training and experience to handle a sick donor. The autologous donor is often sick, and donations have to be overseen by appropriately trained health professionals instead of licensed blood technicians. Registered nurses and physicians command higher salaries than licensed blood technicians.

Blood centers must staff their collection and laboratory departments adequately to ensure quality service. Understaffed blood centers can contribute to rushing donors through the interview process which can result in skipping questions about the medical history of a donor or his/her lifestyle. They can also contribute to rushing screening processes that can result in units of blood not being screened properly. Hospitals, physicians, and blood centers need to work together to develop programs that focus on one objective, the delivery of safe blood products. Coordinated efforts will lessen the possibility of incorrect products being released.

Consistent standards for drawing and testing blood need to be established globally. Unfortunately, blood drawing and testing standards vary widely because every country has its own oversight committees or agencies. The assumption often is that all blood is local. Unfortunately, blood is being exported from countries with less rigorous drawing and testing standards to those with more rigorous drawing and testing standards. Global regulation by an F.D.A.-equivalent organization, perhaps affiliated with the World Health Organization, would help to bring about consistent practices that improve the safety of world blood products, ensure a safe donation environment for blood donors, and contain costs of health care through efficient and effective transfusion practices. This regulatory agency would monitor record-keeping, screening, testing, labeling, storage, and handling of blood products. In addition, the agency would work with governments and industry representatives to develop new screening tests that enhance the detection of infectious units of blood. Finally, the agency would assume an information clearing-house role to facilitate the dissemination of information to various publics involved in the blood industry.

CONCLUSIONS

The mismanagement of blood products is an issue that has the potential to negatively affect the quality-of-life for recipients worldwide. Furthermore, there is reason to question the ethical practices of blood banks in some countries. Blood banks should be subject to product liability laws just as other goods providers are. Currently, however, most countries, including the United States, classify blood banks as service providers.

As such they are exempt from most product liability legislation. Only with international regulation of the blood industry and its products will consumers worldwide be able to feel confident that they are protected.

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TABLE 1

Countries Affected By Tainted Blood Products

AMERICAS

Brazil. Estimated 2,200 of 5,500 hemophiliacs contracted HIV. Poor testing in remote areas.

Canada. Health authorities admitted they knew blood distributed to hemophiliacs in early 1980s was tainted.

ASIA

China. In population of 1.1 billion, about 1,100 people tested as HIV carriers. Blood testing patchy. Heavy reliance on paid donor system.

Japan. About 2,000 hemophiliacs infected with HIV virus before 1985. Paid blood donor system stopped three years ago.

ASIA (cont)

India. High-risk paid donor system, which government is trying to discourage. Blood screened in urban areas but not villages.

Thailand. Government campaign to improve safety of blood supply. Only 28 people said to have contracted AIDS through blood.

AFRICA

Zaire. About one in five HIV-infected children reportedly infected by contaminated blood.

Uganda. One of the worst affected countries in Africa, with HIV infection rates reaching 60 percent in some villages. Trying to switch to voluntary blood donor system.

Kenya. Most reported AIDS cases are from heterosexual intercourse. Relies on family donor system.

Nigeria. In populous Lagos state, a new law imposes a stiff fine or prison sentence if a doctor transfuses untested blood into a patient.

EUROPE

Italy. One in four hemophiliacs infected with HIV.

Russia. Estimates of more than 30,000 HIV-carriers.

Spain. Nearly half of hemophiliacs reportedly contaminated.

Britain. Government paid compensation to estimated 1,200 hemophiliacs infected by imported American products before 1985.

11.6 AN ECLECTIC APPROACH TO MARKETING AND ECONOMIC DEVELOPMENT IN DEVELOPING COUNTRIES

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Traditional economic development literature places very little emphasis on examining the role of marketing in economic development. Much of the work on the role of marketing is found in the literature on argriculture marketing. Existing studies have adopted an overly narrow perspective. This paper argues for a broader eclectic approach that utilizes perspectives from major social science disciplines (e.g. economics, geography, anthropology, sociology, and political science) to analyze the role of marketing.

INTRODUCTION

Economic development is a long term process that occurs over decades and generations. It brings about the acceleration of economic growth, reduction of inequality, and the eradication of absolute poverty, while causing changes in social and political structures. Important elements of this process are technological innovation, increases in output per person, improvements in material well-being, increased specialization of productive effort, rural development, and industrialization.

Any review of the economic development literature indicates a low emphasis on the role of marketing in the development process. Most theoretical and empirical studies stress the importance to development of such things as capital formation, land reform, educational reform, and improved productive techniques while ignoring the role of marketing. Kindleberger (1958, p. 107) noted this shortcoming and made the following observation:

"Whether markets pull development or lag behind it, it is evident that much planning in the area of economic development today neglects distribution...

Distribution is inescapable. The Western economist has always been fascinated with how swiftly, efficiently and with how little direction free markets can perform this function. Whether the linkage of local into larger markets be encouraged for its transforming function or the movement of goods and services into consumption and investment be tackled directly according to plan, distribution takes resources. It cannot be overlooked."

This shortcoming is due in part to conceptualizations of what constitutes development. In the past it was viewed as being synonymous with industrialization and urbanization. As a result, the traditional rural sector was neglected while expenditures and efforts were concentrated on industrial projects and urban developments. This in spite of the fact that most developing countries have up to 70% of their population in their rural areas and also depend on them to an even greater extent for their agricultural needs. To a varying extent most of the primary products which form the bulk of developing county exports also come from these very areas. What little development has taken place has by-passed the vast majority of the people.

This situation has led to a rethinking of the development process with a new emphasis on rural development, and in particular, agricultural production and marketing. Thus, in this paper even though we address marketing and economic development in general, our special focus is on the role of agricultural marketing. In addition, we do not consider export marketing by developing countries or marketing to them by international firms. We are concerned with the role of national marketing arrangements and their effect on economic development.

NATURE OF DEVELOPING COUNTRIES

Some of the main characteristics of developing countries may be summarized as follows:

1.Low levels of living, including low per capita incomes, high inequality in income distribution, low growth rates of GNP, high levels of absolute poverty, poor health, malnutrition, and widespread illiteracy.
2.Low levels of productivity.
3.High rates of population growth and dependency burdens.
4.High and rising levels of unemployment and underemployment.
5.Substantial dependence on agricultural production and primary product exports.

6.Dominance, dependence and vulnerability in international relations.
7.Dualism in economic and social structures such as the modern (urban, industrialized) and traditional (rural, agrarian) sectors.

Despite these common characteristics there is a wide degree of structural diversity among developing nations as has been noted by Todaro (1977, p. 20). This makes it very difficult to generalize but we need to do this if we want to analyze the development process and what forms it has taken over the years.
A significant feature of developing nations is the presence of excess demand. Individuals spend almost all of their incomes on necessities. Since savings are very limited and completely inadequate for the economic growth aspired to, many industrialization projects are government financed, and this often increases money income. However, availability of consumer goods does not increase proportionately. At the same time, government deficit-financing creates inflationary pressures. The result is a lag in real income. With the demand exceeding supply such economics may be described as economies of scarcity.

PREVIOUS RESEARCH PERSPECTIVES

There are two main viewpoints of the role of marketing in economic development. First, there are those who hold the view that marketing is an adaptive set of activities to be given secondary consideration in development planning strategies with primary consideration being directed toward the expansion of agricultural and industrial production. For them, marketing evolves and develops as a result of the development of the economy. In other words economic development levels determine marketing development (Arndt, 1974; Douglas, 1971: Savitt, 1988). Thus, for example, channel structures reflect the stage of economic development in a country. There is however the issue of whether the variables merely change together or that one is clearly a result of the other.
This perspective has been challenged by other marketers (Drucker, 1958; Glade and Udell, 1968; Anderson, 1971; Mallen, 1977; Kinsey, 1982; Cundiff and Hilger, 1985) who argue that marketing is a critical and dynamic component of development. They believe, for example, that infusions of marketing technology will have multiplier effects leading to growth and economic development. Under this perspective several authors have identified the need for specialized marketing in a developing economy, as well as the separation of production and marketing functions (Riley et al; 1970; Slater et al. 1969). Their emphasis, however, has been on the way marketing facilitates production expansion rather than consumption. While it is true that provision of marketing infrastructure facilitates the capacity to produce, it also has a significant effect in making mass consumption possible. Collins and Holton (1964) for example, challenge the view that marketing firms and institutions will automatically spring up in response to price incentives to provide the services most appropriate for new production situations. They argue that effective planning for economic development should give a great deal of attention to facilitating the development of marketing institutions to complement programs for expanding physical production.
In general, studies on marketing problems in developing countries have followed three broad approaches. One approach has been developed by individuals from various social science disciplines studying existing arrangements for marketing specific commodities or carrying out selected marketing functions. They provide factual information about existing marketing arrangements but have some problems. A major problem with studies by economists, for example, is that they are based upon a conceptual perspective of market organizations dominated by the perfectly competitive theoretical model of economics. Much of the research is therefore concerned with issues involving testing for conditions of structure, conduct and performance predicted by the perfectly competitive model. This is a relatively static framework and it does not fully consider the potential dynamic impacts of institutions in achieving development goals regarding efficiency, equity, growth and employment.
There have also been contributions from other social science disciplines. Geographers with their interest in the location of economic activities have undertaken a large number of descriptive studies of marketplaces, periodic markets and itinerant traders in rural areas of developing nations (Ghosh and McNulty, 1978; Smith, 1978; Porter, 1993). Other social sciences which have dealt with this area are sociology and anthropology.
A second approach usually involves an analysis of the economic feasibility of capital investments in marketing infrastructure, e.g., processing plants, wholesaling markets, grain storage, and transportation facilities. There are a number of problems with such studies. First, there has been unwarranted optimism

concerning the transferability of technology from more advanced countries to developing ones. Thus, even though the latter are labor-surplus economies, capital-intensive technologies have been utilized instead of the more appropriate labor-intensive ones.

Secondly, the studies tend to misjudge the capability of the new capital-intensive infrastructure to interact with existing patterns of production, distribution and consumption. This has sometimes resulted in serious under-utilization of the new facilities (Lele, 1975). Finally, the studies also often underestimate the lack of a trained labor force and shortages of managerial know-how.

The third approach consists of broader based assessments of agricultural marketing systems and have been more useful in analyzing marketing's role in economic development. Mellor et al. (1968), for example, studied marketing in India and on the basis of extensive field surveys they challenge the validity of several widely held views regarding the exploitive and unproductive activities of rural traders. They found very little evidence to support the view that the monopolistic nature of private trade leads to excessively high marketing margins or that wide seasonal price variations are caused by speculative hoarding and profiteering practices of traders. Price differentials among major wholesale centers are found to be closely related to expected price patterns based upon transportation cost differences. Entry into traditional trade was found to be generally open and there was significant competition at each level of marketing. Even in instances where a few traders handled a large share of the market volume it was observed that they were unable to influence prices appreciably through collusive action as long as there was effective market intelligence and transportation among markets.

Jones (1970) conducted extensive studies of agricultural marketing in several African countries. The characteristics of existing marketing systems were compared with the requirements of a purely competitive model and actual pricing relationships were checked against what would be expected in a perfect market. He found that in terms of the tasks that marketing systems are asked to perform, the African ones were not performing badly. This finding is confirmed by Hollier (1985) and Arnould (1985). Despite this assessment of the existing marketing system, Jones points out the critical need for attention to marketing in economic development planning when major technological and institutional changes are being contemplated.

A major problem with the research framework developed in most of these diagnostic assessments is a lack of concern for the dynamic impacts which marketing services can have both on production and consumption. The static focus of the research has been on whether prices and cost relationships over space and time behave as predicted by the perfectly competitive model. Relatively little effort has been made to better understand how the effectiveness of marketing influences supply and demand functions, especially for small scale farmers and low income consumers.

Another problem is the tendency to utilize secondary, and usually macro-level, data in testing for conditions of structure, conduct and performance predicted by the perfectly competitive model. There is relatively little focus on the macro-level behavior of marketing agents, including farmers' marketing decisions in the rural areas. By frequently including assumptions of homogenous behaviors on the part of farmers and marketing agents these studies obscure important variations in market behavior. Thus, results are often inadequate for making specific recommendations for improvements in rural and/or urban markets, especially if the objective is to extend improved services to specific target groups such as small scale farmers, other low income rural residents or low income urban consumers.

It can be seen then that much of the existing literature on marketing and economic development has inadequacies that often lead to overly narrow perspectives. What is needed is a broader eclectic set of analytical procedures that focus on marketing as an organized, operating behavioral system within a national economy.

AN ECLECTIC APPROACH

In this section we use an eclectic approach to indicate how the role of marketing should be viewed in developing countries. Marketing aims at transforming potential demand in a market into actual demand for goods and services. Emphasis is on design and implementation of a strategy that satisfies the prevailing pattern of demand. It should, however, go beyond this industrial aspect to serve the general good of society, and its contributions should extend well beyond the boundaries of business into social issues especially. Marketing should therefore involve values and issues relating to human and social concerns. Included are such aspects as the reduction of the gap between "have" and "have-not" societies and the bringing of rural areas into the mainstream of economic and political life. This focus is necessary for the development of traditional societies and calls for a response to social challenges by marketing involvement in cultural and economic efforts that go beyond mere profit considerations. With this perspective then, marketing is a social instrument through which a standard of living is transmitted to society. This calls for a greater understanding and use of knowledge from social science disciplines.

In order to successfully integrate rural areas into the modern sector by focusing on marketing it is crucial to understand the sociology of rural systems. For instance, there are frequent criticisms of the subsistence nature of rural production and the supposed inability of rural people to adopt or innovate. What is lost sight of is that for most of these people their small farms and handicraft shops are their whole life and therefore without adequate insurance it does not make sense for them to risk their very livelihood on anything of an experimental nature. This failure to take into consideration an aspect of rural sociology has led to frequent inefficient use of capital for rural development. As Griffin (1973, p. 6) pointed out, "if peasants sometimes appear to be unresponsive or hostile to proposed technical changes it is probably because the risks are high, the returns to the cultivator are low - for example, because of local custom or land tenure conditions, or because credit facilities and marketing outlets are inadequate and the necessary inputs - including knowledge - are missing." Efforts to minimize these constraints are crucial to rural development.

Anthropologists and sociologists have observed and described rural household behavior. They also have a tradition of conducting individual village studies. Although such studies provide valuable descriptive information about rural populations and economic processes, they rarely contain analyses which can be used to formulate policy recommendations. What is of more interest in analyzing of marketing's role from an anthropological/sociological viewpoint are attempts by economic anthropologists to use concepts from regional science and geographical models to put village studies into a more useful framework for understanding how to promote development. As Smith (1976,) indicated, without the regional system context that geographical models provide, anthropological marketing studies do not tell us a great deal more than is already known about the economic determinants of peasant behavior. An understanding of the cultural system is vital because it is that which provides a key to motivating individual behavior over the very long run. The Indian village of the past, for example, was not a market economy. Each person performed his job, largely determined by his caste, and shared in the village's produce on the basis of a complete system of shares. There was no market valuation of either the services of the artisans or the produce of the farmers. In such an economy there was no place for selling. Attitudes developed over centuries of this type of economic thinking cannot be changed quickly and without proper analysis and understanding we cannot successfully apply marketing systems or organizations.

Consumer behavior like all forms of human behavior is culturally conditioned. Analysis of consumers therefore requires a proper understanding of both the theoretical as well as the empirical aspects of the concept of culture. Hence the study of marketing and the study of culture are inextrically interrelated (Hosely and Wee, 1988; Joy and Ross, 1989; Olsen and Granzin, 1990).

Partly as a result of the overwhelming nature of economic problems and partly as a matter of political ideology, developing country governments play a direct and often disproportionate role in marketing. Political ideology often forms a barrier to the use of marketing. Communist countries, for example, are philosophically opposed to capitalist-style marketing. They often stereotype marketers as parasites, adding cost but no value. Thus, they often emphasize production reorganization and investment in production while starving marketing facilities. Rosson (1974) in an analysis of the Tanzanian government found that many plans for change were characterized by a too-rigid adherence to political philosophy and non-economic ideas of exchange processes. After an appraisal of the effects of the government acting as a change agent on the production, distribution, and consumption sectors he concluded that there was not enough careful consideration of the systematic nature of marketing or the sociocultural aspects of economic processes.

Frequently, government's role is a response to the psychology of scarcity (e.g. panic buying, hoarding, allocation of products among customers on a preferential basis) that develops as a result of shortages and scarcity. Thus, direct intervention has taken the form of the establishment of state-owned marketing boards and corporations to overcome the supposed inability of the private sector to handle especially food distribution (Jones, 1982; Manu, 1992). Ghana, for example, set up a food distribution corporation which ended up being more inefficient than the private distributors for it sold less than 1% of the country's supply of the products it handled, thus not having any impact in the market. Worse still the company operated for many years until 1973 when the government restructured its operations to emphasize wholesaling and storage (Management Development and Productivity Institute, 1974).

Much of the government's role in marketing has been in the area of price control. The goal here is to prevent profiteering, due to the scarcities of essential food products as well as other goods, that are encountered in many developing economies. In practice price controls have proved to be unenforceable and they have given rise to black markets and under-the-counter sales which in turn have caused the establishment of entirely new government bureaucracies to deal with them (Manu, 1992).

All this is not to say that government,s marketing activity has no role in the development process. It often can and does play a crucial role in social issues such as adult education, family planning and health. Government can also play a vital role in the regulation of products and communications put out by companies, and in the provision of marketing infrastructure. Attempts at using marketing in an activist manner should definitely take into account the framework created by government. Lessons must be drawn from the policy-making processes of government with respect to marketing and development issues.

CONCLUSIONS AND IMPLICATIONS FOR RESEARCH

Lack of basic information about the organization and functioning of the marketing system and a general distrust of intermediaries are common characteristics among developing nations. However, social and political pressures dictate that development programs and public policies be made on the basis of available but usually very inadequate information and analyses of alternative courses of action. There is therefore a desperate need for applied research to identify the most urgent marketing problems and the actions that might be taken to improve existing conditions. In addition, there is also a need for a more comprehensive understanding of marketing processes and a long-term view of the desired role of market organization and institutions in national economic development (Taylor and Omura, 1994).

Given the failure of past development programs to improve the relative, or in some instances, the actual well-being of the poor majority the question arises as to how changes in marketing institutions might make greater contributions toward improvements in economic and social conditions in rural areas. Additional field research is needed to identify alternative opportunities for improving the effectiveness of rural marketing systems within more comprehensive rural development programs designed for particular country situations.

Development and use of applied marketing research programs will follow different patterns depending upon circumstances within individual countries. However, it necessarily has to focus on the operation of the marketing system in terms of the distribution of wealth and income; access to government services and political power; social status and organization; geographic considerations; and technical performances. This suggests an opportunity for increased interaction between marketing researchers and other social scientists (geographers, anthropologists, sociologists and political scientists) in order to develop the broad analytic framework required to deal with very complex marketing and economic development issues.

This brief literature review and eclectic perspective indicate the magnitude of problems facing developing nations for which there are no easy answers. These problems are not insurmountable but great care must be taken in arriving at solutions in order to avoid a waste of already scarce resources. The wider implications are in the area of business education to give a new emphasis to local conditions.

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A PLANNING MODEL FOR NEW BUSINESS OPPORTUNITIES

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ABSTRACT

The purpose of this paper is to develop a planning model which is intuitive and iterative and thereby assists and encourages managers and students to develop commercially sensible plans for various business situations.
The commencement of a business or development of a new opportunity is often left to intuition and trial and error. The idea of developing a marketing plan, or, in fact, any plan, can be dismissed as not being feasible. Basically the arguments for not planning are centred on the perceived difficulties of gathering data, or "it's too difficult", or there is insufficient time to plan. This paper sets out a model planning process designed to encourage and explain to entrepreneurs, managers and students how to establish a planning process.
The model proposes that a series of iterations should occur which maintain a balance between information gathering, analysis and planning. These would eventually transform the initial idea into a formal detailed plan document.
The authors basic hypothesis is that planning is easier and more effective if there is a balanced and simultaneous development of the three elements of planning, analysis and gathering information to verify assumptions.

PLANNING MODEL FOR NEW BUSINESS OPPORTUNITIES

1. Introduction
1.1 Rationale

Entrepreneurs and managers establishing a new business often have difficulty in originating a strategic/ business plan or marketing plan.
Their reactions to the need to document formal plans is often met with responses like "it is too difficult", "I do not have the time", "i do not have the information" or "the situation is continually changing". These are common excuses given by most people who are faced with the need to plan ahead.
Planning, whether consciously or unconsciously, permeates our thinking, both in business and in our private lives. This paper presents a model to illustrate that a plan may be prepared at any time in the life of a business venture.
The benefit of the model is that managers can formulate a plan outline at any time and decide appropriate action, and then continue the process or start implementation of the plan.
The planning process commences once the germ of an idea (such as a business or market opportunity) flashes into our mind. Often, especially at this initial stage, the process is subconscious in nature and the idea acts as the catalyst for the "wheels" of planning to commence rolling. Most of us do not recognise that we are now at the beginning of what should be a formal planning process.

It is our contention that in any business situation:

- A conscious approach should be applied to developing the initial idea, and
- The more formal this approach, the more effective and successful will be the planning process.

We believe our planning process model can be applied to any organisation or situation facing "assumed" or "perceived" barriers to presenting a formal plan, because formal approaches can be immediately applied to ideas which occur regularly to everyone. The model is dynamic in that it may be applied at any time once the idea or opportunity is identified and as the situation is unfolding. In addition, the authors have found the model effective in explaining the planning process for both business/ strategic and marketing planning.
The model is based on an iterative process, and draws upon two discrete types of activities; identifying key assumptions, and collecting data to verify assumptions. The model has been derived from previous survey

work in marketing planning and the cumulative experience of the authors over a number of years in teaching, consulting and as manages in a range of industries.
Despite all the information written about marketing planning and strategic planning, the authors have frequently found that entrepreneurs, managers and students, whether undergraduate or post graduate, have difficulty in knowing when to start the process or how to develop a plan.
The model proposed here by the authors has been tested in a limited number of focus groups and with practitioners, but must be verified by empirical research. The model concept required preparation of a formal research methodology and a brief outline of an approach is proposed in this paper.
In the consulting and teaching areas, we have come across the problem of hesitancy to develop plans, which are expressed by comments such as: "When do I do a plan?", "How do I plan?", "I have insufficient information to plan!" and "At what stage do I undertake the information gathering?" The model is intended to encourage people to do planning with the level of information that they have at any stage of evolution and development of the organisation or the product.

There are three basic elements of a planning process. The first is the process of putting the plan together, which is the description of the idea and the strategies. The second is doing the analysis to look at all of the assumptions behind the strategies. The third part is verifying those assumptions which can involve going out into the field and collecting information to disprove or verify whether the underlying assumptions are valid.

Diagram 1:

Questions which we believe cause procrastination with planning:

How do I go from an idea
to a formal plan?

- Where does one start?
- What are the first steps?
- How should it be done?

1.2 Theoretical Elements of a Good Plan

A review of the literature (1) (2) indicates a well defined set of elements which should form the basis of every business or marketing plan. They include:

Situation assessment.
Mission.
Objectives.
Strategies.
Tactics.
Action Plans.
Financial projections.

It is generally accepted that the written document should also be supported by:

Market intelligence, research and other data.
Environmental analysis.
SWOT analysis.
Assumptions.
Alternative strategies considered.
Risk analysis.
Contingency plans.
Detailed financial analysis.

A complete stand alone plan will reflect all of these factors even if they are not stated explicitly.
The iterative process proposed in this paper includes all of the above elements but in increasing levels of detail over time.

1.3 Typical Planning Challenges Facing Organisations

Planning challenges can be faced by any type or size of organisation. Some typical situations involving new businesses are:

A. Industrial Seat

A specialist engineering consultancy was asked to investigate and recommend ways of reducing operator back injuries from jolts and jars when using heavy earthmoving equipment with very hard or no suspension. The company developed improvements to standard seats which minimised the impact of sudden shock leads, which were a known major cause of back injuries. A prototype was then built and subsequent testing and field trials found it to be successful. The company needed to decide how it would manufacture, promote and distribute the product and how much to invest in these activities.

B. Gourmet dips/ spreads

Here, the high proportion of specialty dips and spreads being imported into Australia was the germ of an idea to ask why more of such products could not be produced in Australia. Why not follow on from other well known Australian produced brands?
Having had previous experience with importing specialty foods for a large company, the entrepreneur wanted to know how he should establish his own business.

C. University Services

A university with a strong creative design skills faculty believed that if they retained a specialist designer with specific industry skills, in say textiles, they could get funding from the private sector to support a new department.
Market research confirmed an opportunity existed to provide a specialist research and development service, providing ongoing strong links with industry could be established.
With this idea, how should the University prepare a plan?

D. Professional Business Practice

A previously successful physical therapy (physiotherapy) practice with strong written and unwritten ethical codes of behaviour was under threat from medical practitioners. Recent changes to Government medical rebate systems meant medical practitioners could provide subsidised services for some traditional physiotherapy treatments.

How should an individual physiotherapist in private practice plan to continue his vocation.

2 THE MODEL

In our model there are five evolutionary stages of the planning process, namely, idea, concept, summary, plan outline and detailed plan. These are stages which we use for explanatory purposes.
Initially, an entrepreneur. or planner starts with an idea, or some vision of what is likely or could be in the future. At this stage the corresponding action components undertaken by the planner consist of "planning",

"analysing" and "verifying" the idea and the model proposes that there must be an iterative relationship between these action components.The planning element is searching for such answers as "What is the idea generally?", "Why will it work?" and "How will it be implemented?" Such questions force the need to identify key assumptions (called the analysing element) which in turn relate to the data collected and the verification of key assumptions (called the verifying element). Once the iterative process exists within these elements - or action components - the answers to the questions promote "go" or "no go" type decisions to be made. The planning process is effectively under way. Refer to Diagram 2.
Recognition of this as a planning process enables the entrepreneur or planner to develop either a "formal" or "informal" plan. A formal plan does not need detail at this early stage of the evolutionary process; it just requires that the ideas be committed to paper.
Where "go" decisions are made, further detail is gathered and the "idea" stage evolves to the "concept" stage, which also contains the iterative action components of "planning", "analysing" and "verifying". The collective knowledge and vision from the "back of the envelope" type work involved in the initial idea stage is built upon to become the basis of the more detailed concept stage. By repeating this iterative process of evolution, each cycle develops further detail to support the plan.
This planning process overcomes the issues of procrastination and of not knowing where to start. Furthermore, by achieving a balance between the planning, analysis and verification components and developing each in parallel and simultaneously, then it is possible to progressively verify the assumptions as being valid.

If a planner goes down the data collection path too far without thinking though assumptions or thinking through the plan then a lot of effort can be wasted and the planning process may not be very effective.
When considering a basic idea, the planner will consider the key assumptions, and may verify them based on personal experience. The next stage, the conept stage (refer to Diagram 2), will involve putting more of the plan together and collecting more related ideas. In a marketing sense this might go beyond the initial idea to how the consumer might use it, what they would use it for and how it might be distributed. It could involve looking at some supporting assumptions in terms of things that might affect the distribution and manufacturing costs and possibly talking to other people about the concept or just looking at what has happened in the market place.The summary stage (refer to Diagram 2), would be a description of what the problem or idea is and, for example, involve looking at some of the basic assumptions, doing calculations on the data, going out into the market place and talking to experts or looking at major trends. At this summary stage, the elements of the plan should be starting to become clear, and the inter relationships between some of the growth issues and action components identified. Finally you would have a fully detailed plan and you would end up with a complete integrated set of strategies and objectives and action plans.
-A series of iterations occur.
-The first few iterations may be carried out using an informal mental process and not even be committed to paper.
-With each iteration the model widens with more detail.
-Each iteration becomes increasingly more detailed as assumptions are tested and further relevant information is gathered.
-The process moves between:

- feedback processes, involving data gathering and collection.
- Analysis and deductive process.
- Creative processes, involving the generation of ideas, possibilities and opportunities.
- Recording, documenting and communicating the agreed elements.

-The process should continue until it is no longer cost effective to go through another iteration.
-The level of detail in the final plan will depend on the size of the stakes involved and the acceptable level of risk.
Eventually each iteration consists of a review of all the elements of the plan in relation to one another. This is vital in order to maintain consistency between each of the elements.
In summary, the process:
-Is ongoing, iterative and evolutionary and based on continual and incremental refinement and improvement.
-Incorporates the cumulative effects of feedback, experience and knowledge gained in the market place.

-Either consciously or unconsciously incorporates assumptions, many of which have been empirically tested.

3. Research methodology

The original conceptual model was further refined through the adoption of three research methodologies:

1. <u>Focus Groups</u>

Two focus group sessions were held. One was a formal tape recorded focus group comprised of seven people with a variety of levels of business experience. The experience level ranged from three to thirty years working in a commercial environment. The positions held included Market Officer, Accountant, Management Consultant, Business Development Manager. Industries represented ranged from small private manufacturing and service companies, large bureaucracies such as a major bank and government utility, a university and major national retailer.

The second focus group involved a formal presentation on the model, followed by an informal discussion. The fifteen participants included a broad range of Australian business and government organisations and the more active participants in the informal discussion included a General Manager, Marketing Officer and an operational manager. Industries represented included food manufacture, industrial dry cleaning and a major utility.

2. <u>Interviews with Individual Practitioners</u>

Unstructured interviews on the application of the conceptual model have been held with several senior managers in the author's role as a consultant to industry. These have included the Managing Director's of a medium sized engineering company and a small manufacturer of agricultural machinery.

3. <u>Presentation and Feedback from Formal Class Lectures</u>

Both authors have presented the basic conceptual model for planning over several years to classes of both post graduate and undergraduate students. At both levels of study the class population consisted of students with a range of working experience.

Post graduate classes were comprised mainly of mature age, part time students engaged in full time professional employment. Students were completing post graduate qualifications in management, marketing, international business and logistics.

In all classes students were undertaking a formal course which required the development of a strategic or marketing plan. Feedback was sought in the form of applicability of the model to the particular planning situation. Comparisons with formal text book models were sought in these feedback discussions.

4. RESEARCH RESULTS

Our overall evaluation from the Focus Groups, unstructured interviews and feedback from formal in class presentations is that the model has a basis for support as an aid to develop practical marketing plans.

From the Focus Groups the concept of building up from a base idea has a degree of acceptance. For example:

"I find that no matter what kind of plan I am doing, I follow this kind of approach anyway. It is good that it is up there on paper because that is the type of process I would follow on any assignment at work or for studying. I would develop a core idea then gradually work up to a major plan, and be outlining it step by step. What you have there is basically the steps that I would normally take written out in a step by step fashion."

"I now recognise that gathering too much information at the start was a mistake. I didn't identify what I really needed and ended up with much too much information. The benefit of doing it this way is that I would have saved a lot of time and the final plan would probably have been a lot more focused."

The first plan I had ever written was a couple of weeks ago. I endorse the point about not gathering too much information at the start because you can end up with too much unrelated information.

The summary stage in our evolutionary approach has some agreement with comments such as:

"Where you would think that you might write an executive summary to a Business Plan at the end, at times I found myself almost writing the executive summary right at the start and then going into more detail and later coming back and updating the executive summary as I went along. The executive summary gives me a bit of a focus for the total plan process which I have adopted. The executive summary forces you to face up to what the core objectives are and the core strategies and I can write a certain amount of that directly out of my head from what I already know. And then take the assumptions behind that which form the outline of the plan, which is important."

Comments supporting this model included:

"I have done a number of plans over the years and once you put it down you do need a process for the way you go about doing it. I think it is good that you have been able to do this."

Another comment was paraphrased as: The verifying sections are quiet good because they mean you are continually going back and verifying at each stage that you are on the right track. Otherwise you can get caught up with a particular path and keep going down it.

"In my organisation, you can not afford to get to the end of the planning process without any documented plan so that you don't get any feedback from the supporting manager. It is important to not get trapped and have some peer input and observation. There should be some attempt to piece things together so that you still have time to come back and review the elements."

"It is easy to spend too much time in one area, when doing a plan and not enough time in another. In other words spend two or three weeks doing something which wasn't required."

CONCLUSIONS

The limited validation carried out to date on the model suggests that it has merit as a planning tool. As a result we have formulated a hypothesis that:

Planning is easier and more effective if there is a balanced and simultaneous development of the planning, analysing and verifying elements throughout the evolution of a formal plan.

This hypothesis needs to be verified and tested with further research.

FURTHER RESEARCH

Further research to be carried out will involve:

- Rigorous testing of the above hypothesis
- Extending the model to cover situations where planning is carried out:
- To a deadline
- Using multidisciplinary teams
- Developing control mechanisms to help ensure the elements of planning, analysing and

veri fication stay in balance.

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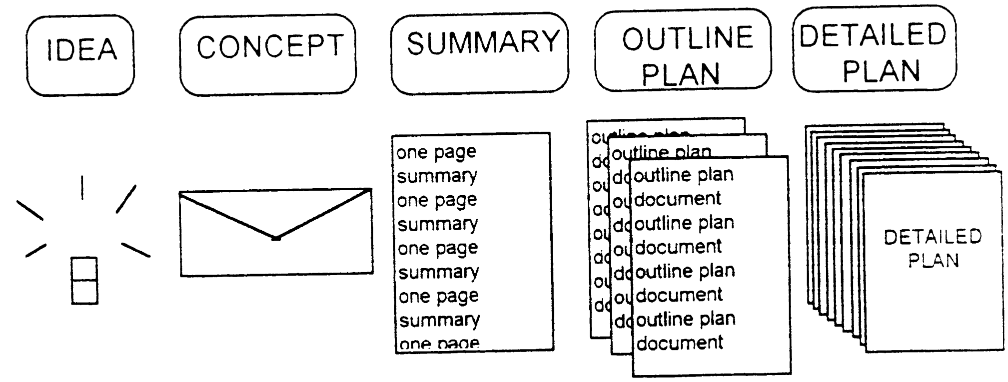
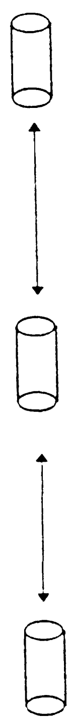
Diagram 2

EVOLUTIONARY STAGES OF THE PLANNING PROCESS



CORRESPONDING ACTION COMPONENTS



1. PLANNING

   What the idea is.
   Why it will work.
   How it will be implemented.

2. ANALYSING

   Identification of key assumptions.

3. VERIFYING

   Data collection.
   Verification of key assumptions.

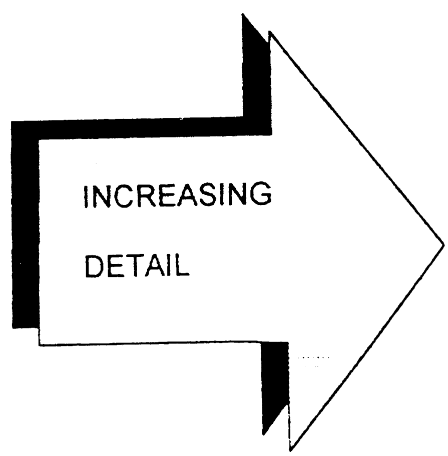
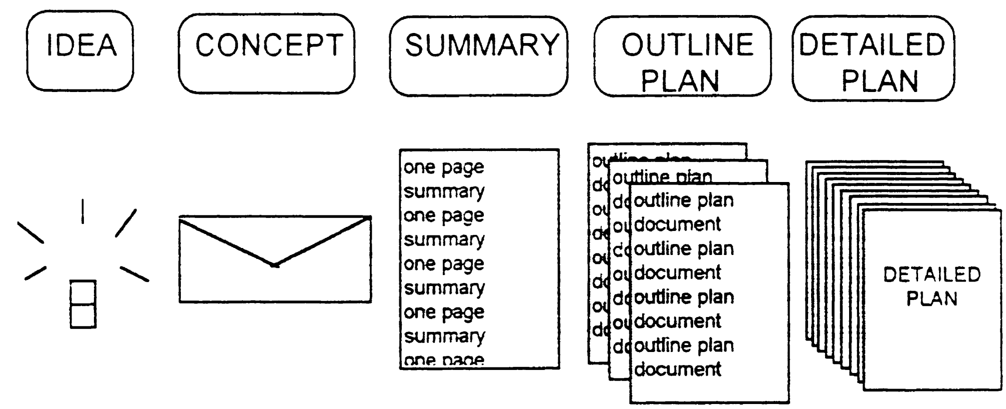


Diagram 3

THE PLANNING MODEL

AN EXAMPLE OF WHAT THIS MEANS IN PRACTICE:

EVOLUTIONARY STAGES OF THE PLANNING PROCESS



ACTION COMPONENTS	EVOLUTIONARY STAGES				
	IDEA	CONCEPT	SUMMARY	OUTLINE PLAN	DETAILED PLAN
PLANNING	Fundamental vision or idea	Collection of related ideas or concepts	Broad descriptive s[illegible] of the plan	Objectives, strategies,	~~Fully detailed & supported~~ document
ANALYSING	Key issues & assumptions	Broad issues & assumptions	Specific issues & supporting assumptions	Transient issues & key relationships	All issues & inter-relationships
VERIFYING	Personal experience	Peer input, observation	Industry [illegible], trends	research, tests	Field research, trials

THE USE OF NEURAL NETWORKS IN CONSUMER BEHAVIOUR ANALYSIS: AN APPLICATION TO CAR BUYERS

Luiz Moutinho & Fiona Davies & Bruce Curry
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ABSTRACT

Neural networks can bring together psychometric and econometric approaches to the measurement of attitudes and emotions. This paper describes the analysis by neural network of consumer data gathered from car buyers, with the aim of investigating in detail the contribution made by explanatory variables to degree of satisfaction with last car bought and brand loyalty relating to car purchase. Nodes in the hidden layer of the network were labelled to represent respondents' less easily articulated attitudes or beliefs. Analysis of the findings shows clear differences in attitudes between male and female buyers.

STRATEGIES FOR INTERNATIONAL ADVERTISING

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ABSTRACT

This paper identifies some international problems in advertising, and then provides guidelines to solve them. A basic cause of many of these problems is unfamiliarity with the many cultural, social, political, legal, language, and other factors that cannot be directly controlled by the advertiser. The job of an international advertiser is doubly difficult since he faces two sets of uncontrollable factors, domestic and foreign. Domestic advertising is somewhat easier to manage since only domestic uncontrollables must be considered, and they are much more familiar.

However, international advertisers often take for granted their familiar domestic frame of reference, assuming that what is true in this country is true everywhere. This leads to consequences ranging from embarrassment to failure.

INTRODUCTION

The Nature of International Advertising

Today, advertising is big business. Per capita advertising expenditure in the Unites States is more than two hundred dollars per year (9; p. 504), more than the total per capita income in many underdeveloped countries. The results of this high advertising expenditure in the United States are hundreds of TV channels, Cable TV, and radio stations, many operating 24 hours a day, thousands of magazines and newspapers, and extensive use of direct mail, point-of-purchase displays, and outdoor billboards. Support for all these advertising activities comes from consumers of the advertised products, paying for it as part of the price they pay for goods and services.

Outside the United States advertising activity is more limited for many reasons, including lack of media availability, government restriction, and cultural factors. There are over 168 countries in the world (7; p. 517). While promotional activities are found in all countries, the degree of integration varies widely. In economically developed countries, modern promotional activity is common. In less developed countries, more labor intensive promotional techniques are used, such as personal selling.

As countries become more highly developed economically, their marketing activities change. Many multinational companies are seeking access to these developing markets, and when they enter these markets, they endeavor to bring with them more highly developed marketing and advertising. They are not always successful. One set of limitations includes media limitations, governmental restrictions, availability of reliable secondary data, politics, and red tape. Another set of limitations includes unfamiliarity with the language, the culture, product usage, competition, and the nature of the local demand.

The International Advertising System

An advertising business system consists of controllable factors and uncontrollable factors. Controllables are easy to manage, while uncontrollables need special effort. Controllables include financial, organizational, production, marketing, information, management, and research/development activities. Uncontrollables include social, cultural, political, legal and language factors, and competition. Domestic advertisers face one set of controllables and one set of uncontrollables, but international advertisers must also manage a second set of uncontrollable factors, foreign uncontrollables (3; pp. 8-9). Basically, they are the same factors, but in the less familiar foreign context.

The aim of this paper is to present examples of the familiar foreign uncontrollable factors which often cause international advertising problems. Some solutions to these problems are found in the last section of this report.

CULTURAL AND SOCIAL FACTORS

Cultural Diversity

Cultural diversity is another problem facing the international advertiser. Overcoming the problem of communicating with people of diverse cultures is one of the great challenges in advertising. In moving from one culture to another, communication is more difficult because cultural factors largely determine the way various phenomena will be perceived. If the perceptual framework is different, the perception of the message itself will differ (8; p. 10).

International marketers are becoming accustomed to the problems of adapting from one culture to another. The significance of color, for instance, is recognized as a fundamental difference between cultures; white, for example, signifying purity in the West and death in the Far East (3; p. 12). Other customs, such as gift-giving, which are quite incidental in the United States, have strong symbolic significance in other countries (15; p. 7). The task of culturally "tuning" an advertising campaign is perhaps the most challenging and important one confronting international advertisers; they must adjust all aspects of their advertising to conform to cultures to which they are not totally attuned.

Language Barriers

Language Use:
Language is one of the major barriers to effective communication through advertising. The problem involves the different languages in different countries, different languages and dialects within a country, and the subtler problems of linguistic nuance and vernacular.

The automotive world has spawned many horror stories of mis-named and mis-promoted products, possibly because of their traditional use brands and product names designed to conjure up images in the mind of the customer. Sometimes negative images, often funny to those not directly affected, are conjured up instead. Chevy's "Nova", for instance, meant "doesn't go" in Spanish (1; p. 88).

Illiteracy:
A low literacy rate in many countries seriously impedes communication and calls for greater creativity and use of verbal media. Turkey, for example, has a literacy rate of approximately 25%. An advertiser attempting to reach a large segment of the population must use radio advertising. Multiple languages within a country pose another problem. . . tiny Switzerland has four official languages (1; p. 89).

Language Translation:
The necessity for translation throws up innumerable barriers that impede effective, idiomatic communication. Advertising copy is almost impossible to translate literally. It almost always must be rewritten in the new language, probably because it must communicate images and feelings. Advertising style is also noted for abstraction, terse writing, and work economy, all pitfalls for the unfamiliar writer. One possible solution is to employ a translators native to the target country, who now live in the United States. Unfortunately, after only a few years both the language and the translators change and they may well lose their effectiveness...

Everyday words have different meanings in different cultures and in different contexts. An Indonesian translating computer instruction from English understood the term "software" in different contexts to mean "underwear," "tissue," and "computer junk" (1; p. 89, and 14).

POLITICAL AND LEGAL FACTORS

Political forces at home and abroad are as different as night and day. Even the shift in government's attitude toward business after a national election is seldom very dramatic in the United States, while overseas shift in government may mean expropriation, expulsion, or major restriction on operations (17; p. 22).

Legal Restrictions

In some countries advertising is more closely restricted than in others, which requires modification of the creative approach from country to country. Laws may restrict the amount spent on advertising, the media available, the type of product that can be advertised, the manner in which the price may be advertised, and the type of copy and illustration. In Italy, for instance, even common words like "deodorant" and "perspiration" are banned from TV (2; p. 7).
In Germany, for example, it is against the law to use comparative terminology. One cannot say his soap gets clothes "cleaner," even if he does not say "cleaner than so-and-so"; even saying one's brand is "best" is verboten (2; p. 7).

Taxes

Some countries have taxes that might affect creative freedom or media selection. Austria's situation illustrates what one might find. Ad insertions are taxed at 10%, as is radio and television. For posters, taxes are ten, twenty, or thirty percent according to the state or municipality. Cinema advertising carries a 10% tax in Vienna, 20% in Bergenland, and 30% in Steriermar; with no tax at all in the other federal states (8; p. 4).
Many governments allow drug advertising to be deducted from income as a business expense, but in the U.K. it is restricted, and in France it is not allowed at all (5; p. 55). The Monopolies Commission in the U.K. has accused Proctor and Gamble and Unilever of creating a monopoly by spending nearly one fourth of their revenues on advertising. These companies have also been criticized for earning too much. Legal and taxation considerations comprise a major deterrent to complete standardization of advertising by multinational corporations.

COMPETITION AND MEDIA LIMITATIONS

Advertising Hours

In the United States, 24 hours-a-day operation is the norm for commercial radio and TV stations. At the other extreme, Kuwait's government-controlled television network allows only thirty-two minutes of advertising per day, and this is only in the evenings. Commercials are controlled to exclude superlative descriptions, indecent words, fearful or shocking shots, indecent or suggestive dancing, contests, hatred or irreverent shots, or attacks on competition. It is also illegal to advertise cigarettes, lighters, pharmaceuticals, alcohol, airlines, chocolates, and candy (6; p. 11).

Standardization

Trying to develop a single advertising campaign usable in many countries can be a significant problem for the multinational firm. Consider, for example, that a Kellogg's Corn Flakes commercial familiar to United States viewers and aired in Great Britain, would be banned in Holland because it boasts of "extra vitamins." It would be outlawed in Germany because its slogan "Our best to you" sounds like a competitive claim." In France it would be barred from the air because children can't endorse products there, and in Austria because children can't appear in commercials at all. They have to be played by midgets (12; p. 1).

Media Pricing

Media prices are subject to negotiation in most countries. Agency space discounts are often split with the client in order to bring down the cost of the media. The advertiser may find the cost of reaching prospects through advertising is dependent on his agency's bargaining ability (11; p. 35).
Even rate-card prices vary widely from country to country. One study showed the cost of reaching a thousand readers in eleven different countries ranged from $1.58 in Belgium to $5.91 in Italy. Women's service magazines, the past cost per thousand circulation ranged from $2.51 in Denmark to $10.87 in West Germany (11; p. 35).

Media Fragmentation

Closely akin to the cost dilemma is the problem of coverage. Two points are important: the difficulty in reaching certain sectors of the population with advertising, and the lack of information on coverage. In some countries, markets are divided into uneconomic advertising segments simply because of the large number of media (5; p. 55) (13; p. 33). A majority of the native population of less developed countries cannot be reached readily through advertising. The newspaper as a medium suffers from lack of competition in some countries and is choking because of it in others. In the United States, many large cities have only two major daily newspapers. In some countries, the opposite is true, with so many newspapers the advertiser has trouble even reaching partial market coverage. Tiny Lebanon, for example, with a population of only 1.5 million, has 210 daily or weekly newspapers; only four have a circulation of over 10,000, with the average circulation about 3,500. Imagine the complexity of trying to reach 200,000 households through the newspaper medium in Lebanon.

THE KEY TO SUCCESS

Overcoming Cultural and Social Barriers

Use Cultural Adaptation--Cultural adaptation means producing a different advertisement, and sometimes even a different product, for each target market's culture. The bride in a Western wedding wears a white dress, while in an Asian wedding she wears red. If you sell dresses, both your dress and its advertising must conform. Although to a Westerner meat is meat, in Israel it must be Kosher meat, in Muslim lands it must be Halal meat.

Physical Adaptation--Physical adaptation means changing your product technologically to meet local, legal, electrical, or mechanical requirements. In Britain or India, if you don't offer cars with the steering wheel on the right-hand side, and show them in your ads, you will confuse many readers or viewers. If you make electrical products according to UL standards, they may well be illegal in Europe, not only because European voltages are double those in the United States, but because UL's emphasis is primarily on fire prevention, while European emphasis is on safety from electrocution.

Avoid Self-Reference Criteria (SRC)--SRC, or thinking in only your own frame of reference, should always be avoided in international business. Just because Cabbage Patch dolls are a hot item in the United States doesn't mean the cute little things will sell well everywhere. An African or Asian market might not consider them so cute. Market research and market testing are essential to avoid problems.

Shun Stereotyped Advertisements-International advertisers should avoid showing Stereotyped situations in their advertising, such as showing females only in the laundry or kitchen, or showing men only in the shop or fixing the car. The world is changing, and all cultures are changing with it (4; p. 70).

Use Market Research--Don't forget, market research is the first step toward successful promotional effort anywhere (16; p. 24).

Consider the Product's Usage--International advertisers should be concerned with the way their products are used (10; p. 40). For example in the United States bicycles are used primarily for recreation, while in many foreign countries they are a basic transportation medium. An effective bicycle advertisement must convey the right message to the user; an ad prompting, "the fun of riding a bicycle" might not inspire a customer to purchase one if he needs a dependable vehicle for commuting ten miles to work.

Overcoming Language Barriers

Use Two Languages Where Possible--If it's possible to do so in your advertising, use both your own language and that of the target country. On TV one might use a local language sound track, with English subtitles.

Use Back Translation--To avoid problems in translation from one language to another, the technique of back translation can be used. Two translators are used, one translating from English to, for instance, Spanish, and the second translating the Spanish text back into English. If the result matches the original text, at least in meaning, then the translation in acceptable. Slogans are especially difficult since the sense and emotion of the slogan often depend as much on the slogan's rhythm and meter as on the words (3; p. 270).

Use the Eyes as Well as the Ears--People take in more information through the eyes (via TV, billboards, sales displays, illustrations) than they do through the "ears," that is, the words alone. Plan your advertising to use visual imagery to the maximum extent, with just enough words to tell the full story and call for action (e.g., "buy one today") (18; p. 60).

The Total Approach to International Advertising

Various approaches to international advertising have been taken by advertisers as they create and place their advertising throughout the world. These approaches or strategies fall into four groups (the terms* used to categorize the groups were coined by the authors).

"Ethno-ad*" strategy: Ethnocentric advertising, having the orientation of the home country. The advertiser simply places the same advertisement created for the home market in the foreign market. In spite of the obvious cost saving, this method's many cultural pitfalls make it risky; it should be avoided where the cultural and economic development of the countries differ widely but can often be used when the countries are very much alike. Many United States multinationals, such as Pan Am, TWA, General Motors, American Express, and the major banks, have used domestic ads in countries with similar language and background, such as Canada and Britain.

"Poly-ad*" strategy: Polycentric advertising, using a unique advertisement for each country. This is the most desirable from the standpoint of matching the ad to the cultural and linguistic idiosyncrasies of the target country. The method is costly, but effective and often necessary. For example, promoting a cake mix by showing the cake served as dessert is OK in the United States; in the U.K. cake should be shown served at tea time. If in doubt, the international marketer should consult with his local agent or distributor to make certain advertising is produced which suits the local culture.

"Regio-ad*" strategy: Regiocentric advertising, using a single ad over a rather wide region where culture and language are substantially uniform. A toothpaste ad in Arabic can be used throughout the Arabic-speaking Middle East. A milling machine is advertised in a single Spanish language trade journal which is circulated from Mexico to Cape Horn. In Europe this would be impossible, given the diversity of languages and culture even in a small geographic area. A Regio-ad strategy is cost effective, and is often dovetailed with market segmentation efforts.

"Geo-ad*" strategy: Geocentric advertising, a standardized approach, designed to be acceptable and inspiring in any language, anywhere in the world. Often implemented with an emphasis on graphics and illustration, and a minimum of words. This is a favorable approach for international marketers and advertisers, but is the most difficult to use. It is most often used for technical or industrial products such as those of Gulf Oil, Exxon, or IBM, but the approach has also been successfully used by Coca-Cola.

CONCLUSION

Based on the examples given, obviously, it is important to understand the target market's culture to avoid certain problems in international advertising, and to take advantage of certain opportunities. This understanding consists of a thorough knowledge of the consumers and their cultures; their wants; their needs, the things that attract their interests; their fears and dislikes; their prejudices; and in particular, the way consumers could perceive themselves getting benefit from the product.

Certainly one of the essential keys to success in international marketing is to carefully develop a product's advertising by incorporating not only its features and benefits, but everything the marketer has learned about the consumer as well. If the advertisement dovetails with the consumer's background and culture, then it will transmit the marketer's selling message in terms that the consumer is capable of hearing and understanding, and will be moved to act upon.

REFERENCES will be available at the conference

Session 13

Monday July 10, 1995

8.30 - 10.00 am

MARKETING, THE BIOSPHERE AND SUSTAINABLE DEVELOPMENT

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ABSTRACT

The focus of this essay is on the relationship of marketing to the biosphere - sustainable development. The biosphere and sustainable development are profiled including sustainable development's ambiguity, stakeholder attractiveness and embedding character. Biocentric marketing stratagems with marketing serving as a catalyst among stakeholder groups for attaining sustainable development is discussed in the second part of the essay.

INTRODUCTION

Man's abusive intrusion into the environment is no longer at question and the intrusion can no longer be ignored. The natural environment has come center stage and will top the agenda of global problems throughout the rest of this century and most of the 21st century (e.g., Berry 1988; Costanza 1991). Pollution of the natural environment as a result of human activity - mostly economic - has taken on a sense of urgency, especially since the early 70's when investigative historians noted that populations, technologies and economic activities were expanding at rates beyond the natural dispersing and assimilative capacities of the biosphere to sustain itself (Repetto 1985). Marketing, as a catalytic activity throughout the entire product life cycle process from the extraction of raw materials to final disposition, is a contributor to environmental degradation but is also positioned to play a major role in the restoration of a meaningful balance among the stakeholders representing ecological, socioeconomic, community interests and corporate interests (Charles 1994; Neace 1992).

The purpose of this essay is to set into motion a dialogue among marketers of a concept whose time has come, yet, to date, has had limited discussion in marketing literature - sustainable development (SD). Specifically, SD will be profiled, discussing its definition and its fuzziness, the elixir quality of the concept among stakeholders; a discussion of the biosphere-economic interface quandary SD is expected to resolve; and conclude with a discussion of marketing's strategies that support SD.

Sustainable Development - A Murky Paragon

Today there is little disagreement among a wide variety of stakeholders that SD is a concept whose time has come. Researchers and academics, although not of one accord, generally agree that economic activity on a scale similar to that experienced since World War II is unsustainable. This is not a recent revelation. Many chroniclers of the human condition have been critical of human behavior as it impacts the natural environment for many years. For example, Malthus (1798/1960), Darwin (1859/1964), Hotelling (1931), Carson (1962) and Boulding (1965), to name a few, have warned us that some behaviors were deleterious to the natural environment and therefore to human well being.

Today, in growing numbers, policy makers, business leaders and scholars from diverse disciplines are embracing SD as an essential concept to stem degradation of the natural environment in which all human behavior is embedded (Caldwell 1990; Schmidheiny 1992; Royston 1979). Broad support has not, to date, resulted in operational consensus; not withstanding the large volume of rhetoric and the substantial number of laws on the books, particularly by developed economies.

Defining SD is tricky because of its diverse support conceptually. It's not surprising, therefore, to find a variety of operational definitions (Cairncross 1991) depending upon the orientation of the organization. SD has been evolving conceptually for some 15 years and has emerged more as an umbrella concept under which stakeholders with dissimilar stratagems for harmonizing ecological and economic objectives can walk arm-in-arm toward the same overriding goal - sustainable development.

Historically, the term sustainable development was probably first used in 1980 by the International Union for the Conservation of Nature and Natural Resources and was "applied" to agriculture development. SD was soon adopted by a host of other stakeholders and disciplines and by the mid-80's was becoming the concept of choice for bridging the ecological-economic "dichotomy" (Ruttan 1994). The definition that has come to have the widest acceptance is the one adopted by the Bruntland Commission (WCED 1987): "Sustainable Development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs."

The popularity of this definition, by rich and poor alike, is due in large measure to its ambiguity and absence of operational fiats. Like previous major reform movements, SD is going through a transitional metamorphosis as dominant institutions and stakeholders (e.g., the World Bank; major transnational corporations) respond to critics, social pressure and the realities of research, by "appropriating", "accommodating", "sponsoring" and "legitimizing" the concept (Goodland, et. al. 1991; Ruttan 1994). Conceptual fuzziness has its attraction; permitting multifarious groups, often with disparate agendas, to sit at a common table. From this perspective SD is viewed as a guiding principle rather than a statement of practice.

THE BIOSPHERE-ECONOMIC QUANDARY

Five major elements make up the world in which marketing takes place: (1) econosphere; (2) sociosphere; (3) politisphere; (4) technosphere; and (5) the biosphere. (Figure 1) The econosphere includes extractors/suppliers, manufacturers, marketers, consumers, and disposers whose purpose is to engage in economic exchanges. In this anthropocentric milieu the role of marketing is one of establishing networks of relationships focused on customer satisfaction and sustainable competitive advantage (Webster 1992). The sociosphere encompasses the ethics, values, cultures, networks, and social structures of mankind. How humans govern themselves and attempt to live in some state of peace and harmony makes up the politisphere. Development of man's artifacts through research, science and engineering is the realm of technosphere. And fifth, the biosphere consists of the natural environment: air, land, water, and life forms. The meaning of this model lies in the recognition that all human activity, including those participating in the econosphere, takes place within and is encapsulated by the biosphere, that part of Earth where life occurs. Or, to bring it closer to home, marketing is but one human activity in a living, dynamic system-the biosphere-in which various elements interact among each other through exchanges, relationships, and networks (Lovelock 1979).

The biosphere (Figures 2 and 3) is a thin rather discontinuous envelope that varies in thickness and is quite incomplete in its coverture of Planet Earth. It can reach altitudes of 10,000 meters into the atmosphere; ocean depths of 10,000 meters in the hydrosphere; and to the deepest plant roots in the geosphere. With few exceptions though, the primary zone of biotic production occurs within a much narrower range: a few meters depth on land to a few hundred meters in clear pristine waters (Southwick 1985). The biosphere and its carrier Planet Earth have been evolving for some 4.5 billion years and, as we are learning, has eco-systems, natural cycling processes (e.g., carbon, nitrogen, hydrologic) and a limited carrying capacity. When homo sapien was few in number his behavior and technologies had little impact on this naturally evolving life system. Such is no longer the case. Because of his numbers, behaviors and technologies, homo sapien appears to be overwhelming the very system so necessary for his life-support. As noted by many ecologists and environmentalists the biosphere has two major characteristics: (1) it is the source of all life support systems; and (2) is limited in its capacity to assimilate intrusions, absorb wastes and depletion of its stock (e.g., Berry 1988, Repetto 1985).

Noosphere, man's storehouse of knowledge (see Figures 2 and 3), is a recent addition as a major component of the biosphere (due to his numbers, technologies and behaviors) which contributes to the overall evolutionary processes of Planet Earth (Teilhard 1959). Homo sapiens have evolved, in a very short period of time in terms of geologic history, to the point where they have the knowledge and capacity to affect the course of global development (Lovelock 1979). No other specie has ever attained a position in the biosphere where such a high fraction of the Earth's biota and other resources were consumed for its support (Woodal 1985). Man's intrusive behaviors impedes the natural biotic process that have evolved naturally over millennia of time. Ecological evolution has inevitably led to greater specialization, more branching of the evolutionary tree, increasing interdependence, and more species living in a more diverse and complex environment.

Repercussions of this intrusion will continue to have deleterious ramifications for many years, many yet unknown. Man is still quite ignorant of the workings of Planet Earth and its biosphere. Herein lies the quandary. The big question for marketing is, can we, as a part of the econosphere and the community of life, evolve an ethic that is holistic in its scope such that human behavior moves in concert with biospheric systems while enhancing man's well-being - sustainable development.

The next section attends to this quandary, proposing several areas where marketing activities can be transformed to include biospheric as well as economic components.

MARKETING THE BIOSPHERE AND SUSTAINABLE DEVELOPMENT

Although there are many players in the econosphere marketing plays a catalytic role serving as a linchpin throughout the system in a continual effort to match resources with needs of consumers. Depending on the source consulted, only 10 to 20 percent of the resource throughput is recycled after its initial journey through the system. Additionally, the process used to generate and deliver products and services can be, and often are, harmful to the biosphere and its inhabitants (Berry 1988, Porter 1991; Schmidheiny 1992). Approximately 80 percent is disposed as waste, hence the designation-linear (Neace 1992). Marketing and other elements of the econosphere are behaving anthropocentrically, as if the biosphere did not matter.

In spite of this, and at times including a contentious, dichotomous, quandary, there is some light. A small but growing body of thought, including marketers (Drumwright 1994; Kleiner 1994; Neace 1992; Porter 1991; Seigel 1992) supports a shift towards biocentrism, recognizing nature's circular modus operandi and the underpinning role of the biosphere (Berkes and Folke 1992; Clark and Munn 1986; Lovelock 1979; Nörgaard 1985; Royston 1979).

Marketers can learn many things from Nature that contribute to a more harmonious business-biosphere interface (Table I). More than any other biocentric economic concept no-waste comes closest to mimicking nature: one company's "waste" becomes material input for another. At each stage along the value-creation stream products are designed for less waste, less use of resources and residues becoming inputs for other value-creation activities. For example, in Denmark farmers are using converted nitrogen "wastes" from a biotechnology firm as fertilizers, the biotechnology firm purchases "waste" steam from a power station and the power station buys "waste" water from a refinery for cooling (Schmidheiny 1992).

Life-cycle analyses (LCA) are cradle-to-grave assessments used to identify environmental problems and opportunities associated with a product, providing marketers knowledge of its strengths and weaknesses throughout its life. LCA studies have been conducted on a variety of product alternatives: e.g., polystyrene clamshells versus coated paper wrappers; disposable versus reusable diapers; and steel, aluminum, glass and plastic beverage containers (Blumenfeld, Earle, Shopley 1991).

European auto makers, under pressure from various stakeholder groups, their governments and dwindling landfill space, have been at the forefront in this endeavor. BMW A.G., Fiat, Ford Europe, Mercedes-Benz, Peugeot, Volkswagen A.G. and Nedcar B.V., several professional and industry associations are working together creating new networks, structures, processes and products that reduce their environmental impact, and at a profit. For example, product design concepts are being created that will enhance maintenance, dismantling, materials recovery, reuse value and bulk shredding. These efforts also include development of timeless design, evolutionary networking and increased leasing, whereby marketing increasingly becomes a service activity and less a selling activity (den Hand and Groenewegen 1993; Robbins 1994; Schmidheiny 1992). In the U.S. LCAs are being applied to compare total energy consumption of electric versus gasoline powered vehicles (Wang 1993).

Environmental audits are important tools marketers can use to stay in biospheric touch with their markets. Like financial audits they provide marketing managers with overviews of the environmental health of their products, packaging, services, distribution and other marketing activities. Environmental audits keep marketers informed with reference to being in compliance with internal corporate environmental policy, with the escalating numbers of laws, regulations and administrative procedures (Greeno, McLean, Anninghofer 1990) and whether their organization is using the latest biocentric technologies and management thinking that could lead to sustainable competitive advantage and sustainable development. For example, HENKEL, a German-based chemicals firm developed a phosphate substitute for its detergent because of mounting scientific evidence that linked phosphates with excessive algae growth in slow-moving and still waters. Today, this biocentric additive is the wörld's leading phosphate substitute, has been very profitable for HENKEL, and rivers and lakes are much cleaner (Schmidheiny 1992).

SUMMARY AND CONCLUSIONS

Environmental issues are increasingly important components in marketing decision making. Attainment of SD will not be easy and it won't be cheap. The quandary is profound and it will take many years to reach a reasonable balance between anthropencentrism and biocentrism. Marketing is a difficult profession. History has always presented marketers destablizing challenges such as the Federal Trade Act, the Robinson Patman Act, and a series of consumer protection and packaging\labeling laws, all significantly impacting marketing practices. SD is a similar challenge.

Incorporating SD into marketing decision making will require a dramatic shift in values and the ways marketers make decisions. Business behavior generally and marketing management specifically have, in fact, been evolving slowly toward a biocentric orientation paralleling western social thought that concurrently emphasizes individualism and interdependency in an ever-broadening concept of the community of life (Nash 1989). For example, markets, behaving like many of its ecological neighbors, have evolved from simple to complex, and from dependent to interdependent. Any reading of today's marketing literature supports the proposition that markets are in a continual state of evolvement and generally moving toward greater diversity and interdependence - more complex networks. (Diversity is not possible without interdependence.) As a result, marketing decision making, increasingly, is occurring in a multistakeholder setting with bionomic undertones (Rothschild 1990). Behaving anthropocentrically, as if the biosphere does not matter, can only lead to economic crises similar to the one faced by the fishing industry as they have literally consumed their ecologic and economic underpinning (e.g., Hardin 1968).

Relationship marketing is an important paradigm for marketing scholars and professionals, calling for a continual search of linkages and linkage enhancement that leads to improved performance: e.g., strategic alliances, outsourcing, reengineering (Webster 1992). There is no reason to believe that this paradigm cannot be extended to include the biosphere resulting in a mutually beneficent partneringship of man and Planet Earth. The biocentric strategies proposed in Table I are steps in this direction.

The old ways are no longer adequate. It's time for marketers to think anew, to reorder our values to a paradigm that recognizes the relationship of man and the underpinning biosphere - sustainable development.

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FIGURE 1: THE HUMAN BIOSPHERE INTERFACE: A HOLISTIC CONCEPT

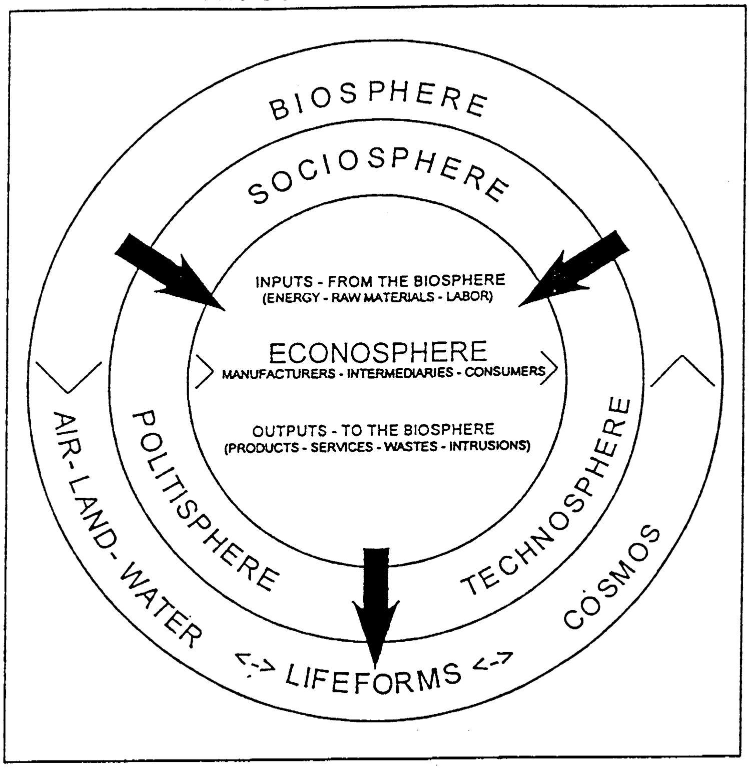

FIGURE 2: FIVE MAJOR COMPONENTS OF PLANET EARTH

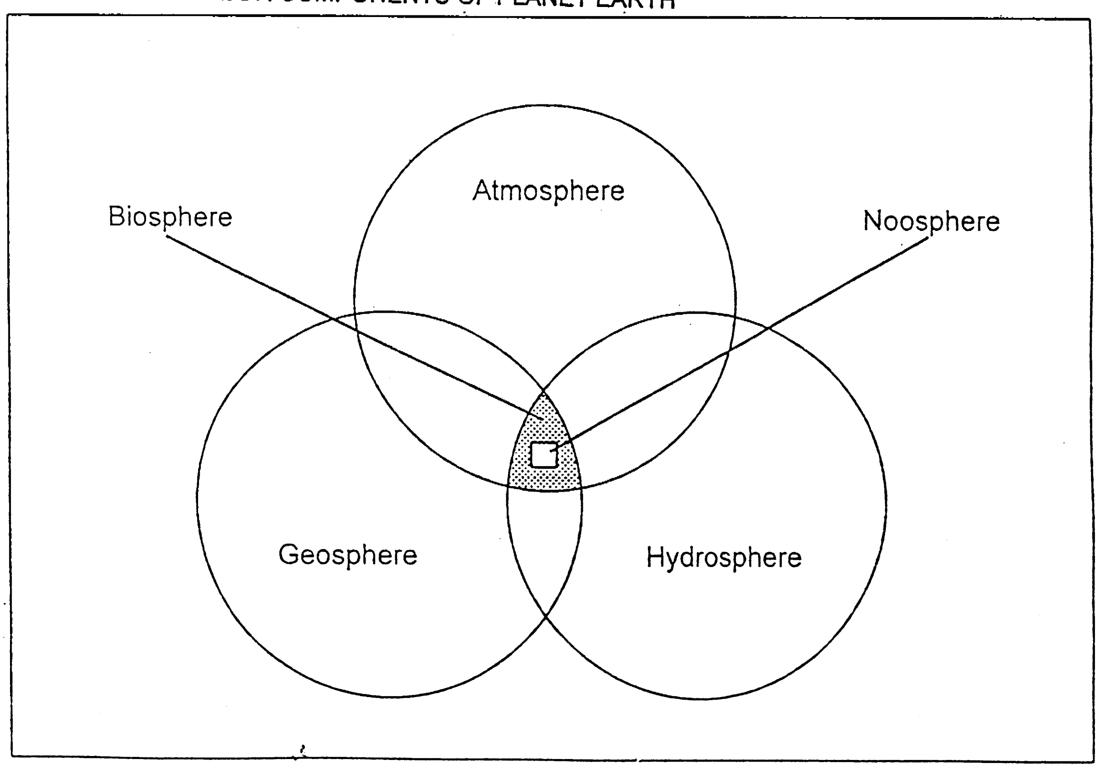

FIGURE 3: MODEL OF THE BIOSPHERE

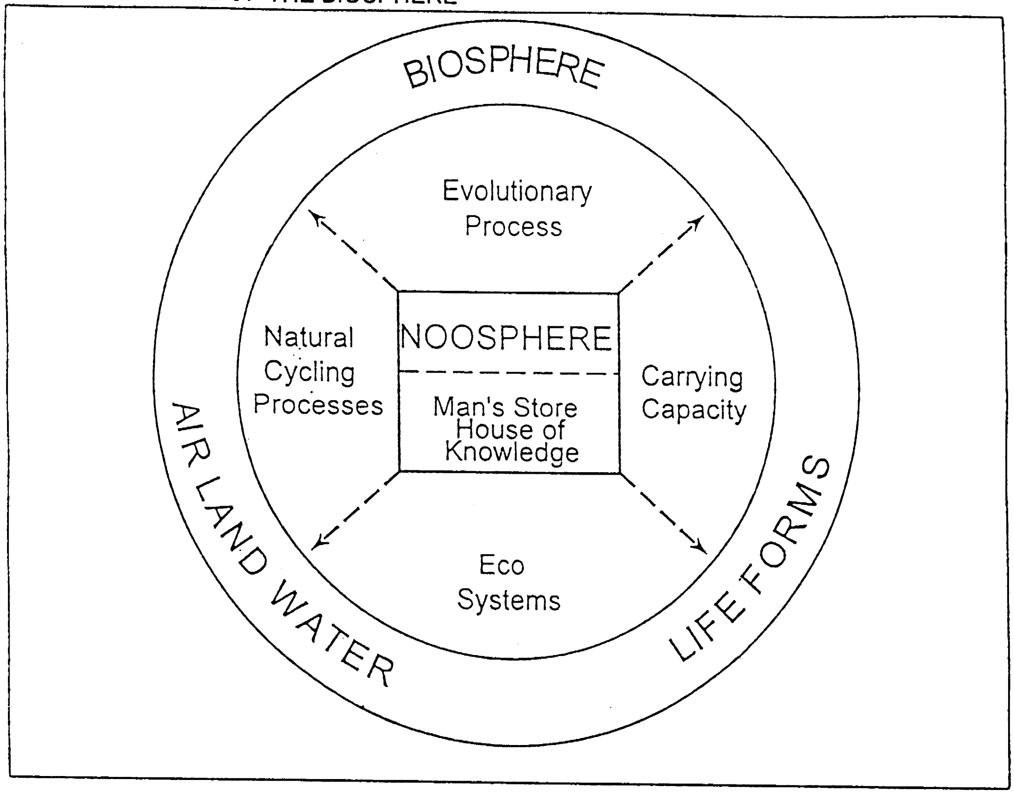

TABLE I. BIOCENTRIC ORIENTED STRATEGIES FOR LINKING ECOLOGY AND ECONOMICS - SUSTAINABLE DEVELOPMENT

1. NO WASTE TECHNOLOGY
2. LIFE CYCLE ANALYSIS
3. REFORMULATION/SUBSTITUTION
4. REDUCTION
5. CONSERVATION OF NON-RENEWABLE RESOURCES
6. REUSE
7. RECYCLE
8. WASTE/BY-PRODUCTS/SURPLUS NETWORKS
   - MANUFACTURERS
   - PROFESSIONAL/ACADEMIC COMMUNITIES
   - MUNICIPALITIES
   - INTERMEDIARIES
   - NGOs
   - CONSORTIA

PRESSURE FOR ENVIRONMENTALLY-FRIENDLY BEHAVIOR: A MODEL OF CORPORATE RESPONSE

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INTRODUCTION

The need for organizations to be responsive to their environments cannot be overemphasized. Most changes in the external environment are unpredictable and some, if not responded to promptly and effectively, can quickly become crises. Recent business history is replete with examples of companies which have been slow to foresee environmental turbulence and then have been caught unprepared when having to deal with it. The U.S. automobile and motorcycle industries' failure to adequately forecast the Japanese threat, some department stores' feeble response to competition from discounters and specialty stores, cable television's success in gaining market share from the networks, the gains made by personal computers and workstations at the expense of mainframes are just a few examples of how environmental changes, if inadequately addressed, can become crises.

In the minds of many, public concern over the natural environment presents a potential crisis. Over the years, this concern has increased. Laws have been passed, recycling programs have begun, product and packaging changes made, and other actions initiated in response. Additionally, the 1992 Earth Summit in Rio de Janeiro focused the world's attention on environmental problems. Many of the proposed solutions to protect the earth's atmosphere and species, stem ecological decline, and manage consumption need the cooperation of business if they are to succeed. Furthermore the Vice President-elect of the U.S. is a vocal advocate of aggressive environmental protection and it is therefore likely that in the Clinton administration, this will become a priority issue with significant consequences for U.S. corporations. As of now, corporate responses have ranged from some companies merely touting their environmental friendliness to others undertaking sometimes costly changes to their production and other operating processes.

It is far from clear however, what companies' responses should be to this mostly external threat. Clearly, by not doing anything, they run the risk of appearing socially irresponsible and may see a consumer backlash. At the same time, certain responses may be expensive and entirely unnecessary. Thus it seems that in responding to the environmental groups and legislative bodies, companies have to decide what responses are best, given their situation. Further, there is a need to understand the factors which influence a firm's decision on how to respond to environmental and other types of external pressures.

RESEARCH OBJECTIVES

The purpose of this study is to develop and test a model that portrays how corporations determine their strategic responses to pressures to act ecologically-responsibly. The source of these pressures may come from either the firm's external or internal environments. It is hypothesized that the corporation's response to pressures to act responsibly is affected by several factors. These antecedent variables include the originating source of the pressure, the state of development of the firm's environmental scanning systems, the perceived seriousness of the threat posed by the pressure, the perceived power differentials between the firm and the source of the pressure. Ultimately, these forces are considered in the context of the firm's decision criteria, yielding a particular corporate response.

THE MODEL

The model, presented in Table 1 portrays those elements that antecede the corporate response to pressures to act responsibly. The elements of the model are described below.

<u>External Pressures</u>

Pressure on the firm to act in an ecologically responsible manner may originate from a number of external sources. These include formal public interest groups (e.g., Greenpeace, World Wildlife Fund), government agencies (e.g., the Environmental Protection Agency, the U.S. Department of Interior's Fish and Wildlife Service and various agencies at the federal, state and local levels), grassroots consumer interest groups, and the purchase decisions of individual consumers. Obviously, these forces vary in their ability to prompt the corporate responses they desire. Each might be defined by a series of moderating qualities including their degree of power, credibility and possession of resources. Their ability to influence decision making is also largely dependent on their access to the appropriate communication channels needed to popularize their position.

In addition to these identifiable external entities, the firm may be prompted to act in response to competitive pressures or shifts in prevailing industry norms. Increasingly, we are witnessing companies trumpeting their newly-found ecological awareness. As a result, many firms may be compelled to respond to these competitive claims.

Internal Pressures

In many organizations, changes in policies and strategy occur much faster if there is somebody to champion the cause. It is believed that one of the major benefits of the product management structure, for instance, is that it isolates responsibility for the product's well-being. In a similar fashion, environmental issues are rarely brought to the forefront unless there is somebody within the organization who is seriously concerned about the environmental impact of the company's actions and firmly believes that minimizing the adverse impact is the socially responsible thing to do.

In addition, perceived strategic payoffs from taking a pro-environment stance may motivate a company to initiate a review of its policies in this regard. The primary strategic benefits are related to the first-mover advantages which accrue from being the pioneer and therefore acting before one's competitors. For example, Mascarenhas (1992) suggests that there are advantages to being the first to enter international markets on the petroleum industry. Nelson and Hilke (1991) report certain first-mover advantages in food retailing which may be the basis for building sustainable competitive advantage. By establishing itself as the most environmentally-sensitive company in its industry, not only does it pre-empt others from staking a claim to this position, but it can also garner what available publicity benefits are to be had. For instance, McDonald's has been able to enhance its environmentally-responsible image by taking a lead role in recycling (Eisenhart 1990).

Screening Barriers

Clearly, in order for these internal pressures to be recognized in the organization, they have to pass certain screening barriers. The credibility of the environment champion is a major determinant of this and the importance of source credibility has been addressed elsewhere, in the context of advertising spokespersons, for example. The power of the cause champion, both formal and informal, and the organizational resources they command also play a big role in whether or not environmental issues are accorded serious consideration.

Organizational Recognition

If the environmental issues pass the screening barriers, they will probably be scrutinized internally. This is all the more likely if the organization has formalized listening devices in the form of an environmental screening function. The literature suggests that as expectations of corporate responsibility increase, regular "environmental audits" will become part of many companies' control systems (e.g., Boivin and Gosselin 1990; Eckel and Fisher 1991/1992) because of the cost which may be incurred from potential environment-related liabilities. In addition, as a result of attention from "green" pressure groups and a general concern over unethical business behavior, many organizations such as Shell are initiating such audits (e.g., Anderson 1992; vanEngelshoven 1991; Vinten 1991).

The formalization of such audits gives environmental issues a certain legitimacy within the company and even if no action results, their mere existence reduces the likelihood of environmental issues being screened out of the decision-making process.

Perceived Seriousness of the Pressures

With most corporate decisions, managers will attempt to assess the seriousness of the threat before deciding whether to respond and if so, the form that response will take. Any threat will be taken seriously if its immediate impact on the organization is perceived to be major and/or if this impact is estimated to be long-lasting.

Clearly not all pressures on the organization are equally potentially serious. The primary determinant of seriousness is the degree to which it can disrupt the normal functioning of the business. Some of these disruptions may have immediate financial consequences -- consumer boycotts and fines, for instance. Others may mean only adverse publicity in the short-term but this could lead to long-term losses in sales and profits. Even though a complete calculation of the cost of lost goodwill is difficult, ultimately threats which have a negative impact on the bottom line will tend to be taken more seriously. In addition, if firms see a threat as temporary, something which will blow over, it will taken less seriously, even if may have a short-term negative impact on sales and profits.

Balance of Power

A critical determinant of corporate reaction to a call for environmental responsibility is the perceived balance of power between the firm and those entities pressuring for change. The degree to which a firm perceives that its competitive position could, in reality, be threatened by the actions of organized groups or by government regulation is likely to have an impact on the nature and extent of its strategic response.

As the environmental movement matures and its institutions become more adept at winning supporters and garnering resources, the ability of businesses to out-shout or dismiss the agendas of these groups diminishes. Several of the pressure groups now possess the ability to communicate their messages, sway public opinion, and shape policy to an extent that was once the exclusive province of for-profit organizations. Groups such as Greenpeace and the World Wildlife Fund have achieved a level of sophistication in marketing and promotion which rivals that of large consumer goods marketers.

Action Criteria

If it is decided to act in response to a threat, managers will weigh many options before choosing their course of action. The nature of this action will depend on two factors; 1) a cost-benefit calculation of each alternative, and 2) the resources available. While current accounting practices make it difficult to completely calculate the cost of environmentally responsible action, new "environmental accounting" (Anderson 1992) procedures have been suggested which may make this calculation possible. Clearly, such assessments are going to become necessary because in many cases, even if a threat is seen as being potentially very serious, companies may choose to do nothing if the costs of responding are very great and beyond the organization's limited resources. Such calculations are going to become especially necessary even when the organization decides to act, in response to calls for better waste management. For this instance, managers will need to know the cost of starting a recycling program versus the traditional method of transporting garbage to a landfill. As concern over the lack of landfill space increases, this new calculation of the costs will have to reflect any loss in customer goodwill the company may suffer from not developing an "environmentally friendlier" recycling program. In the end, no matter what the threat, the response criteria will be costs and benefits on the one hand, and resource availability on the other.

Corporate Response

While corporate responses to pressure for change are likely to be idiosyncratic, it is possible to characterize the responses on the basis of their general nature. Smith (1990) presents four possible managerial reactions to a pressure group's actions. These response categories form the basis for the dependent variable in the proposed model:

1)**ignore**: maintain a low profile; do nothing--wait for it to pass;

2)**fight**: the pressure group; take legal action; boycott-busting techniques (e.g., discounts, use a different brand name, publicity campaigns) undermining the credibility of the group;

3)**fudge/explain**: fudge the issue by presenting another case; PR activities, use counter-pressure groups, explain the firm's side;

4)**comply**: cooperate with the pressure group; open a dialogue/negotiate; self-regulatory efforts; lobby for industry-wide legislation.

Note that these options are not mutually exclusive and that each might be evoked at different moments of the consumer action. Smith (1990) acknowledges that one of the great difficulties in researching this topic is that social responsibility issues are seldom clearcut. However, it is reasonable to argue that if a pressure group can successfully bring their agenda to the forefront, it matters little who is "right" or "wrong," a response on the part of the firm is necessary (including a decision to "ignore" the charges).

Outcomes

As a result of its response to pressures for environmental reform, the firm is likely to see an impact in several key areas of corporate performance . First, there is the prospect of an effect on the firm's profit picture. While the costs of implementing environmentally responsible programs can be objectively measured, often the benefits are harder to quantify particularly since many of these accrue in the long-term. Consequently, the return-on-investment is difficult to judge. Still, the firm should attempt to objectively measure the profit-impact of their environmentally-oriented decisions. Short of this, an attempt should be made to solicit opinions of top-level executives regarding the profit-impact of the company's response.

Beyond profit-impact, the firm should also consider other, often less tangible, outcomes of their response. These relate to resultant effects on the firm's public image, and their stature as "a good corporate citizen." In a similar vein, the firm may wish to evaluate how their responses comply with their own social responsibility mission. Finally, an assessment might be made regarding the extent to which the firm's actions were successful in diffusing the pressure that led to the particular action in the first place.

METHODOLOGY

Sample and Data Collection

In response to society's heightened concern over issues regarding the natural environment, many companies have created a new position, often a Vice President, with responsibility for coordinating the company's environmental policy. A mailing list of over 500 of these key respondents has been compiled and will serve as the sampling frame for this study.

A mail questionnaire is being developed and will be the primary mode of data collection. In order to validate the importance of the model constructs to the corporate sample, a series of structured personal interviews will be conducted with a small pilot sample. This pilot will also be used to refine the proposed measures of the constructs in the model. The questionnaire will then be pretested, modified if necessary, and sent to executives on the mailing list.

Constructs and Measures

Each of the constructs in the model will be measured by multiple items. These items will reflect existing measures, where appropriate, or will be specifically generated for use in this study based on information gathered from the literature, and from the pilot and pretests. Table 1 provides a list of some of the items proposed to measure the constructs of interest.

After the data has been collected, the items thought to measure a certain construct will first be subjected to confirmatory factor analysis to ensure their unidimensionalitycale will be tested for its validity using Cronbach's alpha, and the item-to-total correlation coefficients will be used to further refine it until its validity is in the acceptable range.

Analytical Technique

A two-step analytical procedure will be followed. Firstly, since each of the proposed links in the model is a hypothesis, separate regression analyses will be used for hypothesis testing, with each variable in the model measured by a single, composite, reliable measure. For each regression equation, residual plots and Durbin-Watson tests will be conducted to ensure the appropriateness of a linear regression model and to verify that the assumptions underlying this model are met. Correlation coefficients and variance inflation factors will be examined to determine whether multicollinearity is a threat. The standardized regression coefficients will be used to test each of the proposed hypotheses.

Since none of these regression equations tests the entire model and its relationships simultaneously, LISREL or a similar procedure will be used to assess the appropriateness and overall goodness-of-fit of the model.

CONTRIBUTIONS OF THE RESEARCH

The research study will provide several insights for both marketing practitioners and academic researchers. The primary contribution for academic researchers is furthering the understanding of corporate decision-making in light of calls for responsible environmental behavior by providing a comprehensive research framework. For marketing practitioners, the study provides an understanding of the need to calculate the cost/benefits of "environmental" decisions and therefore enable better decision-making. Furthermore, the study will yield insight regarding the relative effectiveness of various possible responses to social pressure. Finally, the research highlights the importance of the firm's "listening devices" and the need to monitor their effectiveness.

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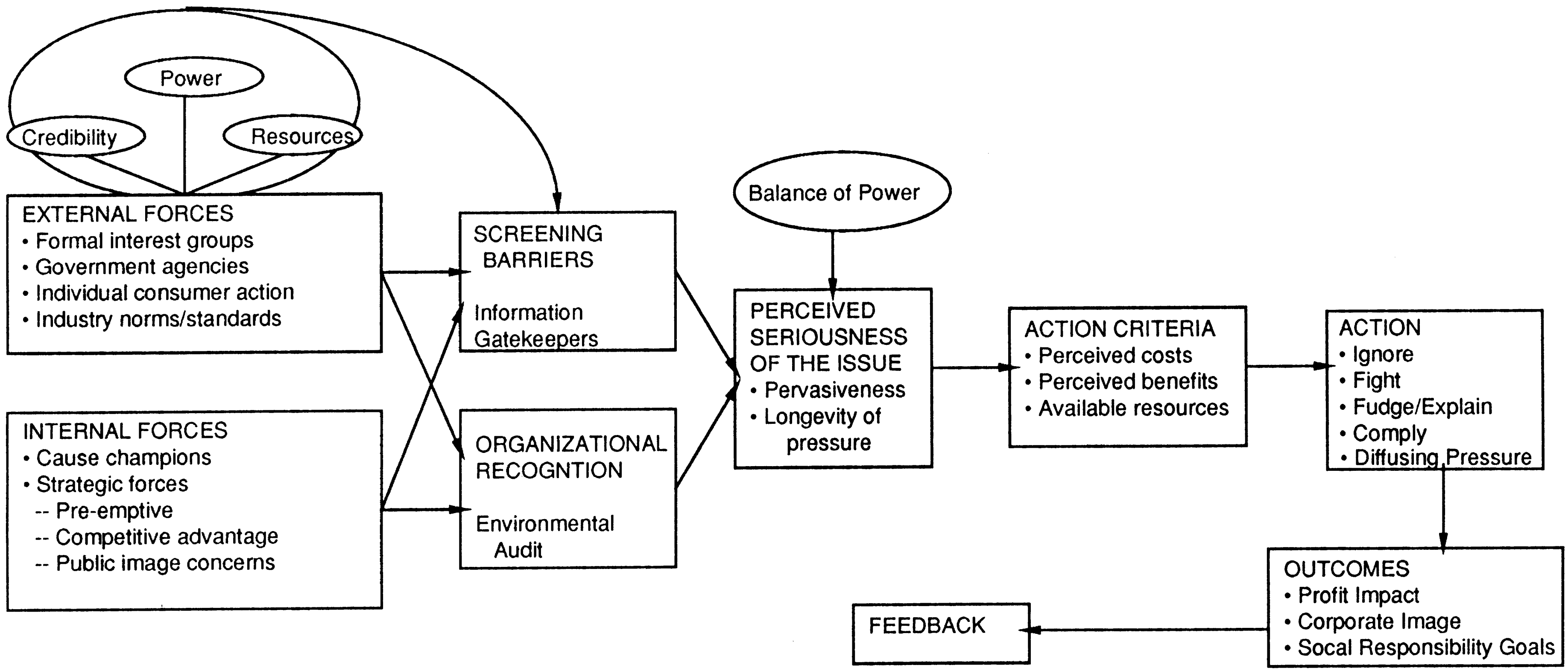

Figure 1
A Model of Corporate Response to Pressures for Environmental Reform

GREEN MARKETING STRATEGY: A STAKEHOLDER THEORY APPROACH

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ABSTRACT

In the late 1980s and early 1990s there has been a renewed interest in green marketing from both practitioners and academics. One of the key problems with examining green marketing is that it often means different things to different people. This confusion results in some organisations having difficultly developing green marketing strategies. One problem firms face is that they don't understand the importance of the various green marketing stakeholders. The literature has pointed to a number of important green stakeholders including, consumers, shareholders, special interest groups, governmental bodies, employees, suppliers, the media and the scientific community. Thus a firm cannot successfully develop appropriate green marketing strategies unless it understands how it inter-relates with all stakeholder groups.

While there is no universally accepted definition of stakeholders one definition could be all groups who are affected by organisational outcomes or affect organisational outcomes. The paper suggests how by using the stakeholder management process as developed in the management literature, marketers can develop more effective green marketing strategies. While numerous examples are provided throughout the paper one classic example of an organisation which has utilised this process to develop its green marketing strategy is McDonald's. They have been "incorporating" stakeholders into their green marketing process since the early 1970s.

On the whole marketers have not embraced stakeholder theory, though much of marketing theory relies on a multitude of stakeholders. Database searches uncover few articles tying the two topics together. One objective of this paper is to stimulate more interest in stakeholder theory by marketing academics.

Within the stakeholder literature a process is suggested to integrate stakeholders into organisational strategy development. This stakeholder management process is comprised of four steps that: 1) Identify the relevant stakeholder groups; 2) Determine the stake of each group; 3) Determine how effectively the "expectations" of each group are met; and 4) Develop corporate objectives and priorities that consider stakeholder interests. The paper provides detailed explanation of each stage of the process, as well as provides a graphic depiction of the stakeholder management process.

While stakeholder theory is useful for the development of green marketing strategy it provides a theoretical tool that can be integrated into a number of other marketing theories. While these other linkages are not discussed in the paper it is easy demonstrate linkages with services marketing, relationship marketing and buying centre literature, to name a few. There is a general need for more research into marketing's utilisation of stakeholder theory.

If the stakeholder process is to be effectively utilised one area that urgently needs examination is the process by which stakeholders are actually integrated into strategy development. This integration is essential if organisational strategy is to be effectively established such that it takes into consideration stakeholders' interests. This area of stakeholder theory is not adequately examined in any literature, including the stakeholder literature.

CONSUMPTION AND THE ECOLOGICAL CRISIS: HISTORICAL ROOTS

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ABSTRACT

This paper demonstrates that the historical roots of the ecological crisis can be traced back to Enlightenment science and liberalism within which attitudes toward nature and the accumulation of material wealth (consumption) were formed. This developed into the dominant social paradigm still operational today. Within this paradigm, environmentalism is extolled as a solution. It is further demonstrated that this view is not shared by those within ecologism, a construct predicated on non-anthropocentrism and holism. Environmentalism and ecologism are shown to be virtual antitheses, and the difference between them motivates and directs our perceptions of the role of consumption in the ecological crisis.

INTRODUCTION

Within the past twenty years, there has been a slow but steady examination of environmental problems from a marketing perspective. However, the focus of this research has been very narrow. The topics most frequently examined have been recycling, energy consumption, various aspects of ecological consciousness, and developing scales to measure the various aspects of ecological consciousness. More recently, several researchers have examined environmentally oriented advertising (Iyer and Banerjee 1993; Kangun, Carlson, and Grove 1991). There is an anomalous character to this twenty year stream of research that is unlike most other content areas that have received a similar amount of attention. None of the articles have attempted to develop a theoretical framework to direct research efforts. Consequently, all the research done to date has contributed little to our understanding of the relationship between marketing, consumption, and the ecological problems currently experienced.

The sole exception to this critique is the work of Fisk (1974) whose seminal book provided a brief, but prescient, examination of the role of marketing in the ecological crisis. While the book is arguably the best work done in the area to date, an examination of *SSCI* indicates that it has been referenced in other marketing and ecology research fewer than ten times in the ensuing twenty years. Had this not been the case, two problems now impeding the development of comprehensive study of the marketing/ecology relationship may have been removed. First, a theoretical framework guiding research would likely have evolved, and the "one-shot" research approach now evident would have been minimized. Second, a more consistent terminology relating to ecology and marketing would have developed.

With regard to the latter problem, it is evident throughout the marketing literature that terms such as conservation, environmental, green, and ecological are used almost interchangeably. Since these are, within the ecology literature, not synonymous, and carry quite different political, economic and technological implications, they should be clearly differentiated if confusion is to be avoided. To demonstrate the significance of this problem, the present paper will focus on only two constructs, environmentalism and ecologism. Kilbourne (1995) provides a framework for delineating the different levels of "greenness" within this framework, the two constructs represent different ends of a continuum expressing entirely different humanistic and political positions. From this perspective, the relationship between consumption, ecology, and the dominant social paradigm within which the constructs have developed should allow us to step back and examine the cultural embeddedness of the ecological crisis. Only in doing this, will we begin to understand that recycling, energy conservation, green consumption, etc. are not the solutions to ecological problems implied in the marketing literature. These represent environmentalist, and thereby technological, approaches to social and political problems disguised as economic problems. Examination of the historical development of the idea of unlimited material accumulation will demonstrate its embeddedness in the dominant social paradigm that has directed society for three centuries.

The Enlightenment Project

Capra (1983) addresses the issue of the Enlightenment and its impact on the current mode of thought in the following passage:

Between 1500 and 1700 there was a dramatic shift in the way people pictured the world and in their

> whole way of thinking. The new mentality and the new perception of the cosmos gave our western civilization the features that are characteristic of the modern era. They became the basis of the paradigm that dominated our culture for the past three hundred years and is now about to change. (Capra 1983, p. 37)

While no specific date should be attached to the beginning of this transformation, a frequently associated name would be Francis Bacon. While not the only "scientist" at his time, he was considered the most influential in developing what was later to be referred to as the scientific method. Certainly one of the most dramatic shifts brought about by this new scientific paradigm was the transformation of the view of nature from that of an organic and spiritual world to that of a mechanical world. The mechanical metaphor was profoundly influential in the development of scientific (Bacon 1944; Descartes 1916), political (Locke 1963; Hobbes 1950), and economic (Smith 1937; Marshall 1961) thought once the new view became dominant. A second, and equally important transformation was in the proffered goal of science frequently mentioned by Bacon.

> Natural science has therefore no other goal than to firmly establish and extend the power and domination of men over nature. But the domination of nature rests solely on art and knowledge (Feuerbach quoted in Leiss 1972, p. 46).

No attempt will be made here to examine the disagreement over whether this new view, the domination of nature, was new with the Enlightenment (Capra 1983) or really began with the demise of pagan animism in early Christianity (White 1968; Leiss 1972). The crucial point is that it was during the Enlightenment that the view became the dominant one and this can be attributed largely to Bacon's success. As a result, humanity could stand apart from nature and exercise dominion over it. Manipulation of nature for purposes of mastery and the resulting elimination of the "inconveniences of man's estate" became the ideal of science within Baconian thought, complete with adumbrations of the omnipotence of science and technology and the incipient derision of politics and other social endeavors. Bacon (1944) states, for example, "Civil reformation is seldom carried on without violence and confusion, whilst inventions are a blessing and a benefit without injuring or afflicting any (p. 365)." Descartes (1916) expresses his dissatisfaction with traditional philosophy as a method of inquiry as well in the statement:

> Of philosophy I will say nothing, except that when I saw that it had been cultivated for many ages by the most distinguished men, and that yet there is not a single matter within its sphere which is not still in dispute, and nothing, therefore that is above doubt,... (p. 8)

In contemporary science, any conflict over whether human dominion extends to the Earth itself has been resolved in favor of humanity. As stated by Eliade (1962), "It is the specific dogma of the nineteenth century, according to which man's true mission is to transform and improve upon Nature and become her master,.. (p. 172)" It is significant to note the reference to our ability to "improve upon Nature" which was common during the period and reflects the arrogance of science which was to permeate other disciplines as time passed and the "successes" of science compounded.

DOMINATION OF NATURE

From an historical perspective, it should be established that the domination of nature described above as characteristic of Baconian thought, represents a shift in attitude from previous historical periods. This change has received considerable attention, and its essence lies in the prevailing view of life as organic as opposed to the contemporary mechanical view (Capra 1983, Leiss 1972). Within the organic framework, the purpose of science was to understand the relationship of humanity to the world that we might live in harmony with it (Capra 1988). One might say that the purpose was to gain wisdom rather than instrumental knowledge. Within Aristotle, for example, matters of economy (the equivalent of "man's estate" for Bacon) were subordinated to higher, intellectual pursuits. Leiss (1972) suggests that religious and philosophical systems govern intellectual life in societies that exhibit a low mastery of the natural environment.

The Enlightenment brought a shift in attitude toward nature from one of stewardship to one of domination; from one in which humans were a part of, to one in which they are superior to nature. With this shift came a concomitant one which interpreted knowledge, not as wisdom, but as power. The prevailing conception of power was manifestly power over nature.

From the perspective of this paper, the issue is the relationship between the new view of the domination of nature and its ultimate impact on the natural world through the development of technology, the primary vehicle through which the mastery of nature would result in the lessening of the "inconveniences of man's estate." Two of the fundamental issues evolving from the new scientific paradigm must be recognized, however, before proceeding. The first is that the Newton/Descartes perspective that nature can be systematically and benignly deconstructed, reducing it to its fundamental "building blocks." By securing knowledge of the separate parts that could be examined (qualitative factors were ignored since they were not amenable to quantification), knowledge of the functioning of the whole will be uncovered. The view of nature as inert matter in motion is captured in the following characterization.

> Mechanism eliminated from the description of nature concepts of spatial hierarchy, value, purpose, harmony, quality, and form central to the older organic description of nature, leaving material and efficient causes - matter and force (Merchant 1992, p. 56)

The second factor is that the new science was predominantly anthropocentric in perspective. Science is approached with the scientist above and controlling nature, not as an integral part of it. All of these factors played heavily in the domination of nature and have persisted to the present time. While there have been more recent discoveries which threaten the old paradigm, as in the development of quantum physics (Capra 1976, 1982, 1988), the principles are still largely in tact. Fuller (1969) comments on the persistence of this type of situation stating:

> But I have learned about public reaction to the unfamiliar and also about the ease and speed with which the transformed reality becomes so 'natural' as misseemingly to have always been obvious (p. 12).

DISENCHANTMENT OF NATURE

It is the obviousness of the paradigm in question which affects our sensibilities about nature, and this has had immeasurable effect in the project, escalating in consequence and culminating in the potential demise of what was to be studied: nature itself. In the process, we continue "...in accepting yesterday's fortuitous contrivings as constituting the only means for solving a given problem (Fuller 1969, p. 9)."

Little was the consequence of the anthropocentric reduction of nature to a quantity considered while the project unfolded. Lewis (1973) suggests that what was lost in the reduction of nature to quantity was its wonder and mystery, i. e., the demystification of nature. He states,

> Now I take it when we understand a thing analytically and then dominate it and use it for our own convenience we reduce it to the level of 'Nature' in the sense that we suspend our judgments of value about it, ignore its final cause (if any), and treat it in terms of quantity (Lewis 1973, p. 327).

And as a consequence of the reduction of nature to quantity, Edgar Allen Poe (1990), himself a successful amateur scientist, further suggests that our perception of nature was transformed in the process. He laments this loss while addressing science in the last three lines of "Sonnet to Science":

> Hast thou not torn the Naiad from her flood,
> The Elfin from the green grass, and from me
> The summer dream beneath the tamarind tree? (Poe 1990, p. 721)

The disenchantment of nature was attended by the arrogant supposition that human power and control over its operation, unconstrained by organic values, would lead to a secular millennium during which nature and society would finally achieve their potentials, with nature as supplier and society as recipient of material progress. The prognosis was partially true. Material benefit to society increased geometrically and is still seen today as the ultimate achievement of humanity. With respect to nature, the result was quite different.

> The removal of animistic, organic assumptions about the cosmos constituted the death of nature - the most far-reaching effect of the Scientific Revolution. Because nature was now viewed as a system of dead, inert particles moved by external, rather than inherent forces, the mechanical framework itself could legitimate the manipulation of nature (Merchant 1980, p. 193).

These were considerations unattended by Bacon and his contemporaries who saw only the good in their new vision. Control over those who might misuse their new found power over nature would, they thought, be exercised by the religion which coexisted with the new science and was its partner in the discovery of nature. Bacon and his contemporaries had sufficient confidence, probably not unfounded at the time, that religion would continue in its role as moral guardian of society.

But other social processes were beginning to unfold at the same time. And Leiss (1972) states:

> ...but in the context of the emerging constellation of historical factors at the time-the economic, social, political, scientific, and technological changes which capitalism fused together into a system of expanding productivity-this notion took on a whole new significance. The precise way in which Bacon formulated it was crucial, for Christianity's hold on the European consciousness remained strong even as the traditional social basis for organized religion was being eroded by capitalism (p. 48-49).

Even if religion failed in maintaining "sound reason," Bacon also considered that among the "natures" science would learn to control was human nature itself. Thus while continued material progress, the ultimate goal of science, would lessen the "inconveniences of man's estate," progress in human relations would also unfold maintaining a check on pernicious applications of science. Leiss (1972) states further:

> Bacon shared a belief, common in the seventeenth and eighteenth centuries, that the individuals who championed the new scientific philosophy would necessarily also possess an ethical sense of responsibility and a dedication to the task of developing more enlightened social institutions (p. 69).

FROM SCIENCE TO SOCIETY

The mechanical world view permeated scientific and philosophical thought from the seventeenth century onward and this is reflected first in the works of Locke in political philosophy and later in Smith with political economy (Rifkin 1980). As with the application of science to nature, the three fundamental principles of the scientific mode of thought, deconstructionism, reductionism, and anthropocentrism, fit into the mechanical view of society very well. The motivation for the application of the new mode of thought rested primarily in the apparent chaotic behavior of both the government and the economy of the time. Since the new paradigm was working well in unraveling the mysteries and reducing the apparent chaos of the natural world, it would seem a natural step to extend its application and assumptions to the wider area of social behavior (Rifkin 1980). While the two domains, politics and economy, were developed separately, their interdependence in both practice and theory will become apparent as will their reliance on the anthropocentric, deconstructionist, and reductionist perspectives that dominated the scientific paradigm of the time.

Political Society

The development of the new science and of classical liberalism formed the basis for a new world view vastly different from that within the feudal order that preceded it. While vestigial feudalism and religious hegemony were still evident at the time, their demise was inexorably in motion. While Locke followed in the political footsteps of Hobbes in important ways, such as the need for government in controlling the actions of individuals in conflict, Hobbes' authoritarian Leviathan preventing the "war of all against all" and Locke's "consent of the governed" differ markedly and in a way that will take on ecological overtones later in the paper. For now, it is the assumption from which each proceeds that is the important issue from an ecological perspective. For Hobbes, the fundamental assumption is one of scarcity in nature while the Lockean philosophy which supplanted it was based on unlimited accumulation within cornucopian assumptions. Locke, for example, states, "Nor was this appropriation of any parcel of land, by improving it, any prejudice to any other Man, since there was still enough, and as good left; and more than the yet unprovided could use (Held 1980, p. 30)." Since so much was available in the American frontier, and there was a medium of storage in money, the extent of individual possession was no longer an issue as well. Enlarging one's possessions became unrestricted within Locke. Further, he held that enlarging such possessions at the expense of nature was the appropriate, if not requisite behavior, in the following passage, "The negation of nature is the way toward happiness (Strauss 1953)." Here we have both the domination of nature and the identification of material gain with happiness.

It should be pointed out here that, while Locke and liberalism are fundamentally cornucopian in perspective, Locke did admit of limits and the consequences of reaching them. He states, for example, "whenever either the desire or the need of property increases among men, there is no extension, then and there of the world's limits. ...It is impossible for anyone to grow rich except at the expense of someone else (Locke 1954, p. 211)." The incursion of liberalism into political philosophy via Locke is apparent. We see possessive individualism in the right to property inherent in one's labor, freedom of acquisition of property to the exclusion of others, and adumbrations of laissez-faire economics in the duty to produce individual wealth which will ultimately benefit society as a whole. In probably the first expression of "trickle down" economics, Locke states, "And therefor he, that incloses Land and has a greater plenty of the conveniencys of life from ten acres, than he could have from an hundred left to Nature, may truly be said, to give ninety acres to Mankind (Held 1980, p.32)." With regard to laissez-faire, it was left to Smith to make the refinements.

Furthermore, within these statements alone, the impact of the Baconian perspective is evident. The purpose of nature is to provide for humanity's felicity (anthropocentrism), humanity is separate from nature and seeks mastery over it (deconstructionist), and without the application of labor for the bettering of our estate, nature is valueless (reductionist). This view of nature is reductionist when contrasted with the historically based, organic conception of land. As Polanyi (1944) states, "The economic function is but one of many vital functions of land. It invests man's life with stability; it is the site of his habitation; it is the condition of his physical safety; it is the landscape and the seasons (p. 178)." As instrumental only, the richness of the construct is dissolved. As for the deconstruction aspect, Polanyi (1944) states, "Traditionally, land and labor are not separated; labor forms part of life; land remains part of nature, life and nature form an articulate whole (p. 178)." Self-interest is the guiding principle in the Lockean philosophy of property, and the purpose of government is "...the mutual preservation of their lives, liberties and estates, which I call by the general name, property (Diggs 1974, p. 83). It is also significant to note the attitude toward nature that is not used in the acquisition of property. Locke states, "...Land that is left wholly to Nature, that hath no improvement of Pasturage, Tillage, or Planting, is called, as indeed it is, waste; and we shall find the benefit of it amount to little more than nothing (Held 1980, p.34)." This statement could well mark the beginning of what Rifkin (1980) refers to as the "environmentalist's nightmare," the reduction of nature to purely instrumental value.

With regard to the social consequences of Locke's work, Rifkin (1980) states:

> With Locke, the fate of modern man and woman is sealed. From the time of the Enlightenment on, the individual is reduced to the hedonistic activities of production and consumption to find meaning and purpose. People's needs and aspirations, their dreams and desires, all become confined to the pursuit of material self-interest (p. 26).

ECONOMIC SOCIETY

How these "activities of production and consumption" were to be organized was left for Adam Smith who took the mechanistic, reductionist project a step further. The consequence of the step is described by Hirschman (1977) who states:

> The main impact of The Wealth of Nations was to establish a powerful economic justification for the untrammeled pursuit of individual self-interest, whereas in the earlier literature that has been surveyed here the stress was on the *political* effects of this pursuit (p. 100; emphasis in the original).

Economics and politics were intermingled by the Mercantilists and Physiocrats immediately preceding Smith. In addition, there was still the element of morality within economics (Dumont 1977). Political economy thus contained elements of morality, politics and economics. With Smith, however, the incipient autonomy of economics is evident. He expresses the belief that economics has no need of politics in effecting its nature and, unlike his predecessors, did not believe that economic self-interest would effectively curb excesses of politics. Of the relation between governments and economics he states:

> The natural effort of every individual to better his own condition, when suffered to exert itself with freedom and security, is so powerful a principle, that *it is alone, and without any assistance*, not only capable of carrying on the society to wealth and prosperity, but of surmounting a hundred impertinent obstructions with which the folly of human laws too often encumbers its operations (Smith 1937, p. 508; italics added).

As for what constitutes "bettering their condition," Smith (1937) states, "An augmentation of fortune is the means by which the greater part of men propose and wish to better their condition (p. 325)." It should also be noted in this discussion the irony of Smith's analysis. While he proposes the pursuit of one's material self-interest as the solution to the economic problem of creation and distribution of wealth, as a moral philosopher, he express utter contempt for those who do it. For the pursuit of material gain in "bettering their condition" he recounts how the feudal lords lost their power in the pursuit of "trinkets and baubles, fitter to be the playthings of children than the serious pursuits of man (p. 391)." And further, "...for the gratification of the most childish, the meanest and the most sordid of all vanities they gradually bartered their whole power and authority (p. 389)." This caustic description should bring to mind Spinoza's (1958) admonition that one may not be knowledgeable about where self-interest really lies.

What Smith effectively did was reduce the varied passions and interests that had been examined for centuries for their role in behavior to a single motive. Hirschman (1977) thus concludes, "By holding that ambition, the lust for power, and the desire for respect can all be satisfied by economic improvement, Smith undercut the idea that passion can be pitted against passion, or the interests against the passions (p. 110)." Here we also see the beginning of the separation of economics from morals. Historically, it was religion that was to keep the passions in check. Within Smith, we see that economics can stand alone without the need for politics or morals. Though the complete disjunction was not to take place for almost a century, the "Invisible Hand-writing" was on the wall.

With the successful application of technology to industry and the systematic reduction of moral restraint extended from science to consumption, the door to material abundance for all had been opened. And like Locke before him, Smith's vision is predicated on natural abundance which would supply resources for ever growing production. With each individual pursuing self-interest which has, through Smith, been reduced to economic self-interest in the acquisition of material wealth, all would be released from the political and social restrictions history had imposed on them (Ophuls 1977). As with Locke before, however, it must be pointed out here that, while cornucopian in general outlook, Smith had his doubts about the limits of nature. As Wolin (1960) states, "...Smith argued that every society had a potential limit of wealth determined by its complex of laws, institutions, climate, and natural resources; beyond this limit it could not go (p. 321)."

Within Smith we again find the three threads running through the argument thus far. His economics was anthropocentric advocating human self-interest as the sole motive force, deconstructionist in separating morals, politics and economics, and reductionist in suggesting that the economics of self-interest could "go it alone" in explaining social behavior. The process through which economists jettisoned morals and politics in their desire to acquire the status of physics as a science, is described in detail by Mirowski (1988; 1989) and is considered to be the final assault of the mechanical on the organic. This project to scientize economics prompted Pareto to conclude, "The theory of economic science thus acquires the rigor of rational mechanics (quoted in Mirowski 1988, p. 15)." With the development of neo-classical economics, the role of consumption in the demise of nature was established and is maintained to the present.

RECAPITULATION

Thus far, the development of two streams of ideas has been examined. The first was the new scientific paradigm beginning with Bacon, Descartes, and Newton. It was shown that the new paradigm contained within it three distinctively new ideas from an historical perspective. They are anthropocentrism, deconstructionism, and reductionism. The proper method of science was to take natural phenomena, break them down and study their constituent parts (deconstruction) and explain the whole in as parsimonious a theory as possible (reductionism) (Descartes 1916). This is to be done with the scientist as the focal point of the process (anthropocentrism). Further, and more importantly for the present paper, the primary purpose of the scientific endeavor was to improve the conditions of human existence in this world, not the "science for its own sake" commonly attributed to the discipline. This, it was perceived, could only be accomplished through the domination of nature, the primary task to which science devoted itself.

At the same time in the socio/political domain, the development of liberalism as a social paradigm was systematically undermining the traditional society (feudal) with new social constructs. Primary among these were possessive individualism, unlimited accumulation of private property, and market freedom governed by impersonal market mechanisms and motivated by individual self-interest. Through possessive individualism the individual is cleaved from society which becomes a network of atomized individuals rather than an integrate whole. Unlimited accumulation of property through the application of one's labor to nature was expected to produce a greater good for all individuals. And finally, the ideal method for achieving the greater good was the unconstrained pursuit of economic self-interest by each individual. The means to achieve this new freedom was the impersonal market mechanisms of liberal capitalism. Thus the new social relations were anthropocentric, deconstructionist (atomistic society), and reductionist (economics *sans* politics and morals).

Science released humanity from God and social constraints and provided the means, empiricism, to study both nature and humanity which were seen for the first time as separate entities. The result of the Enlightenment project was a paradigm shift from the organic to the mechanical world view. This perspective is still the basis for the dominant social paradigm found within Western industrial societies today. The primary characteristics of this paradigm can be divined fairly clearly from the foregoing discussion. With the shift from the organic to the mechanical metaphor in science, two outcomes both having negative ecological consequences emerged. The first was the notion that nature was to be dominated and mastered for human purposes which were reduced to increases in material well-being (consumption). The second was the disenchantment of nature which removed religious and moral constraints from its manipulation. These two consequences resulted in what Merchant (1980) described as "the death of nature."

Liberalism, manifested primarily through the works of Locke in politics and Smith in economics, transformed the view of society and its functioning in as dramatic a fashion as changes in science. The emergence of the true individual who was freed from religious and political hegemony materialized within liberal philosophy. Possessive individualism and self-interest became the accepted social relations through which the individual was freed to accumulate material wealth limited only by ability and availability.

Within the dominant social paradigm, consumption has become the primary end of scientific and technological progress (Habermas 1970) and continuously increasing consumption has become the only end of economic progress (Kassiola 1990). As is evident from the discussion, this was immanent in the Enlightenment project from the beginning. With this background in mind, it is not difficult to see why the conflict between those with environmentalist perspectives and those with ecologistic perspectives is important. They reside in different paradigms.

ENVIRONMENTALISM AND ECOLOGISM

Ecologism represents a political ideology motivated by a world view that deviates dramatically from that within which environmentalism has developed. It demands a restructuring of the whole of social existence entailing nonviolent, radical (as opposed to reformist) transformation of the social, political and economic structure of post industrial society (Dobson 1990). It seeks qualitative change in the dominant social paradigm that has structured the consciousness of Western industrial society for the past three centuries (Pirages 1977; Cotgrove 1982).

Environmentalism, as a social construct, circumscribes the domain of social critique to the prevailing view of post-industrial society as the technological, affluent, service society in opposition to the radical version of post-industrial society as low technology, agrarian, and decentralized (Marien 1977). Environmentalism limits the scope of analysis to quantitative change within the dominant social paradigm suggesting changes in methods of operation within the framework of the *status quo* (Porritt 1984). Within this mode of thought, for example, it is believed that legislation and technology can solve the ecological problem (Milbrath 1984). Ecologism challenges the paradigm itself demanding a new paradigm in place of the old (Dobson 1990).

Environmentalism does not present a challenge to the dominant paradigm and Porritt and Winner (1988) state further,

> ...the most radical [Green aim] seeks nothing less than a non-violent revolution to overthrow our whole polluting, plundering and materialistic industrial society and, in its place, to create a new economic and social order which will allow human beings to live in harmony with the planet (p. 9).

As such, ecologism represents a paradigm that will replace the one that evolved from Enlightenment thought and is still dominant today. Thus it suggests a paradigm shift (see Kuhn 1970), not a mere change in methods. While little attention has been paid within the marketing literature to the connection between the Enlightenment, consumption, and prevailing environmental conditions, the link should now be more evident.

From this perspective, the development of the Enlightenment world view can be seen to have manifested itself through an evolutionary process beginning in early industrialization and continuing through the present time. As the Enlightenment project unfolded, its effects systematically and progressively eroded religious, social, political, and economic beliefs and through them, the prevailing view of nature. To effect the purpose of this paper it was necessary to examine the process through which nature has been stripped of intrinsic value (Regan 1981) and, consequently, ravaged in the name of human progress. From the analysis it can be seen that environmental reform as currently practiced within the idiom of Western industrial ideology may achieve too little, too late. This is not to say that environmentalism is wrong, but that it is deficient. As Porritt (1984) suggests,

> Concern for the environment provides as good a starting point as any for green politics. But unless it then encompasses fundamental social and economic issues, it will contribute little towards eliminating the root causes of that crisis (p. 228).

The difference between environmentalism and ecologism is fundamental, not simple differences of opinion as might be concluded from the marketing literature to date. Environmentalism reflects anthropocentric, deconstructionist, and reductionist assumptions at virtually every contact with nature. Ecologism is ecocentric and holistic, and consequently, antithetical to environmentalism. Until it is recognized within marketing that the ecological perspective entails much more than technological solutions to ecological symptoms, the "root causes" of the ecological crisis will remain unattended. Both the level and nature of consumption play a pivotal role in this crisis and, as the discussion suggests, the problem is embedded in the dominant social paradigm.

Because increasing levels of consumption is the criterion of progress within the dominant social paradigm, there is an intransigent unwillingness to examine the role of consumption in the ecological crisis within the marketing literature. The consumption dimension is addressed consistently outside of marketing, however, and the most frequent prognosis is that technological fixes (recycling, new laws, etc.) will result in too little, too late because they do not address the root causes of the crisis. Fisk (1974) alluded to this problem, but, as suggested earlier, no one followed his lead. It is not just the type of consumption that is critical but the *level of consumption*.

While de-marketing consumption is an heretical suggestion within marketing, it remains a focal point of critique within the ecology literature. Until we in marketing re-focus our analyses on consumption as one of the root causes of the ecological crisis, little will be contributed to the solution.

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REGULATING ENVIRONMENTAL MARKETING CLAIMS: AN INTERNATIONAL PERSPECTIVE

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ABSTRACT

The growth in consumers' interest in and concern about environmental issues has resulted in many organisations developing new products or repositioning existing products to attract "green consumers". Some firms have gone as fas as to specifically integrate a concern for the environmental into their corporate ethos (that is incorporate environmental concerns into their corporate objectives). Regardless of the path chosen, firms face difficulties in communicating the environmental attributes of products to consumers. In trying to provide environmental information to consumers, consumer groups, state and federal regulators and even competitors have charged that much of the environmental information is misleading and/or inaccurate. Environmental marketing claims can be considered misleading for a number of reasons.

1) Most environmental marketing claims usually deal with product attributes that are not easily discernible to consumers. As a consequence, it is difficult for consumers to ascertain the validity of these claims. Even after purchase and use, most consumers would find it extremely difficult to satisfactorily evaluate products on many of their environmental attributes.
2) Some terms have no universally-accepted meaning. For example recycled may refer to post consumer waste, factory waste or the use of production offcuts.
3) Some claims pertain to more than inherent qualities of products. These claims may reflect characteristics of use and disposal which are things marketers have little or no direct control.
4) Finally, many of the environmental terms and claims used in promoting products (e.g., biodegradable or photodegradable) are not familiar to consumers. The resulting perception among consumers is that all such claims are equivalent to "good for the environment."

Concerns regarding the nature of environmental communications have resulted in governments around the world developing regulations designed to control environmental claims, particularly advertising. Most of these regulations seek to ensure that the information presented in claims is not misleading. This paper examines the attempts by regulators in Australia, Canada and the United States to regulate environmental marketing activities. As shown in Table I, the three countries have regulations in place that cover many of the same basic components regarding environmental marketing claims, though there are some significant differences.

In Australia regulations put forward a set of guidelines which can be used as a checklist by marketers. This has the advantage that the regulation can be broadly applied to all types of environmental marketing, both in the present and future. The Australian legislation is incorporated in their Trade Practices Act, which is designed to prevent organisations from harming competition or use misleading information. This two-prong perspective is somewhat unique since legislation in other countries focuses solely on consumers and ignores the impact on completion.

Canadian regulation of environmental marketing claims was developed using a coordinated effort of several governmental bodies including the Department of Consumer and Corporate Affairs (CCA), Environment Canada (EC) and the National Task Force on Packaging (NTFP). This approach is different than that used by most other countries where regulation is developed by one governmental agency with limited consultation from other regulatory authorities. Like Australia, Canadian regulation considers both competitive effects and consumer protection, though the specific mechanisms are different. Canada also developed a national certification (emblem) scheme as part of its coordinated approach to environmental communications.

In the U.S. the debate regarding environmental marketing regulation has been heated and extensive. There have been both national and state attempts to development legislation to control environmental marketing activities. The Federal oversight of environmental marketing claims is contained in Federal Trade Commission guidelines, which in and of themselves are not legally binding. These guidelines are very specific, giving concrete definitions of how some of the more "questionable" environmental marketing terms should be used if they are

to be acceptable. U.S. efforts to control environmental claims appear to be more limited in scope than those in Australia or Canada.

In sum, the three countries examined have taken slightly different perspectives towards environmental marketing regulation. While regulation of environmental claims appear to be a step in the right direction, it needs to be supplemented by other initiatives if regulators want to ensure consumers make more environmentally responsible product choices. The existing regulations are designed to control marketers' activities not consumers' purchases.

Table 1

COMPARISON OF ENVIRONMENTAL MARKETING GUIDELINES BY COUNTRY

Guideline Characteristic	Australian Trade Practices Commission	United States Federal Trade Commission	Canadian Consumer And Corporate Affairs
Clearly Stated Environmental Benefits	YES	YES	YES
Explains Environmental Characteristics	YES	YES	YES
Explains How Benefits Are Achieved	YES	YES	YES
Comparative Differences Are Justified	YES	YES	NO
Claims Can Be Proven	YES	NO*	YES
Negative Factors Taken Into Consideration	YES	YES	YES
Uses Meaningful Terms and Pictures	YES	YES**	YES
Clearly Define Endorsement Schemes	YES	NO	NO
Address Potential Other Questions On Claims	YES	NO	NO
Specific criteria for some more readily used environmental marketing terminology	NO	YES	YES

* Referred to in section dealing with meaningful terms, but in it self not specifically mentioned as a guideline criteria.

** Also includes specific criteria established for the use of the following ten environmental terms: Degradable, Biodegradable, Photogradable, Compostable, Recyclable, Recycled Content, Source Reduction, Refillable, Ozone Safe, Ozone Friendly.

13.3 SELLING AND SALES MANAGEMENT ISSUES : STRATEGIC ISSUES IN SALES MANAGEMENT

THE IMPACT OF SALESPERSON CREATED EXPECTATIONS ON CONSUMER SATISFACTION

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ABSTRACT

Customer satisfaction is an increasingly important issue for businesses, and managers need a greater understanding of the role of salespeople in creating satisfaction. This study examines the impact of salesperson created expectations on satisfaction with a product. Specifically, it discusses the competing recommendations of raising versus lowering expectations, and empirically assesses the impact of expectations on satisfaction. Result indicate that expectations have a dual role, in that they are positively related to satisfaction through perceptions of performance, and negatively related to satisfaction through disconfirmation. Implications for sales management are discussed.

A FRAMEWORK FOR ADAPTING SALES MANAGEMENT FUNCTIONS TO A GLOBAL MARKET

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Xavier University

In today's global economy, sales managers are responsible for managing the sales force of a joint venture company, a distributor, an agent or their own sales force in another country. These management functions include a number of tasks: setting objectives, developing plans for meeting objectives, motivating the sales force, evaluating performance of the sales force, developing training programs, and managing sales force activities (Dalrymple and Cron 1992). To perform these functions effectively, the sales managers must possess a set of skills including the ability to communicate, manage time, motivate, train, direct, plan, and delegate (Futrell 1991, Wotruba and Simpson 1989).

Research in the U.S. has identified some generalizations regarding the tasks and skills necessary for effective sales management. Research in this area continues to refine which skills are most appropriate for achieving which objectives in which selling situations within the U.S. sales environment. A question of increasing importance is how well these principles translate across cultures. Can the generalizations from research conducted in the U.S. be applied in every country or in some countries, with or without adaptation?

Assuming that the principles can be applied across all countries with little or not adaptation would be culturally myopic. Walle (1986) suggests that research based upon North American paradigms and participant responses may not be applicable across cultural groups. This assumption is supported by the theoretical work of Hall (1981), which depicts differences in how high context and low context societies process information and approach decision making.

The purpose of this presentation will be to describe a framework that sales managers can use when for guidance in adapting their managerial activities to other cultures. Using the empirical work of John Graham (1984, 1987, 1992) and Geert Hofstede (1980, 1981) as well as the theoretical work of Edward Hall (1981), a framework will be presented that identifies the impact of significant cultural characteristics on those elements that affect the skills and activities of sales managers as they perform their management functions. Specifically, the implication of characteristics such as time, relationships, task orientation, power/distance on elements of authority, communication, control, and motivation will be explored.

The framework presented can be used to guide researchers and sales managers to better understand how to effectively adapt skills and activities across cultures.

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BULLETIN BOARD SYSTEM A NEW APPROACH IN SALES MANAGEMENT

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ABSTRACT

A Bulletin Board System offers new applications in internal and external information and communication, especially for medium-sized businesses. Furthermore a concrete BBS framework shows new applications in sales management and product marketing, e.g.:

- Internal marketing-communication
- External communication to customers, dialogue marketing
- Sales force control
- Reporting
- Order processing

A Bulletin Board System offers new applications in internal and external information and communication, especially for medium-sized businesses. Furthermore a concrete BBS framework shows new applications in sales management and product marketing.

INTRODUCTION

Isn´t it a part of your daily routine that you want to reach a colleague, a supplier or a customer quickly but you receive a busy signal or you are confronted with a telephone answering machine? Even if you succeed in leaving a message, the return call comes just in that moment when you are not in. Then you have to start all over from the beginning. The result being that it is often days before you reach your client. In the meantime the matter might have been taken care of quicker by regular mail.
Or haven´t you also experienced the situation at the end of the day that you need product information or you´d like to place a last minute order? You can often go nuts because you can´t reach many companies after 4 or 5 p.m. In many cases you can´t even leave a message on the answering machine because the machine just tells you that noone is there and when you should call back.
Or would you like to give current information to your sales representatives? Because they are on the road it is very difficult to get a hold of them. And most of the time they call the office when you are not there.
In many cases you haven´t reached your communication goal, that means you have to constantly think about calling back. Even if you are so well-organized that you forget nothing, it´s still time-consuming. Under these circumstances you can even miss a deadline. Wouldn´t it be much easier if there was a possibility allowing you to communicate without depending on time?
A further problem is that you are often confronted with the same questions or problems by your colleagues or customers which do not fall into your area of competence.
Another problem is, that customers and co-workers keep you bussy asking always the same questions or coming up to you with the same kind of problems, which may be or may be not part of your job. If it were possible to channel these questions you could concentrate your efforts on your actual job.
All the problems mentioned above can be easily managed by a using a Bulletin Board System.

What is a Bulletin Board System?

A BBS functions like an electronic mailbox and is also commonly called mailbox in the short form. Because E-Mail is an integrative component of the BBS, the BBS is a paramount term. The applications can be best illustrated in a schematic overview:

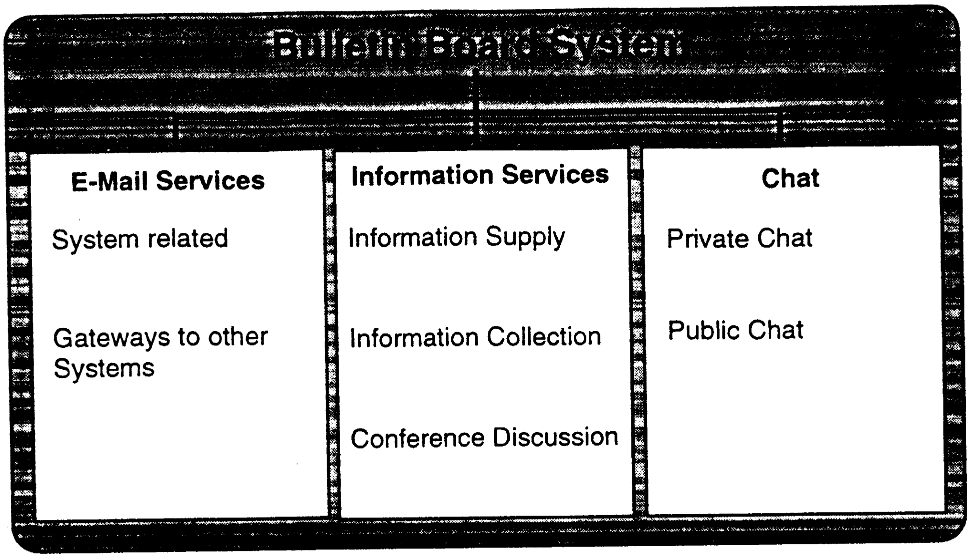


Fig. 1: Schematic Representation of a BBS

As opposed to a normal mailbox (one to one communication, e.g. from person to person) there are more communication relationships in a BBS.

Communication Relationship	Paradigm	Function
1:1 relationship	Mailbox	Personal Information Exchange
1:n relationship	Bulletin Board	Information Supply
n:1 relationship	Suggestion Box	Information Collection
n:m relationship	Conference Bord	Discussion

Table 1: Communication possibilites in the BBS

Different applications, which will be subsequently described, result out of these communication relationships.

EXAMPLES OF MARKETING APPLICATIONS

Because of the theoretically described characteristics of the BBS, various applications for internal and external marketing communication can be inferred. All of the described applications have already been realized by the author, yet it must be acknowledged that the diffusion is still, due to various reasons, in its initial stages. It is therefore even more interesting to occupy oneself with this material.

INTERNAL COMMUNICATION

Internal communication is normally the entrance point into electronic communication. It allows the employee of a firm to send messages or even computer files and programs spontaneously and irrespective of time in an unbureaucratic way by computer network. General information can be passed on very quickly to all employees through the bulletin board. Due to the fact that this information can be stored and retrieved through keywords, each employee has the possibility to call up all information according to his needs, i.e. even at a later point in time. With a normal paper system this is a huge undertaking. The so-called conferences provide a very useful possibility to make very quick delphi-interviews.

E-Mail

The E-Mail System offers even the small businesses a great advantage. Direct information or inquiries to colleagues can be transmitted directly from the desk without being physically present. Information is temporarily stored in the mailbox until the receiver retrieves it. A necessary demand on the system is that it calls the receiver by itself as soon as she or he logs on.

The advantage of this information transmission is, firstly, that you get a written documentation of the occurence. The sender gets a receipt if and when the receiver reads the message.

In comparison to written messages there are the following advantages:

1. The form of information production is easier and less time-consuming.
2. Basic information, such as the date and the sender are automatically added.
3. he information is in typewritten form.
4. It is paperless, but the message can be printed when needed.
5. The transmission of the message takes place immediately after its generation.
6. No distribution channel is necessary.
7. The messages can be stored and retrieved using key words.
8. Prompt replies are possible without formalities.

E-mail networks can be utilized in one or several places, even if they are internationally located. The messages are routed by the mail server through a network line or telephone line.

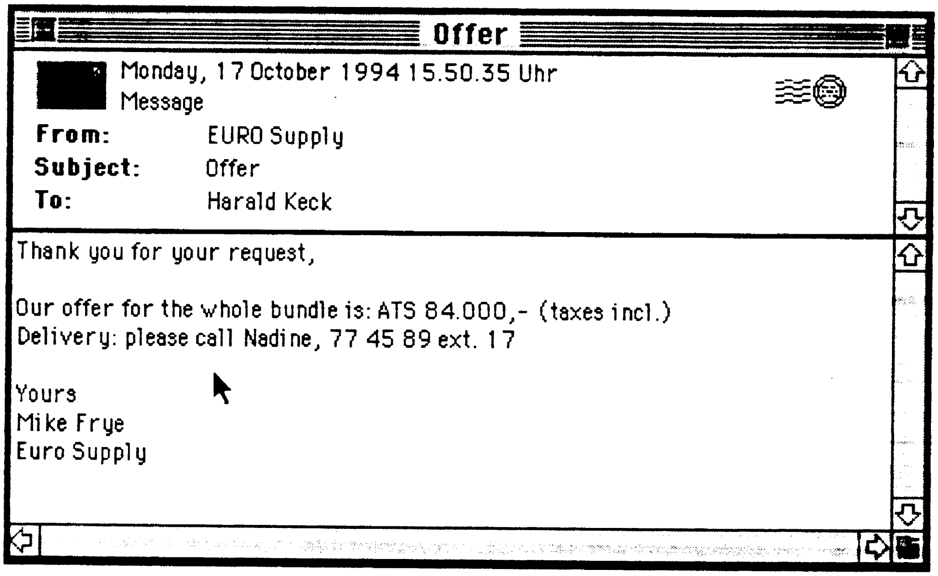


Fig. 2: E-mail: Example of a Userfriendly Interface

THE BULLETIN BOARDS

Just like a real bulletin board, information can be distributed electronically to everyone according to their needs. The electronic bulletin boards have the advantage of being available on every PC. Because the messages can be organized according to topic or date, a better overview and orderliness is maintained. Access to the bulletin board and special interest groups can be limited by isssuing a password. An enormous advantage is that you can retrieve specific information using keywords.
Contrary to common mainframe mailing lists, the BBS offers the advantage of easier orientation and handling through the graphic interface.

CONFERENCES

Many times it is desireable not only to scatter information but also to receive answers. The electomic conference allows information not only to be read but also answered. Everyone can read or answer it. E.g. a problem can be raised and several people can reply. Conferences can be held for different topics, as for example, product application, firm and personal information, etc. Of course private interests can also be covered, e.g. purchasing an auto, looking for vacation accommodation or banal things like the menu of the company canteen.

A useful marketing application of the conference is the possibility of making a delphi-interview quickly and unbureaucratically. A participant puts the problem to discussion and everyone in the company as well as on the network who is authorized can comment on it. Each conference participant can see the answers to the posed problem. He or she can be inspired by the previous answer and state his or her opinion. Usually the answers are just related to new aspects. The total know-how of the firms'employees can be tapped quickly and they can be involved in the decision-making process.
The effect on marketing is that the internal communication processes can be accelerated and a quicker and more qualified reaction to market dynamics and customer inquiries is made possible. In principle, electonic communication is a prerequisite for lean management or quick response.

EXTERNAL COMMUNICATION

If one thinks of marketing communication, one thinks primarily of outside communication. On one hand this is communication with the customers and the public and on the other hand with the sales representatives.

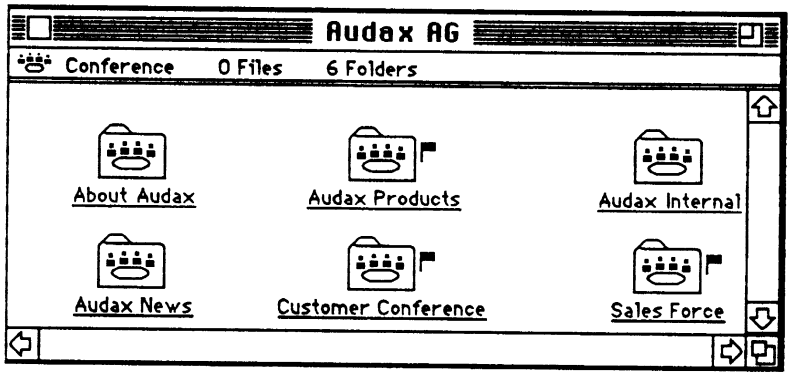


Fig. 3: Various Communication Boards

Sales Force Control

Using the BBS, data exchange and communication with the field representatives can be formed. Because the BBS offers the possibility to receive data and put it on hold, the sales force is independent of office hours. With the normal method of data transaction by fax, the sales reps can send order data but they can not receive information at the same time from the company. For this reason they must make long-distance contact to the company and they depend on their colleagues being present at the office.
A prerequisite for the sensible use of the BBS in sales force tasks is that the rep is furnished with a lap top and is able to use simple software programs. If this is the case, the BBS offers a quick and constant communication platform. Iregardless to which time or from which place the rep gets in touch with the company, he can always send data directly to a specific person, and receive data of personal interesst whatever may be the case. There are the following concrete applications:

- order processing
- data updating
- information supply
- reporting

ORDER PROCESSING

As opposed to long-distance data transmission, electronic exchange has the advantage of being processed rationally; they can be processed for further applications directly. A single data entry is sufficient. For this reason the data format of the sender must be the same as that of the receiver. In the given example this problem was solved in a two-step process:

1. Collection of the order data of the sales force is accomplished by means of database programs which in essence is a 1 to 1 image of the implementation of orders of the internal services departments. The sales rep draws up a text data file of all incoming new orders which is transmitted to the internal service department. The data can be transmitted by the internal service department without any problems into the order database.
2. The BBS software allows mail to be transmitted with an attached file in its original format. The receiver can store this attachment , which in this specific case is the order file in a database format, on his own harddisc for subsequent straight processing with the target program.
Since the sales rep handles his orders via database, he may also have a permanent overview of his sales figures, which is a highly advantageous aspect. Now he is in a position to set up various statistics by simply pressing a button.

DATA UPDATING

The BBS allows the sales rep to receive the most current data on a day-to-day basis to be fed it into his system without reentering. This data may consist of price lists, latest product data, changes of addresses or new leads. In this way the company avoids mailing of printouts. This possibility is of utmost topicality for companies which operate on day-to-day prices and whose product stock changes continually, as e.g. a company trading with second hand machinery. The sales rep even has the possibility of calling up the most recent data direct at the customer´s. These data can be made available to the sales rep in two different ways:

1. In the form of an attachment with a personally adressed e-mail.
2. The data are displayed on a bulletin board.

Any information note which is obligatory such as prices should be handled according to the first method, since the sales rep will find it in his personal mailbox ensuring that he will not overlook it.
The second method is suitable for information subjected to current modification, e.g. inventory. This information is made available on a bulletin board, where it is accessible for a wide number of persons. As a rule such information is called up in case of request only. The information board is not only confined to inventory data. Please look up figure 4 in chapter 3.2.1.3. "Information Supply".

INFORMATION SUPPLY

The objective of information supply is to involve the sales force more intensely in the company. Beside necessary product information, the bulletin board will inform about additional general company events.
The sales reps can use the entire information offered which is also available to the internal staff. In this way he will gain an overview of the internal procedures or new product-specific projects. Moreover he may place queries.

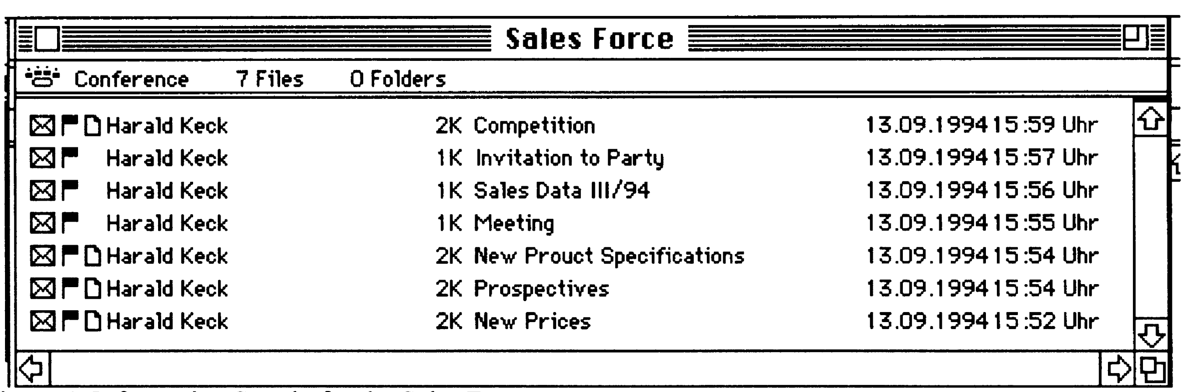


Figure 4: Information Supply for the Sales Force

REPORTING

Up to now reporting has been always a neuralgic point in terms of sales force control. On the one hand it meant a nasty task for the sales rep, on the other hand reporting is a necessary control instrument for the

sales manager. It was realized that it is appropriate to collect only this information which can be used for controlling the sales force. For efficient evaluation the optimum way is to use a form. The disadvantage of forms filled in by hand is that for computerized evaluation they have be to reentered.
The process can be streamlined in that the sales rep draws up his report on a database form. The data are collected at the point of origin and their structure is also formalized. At the end of a working week the data file can be transmitted to the sales manager via BBS. Here the advantage is not only the speed of data transmission but the fact that the data file can be transfered in structurised and computer-readable form.

COMMUNICATION TO THE CUSTOMER (DIALOGUE MARKETING)

The BBS gives the company a new communication tool to reach the customer. The big advantage of the system is that the customer may get in touch with the company around the clock and he may request information, place orders or inquiries. Contrary to the conventional mass media it is the client who has to become active. This is the reason why this specific communication process is suited for customers with a high degree of product involvement only. On the other hand it has the advantage of offering a dialogue to highly involved customers in an easy way.

GENERAL COMPANY INFORMATION

General company information can be supplied already at the point of entering the bulletin board. This may include e.g. exact address, working hours, delivery program, etc. By the possibility of incorporating sound and image, the company is put into a position to strengthen its image to the customers right from the outset. Because of the illustration of the information offered, the customer is provided with a comprehensive overview. The simplicity of the system also allows the inexperienced user to operate the system right from the outset.

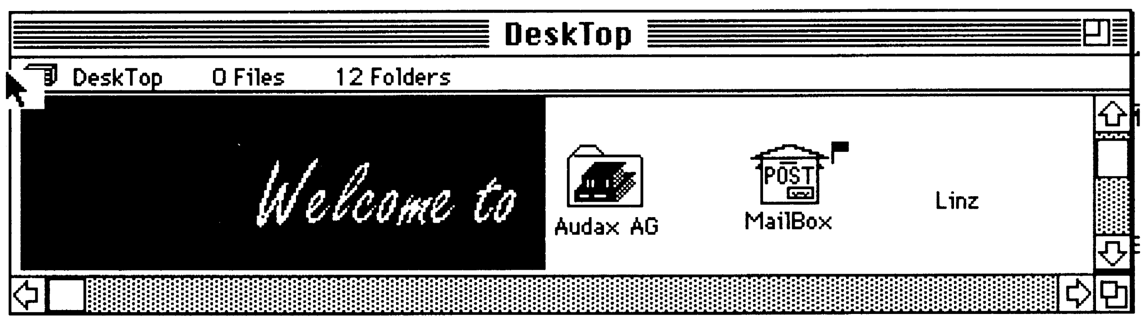


Figure 5: Entry into the BBS of AUDAX

PLACEMENT OF ORDERS

The customer may place his order irregardless of time and in a relatively informal mode. Moreover he may prepare his order on his own PC and transmit it to the company via modem. In contrast to the fax, he can place his order directly with the competent clerk. Should the customer require additional information on product and price prior to placing his order, he may obtain this information beforehand from the product info-board.

Fig. 6: Product Information Board

The customer sends the order proper to the "order-board". This board fullfills the function of a collective mailbox. Everybody may place his order which, however, can only be read by authorized persons. Due to the fact that the BBS establishes an accurate protocol if, when, and by whom messages are sent and read, the customer may refer to the control mechanism in case of disputes. Since each customer has to log in with his individual password, the company may trace back the origin of the order.

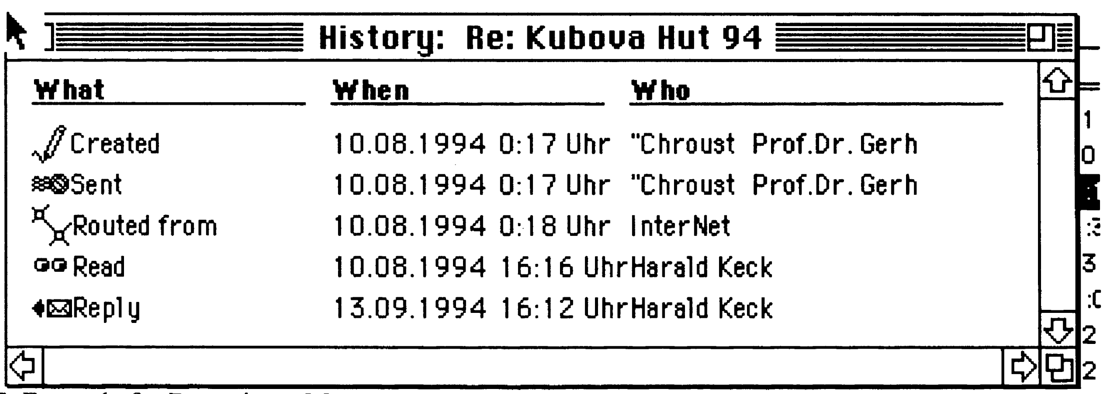


Fig. 7: Example for Retracing a Message

The advantage for the company is the fact that the order can be transfered to production by way of the "forward-function" and that an acknowledgement of the order can be issued to the customer by way of the "reply-function". The system itself automatically issues the address for acknowledgement. The clerk also saves expenditures for formal correpondence since essential elements, such as sender and date, are set automatically by the system and, which is most important, no printouts are issued which then have to be mailed. There are no intermediate steps required which are an important time and cost factor for conventional correspondence. Since the customer has to "pick up" his mail from the company mailbox, cost for postage is saved, too.

The sentence above indicates a weak point of the system. The customer himself has to be active and enter into the mailbox. A customer who does not enter the BBS for a number of weeks will not receive any mail either. Therefore such services should be offered only if the demand for the products of the specific company is a regular one. The system is not profitable for products bought by the consumer only once or twice a year.

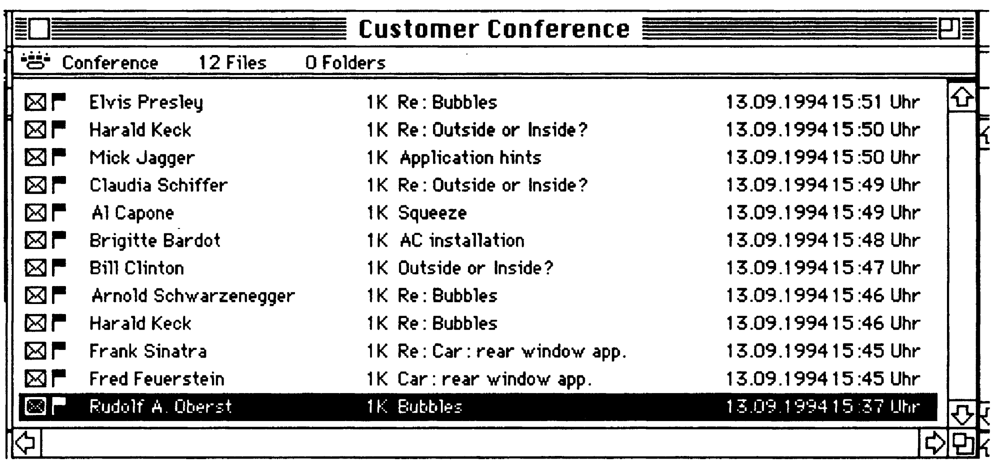
SERVICES AND DIALOGUE MARKETING

Under circumstances for small-sized companies, customer services might become possible on an economical basis with a BBS only. Also here the use of the system will only make sense for customers with a high product involvement and who also have the technical prerequisites. In case both prerequisites are fulfilled the following services might be offered:

- General product information.
- Queries regarding product applications (Hotline).
- Claims.

These services are accomplished by so-called "conference boards". The function of a conference-board is such that a number of persons may enter its queries and that answers are received. The subscribers can read the queries as well as the answers. This bears the advantage for the company that not only is the requester receiving an answer but also those customers who might have the same problem but never inquired about a solution.
It will now depend on the company's philosophy, whether it will be possible for other customers to answer the questions or whether this will be done exclusively by the company. The claims in particular should not be displayed on the board publicly but claim reports should be collected and answered individually via e-mail. The danger that unjustified claims will create a negative image is, in all probability, greater than the benefit created by an open dialogue.

Fig.: 8: Customer Conference-Board



The figure shown gives an impression of what a conference-board looks like. You will find a question and several answers to it. The answer to a question bears the prefix "re".

BBS - TECHNICAL DEFINITION

It is not possible to define the BBS unequivocally since there are a number of common characteristics. In general however, it can be stated that a BBS is a single software program and not a compilation of various software programs on one server for different information services. For the author an essential criterion is its graphic interface as well as its simple and intuitive handling. Time-consuming instructions for the user and the administrator are omitted, since the system is practically self-explanatory.
Normally a BBS is operated on a personal computer. Hence its users are defined automatically: companies which may wish to make use of the above-mentioned services but do not wish to install a complicated and maintenance-intensive mainframe. The costs for the software, which are extremely low (about US-$ 1.000,- to 2.000,-), makes the system interesting for small and mid-sized companies, too.

DEMANDS AND RESTRICTIONS ON UTILISATION

To use a BBS, the following will be needed:

1. Personal Computer
2. BBS-server and client software
3. Computer access to telephone line or computer network
4. User registration of the BBS

Acces via modem still is a crucial point. On the one hand, data transfer is sluggish and on the other hand, technical faults keep occurring which frequently can not be remedied by the user himself. Frequently there may be minor problems in terms of software settings, however in practice, it will take several days until a qualified staff member is found to eliminate these problems. It is precisely this kind of helplessness which is the reason why numerous users finally return to their old habits and ways of communication.
Due to the increasing installation of ISDN technology, it can assumed that the access to a BBS will become less and less problematic and will finally be fully accepted. Especially when the BBS software has become an indispensable tool even for the man on the street.
It would be desirable to install a centralized system on a nationwide basis, which would have the function of a platform for the exchange of information. Long term demand should be that a user may have access to several BBSs with one software and logging in to one system only.

CONCLUSIVE EVALUATION OF THE BBS VERSUS CONVENTIONAL COMMUNICATION CHANNELS

When comparing the opportunities of the BBS to conventional communication media, a number of advantages are obvious. It is a system which, besides the rapid exchange of information, provides time-independent and current data supply. In contrast to broadcasting and TV, the user has the possibility of calling up data right at the moment when he needs them and he will be able to retrieve specific information. When comparing it to the print media, the data provided by BBS is on par with the latest news. Futhermore the user may request historic information without the need of having his own archive.
The principle aspect for marketing, however is the possibility of a multi-way communication which is non-existent in the classic media. The customer may react to offers directly or approach the company with questions. A true dialogue will be created between him and the company.
There is a round-the-clock information and communication serivce available, regardless if the company's telephone lines are attended to or not. This is also a great advantage for the compnay as disturbances by continuous telephone calls are precluded. Inquiries can be transfered to the competent clerk who will answer them promptly and in an unbureaucratic way. The written form of communication means that not only the customer but also the company will receive their own copy. Last but not least, it can be expected that telephone charges will be declining, since the number of return calls will be reducing and there is no need for a toll-free number.
In summary, the BBS may be stated as no replacement for the conventional media but an excellent supplementary tool. The philosophy of lean marketing is not possible without the use of electronic communication systems. Henceforth, greatest importance will be attached to this technology in the future.

TOWARD THE DEVELOPMENT OF GUIDELINES REGARDING WHEN FULL-DISCLOSURE IS (IS NOT) REQUIRED IN SELLING

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University of Southwestern Louisiana

Lou E. Pelton
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ABSTRACT

"Ignorance" and "conflict" often block the path to morally correct sales behaviors. Academics and practitioners agree that the introduction of ethical guidelines is the best measure for encouraging ethical sales behaviors. Yet guidelines have been offered which can be conveniently used to overcome the unique circumstances that contribute to the moral dilemmas often encountered in personal selling. Two guidelines are developed that precisely chart ethical paths across a variety of sales settings (addressing "ignorance") while illustrating why the cost associated with acting morally is generally reasonable (addressing "conflict"). The code applies the universal transactional notions of customer expectations and salesperson reputation to illustrate why and when full disclosure is morally required. In doing so, the code tackles head-on the vexing question of how best to juggle mixed motives -- involving self-interests, corporate-concerns, customer-needs and other influences such as the nature of the transaction. The issue of how mixed motives can be morally accommodated is one that ethicists have previously sidestepped.

The deceptively simple matter of truth-telling is a potential problem in sales relationships. No matter what unethical behavior is considered -- misrepresenting product capabilities, actual delivery times or true costs; inappropriate silence in response to legitimate customer inquiries; et al. -- the act usually involves a failure to tell the truth. Any corrupt tendencies salespersons have are partially driven by their role's comparatively isolated, boundary-spanning status, competitive nature and short-run oriented performance/reward measures which create opportunities and temptations. Still, few would argue salespeople should be absolved of ethical responsibilities because of their special role. Marketers typically agree that decisions should be made in accordance with accepted principles of right and wrong (Ferrell and Gresham 1985). Yet, the principles governing right or wrong in the sales arena are decidedly murky.

Salespeople have an obligation to represent their firm's best interests and, since the fortunes of firms and salespeople rise or fall together, an obligation to protect their self-interests. However, salespeople are not morally obligated to reveal all they know. To further complicate matters, salespeople also must serve the needs of prospects and customers to obtain or maintain long-term business. So, salespeople have a moral obligation to company, prospect/customer, and self. They continually encounter dilemmas regarding how much information to disclose. An organization's code of ethics indicates its norms of ethical behavior. If management wants salespeople to behave ethically, they must establish and enforce sales-specific ethical codes. In fact, salespeople often request such guidelines (DeConnick 1992). But no ethical guidelines exist that specifically address the range of special facilitating circumstances (temptation, opportunity and pressure) contributing to the ethical dilemmas encountered in personal selling.

Corporate codes are necessary but, by themselves, are insufficient, to prevent ethical violations in marketing (Chonko and Hunt 1985). However, it is more desirable to have one in place than to not. Consequently, the purpose of this paper is to develop and illustrate the application of an ethical code that precisely charts ethical "paths" for a variety of sales settings while illustrating why the cost associated with ethical behavior is reasonable. The later phrase that addresses the "reasonableness of the cost associated with ethical sales behavior" is not necessarily the gimme that many probably assume it to be.

PROBLEMS ASSOCIATED WITH TRUTH-TELLING IN THE SALES ROLE

The standards for honesty in American business appear clear. Norms exist within our cultural tradition prescribing "one should always tell the truth" and "honesty as the best policy." Over 95% of unethical business behaviors involve violations of such overtly accepted standards (Velasquez 1992). A fundamental problem associated with sales ethics, then, is how to motivate salespeople to do what they already know is right, e.g., avoid violating accepted principles of honesty (a "violations" problem). A related problem, which frequently occurs, involves salesperson uncertainty regarding whether absolute truth standards apply in a given situation (an "uncertainty" problem). This later problem arises when salespeople do not know whether, or to what degree, full-disclosure is morally required (Bok 1978). Should delivery be promised on undoable dates if similar misrepresentations are common in an industry? The issue of how much disclosure is appropriate is difficult to resolve. If they choose to actively evaluate the circumstances, salespersons are often torn between absolute moral standards requiring truth-telling and the need for effective selling behavior.

Are Salespeople Morally Required to be Truthful?

Truth-telling is tacitly recognized as a necessary prerequisite for ongoing and successful exchange. However, this is not the only value operative in sales exchanges. Salespeople are also concerned with creating profit, growth, power, security, and wealth, as well as competing for scarce resources, attending to others' needs and loyalty to company, colleagues and oneself. Pursuing any one of these values sometimes necessitates actions that conflict with the truth.

At first blush, the tasks of those occupying selling and buying roles would appear easier if marketers accepted one absolute moral principle: "Always tell the truth." Truth-telling issues would then be limited to "violation of standards" problems. Applying such an absolute standard in the real world of business would, of course, prove troublesome. Salespeople often encounter exchange circumstances in which it is neither functionally appropriate nor necessary to disclose the whole truth. Even so, it must be especially frustrating to the perennially moral salesperson to know no guarantee exists that a competitor's lie will be uncovered. To encourage the moral salesperson's ethical behavior and to raise the standards of the profession, it may argued it is best to hold salespeople to absolute standards of truth-telling. But in the harsh light of real world markets, maintaining standards prescribing that salespeople must always tell the truth may actually have the opposite of its intended effect -- such standards may foster a low regard for the truth. When confronting absolute principles, salespeople may reject them as unreasonable and inapplicable in demanding sales environments.

Another objection to an "always tell the truth" standard is that it would lead to the preeminence of the truth over all other values. Circumstances may exist in which other values are more important. Real-estate salespeople who prematurely reveal their interest in a property would sacrifice the values of loyalty and fairness to company, coworkers, self and family to the value of complete honesty.

If an absolute standard of truth is rejected, one must consider the consequences associated with the opposing standard, that is, salespeople "are not morally required to tell the truth." Through comparing business to poker, Carr (1968) concluded business transactions require truth-telling only to the degree that meets the law and avoids unfavorable public opinion. The competitive nature of selling in most industries and the fact that parties to sales exchanges understand the norms governing appropriate behaviors imply bluffing (failing to fully disclose) is permissible when it is to one's advantage, so long as both parties actually do understand the "rules." However, an argument that salespeople have no moral accountability to the truth, emphasizing the competitive nature of sales, ignores the fundamentally cooperative nature of most marketing channels. Mutual trust is necessary for transactions to unfold efficiently, given the interactive and reciprocal nature of exchange. Just-in-time inventory systems or taking investment orders by phone would be impossible without the trust fomented by truth-telling. If customers found it necessary to initiate new deliberation for each purchase because of low trust, exchange would require untenable amounts of time.

Therefore, some pliant baseline designating truth-telling behavior as a moral requisite for salespersons appears necessary. However, it is doubtful whether an absolute moral obligation exists for salespeople to be truthful in all situations. An ethical code is needed which allows salespeople to determine whether they have a moral obligation to fully-disclose in particular situations.

GUIDELINES FOR WHEN TO FULLY DISCLOSE IN THE PERSONAL SELLING ROLE

Truthfulness requires what is believed to be accurate information. Salespeople also act truthfully when they provide partial or no information if they have no intention to mislead. Untruthfulness involves the delivery of false, partial or no information, with the intention to mislead. It is no less dishonest to mislead by a failure to disclose than by an outright falsehood if harmful intent is also present (Ekman 1985).

Proceeding from this simple premise, two guidelines that can be used by salespeople to understand why and when ethical behavior requires full disclosure are:

1. Salespeople should fully disclose when the truth is expected by the recipient (an Expectation Guideline).

2. Salespeople should fully disclose when telling the truth is consistent with their or their firm's reputation for truth-telling (a Reputation Guideline).

These guidelines apply to what is stated in sales encounters, and to how much information is not given. The ethics of failing to fully disclose the truth can each be determined on a situation-specific basis through the guidelines. Applying the code will show that all instances of lying and most instances of failing to fully disclose the truth are unethical in sales transactions. The code allows salespeople to understand why such behaviors are usually unethical while also showing how they are permissible in limited circumstances.
Each guideline is user-friendly in that they build on two basic features of sales encounters: customer expectations and the salespersons/selling firm's reputation. While the guidelines do not ensure solutions to all ethical dilemmas salespeople might encounter, they are productive. They offer a starting point from which salespeople may pose insightful questions. Each provides justifications for the ethical outcomes salespeople hopefully will pursue. The code is consistent with ethical theory. The first guideline is derived from the deontological approach to moral judgements, while the second is based on consequentalism. Each guideline provides salespeople the means to apply ethical philosophy without formal training in the theories themselves.

THE EXPECTATIONS GUIDELINE

This standard is based on the first two formulations of the categorical imperative (Kant 1963). The first formulation suggests that universalizing the rule under which one acts should not make that action impossible. Under this formulation, failing to tell the truth when it is expected is not a universalizable rule. For salespeople to lie, someone has to believe them in the first place. Therefore, if salespeople fail to fulfill truth expectations, the expectation for truth is destroyed and, along with it, the possibility of not fulfilling the expectation. Therefore, a failure to fulfill truth-expectations is not a morally acceptable course of action for salespeople. Recognizing customers' expectations embraces the respect for the value of others expressed in the second formulation of the categorical imperative: "Always treat others as ends and never simply as means" (Kant 1963, p.224). Fully disclosing when it is expected forces salespeople to recognize customers as value givers who have equivalent rights to assign value to any object of exchange. On that basis, customers are generally owed the right to the information necessary to accurately evaluate the value of an exchange object.
The Expectations Guideline implies that when customers expect full disclosure in a sales situation, salespersons are morally obligated provide it. But the nature of customer expectations is not so cut and dry as one might initially assume. Customer expectations can be evaluated at three levels. To apply the Expectations Guideline, salespeople need to determine whether their customer has a right to expect full disclosure (Level 1), whether a reasonable person would expect full disclosure (Level 2), or whether this particular customer actually expects full disclosure (Level 3) in this sales encounter. If the answer is yes at any level, the salesperson has an ethical obligation to the truth. If customers have no basis at any level to expect full disclosure, salespeople's ethical deliberation should proceed to the Reputation Guideline.

Applying Level One Questioning to "Violations Problems"
The Level 1 ethical decision rule addresses whether the customer has a legitimate expectation of truth based on legal, contractual or fundamental human rights. The clearest (albeit weakest) moral claims to full-disclosure are based on legal rights. Information disclosure is essential to a functional economy, a fact illustrated in that certain sales acts are prohibited by law. A working knowledge of the legal requirements for the sales profession in general and for a given firm's industry conditions provides an appropriate starting point for avoiding unethical behavior.
Contractual rights originate in the implied contractual condition that each party agrees to give-up something of value in return for something of value. Each must have available for evaluation the truth about the object of exchange and the conditions under which the exchange is to occur. Therefore, customers entering in contracts generally have a right to the truth at a elemental level. Individuals contracting with real estate agents to represent them in property sales have contractual rights to expect full and truthful disclosure to all facts

relating to subsequent transactions. Despite the Uniform Commercial Code and several federal regulations related to sales, the "laws of selling" vary from state to state and sales territory to territory. The law clearly impacts the nature of ethical salesperson behavior, but the nature of the sales role, particularly when compensation is primarily commission, will challenge the salesperson's willingness to adhere to the law. Further, applying the law does not always result in ethically sufficient outcomes since the law is only the lowest common denominator of ethical behavior. Consequently, other rights often need to be considered to arrive at the ethical path.

The fundamental human or moral right to the truth lies in the fact that honesty is essential to showing others the respect they deserve. Customers generally expect facts to be accurately imparted to them as a basis for making informed and rational decisions. Salespeople inappropriately treat customers as "means" to "flawed" ends when they fail to provide expected truths. An individual purchasing a potentially hazardous product has a right to full disclosure of potential hazards based on their human right to self-determination (Armentaro 1991).

APPLYING LEVEL TWO QUESTIONING TO "VIOLATIONS PROBLEMS"

This decision rule seeks to establish a reasonable person standard similar to that in the law. To apply the guideline, salespeople should literally attempt to ascertain whether a reasonable person would expect the truth in this situation. If, for example, a sales transaction occurs within a relational channel setting in which each member is collaborating for the benefit of both, customers can reasonably expect a high level of truth (Kauffman and Stern 1988). Two factors influence the nature of "reasonable truth expectations" in cooperative transactional settings. First, the relative importance of full-disclosure to the customer should be evaluated. Customers receiving health care information can reasonably expect the truth, in light of the consequences of misinformation. If, however, a sales message is describing the intangible virtues of an automobile reasonable people should expect a less strict adherence to the truth. In addition, the opportunity to independently evaluate and verify such claims also influences "reasonable truth expectations."

Determining whether it is reasonable for customers to expect full-disclosure requires evaluation of three other issues. First, it is generally reasonable for people to expect truthfulness in sales transactions because truthfulness is essential to the successful conduct of business. Salespeople must cooperate openly with fellow workers, suppliers, financial institutions, etc., to achieve or maintain the ability to vigorously compete. Still, honesty in business is a relative concept, varying on the basis of transactional setting. Different industries (life insurance v. banking), geographic regions (Chicago, Ill. v. Carbondale, Ill.), or cultures (Middle Eastern v. European) typically display divergent perceptions of the "absolute" honesty necessary for conducting business. Yet, some minimum baseline of an expectation for disclosure remains essential for marketing exchanges to be consummated regardless of industry or geography. On this basis alone, customer's expectations for truth are usually reasonable.

Second, a realization that the conduct of business does not always have to involve a zero sum game can be exercised to determine the expectation level of truth-telling that is reasonable. Business is sometimes conducted under zero-sum conditions where, if firm A gets the contract, firm B does not (Carr 1968). However, sales transactions more often unfold as additive sum games within cooperative rather than competitive settings. There, the gain of one party benefits other parties. When salesperson A obtains a contract, all stakeholders of A's firm benefit, along with the entity for whom the contract is performed. Since all gain, each can reasonably expect full disclosure from the other to facilitate the exchange. Different standards of reasonableness prevail for transactions that unfold in competitive realms. The generally accepted norms governing negotiations over scarce resources or the behaviors appropriate for responding to competitor inquiries allow for bluffing (failing to fully disclose). It may actually be unreasonable for others to expect full disclosure in competitive environments.

Third, salespersons can consider whether it would be to their advantage to let others tell the truth while they failed to disclose it to determine whether the expectations are reasonable. If business people are committed to ethical behavior, the truth expectations of others require truth-telling. Taking the ethical point of view requires one to follow universal ethical rules and to not make exceptions for oneself (Goodpastor and Matthews 1982). This implies that if one salesperson felt it was morally acceptable to lie, then all salespeople should be permitted to lie. However, if everyone lied, lying would become impossible because no customer would expect the truth (and none would be deceived by misrepresentations) (Kant 1964). The "make no exceptions" rule requires full disclose whenever full disclosure is expected.

Applying Level Three Questioning to "Violations Problems"

Weighing the actual expectations held by customers requires salespeople to consider the special standard of care necessary when vulnerable individuals are involved in the transaction, e.g., those who, due to a lack of sophistication, experience or cognitive ability actually expect full disclosure. Due to their diminished cognitive abilities, extremely aged individuals may de facto merit higher standards of truth. Practical considerations make this expectation standard difficult to apply in sales. Selling lends neither the time nor a context appropriate to overtly inquiring whether one's counterpart actually expects full disclosure. Such a question would raise suspicions of one's motives and business acumen. However, if indications of the customer's actual expectations can be observed, they deserve reflection.

The requirement for truth-telling derives force from justice considerations arising from how actual expectations of truth are often created in marketing transactions. Salespeople often attempt to establish trust which, in turn, facilitates exchange (Schurr and Ozzane 1985). In situations where individuals create full disclosure expectations hoping to benefit from the exchange made possible by the expectations, full disclosure is a moral prerequisite. Simple justice requires no less even when the action fails to serve the salesperson's best interests.

Applying the Expectation Guideline to "Uncertainty Problems"

Salespeople are hired to be advocates for their company and its products. Salespeople have parallel moral obligations to their customers, employers and selves, as well as to the "transaction." The morality of a salesperson's decision revolves around the degree to which the moral duties owed to these various parties are mutually and simultaneously satisfied by the level of disclosure. It is not surprising that salespeople sometimes encounter situations where they are uncertain whether, and to what degree, disclosure is required (uncertainty problems).

The Expectation Guideline can be applied to explain why, in special circumstances, not fully disclosing is acceptable. For truth-telling obligations to be violated, salespeople must fail to disclose information with the intent to deceive or give false information with the intent to deceive while the customer has an expectation of receiving truth. If either or both conditions characterize a transaction there is wrongful deception. But if both parties tacitly recognize that the customer does not expect full-disclosure, a failure to provide it is not deceptive and the honesty of the salesperson is not violated. When responding to a competitor's inquiry concerning market conditions, salespeople are generally not expected to reveal whole truths or even to disclose any information at all. Buyers and sellers engaged in negotiations typically do not expect whole truths from one another regarding their genuine final price. Bluffing is sanctioned by the mutually agreed-upon "rules" that administer such settings. When the truth is not expected on any level, there is (1) no right to expect full disclosure and (2) no reasonable person should expect it. In such instances, truth-telling is not required. Therefore, it is necessary for salespeople to establish whether the norms of competition prescribe that full-disclosure is not expected to determine whether not fully disclosing remains consistent with ethical behavior. Salespeople should be trained to not feel guilty about selling products that serve customers well and meet their stated standards, even when a better product is available from a competitor (e.g., salespeople selling Volkswagens may wish they were selling Mercedes). Salespeople are not involved in transactions to ensure that customers make absolute ideal purchase decisions; salespeople are there to ensure that the needs of customers are adequately met, hopefully with the product the salesperson advocates. When salespeople and their customers operate on a level field and there is no expectation of truth, a failure to fully disclose is permissible. Salespeople should then invoke the reputation standard to further evaluate the matter of ethicality.

THE REPUTATION GUIDELINE

Throughout a salesperson's career, each act of truth-telling (lying) contributes to a reputation for honesty (deceit). Salespeople understand the importance of their reputation. In some small way, in fact, the overall image or reputation attributed to the entire fraternity of salespeople is affected by the ethical/unethical actions of each group member regardless of their specific position. Salespeople and sales organizations engage in tacit and overt public relations efforts aimed at sustaining or cultivating reputations, advertise based on them, and even capitalize them as part of "good will" (Belch and Belch 1993). This is undoubtedly an appropriate course of action, since the customers of firms who do not enjoy a reputation for integrity likely experience a heightened sense of perceived risk and biased price expectations in their transactions with the firm.

In deciding whether to fully disclose even when one's fully competent counterpart has no expectation of it, salespeople should consider whether their ultimate action will be consistent with their reputation for honesty. This requires a two-stage decision process: first, at an application level, which applies the guideline to the particular case at hand and, then, at a policy level, where the type of reputation one desires is evaluated. For each truth-telling dilemma, the salesperson's first question should be: "How will this instance of truth-telling (lying) calibrate with my current reputation?" The question is straightforward, involving no complicated calculations of the probability that one's failure to disclose will be discovered, or of how adverse the consequences would be upon discovery. This is a useful property since the time constraints and imperfect information associated with selling make precise calculations unlikely. Instead, salespeople can ask what level of disclosure is consistent with their desired reputation -- and determine their reputational policy.

The policy level issue should be reviewed periodically in developing an overarching truth philosophy. For example, does the salesperson desire a reputation as one who tells the truth about product quality? Probably. But does the salesperson desire a reputation as one who discloses completely in price negotiations? Perhaps not. The answer depends on how the individual's long-term ethical goals are defined, mindful of the fact that employer, customer, self and transactional needs should each be served.

The Reputation Guideline underscores the fact that salespersons consciously or unconsciously choose the ethical level at which they operate (Goodpastor and Matthews 1982). However, as an overt decision rule, the Reputation Guideline permits salespeople to consciously control ethical behavior. Since the ethical standards operating within an industry are generally known, salespeople (and firms) can accept them or attempt to exceed them. Firms might attempt to enhance their reputations to increase employee self-esteem (e.g., augment the perceived "professional" status of life insurance or auto salespeople) or make themselves more efficient channel partners and, thus, more competitive. Career salespersons who enhance their reputations will, over the long run, gain sustainable competitive advantages.

Since the consequences associated with a salesperson's reputation for honesty depend upon how well the truth expectations of customers are accommodated, it might appear logical to subsume the Reputation Guideline within the framework of the Expectation Guideline. However, the guidelines focus attention on different aspects of the ethical decision making process. The Expectation Guideline addresses salespeople's obligation to their transactional partners. The Reputation Guideline focuses on the character and goals of salespeople themselves: in effect, their obligations to themselves. Because distinct decision criteria, evaluative processes and outcomes are associated with both guidelines, the set is heuristically superior to either taken alone.

Applying the Reputation Guideline to "Violations Problems"

The Reputation Guideline is a utilitarian standard since the consequences of full disclosure for the reputation that salespeople desire is at least implicitly calculated. The guideline emphasizes to salespeople that consequences do matter in business and ethical conduct. Although an abstract concept, reputations are immediate and concrete commodities to individuals and directly effect their ability to conduct business (Heide and Miner 1992). Further, evaluating the type of reputation for truth-telling desired is more suited to the bounded rationality of most people than is considering the myriad factors reflected in "greatest good for the greatest number" calculations generally prescribed within a full-blown utilitarian approach to moral behavior (Hunt 1992). Any calculations that are needed are more workable than those required by full-blown utilitarianism since the consequences are associated with only one entity (the salesperson), rather than for all potentially affected by the truth value of a communique. Rather than seeking the truth-telling level that maximizes some ethereal "greatest good" ratio calculated for society as a whole, salespeople can determine the reputation for honesty they wish to possess.

A reputation standard guiding ethical decision making throughout the organization would likely be useful. "Ethical" organizations enjoy access to business that organizations with a reputation for a lack of honesty will not have. While others may conduct business with firms that have an unpredictable reputation for truth-telling, they likely do so only after protective measures have been initiated. These measures impose a levy on marginally dishonest firms. Reputations also affect organizational climates. Employees who believe their company is truthful work harder, are more honest in their intraorganizational relationships and less likely to seek employment elsewhere (Goldfarb 1992). Since the firm's reputation affects virtually all results that will be obtained (over a reasonable time span), the Reputation Guideline reinforces the importance of maintaining a position of integrity and openness.

Applying the Reputation Guideline to "Uncertainty Problems"
The Reputation Guideline also permits salespeople to account for the fact that ethical behavior does not always require truth-telling (full disclosure). In competitive sales encounters, a reputation for being a hard-nosed negotiator who discloses no more than necessary to reach an agreement is a valuable and portable asset. When the norms governing a particular sales activity require decision making under conditions of risk or without complete information, a failure to disclose information can be consistent with a reputation for honesty. In fact, a reputation for answering questions with a full disclosure of the truth may be a liability in markets of scarcity. The guideline accounts for the fact that salespeople should sometimes seek reputations as hard-nosed players who understand realpolitik and compete vigorously within the bounds of mutually accepted exchange governance norms.

DISCUSSION

Bullet-proof ethical codes will never exist. However, an enhanced commitment to disclosure by salespersons should decrease the likelihood of prospect alienation and/or liability litigation (Boedecker, Morgan and Stoltman 1991), and increase the likelihood of profitable long-term relationships with customers. If a conveniently applied set of ethical decision rules is available, the result may be a sales force more likely to act in ways that are compatible with the divergent needs of customers, organizations and self. No ethical code can be used to prove to salespeople that they should be ethical. A fundamental feature of ethical behavior in cultures that value individualism is that ethical principles ultimately must be self-imposed if they are to have desirable effects (Paton 1986). There is an obscure and unattributed colloquialism suggesting that, in the history of the world, few souls have ever been saved after the 20th minute of a sermon. This expression is germane to this discussion in that it implies if ethical guidelines can be easily understood and conveniently (e.g., quickly) applied, the likelihood of their subsequent use is increased.
Ignorance and conflict often block the path to ethical sales behavior. Ignorance can be eliminated by identifying "...the ethically proper path to follow?" (O'Boyle and Dawson 1992, p.921). The Expectation Guideline clearly offers ethical guidance to salespeople. Conflict can be overcome by ascertaining whether the ".. price (one is) willing to pay to follow that path" is reasonable (O'Boyle and Dawson 1992, p.921). The Reputation Guideline clearly illustrates that this price is usually reasonable.
If sales personnel are not provided some form of ethical guidance in their decision making, sales organizations should anticipate harmful variations in ethical decision making. Firms that leave moral decision making to chance, hoping for uniformity in the ethical philosophies of their employees, set themselves up for failure by decentralizing ethical decision making on a random basis (Ferrell and Gresham 1985). But in practice, ethical codes imposed paternalistically or hierarchically are less likely to be successful than standards generated through the participation of salespeople. Managers are often no better qualified to make ethical judgements then individual salespeople and, indeed, their senior positions may make them more likely to make self-interested and prudential judgements. Perhaps the major obstacle to the application of philosophy and formation of ethical codes for sales organizations lies in developing ethical formulas for working out the codes that are accessible to individual decision makers (Stark 1993). The nature of the ethical code presented here should permit the ethical decision itself to be successfully delegated to the individual salesperson. The salesperson can readily acquire the information necessary to apply the Expectations Guideline through experience and learned observation of the customer. Salespeople can acquire the information necessary to implement the Reputation Guideline if their sales organization overtly conveys information pertaining to its "expected reputation" to them.
There is a good deal of flexibility in this ethical code. It purposefully avoids recommending specific rules in the form of standards that are assumed to be applicable for all salespeople. Such flexibility is necessary and desirable because each ethical case salespeople face is relatively distinct -- and all circumstances must be considered together before salespeople can determine the morally correct action. However, each guideline is linked by its capacity for focusing salespeople on the need to satisfy the universal desire of prospects/customers to be treated with respect and fairness. Simple logic dictates that when people are so treated they will react well. The uncomplicated notions of customer expectations and personal/organizational reputations provide a means by which the ethical guidelines can be easily recalled. It has relevance to

everyday business decisions, where right and wrong are by no means clear-cut (The Economist 1993). The approach offered in this code should produce more than just ethical survival for the sales organization. It should produce more moral sales behaviors.

The guidelines offered in this paper is framed by a sense of moderate pragmatism far removed from the moral absolutism often propagated by business ethicists. However, ethical codes probably should be dynamic and loosely bounded. Given the continually changing legal environment of sales (Boedecker, Morgan and Stoltman 1991), constant product innovation and shifting public/private ethos concerning the practice of marketing and sales, the process of adapting and enculturating "core ethical values" must be ongoing. The variable nature of sales environments likely make the content of its ethical dilemmas more challenging than those facing other management areas. There is a need for guidelines that can accommodate the need for flexibility across time.

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A CROSS-CULTURAL STUDY OF THE RELATIONSHIP BETWEEN PERSONAL VALUES AND ECONOMIC BEHAVIOUR

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LISREL was used to estimate the structural relationships between changes in economic behaviour (spending, savings, debt) and changes in perceptions of the economy, demographic constraints, and personal values. Models of these relationships were tested among total respondents and among two culturally distinct sub-samples (Canada and U.S.). Analysis of the overall model showed elements of all information types were statistically significantly related to changes in economic behaviours. Personal values had both direct and indirect relationships with behaviour. Furthermore, there were statistically significant differences between the two samples in terms of structural relationships with behaviour. These differences, however, were not dramatic.

INTRODUCTION

Culture has been defined as "the set of values, customs, traditions, attitudes and ideas that a society possesses and transmits from one generation to the next. (Crane and Clarke, 1994, p. 24). This definition is echoed in hundreds of definitions found in consumer behaviour texts and in the marketing literature.

Consistent with this definition, much cross-cultural research focuses on descriptions of cultures (the structure of institutions; common norms and values held; cultural rituals; etc.). What is missing from this is an appreciation of the notion that culture is more than a state of being, it is also a set of learned ways of adaptation. In other words, much of individual adaptation to externalities (new information, stresses, opportunities) may follow culturally learned paths and may systematically differ from one culture to another.

There is one area where the study of culture as including learned rules of adaptation would be especially useful. This is in the cross-cultural study of changing economic behaviours (savings behavior, indebtedness, and propensity to consume) in the context of changing economic circumstances. As the world increasingly becomes one financial/economic marketplace, understanding systematic differences in how people adapt to economic changes is essential to good cross-cultural management.

The importance that economic behaviours has for the individual also has implications for the study of consumer behaviour. Most of consumer research has historically focused on the study of "micro" (e.g., brand choice) behaviour models. In general, studies have tended to indicate a lack of strong association between personal attributes and specific micro behaviours. In contrast, economic behaviours are thought of as "macro" individual behaviours since they help define general life patterns. But macro behaviours, by being more general in their effect, would be more likely to have closer connections to important elements of consumer attributes. The study of macro behaviours provides a different window into the understanding of the roles that individual characteristics have in consumer behaviour.

RESEARCH ISSUES

This research is an empirical exploration of perceptions of change in economic behaviours and some hypothesized causal variables (change perceptions about the economy, demographic constraints, and personal values). The study is reported in two stages: (1) exploring an overall causal model for predicting perceptions of change in economic behaviour and (2) investigating cross-cultural differences in the structure of the causal model.

The general causal model of individual economic adaptation investigated in this research is displayed in Figure 1. Changes in economic behaviours are hypothesized to be influenced by perceptions of changes in the economy, demographic constraints, and personal values. Furthermore, perceptions of changes in the economy are themselves hypothesized to be influenced by personal values.

ECONOMIC VARIABLES

Economic behaviours have been shown to be related to individual perceptions of the economy. Katona (1975) studied the relationship of his "Index of Consumer Sentiment" to consumer spending and spawned the field of "economic psychology." Much of that work has focused on how well the measure of consumer sentiment predicts consumers' propensity to consume (Curtin 1982). In addition to measuring consumer sentiment (essentially a measure of confidence in the short-term economic conditions), it has been typical to include some indicators of recent performance of the economy (prices, unemployment, etc.). It has also been common to include demographic factors, usually personal resource constraints (e.g., income).

Value Constructs

A "value" is been defined as an enduring belief that a specific mode of conduct or end-state of existence is personally or socially preferable to an opposite or converse one (Rokeach 1973). Value measures are frequently used to differentiate groups (e.g., Fernald and Solomon 1987; Wolfe and Mourribi 1985; McKernan and Russell 1980; McCarrey, Grasse, and Moore 1984). These studies, while confirming that values are profoundly important personal attributes, do not address the issue of the relationships of those values to other aspects of individuals' lives.

Values have a central position in a person's cognitive structure; they influence how people evaluate the world (Kamakura and Novak 1992). There have been a number of studies that showed significant relationships between personal values and attitudes (e.g., Furnham 1986; Usunier and Valette-Florence 1991). Furthermore, Kahle (1984) has hypothesized that values act to direct the processes of cognitive and behavioral adaptation that individuals experience as their external situation evolves. However, studies relating values to behavioral adaptation generally have shown weak or ambiguous direct relationships (e.g., Darden 1983; Thomas 1986; Lastovicka 1991).

It has been suggested (Vinson, Scott and Lamont 1977) that values act on behaviour through cognitive intermediaries. A study by Homer and Kahle (1988) related values to both behaviour (food shopping and money spent on food) and to food shopping attitudes. They found that while values were not statistically significantly related to the behaviours themselves, the values were statistically significantly related to the intermediary attitudes. In a similar result, Wharton and Harmatz (1993) found values were not significantly directly related to several economic behaviours but were significantly related to life style attitude intermediaries.

Hypotheses

The model presented in Figure I hypothesizes that changes in economic behaviours will be structurally related to both perceptions of changes in the economy and demographic constraints. In addition it is hypothesized that personal values will be structurally related to changes in economic behaviours both directly and indirectly through perceptions of changes in the economy. All of the hypothesized structural paths are consistent with prior research except for the direct links between personal values and changes in economic behaviour. While prior research has tended to not find significant direct links, the personal importance of economic behaviours suggests that these macro-behaviours may link to personal values.

In addition to testing the parameters of the general model, the model will be separately tested for two different cultural samples (Canada and the U.S.). It is hypothesized that there will be significant variations across cultural groups. It is an essential position of this research that relationships (pathways) are as characteristic of a culture as are average descriptions.

METHODOLOGY

Questionnaires were sent to 2200 Canadian and 2200 American households based on address lists provided by a commercial list broker. The address lists matched the respective geographic populations (by province in Canada and by state in the U.S.). Unfortunately, the response rates were very low (196 usable returns from the U.S. and 283 from Canada, 9% and 13% respectively). However, since the purpose of the research is to investigate processes in two distinct cultural groups, the low response rates do not impair the comparison. The Canadian and U.S. samples do come from cultures which are distinctly different.

A questionnaire was constructed which included sections on perceptions of economic-related changes in the 12 months and sections on personal characteristics. Perceived changes were questioned for (1) the national economy, (2) local economy, (3) the economic situation as it affected the individual, and (4) the individual's economic behaviours. These change measures were reported on seven-point scales from "much lower this year" to "much higher this year". Sections on personal characteristics included personal values and demographics.

Personal values were measured using Kahle's (1983) List of Values (LOV) scale. The LOV scale is a commonly used scale in values research and has been used in other cross-cultural studies. It has been positioned (Kahle 1991) as an inventory that is simpler and easier to use than Rokeach's (1973) list of instrumental and terminal values. The LOV scale involves rating the importance of 9 value items, including "a sense of belonging", "excitement", "warm relationships with others", self-fulfilment", "being well respected", "fun and enjoyment of life", "security", "self-respect", and "a sense of accomplishment".

RESULTS

Analyses were performed in three stages. These stages are: (1) analyses for the purpose of simplifying the set of constructs to be used in later analyses; (2) LISREL analysis of the structural model among total respondents; and (3) LISREL analysis of the structural differences between the Canadian and the U.S. samples.

The nine value statements of the LOV scale have been hypothesized to represent a smaller set of underlying dimensions. The dimensions of internal values (valuing self-actualization), external values (valuing relationships with others) and hedonism (valuing excitement and fun) have been empirically observed in other research (Homer and Kahle 1988). That three-dimensional structure includes "security" as an element of external values. In this research, however, "security" bas been defined as a separate dimension. Richins and Dawson (1992) suggest however that "security" can represent "family security" or "financial security". In this research, with respondents reporting on economic perceptions before assessing the importance of value statements, financial security is likely to be the interpretation. A four-factor confirmatory factor analysis was performed. Factor loadings from a rotated solution ranged from a low of .64 to a high of .89 between each item and its hypothesized construct. The one exception was the value item "being well respected" which was deleted from further analysis because of a conceptual ambiguity (is "being well respected" similar to "self-respect" or similar to "a sense of belonging") that was reflected in the factor loadings (the item loaded moderately on both the internal and external factors).

Perceptions of economic changes were measured in terms of interest rates, unemployment rates, inflation rates, taxes, the value of currency, governmental deficits, and overall economic outlook. These were measured at three levels: national, local, and personal. It was thought that perhaps individuals had different perceptions of situations when they were closer to home than when they reflected situations far removed from their daily life. In order to test this notion, average values for the items associated with each issue were correlated across level. In general level of measurement had little impact on perceptions. Correlations across levels on similar issues ranged from .6 to .9. The one exception was personal job security which did not correlate well with perceptions of the unemployment rate. For these reasons the list of economic conditions were narrowed down to national perceptions and personal job security.

The items of national economic perception and personal job security were factor analyzed. Only five of the issues had the associated measurement items loading strongly together (perceptions of changes in interest rates, unemployment rates, taxes, overall economic outlook, and personal job security). The issues of perceptions of changes in inflation, deficits, and national currency failed to separate from other issues and were dropped from all further analyses.

Demographic variables were limited to income and family size on judgment. These two demographic variables clearly act as constraints on economic behaviour. The relationships between other demographic variables and economic behavior are not so clearly conceptualized. Lastly, the dependent structural variables were four measures of perceptions of changes in economic behaviour: perceived changes in the "amount of debt I have accumulated"; perceived changes in "family expenditures on necessities"; perceived changes in "family expenditures on non-necessities"; and perceived changes in "money added to my long-term savings".

After the number of structural constructs were narrowed down, LISREL (Joreskog and Sorbom 1989) analysis was performed on the total sample of respondents (across both cultural samples). The measurement model results showed that all λ_x's (links between measurements and independent constructs) and all λ_y's (links between measurements and dependent constructs) were statistically significant at $\alpha <$ .0001. The goodness of fit index for this analysis is reported in Table 1 below.

Refer Table 1 Here

The total respondent analysis also tested the linkages between constructs. The structural model was specified so that all constructs in one set of issues was tested in relationship to all constructs in another set, if the two sets were hypothesized as related. For example, each value construct was tested in relation to each economic behaviour construct. But no value construct was tested in relation to any demographic construct, because no value-demographic connections were hypothesized in the general model. Furthermore, no causal linkages were hypothesized among constructs in the same set. Table 2 shows the values estimated for the γ (independent-dependent) and β (dependent-dependent) linkages.

Obviously not every construct in one set is equally related to all constructs in the next set. But the results do show that each set of constructs have some significant linkages with other sets. Demographic constraints, perceptions of changes in the economy, and personal values all have direct links to perceptions of changes in economic behaviour. Furthermore personal values link to perceptions of economic changes which form indirect links to perceptions of changes in economic behaviour as well.

The final analysis was a 2-group LISREL in which the measurement model was held invariant across the two cultural samples but the structural model was estimated separately for each sample. Table I shows the fit of the model to the two samples. Table 3 shows the difference in parameter estimates (Canada-U.S. sample estimates) for the structural relationships.

CONCLUSIONS

The hypotheses were supported by the results. First, the total respondent analysis and the two-sample analysis both showed that there exist detectable relationships (statistically significant parameter estimates) as hypothesized in the general model. Demographic constraints do have relationships with some aspects of perceptions of changing economic behaviour. Perceptions of changes in the economy also have relationships with some aspects of perceptions of changing economic behaviour. Personal values have both direct and indirect relationships with some aspects of perceptions of changing economic behaviour.

Second, there were significant cross-cultural differences in the structural model. This is particularly interesting given that differences between the two samples in terms of average characteristics are few. Of the four dependent measures of perceptions of changing economic behaviour, only indebtedness differed between the two samples (higher in the U.S. sample, $\alpha<.025$). Of the 21 predictor measurements only three were significantly different: perceptions of changing mortgage rates (higher in the U.S. sample, $\alpha<.009$), perceptions of changing job security (higher in the U.S. sample, $\alpha<.007$), and perceived importance of a sense of belonging (higher in Canadian sample, $\alpha<.027$).

While the results do support the notion that there exists cross-cultural heterogeneity in how situations and personal attributes become translated into behaviour modifications, these results are not dramatic. In particular, the squared multiple correlations for the structural equations for each dependent economic behavior construct improved only marginally when separate structural estimations for the two cultural samples were performed.

The research reported here has been exploratory in nature. While there exists a rich heritage of research on cross-cultural differences in terms of identifying and measuring differences in the static attributes of two or more cultures, no such heritage exists for viewing the processes of change as cultural attributes. The model developed here primarily functions to demonstrate the existence of systematic cross-cultural differences in relationships and change and should be viewed as a small step on a long road. Much more work on cross-cultural change processes needs to be done.

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FIGURE 1
General Model to be Evaluated

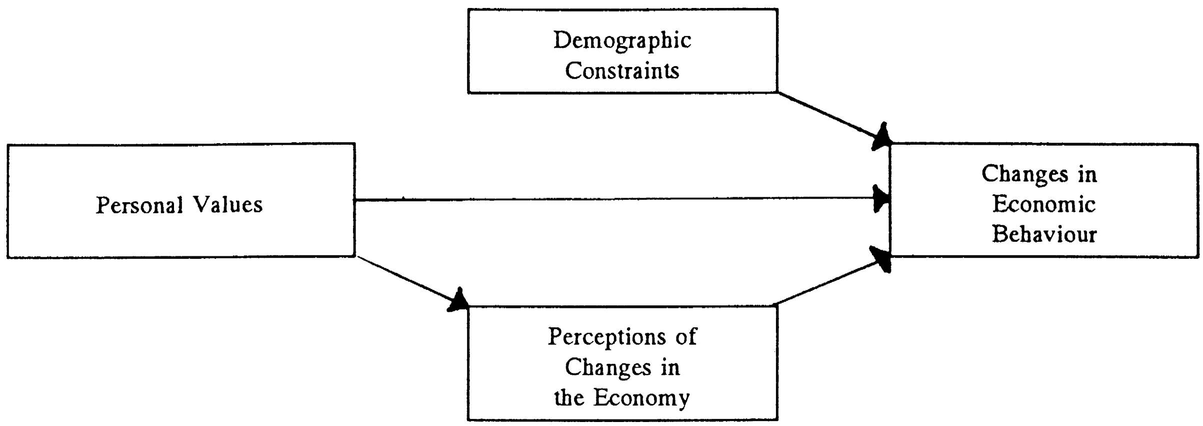

TABLE 1
LISREL Model Fit Estimates
Separately for Total, Canadian, and U.S. Respondents

	TOTAL RESPONDENTS	CANADIAN RESPONDENTS	U.S. RESPONDENTS
Goodness of Fit Index	.938	.905	.884
Total Coefficient of Determination for Structural Equations	.364	.457	.520
Squared Multiple Correlations for Structural Equations			
Necessary Spending	.185	.213	.209
Non-Necessary Spending	.126	.153	.135
Debts	.033	.099	.060
Savings	.174	.168	.239

TABLE 2
LISREL Structural Model Results
Based on Total Respondents

	ESTIMATES OF STRUCTURAL PARAMETERS WHICH DIRECTLY LEAD TO ECONOMIC BEHAVIOURS			
	NECESSARY SPENDING	NON-NECESSARY SPENDING	DEBTS	SAVINGS
Demographic Constructs:				
Number in Family	.181*	.115*	.038	.004
Family Income	-.138*	.015	-.040	.207*
Economic Perception Constructs:				
Interest Rates	.131*	-.080	.062	-.142*
Unemployment Rates	.018	-.115	-.050	-.145
Taxes	.184*	.050	.068	-.079
Overall National Economy	.042	.144*	-.054	.097
Personal Job Security	-.062	.071	-.168*	.277*
Value Constructs:				
Internal	-.190	-.335*	-.002	.075
External	.263	.141	.131	.121
Hedonism	.286	.449*	-.006	-.101
Security	.172*	.124	-.008	-.053

	ESTIMATES OF STRUCTURAL PARAMETERS WHICH LEAD TO ECONOMIC PERCEPTIONS				
	INTEREST RATES	UNEMPLOY-MENT RATES	TAXES	OVERALL NATIONAL ECONOMY	PERSONAL JOB SECURITY
Value Constructs:					
Internal	.107	-.074	-.017	.046	-.181
External	-.019	.123	-.358*	.030	-.078
Hedonism	-.200	-.097	.324*	.227	.274
Security	-.010	.159*	.099	-.206*	.043

* The parameter estimate is statistically significant at $\alpha < .05$.

TABLE 3
A Comparison of Canada and the U.S.
In Terms of Differences in LISREL Structural Model Parameters

	CANADA - U.S.: DIFFERENCES IN STRUCTURAL PARAMETERS WHICH DIRECTLY LEAD TO ECONOMIC BEHAVIOURS			
	NECESSARY SPENDING	NON-NECESSARY SPENDING	DEBTS	SAVINGS
Demographic Constructs:				
Number in Family	.072	-.118	-.182*	.095
Family Income	-.082	-.126*	.196*	-.148*
Economic Perception Constructs:				
Interest Rates	.006	-.213*	.151	.137
Unemployment Rates	.214*	-.077	-.267*	.016
Taxes	.013	.171	-.023	.042
Overall National Economy	-.127	.117	-.050	-.161*
Personal Job Security	-.073	.069	-.210	.178
Value Constructs:				
Internal	-.490*	.125	.252	.122
External	-.098	-.105	.085	.154
Hedonism	.383	.202	.150	-.074
Security	-.016	.024	.198*	-.091

	ESTIMATES OF STRUCTURAL PARAMETERS WHICH LEAD TO ECONOMIC PERCEPTIONS				
	INTEREST RATES	UNEMPLOY-MENT RATES	TAXES	OVERALL NATIONAL ECONOMY	PERSONAL JOB SECURITY
Value Constructs:					
Internal	-.161	.049	.828*	.092	-.091
External	.011	.000	-.445*	-.161	.019
Hedonism	.205	.237	.184	-.151	-.570*
Security	-.008	.080	-.125	-.091	.059

* The difference between the Canadian and U.S. parameter estimates is statistically significant at $\alpha < .05$.

LINGUISTIC BARRIERS TO INTERNATIONAL MARKETING: INFORMATION OVERLOAD IN NON-DOMINANT LANGUAGES

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ABSTRACT

If consumers are given too much information, information overload is said to exist and the result is less effective consumer decision making. The relationship between information overload and linguistic ability was investigated in this study. American born/English speakers bilingual in Taiwanese and Taiwanese born speakers bilingual in English were presented with low and high levels of consumer information. As predicted, high levels of information can act as a stressor affecting consumer decision making in a non-native language prior to affecting decision making in a dominant language. If information overload occurs quicker in non-dominant languages, linguistic barriers to cross-cultural marketing must take into account the amount of information provided.

LINGUISTIC BARRIERS TO INTERNATIONAL MARKETING:

Information Overload in Non-Dominant Languages

There are certainly many good reasons for advertising and presenting product information in one language throughout the world. Multicultural marketing is certainly simplified and great economies of scale are realized if a product message can be communicated in one language across a great many countries.

However, success of any marketing strategy requires that consumers are exposed to, attend to, and properly comprehend information presented. While consumers in many countries write, read, and understand English what do we know about the comparable efficacy of presenting information in an understandable but yet non-dominant language? Can we assume that presentation of information in an understandable yet subordinate language has the same impact as presentation of information in the dominant language? Can we assume that since many people of other countries speak English that we can ignore the dominant language as a distinct mode of communication for advertisement, promotion, and presentation of consumer information?

The issue of this research is not that other cultures have differing buying patterns, habits, values, and attitudes. They certainly do. The issue of this research is not whether or not a large percentage of people in any particular country speak English or any other second language. This will differ country to country. The question in this research is whether presentation of information in a non-dominant (non-native), yet usable language, leads to differences in consumer decision making. If mode of language presentation has a distinct impact on consumer decision making, the question for marketers about what language to represent their information in becomes more complicated than simply how many speak English or some second language.

INFORMATION OVERLOAD AND BILINGUALISM

Mode of language presentation may affect consumer decision making because of the finite ability of individuals to assimilate and process information. If consumers are given too much information their processing capacity becomes overloaded. Consumer decision making in a state of overload is impaired, confused, less accurate, and less effective (e.g., Eastlick, Feinberg, & Trappey, 1993; Jacoby, Speller, & Berning, 1975; Jacoby, Speller, & Kohn, 1974).

In most bilinguals one language is dominant over the other (Dornic, 1979; Lambert, Havelka, & Gardner, 1959). Yet this dominance may lie concealed until some stressor is added to the system. Language dominance may not appear under normal circumstances yet appear under stress. In a series of studies Dornic (1980) has shown how tasks given to bilinguals in their non-dominant language are easily influenced by environmental stressors, mental fatigue, emotional states, and other external factors than those same task presented to the bilingual in their dominant language.

Information overload is a form of informational stress. As such it could be expected to affect a subordinate language more than a dominant language. High levels of information (overload) may detrimentally affect consumer decision making when the information is presented in the non-dominant language yet be perfectly used when presented in the dominant language. In the first demonstration of this phenomenon Dolinsky and Feinberg (1986) showed that optimal consumer decisions could be made in English and Spanish under low levels of information in bilinguals but only native speakers made optimal decisions under high information conditions (overload). Information overload impaired consumer decision making in non-dominant languages.

This was not an issue of not being able to understand the information in the non-dominant language. Simple decisions under low information were equivalent. Pretesting established clearly that the languages were understandable and that there was some equivalence between the ability to understand and speak the non-dominant and dominant languages in all groups.

The studies reported here is a replication of Dolinsky and Feinberg using Asian speaking populations. Based on their findings of the relationship between information overload and language dominance, it was predicted that information overload should occur in the non-dominant language greater than the dominant language.

Why Is The Issue Of Consumer Information Processing in Non-Dominant Languages Important?

In an ever increasingly global marketplace for consumer products marketers need to be sensitive to the fact that, even if proficient, consumers in other cultures may have difficulty making effective consumer decisions when the information is presented in the non-dominant language. The issue is not the ability to speak the language. The issue is information processing. In a world in which it is important to make the best decisions about family and personal resource allocation and product choice and in which such decisions require the processing of complex and even technological information, this issue is no minor matter.

METHODOLOGY

Subjects

Eighty bilingual individuals were randomly assigned to conditions in a 2 (English or Taiwanese language presentation) x 2 (native language ability- English or Taiwanese) x 2 (high or low levels of information presented). This procedure was similar to previous successful procedures (Dolinsky and Feinberg, 1986). In this study subjects were asked to make a house purchase from a fact sheet (no pictures). Each house description had either 4 or 16 attributes. Subjects were given either 4 or 16 potential houses to choose from. Therefore each subject was exposed to either 4 houses with 4 attributes or 16 houses with 16 attributes. Subjects were exposed to either 16 or 256 pieces of information before having to decide which potential house to select (low and high/overload conditions).

Bilingualism.

One of the problems in doing a study of this type is in making certain that any experimental differences found is a result of the experimental manipulation and of the language ability of the subjects used. Thus, American born speakers of Taiwanese needed to be equivalent to non-American born Taiwanese speakers. Non-American English speakers must be equivalent to American born English speakers. After discussion with university officials proficiency in English on non-native born speakers was established by scores on the TOEFL (Test of English as a Second Language) exam with a minimum of 550. Pretests showed that individuals could understand the words and sentences used in the stimulus materials. American born speakers of Taiwanese were extremely difficult to locate. Indeed one of the limitations of this study has to do with the fact that it took over two years to locate the 40 individuals of this group for the study. They were located mostly through recommendation of non-American born Taiwanese speakers. These individuals were second or third generation Americans from Taiwanese/Chinese backgrounds. Pretesting with this group showed that they too could understand the words, sentences, and phrases used in the Taiwanese material.

Stimulus Material

The nature of this study made it necessary to develop materials which were equivalent in everyway except the language they were printed in. All material was put through double blind translation procedures until the English version and Taiwanese version achieved 90% agreement.

Procedure

Forty subjects were randomly assigned to one of 4 treatment conditions (10 per cell) in each set of conditions (American born English speakers and Taiwanese born speakers). The 4 treatment conditions represented the 2 X 2 matrix of language presentation and amount of information (high and low information in English or Taiwanese). Prior to the study each participant was given a questionnaire which asked them to describe their ideal house along the attributes that would be used in the study. The ideal house is important because the effects of information overload are measured by comparing their ideal house with that house chosen on the basis of information presented in the experiment. The deleterious effects of information overload is defined by deviations from the optimal choice.

After examining the 16 or 256 pieces of information subjects were asked to select the house they would like best to purchase. This procedure had been used previously by Jacoby, Speller, and Berning (1975) and Dolinsky and Feinberg (1986). It is assumed that under normal circumstances subjects optimize their choices by selecting their ideal house. Any choice other than their best is a dysfunctional one and is considered unsatisfying (Jacoby, 1974).

RESULTS

The major focus of this study centered around the prediction that information overload would occur at high levels of information in the non-dominant language. For each subject the best choice could be determined in advance and then measured against their actual choice. The "best" choice was determined by a procedure developed by an early study on information overload- Jacoby, Speller, & Kohn (1974). For each subject a self reported ideal house was available. In each set of fact sheets (experimental conditions) the choice which most closely corresponded to their ideal could be determined. If the subject selected that choice the choice was considered "best" by virtue of it being the closest to the ideal (see Dolinsky and Feinberg, 1986).

Manipulation Checks

Although there is no way to equate language proficiency, no differences were found across groups and conditions in self-reported confidence in making the decision and self-reported understanding the questions and information.

Information Overload

The measure of information overload used in this study is whether or not subjects made the "best" choice. Information overload is operationalized as the decreased ability to make the "best" choice as information increases. A chi square analysis showed that there was a significant relationship between making the "best" choice and amount of information. Replicating findings from previous research (Dolinsky and Feinberg, 1986; Eastlick, Feinberg, and Trappey, 1986) subjects were less likely to make their "best" choice under high information/overload conditions than under low information in any language presentation (see Table 1).

Information Overload and Language Presentation (see Table 2)

As predicted there was a significant relationship between the probability of making the "best" choice , the amount of information presented, and the language of presentation. Under high levels of information 40% made their best choice in their native language while only 18% could make their best choice in their non-dominant language. Under low levels of information subjects were able to make equal levels of best choices regardless of whether the information was in their naive or non-native language. Fifty-five percent of the decisions in low information condition and 53% in non-native language.

This is very important. If the differences in the high information condition were the result of language ability, a lower level of best choice in the non-native language condition should have been found regardless of information presented. However, as predicted, best choices were made equally except under high levels of information. As predicted proficient but non-native speakers were able to process information and make "best" choices with equivalent information in native and non-native languages under low levels of information.

Limitations

There are a number of significant limitations to this study that need to be pointed out prior to a discussion of its implications. First, the stimulus material presented to subjects was artificial. Where in real life do house decisions get made from fact sheets? Yet, it was not simply that information presented on fact sheets led to overload problems. It was the interaction between amount of information and language that led to overload. As this was theoretically predicted and corresponds to prior work the results are probably not an artifact of the stimulus material. Second, equating language ability in diverse languages is for all intents and purposes impossible. The ability to derive theoretically predicted results is the only argument that supports the efficacy of the procedure.

IMPLICATIONS AND DISCUSSION

Under high information conditions consumer decision making is more quickly impaired in subordinate languages. Thus, the ability for pancultural presentation of consumer products must be questioned. This research suggests that marketers must be concerned not only with the percentage of population who might speak that second language but with the demands on consumer information processing. The greater the demand on the consumer to process information and make the correct decision the more easily it will be to overload the consumer. This will be true even if the consumer understands the words, phrases, and information presented in that other language.

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Table 1

Information Overload Depends on Amount of Information

	Low Information	High Information
Best Choice	32 (80%)	19 (48%)
Not Best Choice	8 (20%)	21 (52%)

$X^2 = 7.8 \quad p<.05$

Table 2

Overload and Language

	Low Information		High Information	
	Best Choice	Not Best Choice	Best Choice	Not Best Choice
Native Language	11	9	7	13
Non-Native Language	8	12	1	18
	$X^2 = .90 \quad p>.05$		$X^2 = 5.29 \quad p<.05$	

LANG:11/94

BRAND LOYALTY AND BRAND EQUITY: IMPLICATIONS FOR BUSINESS STRATEGY AND BRAND MANAGEMENT

Ron Lane
Arthur Andersen

ABSTRACT

The author presents a theoretical model of brand loyalty and brand equity. Brand equity is postulated to be a consequence of the degree of brand loyalty. By identifying the determinants of brand loyalty it is argued that the causal factors of brand equity are also identified. A simple model is delineated to explain how a household selects brands within a product category and how this leads to systematic variance across categories. Imperfect information is stressed as the principal cause of varying risk-behavior across product categories. The paper concludes with the implications for business strategy and brand management.

INTRODUCTION

Considerable marketing attention has been given in recent times to the concept of brand equity (e.g., Keller 1993; Aaker and Biel 1992). The Marketing Science Institute (U.S.A.) defines brand equity as: "the set of consumer associations and behaviors that permit the brand to earn greater volume or margins than it could without the brand name and gives it a strong sustainable and differential competitive advantage" (Srivastava and Shocker 1991, p. 12).

Moreover, Keller (1993) asserts that brand loyalty is a consequence of brand equity:

"Fundamentally, high levels of brand awareness and a positive brand image should increase the probability of brand choice, as well as produce greater consumer (and retailer) loyalty and decrease vulnerability to competitive marketing actions. Thus, the view of brand loyalty adopted here is that it occurs when favorable beliefs and attitudes for the brand are manifested in repeat buying behavior" (Keller 1993, p. 8).

The brand equity construct appears to have evolved in the 1980's as a way of explaining the fact that some brands command price premiums or greater volumes relative to other brands and unbranded products in the same product category.

However, the brand equity construct is limited in its application for brand management (as distinct from estimating the value of a brand for accounting purposes) because the concept is measured by its outcome. A brand "has equity because it has equity" (by definition, price premiums over, or higher volume than, other brands). This gives little help to brand management in identifying the causal factors which explains why brand equity varies across product categories.

This paper presents a model which is designed to explain differences in the degree of brand loyalty and brand equity across different product categories. The model postulates that the process of choice is subject to uncertainty because the household lacks knowledge about the characteristics of those brands that it has not previously purchased. In order to reduce this uncertainty the household may gather information.

OVERVIEW OF THE MODEL

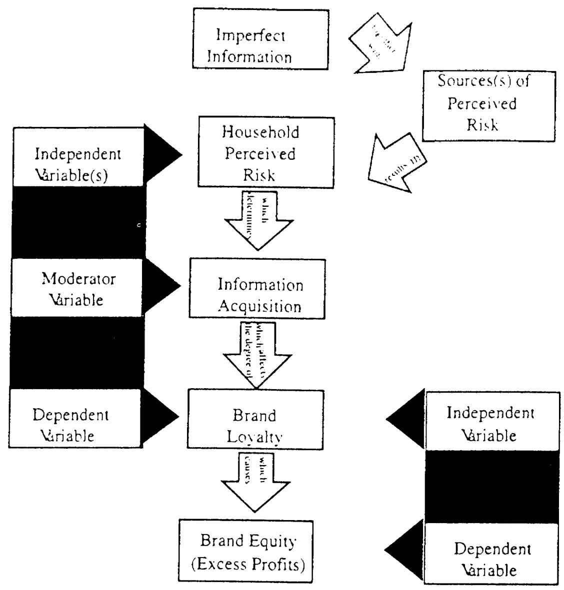
Figure 1 captures the initial framework for such a model. Imperfect information is stressed as the principal determinant of the household choice problem which leads to varying risk-behavior across product categories. Information acquisition is viewed as a moderator variable in the household perceived risk/brand loyalty relationship. Brand loyalty causes brand equity and, in turn, the causal factors of brand loyalty are the causal factors of brand equity (Lane 1991).

The main theoretical relationships in the model are as follows:

(1) utility from a brand depends on the characteristics of the brand;
(2) households maximize expected utility in risky brand choices; and
(3) households gather information about these characteristics so as to reduce risk.

Figure 1

PRODUCT CATEGORY BRAND-LOYALTY MODEL RELATIONSHIPS



The main theoretical relationships in the model are as follows:

(1) utility from a brand depends on the characteristics of the brand;

(2) households maximize expected utility in risky brand choices; and

(3) households gather information about these characteristics so as to reduce risk.

The first part of this paper will show the origin of the underlying theory for each of these relationships. The second part identifies the household's source of risk and decomposes this risk into separate elements that identify the likely causes of brand loyalty and brand equity.

Utility and Product Characteristics

The first building block of the model is that a household is considered to derive utility from the characteristics of a brand rather than from the brand itself (Lancaster 1966; Wilkie and Pessemier 1973). The household's choice is based on the brand's perceived characteristics rather than its objective characteristics. Consequently, brand loyalty, brand equity and the acquisition of information are the product of imperfect information about the characteristics of brands.

If a brand (like h) in a product category (like i) has characteristics (such as g = 1, ..., s) then the utility yielded by the brand will be the sum of the utilities yielded by its characteristics:

$$U_{hi} = \sum_{g=1}^{S} V_g(Q_{hgi}) \qquad (1.1)$$

where Q_{ghi} is the extent of characteristic g embodied in the h^{th} brand of the i^{th} product category (Lancaster, 1966).

Households Maximize Expected Utility

The second building block of the model is maximization of expected utility. A household is loyal if it continues to purchase its most preferred brand. It is disloyal if it takes the risky step of buying an untried brand instead of its most preferred brand. Accordingly, the household's decision will be modelled as one between its accustomed or most preferred brand (which would involve no uncertainty) and the perceived best untried brand (which would involve uncertainty of various kinds). More precisely, the household will decide between the bundle of characteristics contained in its most preferred brand (m) and the perceived characteristics contained in what appears to be the most attractive untried brand (n).

The utility number associated with brand n will take the form of von Neumann-Morgenstern (N-M) expected utility because the characteristics of the brand are not known (von Neumann and Morgenstern 1947; Machina 1987). For any untried brand, a household could imagine a set of possible descriptions (d = l, ..., r) which could fit the brand. The descriptions differ by the values attributed to the Q's and to each description there is attached a subjective probability, p_d,

$$\sum_{d=1}^{r} Pd = 1$$

Let p_{hi} be the vector of probabilities, such as p_d, associated with the h^{th} brand in the i^{th} product category.

Define an s x r matrix:

$$U_{hi} \quad = \quad \begin{array}{l} V_1(Q_{l1hi}), V_2(Q_{12hi}), \cdots, V_S(Q_{lshi}) \\ V_1(Q_{21hi}), V_2(Q_{22hi}), \cdots, V_S(Q_{2shi}) \\ \bullet \\ \bullet \\ \bullet \\ V_1(Q_{r1hi}), V_2(Q_{r2hi}), \cdots, V_S(Q_{rshi}) \end{array}$$

where element $V_g(Q_{dghi})$ represents the N-M utility the household associates with the extent of characteristics, (Q_{dghi}) _ 0, embodied in the h^{th} brand of the i^{th} product category under description d.

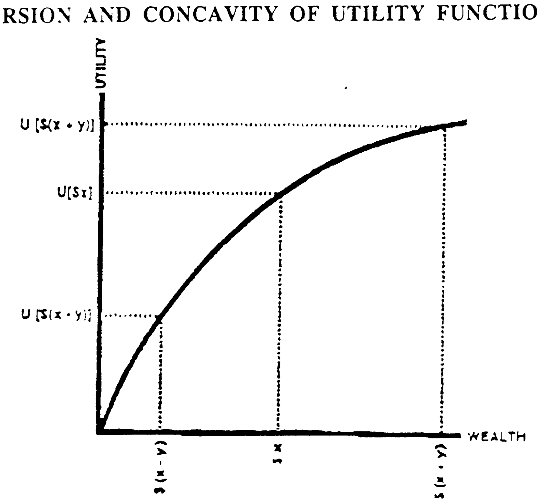
The expected utility associated with an untried brand can now be defined as:

$$E_{hi} \quad = \quad \int_{g=1}^{S} p_{hi}.U_{hi} \qquad (1.2)$$

It is a standard proposition in the analysis of risky decisions that N-M expected utility will produce risk-averse behavior if utility functions are concave (Samson 1988, p. 204). Consider the concave utility function illustrated in Figure 2. A household has wealth of \$x and is considering a gamble that costs \$y to enter offering a prize of \$2y with the probability of 0.5. A household which accepts the gamble has a probability of 0.5 associated with wealth of \$(x-y) and a probability of 0.5 associated with wealth of \$(x+y). The expected value of the household's wealth is \$x. The household will reject the actuarially fair gamble if its utility function over wealth is concave (and the household is defined as risk-averse). The intuition is clear from Figure 2. The household has a probability 0.5 of increasing its utility from U[\$x to U[\$(x+y)] and a probability of 0.5 of reducing its utility from U[\$x] to U[\$(x-y)].

Figure 2

RISK-AVERSION AND CONCAVITY OF UTILITY FUNCTION



But acceptance of the gamble would reduce the expected utility of the household. In effect, the concave utility function means that the household pays more attention or gives more weight to possible unfavorable outcomes than to possible favorable outcomes.
In the model to be developed, expected utility is defined with reference to characteristics of a product as in (1.2). Accordingly, the behavior of the household is contingent on the shapes of the utility functions over each of the characteristics, like $U_g(Q_{ghi})$. There are s of these functions represented in the matrix U_{hi}. The household will be risk averse in its demand for brands depending on the shapes of these functions and the weights given to them, when the weights are the Q_{dghi}'s.
The household is risk-averse if it buys its most preferred brand in preference to an untried brand which has expected characteristics equal to or greater than those of the most preferred brand.

Information and Risk Reduction
The third building block is that households seek information about brand characteristics in order to reduce the risk of purchase. This requires the following restrictive assumptions to make the model tractable:

(i) households are goal-oriented and attempt to maximize utility;
(ii) non-experiential information is exogenous. The only way households can gain extra information about the characteristics of a brand is by purchase and consumption;
(iii) the choice among alternative brands in a specific product category is a suboptimization problem. It is decided after households have selected the groups of product categories to be purchased given their budget constraint;
(iv) the correlation of individual brand quality characteristics is both perfect and positive;
(v) all brands sell at the same price. The only basis for choosing among brands within any product category is the characteristics of the brand; and,
(vi) all utilities and costs are present-value.

Consider a household which has to make a decision at time zero as to which brand it should purchase within a particular product category. The brands are h = (m,n), where m is the best brand previously purchased and n is the perceived best untried brand. Detailed evaluation is focused on a few brands forming the evoked or considered set inclusive of, in the final elimination, the best brand tried (the most preferred brand) and the perceived best untried brand.
Now, the brands are h = (m,n). Once purchased, the selected brand can be consumed continuously over the time interval [O,T]. The consumption function is C_h: [0,T] --> 0, _). Total consumption is

$$\int_{O}^{T} C_h(t)dt.$$

There are instantaneous utility functions on each brand: $U_h(C_h(t),t)$; and there are costs associated with consumption. The consumption cost is the depreciation of value caused by use. This comprises two elements: (i) a sunk and fixed cost, S_h, incurred if $C_h(t) > 0$ for any t[O,T]; and, (ii) a variable cost

$$\int_{O}^{T} v_h(C_h(t), t)dt$$

where $v_h(0,t) = 0$ for all h,t.

$$S_h \quad + \quad \int_{O}^{T} v_h(C_h(t0, t]dt \;=\; \text{the purchase price, } P_h.$$

If the household chooses brand m, whose characteristics it knows, the household will acquire utility of

$$\int_{0}^{T} U_m(C_m(t), t]dt.$$

However, if the household chooses brand n, the rate at which utility will accrue to the household will not be immediately apparent because it takes time for the household to discover the characteristics of the brand. Partition [0,T] as P: $t = 0 < t_d < T$. Over the interval $(0, t_d)$ the household does not know the rate at which brand n is yielding utility. This is not discovered until information about the characteristics of brand n is assembled and processed. At that juncture, the household must decide whether or not to persist with brand n. It will do so if:

$$\int_{0}^{t_d} U_n(C_n(t), t)dt \geq \int_{0}^{t_d} U_m(C_m(t), t)dt \tag{1.3}$$

However, if this condition is not satisfied the household may switch back to brand m for the interval $[t_d,T]$. The decision of whether or not to switch back to the household's most preferred brand will take into account the costs and benefits of the switch. The switch back to brand m will incur a sunk cost, S_m, which can be avoided if the household sticks with brand n.

In particular, if:

$$\int_{t}^{T} U_n(C_n(t), t]dt - \int_{t_d}^{T} v_n(C_n(t), t]dt \geq$$

$$\int_{t_d}^{T} U_m(C_m(t), t]dt - S_m - \int_{t_d}^{T} v_m(C_m(t), t]dt \tag{1.4}$$

then the household will remain with brand n.

Trial of brand n gives the household the option of permanently switching to brand n (at $t=t_d$) if condition (1.3) is satisfied. However, the choice decision between the two brands is clearly ex ante. That is, the household may have two decisions: (i) ex ante (at t=0) as to which brand it should purchase; and, (ii) ex post (at $t=t_d$) of whether or not to persist with brand n (if and only if it purchases brand n).

Following the first purchase in a category, if the actual utility of brand m exceeds the expected utility of brand n, the household will continue to buy brand m, because there is no better brand. Those households purchasing brand m are loyal to that brand. Those households that purchased brand n and subsequently found that the actual utility of brand n was less than that of brand m will return to brand m sometime during the interval $[t_d,T]$. Households that found the actual utility of brand n was greater than that of brand m (consistent with their perception, ex ante) will remain loyal to brand n in future; this new brand becomes the most preferred brand (notionally denoted brand m). At category equilibrium all households will remain loyal to brand m.

Category equilibrium will depend upon the correlation between the actual and expected utilities of the brands in the category, the number of brands in the category, and the length of the consumption period [0,T] for the category. If the correlation between the actual and expected utility of brand m is both perfect and positive, then only one category purchase is required for equilibrium.

This implies high degrees of brand loyalty for most product categories. However, the degree of brand loyalty varies widely for consumer durable and nondurable product categories (e.g., Rossiter and Percy 1987, p. 94; Zaltman and Wallendorf 1983, p. 568). Further analysis is needed to identify the causal factors of brand loyalty and brand equity.

THE HOUSEHOLD'S SOURCE OF RISK

We are now in a position to formulate the source of risk for the household in purchasing brand n.
The source of risk is decomposed into separate elements below. Ex ante, the overall risk is simply that the utility yielded by n is less than the utility yielded by m. More precisely, if condition (1.3) above holds, the ex ante risk of buying brand n (instead of brand m) is a loss of utility:

$$\int_o^T U_m(C_m(t), t]dt \quad - \quad \int_o^T U_n(C_n(t), t]dt \qquad (1.5)$$

Alternatively, if condition (1.3) does not hold, the ex ante risk (at $t=t_d$) is a loss of:

$$\int_o^{t_d} U_m(C_m(t), t]dt \quad - \quad \int_o^{t_d} U_n(C_n(t), t]dt$$

$$S_n \quad + \quad \int_o^{t_d} v_n(C_n(t), t)dt \quad - \quad \int_o^{t_d} v_m(C_m(t), t)dt \qquad (1.6)$$

The source of this risk is that the utility function of brand n is not known for $t[0,t_d)$. At t=0, the household has certain exogenous information about the characteristics of brand n. This enables it to construct a subjective probability distribution on each of the possible descriptive characteristics of brand n. Each of the characteristics of brand n has a utility function associated with it. So the household's decision at t =0 is not made with reference to the actual utility function $U_n(C_n(t),t)$ but rather with respect to the expected utility function of brand n: $E_n(C_n(t),t)$.
The expected utility associated with an untried brand specified by (1.2) may be re-expressed to define the expected utility for brand n as:

$$E_n \quad = \quad \sum_{g=1}^{s} p_g . V_g \, (Q_{gn}) \qquad (1.7)$$

If condition (1.3) holds, the ex ante risk is a loss of utility as specified by condition (1.5) above and restated below:

$$\int_o^T U_m(C_m(t), t]dt \qquad \int_o^T U_n(C_n(t),t\}dt \qquad (1.5)$$

It is assumed that one can map from the instantaneous consumption function $C_m(t)$ to a set of instantaneous characteristic functions $C_{gm}(t)$, where g=1 .... s are the characteristics of brand m. Accordingly, the condition for which the household will remain loyal to brand m and not try brand n is as follows:

$$\int_o^T \sum_{g=1}^{s} V_g[C_{gm}(t) ,t]dt \ \geq$$

$$\sum_{d=1}^{r} p_d \int_o^T \sum_{g=1}^{s} V_g[(C_{dgn}(t) ,t]dt \qquad (1.8)$$

If condition (1.8) above does not hold so the household buys brand n, the ex post risk (at $t=t_d$) of continuing with brand n is that condition (1.4) is not satisfied:

$$\int_{t_d}^T U_n(C_n(t), t]dt \quad - \quad \int_{t_d}^T v_n(C_n(t), t]dt \ \geq$$

$$\int_{t_d}^T U_m(C_m(t), t]dt \quad - \quad S_m \quad - \quad \int_{t_d}^T v_m(C_m(t), t]dt \qquad (1.4)$$

More precisely, the risk is the difference between the right hand side and the left hand side of condition (1.4). At this juncture ($t=t_d$), the household knows the rate at which brand n is yielding utility. The key difference with the household's ex post decision of whether to continue with brand n (compared with the ex ante decision of which brand to buy) is that it can avoid the sunk cost associated with switching back to brand m if it sticks with brand n (condition (1.4)).

The corollaries to conditions (1.4) and (1.8) are that the household risks more, the greater is: (i) the utility derived from the characteristics of the brands (condition (1.8)); and, (ii) the sunk cost associated with brand m if the household considers switching back to that brand (condition (1.4)).

The ex ante decision (at $t=0$) to buy brand n is risky because the household does not know the utility function of that brand until $t=t_d$. The ex post decision at $t=t_d$ to continue with brand n is no longer risky because the household now knows the rate at which brand n is yielding utility, but is constrained by the sunk cost that will be incurred if the household switches back to brand m. We can now define more precisely the elements of risk for the household. Firstly, the ex ante elements of risk are postulated as propositions (a) to (c). In this case the overall risk of trying brand n is that its utility is less than the utility yielded by brand m (condition (1.8)). Secondly, the ex post elements of risk are postulated as proposition (d). In this case the sunk cost associated with returning to brand m will constrain that option--reducing brand switching (condition (1.4)).

Specifically, the model leads directly to the following propositions:

(a) The degree of brand loyalty (L_i) (and brand equity) and the magnitude of utility available from the characteristics of brand m in a product category ($V_g(Q_{gmi})$) are positively related, cet. par.

The larger is the magnitude of utility available from a characteristic the more the household can potentially lose by trying brand n (condition (1.8)); greater risk premiums will be demanded to buy an untried brand and greater brand loyalty is implied. Put simply, the greater the expected utility for a given variance, the greater the absolute extent of dispersion and so the greater the risk premium demanded by the household to buy an untried brand (and hence the greater will be the brand equity).

(b) The degree of brand loyalty (L_i) (and brand equity) and relative quality (RQ_{gi}) are positively related, cet.par.

Relative quality is defined by the relative difference is the quality weights between the two brands:

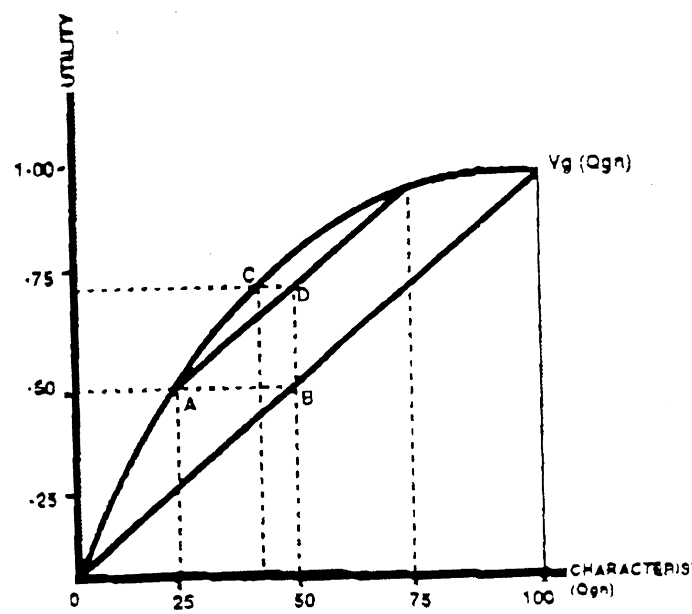
$$R_{qgi} = \sum_{g=1}^{s} [Q_{gmi} - Q_{gni}]$$

The lower the expected quality of brand n, the lower the expected utility of brand n, and so the greater the loyalty to brand m; greater brand loyalty (and brand equity) is expected independent of the degree of risk aversion.

(c) The degree of brand loyalty (L_i) (and brand equity) and uncertainty (W_{gi}) are positively related, cet.par.

Uncertainty (W_{gi}) is defined by the variance on the characteristics of brand n. The greater the variance on the characteristics of brand n (i.e., the less the information) the lower will be the expected utility of brand n and so the greater the loyalty will be to brand m. This intuition is demonstrated in Figure 3.

Figure 3
RISK-AVERSION, UTILITY EQUIVALENT AND RISK PREMIUM



The figure illustrates a situation for the household where brand n has equal chances of characteristic Q_{gn} being 100 or zero (and thus a mathematical expectation of 50) and has the utility equivalent of a sure outcome of characteristic Q_{gn} of 25, and a risk premium of characteristic Q_{gn} of 25 (which is denoted by the points A and B). A second situation for the household is illustrated where the uncertainty has been reduced for the same mathematical expectation of 50. This second case illustrates a situation for the household where brand n has equal chances of characteristic Q_{gn} being 25 or 75, and a risk premium of characteristic Q_{gn} denoted by points C and D (which is significantly smaller than the risk premium for the more uncertain first case). It is intuitively evident that this generalizes: any point P on a concave $V_g(Q_{gn})$ curve will lie above the corresponding (vertically aligned) point along the straight line connecting any pair of positions on $V_g(Q_{gn})$ that bracket P. The point on the curve represents the utility of a given sure outcome (i.e., the utility for the characteristic from brand m); the vertically aligned point on the straight line represents the utility of an uncertain outcome (i.e., the utility for the characteristic from brand n) with a mathematic expectation equal to that given amount.

It also follows that a risk-averse household will never accept an uncertain outcome (i.e., try brand n) whose mathematical expectation (expected utility) is equal to a certain outcome--because the household would shift from a position on the $V_g(Q_{gn})$ curve vertically aligned point on a straight line below it.

(d) The degree of brand loyalty (L_i) (and brand equity) and purchase infrequency (t_i) are positively related.

Purchase infrequency is defined by the duration of the consumption interval: t_i = [O,T]. The more infrequent is the purchase period the larger is the interval [O,T]. The larger is the sunk cost associated with a product category as a whole, the larger is Sm and Sn. The larger sunk cost the more likely is the household to remain with brand n even though, on reflection, it made the wrong decision. If it sticks with brand n, the cost is greater the larger is Sm and the larger the interval t_i. Brand loyalty will be greater the larger the sunk cost on purchase and the more infrequent the purchase. The degree of brand loyalty (and brand equity) and purchase infrequency are positively related.

CONCLUSION

It is generally held that in the absence of both absolute cost barriers and sunk costs, competitive entry to and from a product category will ensure that excess profits cannot be sustained (Baumol, Panzar and Willig 1982). However, even in the absence of sunk costs, the results of this paper suggest that excess profits can be sustained as a result of imperfect information. This is because the later entrant must have a unambiguously perceived superior product to offer the necessary risk premium to entice the risk-averse household to try the new brand. Moreover, the greater the utility available from the characteristics of brands in a product category, the greater the degree of risk aversion. Accordingly, greater risk premiums are required to try a new brand--allowing existing competitors to raise prices to earn excess profits (i.e., brand equity via decreased price elasticity as a consequence of risk-averse derived brand loyalty).

The model suggests three major implications for management. First, in product categories of relatively low available utility, the prescriptive business strategy is one of low cost (for prices cannot be raised to earn excess profits). A low cost structure relative to existing competitors will raise profitability of the individual firm and act as a deterrent to potential new entrants (albeit only temporarily unless supported by sunk costs). Examples of such product categories are toilet tissue, facial tissue and aluminum foil (Lane 1991, Rossiter and Percy 1987).

Conversely, in product categories of relatively high available utility, the prescriptive business strategy is one of differentiation (for prices can be raised to earn excess profits). Firms can respond to the potential threat of entry by differentiation through product proliferation. This will maintain price levels and focus the basis of competition on product proliferation and advertising intensity. By proliferating to fill any gaps in the quality space (Schmalensee, 1978) where there is sufficient demand to attract a new entry, potential entrants must offer a significant risk premium (in terms of higher quality or lower price) to entice the household to try the new brand. Advertising intensity will need to be raised to create awareness and interest. This is an additional deterrent in that it imposes an additional introductory cost for potential new entrants. Examples of such product categories are cigarettes, coffee and vitamins (Rossiter and Percy 1987) and breakfast cereals (Schmalensee 1978).

Second, with respect to brand marketing strategy, the prescriptive strategy for product categories where households exhibit high degrees of risk-aversion (and consequentially high brand loyalty) is premium pricing (for first movers) and promotion in specialty stores. Promotion should emphasize functional characteristics' advantages vis-a-vis competitive brands, for these are the characteristics that households predominantly gather information on. Competitive followers (as distinct from the pioneering leader or first-mover)) must promote superior functional characteristics or lower prices to provide the risk premium demanded by risk-averse households to achieve trial.

The prescriptive marketing strategy for product categories where households exhibit low degrees of risk-aversion (and consequentially low brand loyalty) is competitive penetration pricing for all competitors and promotion via convenience stores. Low risk aversion is a consequence of low utility and the household will not acquire information. Household loyalty or preference for a particular brand will be primarily a function of explicit price/quality trade-offs. That is, for low brand loyalty product categories the key marketing strategy is to create awareness and interest (a favorable brand attitude) to generate trial and to offer the best household value surplus.

Third, with respect to information acquisition, households are more likely to use recognition (of brand names and packages) inside the store to ease the choice process for product categories of relatively low utility (i.e., low risk aversion); and to use recall (of brand names) outside the store to ease the choice process for product categories of relatively high utility (i.e., high risk aversion). The information provision implications for these two forms of brand awareness (especially in advertising; see Rossiter and Percy 1987) are quite different and deserving of managerial attention.

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ASSESSING THE IMPACT OF CULTURE ON THE ADOPTION OF HIGH INVOLVEMENT PRODUCTS

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ABSTRACT

Although culture appears to be an important element in consumer behaviour, few have researched its direct impact on the adoption of innovation.

In an exploratory study, research was conducted with migrants from Vietnam and Poland to examine the impact of culture on the adoption of high technology products. Specifically, data was examined for (1) differences in adoption of these products between Vietnamese and Polish migrants to Australia; and (2) the affect of cultural factors, specifically, "traditions", "religion" and "fatality (beliefs about man's inability to control nature)", on adoption.

The findings indicated that there was:

- a difference in the length of time high involvement products had been owned by each nationality, although there was no difference in the length of time of residency in Australia;

- different rates of adoption of innovation between migrants to Australia and their overseas counterparts; and

- that religion appears to have a stronger influence than a non-cultural variable such as income on purchase behaviour. There was high correlations amongst the variables determined to measure culture, indicating that the combination of traditions, religion and fatality affects the decision to purchase a high involvement technology product.

Although this research was only a preliminary study, the results indicate culture has an important role in the adoption process of high involvement technology products.

A CROSS NATIONAL ASSESSMENT OF PROSPECTS' RESPONSES TO NON-COMPARATIVE, COMPARATIVE, AND NEGATIVE COMPARATIVE PRINT MESSAGES

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ABSTRACT

This cross cultural analysis examines the perceived effects of non-comparative, comparative and negative comparative advertising within two countries, the United States and Croatia. In the former, all three methods are practiced, while in the latter comparative and negative approaches are presently nonexistent. Comparable samples of consumer subjects from each country participated in an experiment in which they responded to print messages presented in the above mentioned formats. Respondents from each sample evaluated the messages and indicated respective attitudes towards both the sponsor's brand and that of the named competitor. This manuscript presents a comparison of the findings and their implications for advertisers.

INTRODUCTION

Comparative advertising has provoked controversy throughout the world. Its proponents -- including both producers and consumers -- argue that it accelerates product innovation and fosters healthy competition; its opponents -- again including producers and consumers -- contend that it is ineffective and promotes unhealthy competition. As a consequence, comparative advertising has been encouraged in some countries while it has been banned in others. In free market societies, marketing and promotional practices are responsive to the consumer. As such, promotional techniques are dynamic. It is conceivable that advertising practices that are acceptable in one country today may no longer find favor in the future; whereas, those presently considered unlawful in another country may become acceptable in the future.

CONCEPTUAL FRAMEWORK

In most free market economies, the populace expects its elected government officials to nurture a climate which respects the rights and responsibilities of both consumers and producers. Consumers, it is assumed, have the right to be informed and the right to choose; whereas, producers have the right to access markets and earn reasonable profits.

Producers ordinarily assume responsibility for providing product/service related information to prospective consumers. As rivalries between competing brands intensify, individual firms must continuously develop promotional messages which encourage consumers to select their brand rather than "look-alikes" being promoted by competitors. Such messages can be prepared in either a non-comparative, comparative, or negative comparative message format.

Informational non-comparative messages represent the most traditional form of advertising. Essentially, the sponsor enumerates brand attributes (benefits) and illustrates how the purchase and consumption of its advertised brand will provide consumer satisfaction. It is generally expected, that the firm will tell the truth, though not necessarily the whole truth about the advertised item. In many countries, laws have been enacted ensuring that advertising claims are substantiated, and today most advertising is considered truthful, albeit often exaggerated.

Comparative advertising has achieved considerable prominence within the United States. In comparative messages, the sponsor mentions competitor's brand/services, and invites prospects to compare alternative offerings along one or more selected choice criteria. In some cases, the advertiser attempts to create closer association with a given competitor, and under other circumstances may seek to achieve greater differentiation (Lamb, Pride, and Pletcher 1978; Droge and Darman 1987). Under either scenario, the client does not directly denigrate the competitors' brand(s), but operates on the assumption that an enlightened consumer will choose its brand over the named competitor(s). Research has indicated that comparative advertising has produced both positive and negative feelings within consumers; and both intended and unintended results for advertisers (Barry 1993; Putrevu and Lord 1994).

During the past two decades, many individual advertisers have gone beyond straight forward comparison and resorted to negative advertising. Essentially, negative advertising is a form of comparative advertising, but here the sponsor intends to denigrate -- sometimes subtlety and sometimes blatantly -- the competitor(s)' brand (Merrit 1984). Research conducted on negative advertising has indicated consumers' disdain for such advertising (Surlin and Gordon 1977; Pettit-O'Malley and Johnson 1992). Notwithstanding, James and Hensel (1991) report that negative advertising has often succeeded in accomplishing the sponsors' objectives.

CROSS NATIONAL FOCUS

As a consequence of the growth of comparative and negative advertising, scores of studies within the United States have assessed consumers' reactions to such messages and their effects upon both the sponsoring brand and that of the named competitors (Etgar and Goodwin 1997; Swinyard 1981; Ash and Wee 1983; Rogers and Williams 1989; Pechmann and Stewart 1990; James and Hensel 1991; Barry 1993). A review of the available literature on negative and comparative advertising suggested the desirability of (a) conducting a study on its potential outcomes in a market where such advertising approaches have not as yet been introduced and (b) comparing such findings with those from the United States where these promotional practices are well established. This paper therefore provides a comparison of two nearly identical studies; one conducted in the United States and the other in Croatia, where comparative formats are not used as they would be in violation of the Codes of the Croatian Advertising Association.

More precisely, each study independently addressed consumers' differential responses to non-comparative, comparative, and negative comparative advertising formats. Specifically, each of the two investigations assessed subjects' evaluation of such respective messages along with their evaluative ratings of both the sponsoring brand and that of the brand with which it is being compared.

METHOD

Both the U.S. study and the Croatian study were designed as experiments. Each incorporated two non-durable consumer products, viz., candy bars and deodorants. Two product categories were included to forestall product specific investigations. Fictitious brands for each category were created thereby precluding bias resulting from prior exposure to any existing product. In the U.S. study, "Harmony" was used as the sponsor's name on the candy bar while the competitor's bar was labeled "Concord". The two names were reversed in the messages for the deodorant. This rotation forestalled possible bias resulting from brand name preference. These same two brand names appropriately translated into the Croatian language were used in the Croatian study.

Except for the difference in language, three nearly identical versions of informational product attribute oriented print advertisements were prepared for the selected test brands. The first, a non-comparative version contained a short exclamatory headline, a product illustration and brief body copy describing brand benefits. The second and third versions illustrated both the sponsor's brand and the competitor's brand. The copy in the comparative message pointed out benefits associated with both brands, whereas the copy in the latter denigrated the competitor's brand. As part of a pretest the messages were continuously refined until over 90 percent of prospective respondents could properly identify the three formats.

Brands from each of the two selected categories are consumed by a broad spectrum of consumers, including college students. As a consequence, the U.S. sample was composed of undergraduate students from a liberal arts college; whereas, the Croatian sample was comprised of undergraduate university students.

Three part questionnaires prepared in the respective languages were used for collecting data within the two countries. Part one provided instructions. Part two contained one of the three messages from each of the respective product categories. Part three included manipulation verification questions, and seven point scaled questions for measuring (a) perceived message clarity and (b) expressed attitudes toward the message, the sponsoring brand, and the named competitor's brand. In each country, the questionnaires were distributed and collected in classroom situations.

RESULTS

The questionnaires collected within each country were independently checked for completion and accuracy. As a result, the comparative analysis is based on data collected from 159 U.S. subjects and 156 Croatian subjects. Both sets of data were independently tested with ANOVA to detect for possible between product differences. None were found within either sample. Therefore, the responses for the individual products ;within each sample were combined. The pooled results for the respective country's samples are illustrated in Tables 1 through 4.

Within each table, significant differences between the samples are designated by (a) or (b). The (a) indicates that the percentage response within the U.S. sample was significantly larger than that found within the Croatian sample; whereas, (b) indicates the opposite. Significant differences were generated by computing Z scores on the interval data for each line across the respective columns within the four tables. The significance level is alpha .05.

Attitude Toward Respective Message Formats

Comparative data on subjects' evaluations of the respective messages are presented in Table 1. The percentages reported reflect composite favorable and/or unfavorable evaluations. The U.S. subjects gave the highest percentage (47 percent) of favorable evaluations to the non-comparative message as well as giving the negative message more unfavorable evaluations (35 percent) than favorable ratings (27 percent). This same basic response pattern occurred within the Croatian sample, but here the differences between the respective formats were further pronounced. Sixty percent of the Croatian subjects rated the non-comparative message favorably while only 30 percent gave favorable ratings to the negative approach. More significantly, 62 percent rated the negative message unfavorably. Across all three message formats the U.S. subjects expressed significantly more neutral evaluations than did their Croatian counterparts.

Perceptions of Message Clarity

By and large both the Croatian respondents and U.S. respondents as shown in Table 2 perceived the messages as clear under all three formats. The U.S. subjects, however, were significantly more prone to rate the messages "extremely clear" in contrast with the Croatians who were more inclined to rate messages as "clear." Larger percentages of subjects from both samples rated the negative comparative message above the comparative message in terms of clarity.

Evaluations of Sponsor's Brands

Subjects' evaluations of the sponsor's brand are shown in Table 3.

Under the non-comparative format there was little difference between the two samples; 48 percent of the Croatians rated the sponsor's brand favorably with 19 percent giving it unfavorable ratings; 47 percent of the U.S. subjects rated the brand favorably with 14 percent giving it unfavorable evaluations. The highest percentage of favorable evaluations as well as the highest ratio of favorable to unfavorable evaluations were obtained with the comparative message. The Croatians' evaluations with this format were less favorable. Under the negative format 37 percent of the Croatians expressed unfavorable attitudes toward the sponsoring brand while 35 percent gave favorable evaluations; by contrast 53 percent of the U.S. subjects rated the client's brand favorably, with 21 percent giving it unfavorable marks.

Evaluations of Named Competitor's Brands

The data in Table 4 illustrate respondents' attitudes toward the named competitor. Here, it is immediately apparent that both the negative messages and the comparative messages had occasioned a preponderance of unfavorable attitudes toward the competitor's brand. Under the negative format, 77 percent of the U.S. subjects rated the competitor's brand as unfavorable which is significantly greater than the 47 percent of Croatian subjects who had done so; and under the comparative format 59 percent of the U.S. expressed unfavorable evaluations, which again is significantly greater than the 34 percent of Croatians who gave such evaluations.

DISCUSSION

The results of this comparative analysis indicate both similarities and differences between the way in which two comparable groups of prospective consumers respond to non-comparative, comparative, and negative comparative messages. As had been found in previous studies (Pettit-O'Malley and Johnson 1992), U.S. consumers disapprove of negative advertising. This finding is reinforced here, as the negative message received the lowest proportion of favorable evaluations and the highest percentage of unfavorable evaluations among the three tested approaches. The Croatians expressed even stronger sentiments, with unfavorable expressions exceeding favorable evaluations by more than a 2 to 1 ratio. Such strong feelings could be occasioned by their unfamiliarity with this approach which runs contrary to what they are accustomed. The U.S. consumers' fairly positive feelings about comparative advertising could be attributed to its widespread use throughout the United States; here again the Croatians expressed more unfavorable than positive impressions.

Comparative advertising can often generate ambiguity. Accordingly, a smaller percentage (68 percent) of the U.S. respondents perceived the comparative message being as clear as the negative or non-comparative. By contrast, nearly 90 percent of the Croatian subjects rated the comparative message as clear. Perhaps, the novelty of such advertisements prompted more conscientious processing of the message's content; yet, an even higher percentage of subjects associated message clarity with the negative format.

All three formats contributed toward the formation of attitudes about the client's brand. Among the U.S. subjects, the greatest percentage of favorable evaluations of the sponsor's brand were occasioned with the comparative approach, 59 percent, which were offset by 18 percent who rated the brand unfavorably, while with the negative approach 53 percent rated the brand favorably against 23 percent who gave it unfavorable ratings. Even in the case of the negative approach, the percentage of U.S. subjects giving favorable evaluations is significantly greater than the percentage who rated the brand unfavorably. This finding tends to support previous research which has indicated dislike for negative ads, but support for their effectiveness. Among the Croatians, the percentage of unfavorable evaluations (37 percent) toward the sponsor's brand under the negative format exceeded the percentage (35 percent) of favorable ratings. This finding, especially when combined with those previously discussed, clearly indicated that those contemplating the use of negative advertising in Croatian media do so at the risk of alienating prospective consumers.

The implied, if not the express, purpose of negative advertising is to generate unfavorable attitudes towards named competitors. This effect was achieved among both sets of respondents; however, the 77 percent of U.S. subjects who rated the competitor's brand unfavorably is significantly greater than the 47 percent of the Croatian subjects who did so. The difference between the Croatian subjects' and the U.S. respondents' reactions to negative messages becomes even more pronounced when the relationship between attitudes toward the client's brand versus attitude toward the named competitor's brand is taken into account. Among the U.S. subjects, 53 percent gave favorable ratings for the sponsor's brand and 77 percent expressed unfavorable evaluations for the competitor's brand, which sharply contrasts against the Croatian responses which gave only 35 percent favorable ratings for the client's brand and 47 percent unfavorable responses for the named competitor. The results suggest that while there may be some beneficial trade off resulting from negative advertising within the United States, this would not likely occur within Croatia or in other countries where such approaches are not currently practiced.

Comparative messages can of course be either associative or dissociative. In both studies, the comparative test messages were designed to put a positive spin on the client's brand, but not denigrate the named competitor. Thus, it was expected that the comparative test message would produce both favorable and unfavorable evaluations toward the named competitor. Within both samples, the percentage of unfavorable ratings significantly exceeded the positive ratings, and the percentage of unfavorable responses among U.S. respondents (59 percent) was significantly larger than the 34 percent obtained within the Croatian sample. Here again, the difference between the samples becomes more pronounced when the percentage of favorable responses to the client's brand are related to the percentage of unfavorable ratings associated with the competitor's brand. Fifty-nine percent of the U.S. subjects rated the sponsor's brand favorably; with an equal percentage rating the competitor's brand unfavorably. Conversely, 42 percent of the Croatians rated the sponsor's brand favorably, with 34 percent ascribing unfavorable ratings to the competitor. Before engaging in comparative advertising, marketers should consider the potential trade off. These data suggest a beneficial outcome within the United States; the outcome within the Croatian sample is problematic especially when one notes that there is no significant difference between the 26 percent who rated the sponsor's brand unfavorably and the 34 percent who rated the competitor's brand unfavorably.

Before generalizing the results of this cross national analysis to other markets, its limitations must be noted. First, the comparison is limited to two countries, the United States and Croatia. Had either study included subjects from countries other than the two selected, the results may have differed. Each study also had its limitations. The respective experiments were restricted to two product categories, and the inclusion of different items may have prompted different outcomes. Both studies were conducted in experimental settings and used fictitious brands. Obviously, had "real" brands and "real" advertisements been placed in magazines or newspapers, the results may have differed. The subjects included in both experiments were undergraduate students, quite possibly other market segments may have responded differently. Also, the dependent variables in both studies were measured by a single item. This approach while providing an indication of subjects' overall feelings, does not provide information on their perceptions of particular attributes associated with either the message or the brand.

Notwithstanding the above, this assessment has presented further insights concerning the viability of non-comparative, comparative, and negative advertising under uniquely different market situations. Given, the dynamic state of international advertising (Zinkhan 1994), the authors recommend additional cross national research on the relative advantages/disadvantages of various communication approaches, especially those which seek to provide meaningful differential advantages within today's exceedingly competitive global markets.

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TABLE 1
Evaluations of Messages

Evaluation Ratings	Ad Message Format					
	Negative		Comparative		Non-Comparative	
	U.S. n=94 %	Croatia n=112 %	U.S. n=90 %	Croatia n=107 %	U.S. n=94 %	Croatia n=93 %
Extremely Positive	0	4	3	1	6	2
Positive	10	13	10	15	14	31(b)
Somewhat Positive	17	13	28	17	27	27
Neutral	38(a)	8	47(a)	28	39(a)	19
Somewhat Negative	12	22(b	5	18(b)	10	7
Negative	18	29(b)	7	15	2	10(b)
Extremely Negative	5	11	0	6(b)	2	4

(a) Percentage response within U.S. sample significantly greater than percentage within Croatian sample

(b) Percentage response within Croatian sample significantly greater than percentage within U.S. sample.

TABLE 2
Perceived Message Clarity Across Message Formats

Evaluation Ratings	Ad Message Format					
	Negative		Comparative		Non-Comparative	
	U.S. n=94 %	Croatia n=112 %	U.S. n=90 %	Croatia n=107 %	U.S. n=94 %	Croatia n=93 %
Extremely Clear	32(a)	2	17	8	33(a)	14
Clear	23	61(b)	28	52(b)	33	66(b)
Somewhat Clear	22	21	23	29	21(a)	8
Neutral	13(a)	3	16(a)	6	4	4
Somewhat Unclear	8(a)	2	8	3	6	4
Unclear	2	1	5	2	2	4
Extremely Unclear	0	0	3	0	1	0

(a) Percentage response within U.S. sample significantly greater than percentage within Croatian sample

(b) Percentage response within Croatian sample significantly greater than percentage within U.S. sample.

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TABLE 3
Evaluations of Sponsors' Brands

Evaluation Ratings	*Negative* U.S. n=94 %	*Negative* Croatia n=112 %	*Comparative* U.S. n=90 %	*Comparative* Croatia n=107 %	*Non-Comparative* U.S. n=94 %	*Non-Comparative* Croatia n=93 %
Extremely Positive	6	4	6(a)	0	6	2
Positive	14	11	15	21	14	26
Somewhat Positive	33(a)	20	38(a)	21	27	20
Neutral	24	28	23	32	39	33
Somewhat Negative	17	20	9	16	10	11
Negative	4	11	9	6	2	7
Extremely Negative	2	6	0	4	2	1

Ad Message Format

(a) Percentage response within U.S. sample significantly greater than percentage within Croatian sample.
(b) Percentage response within Croatian sample significantly greater than percentage within U.S. sample.

TABLE 4
Evaluations of Named Competitors

Evaluation Ratings	*Negative* U.S. n=94 %	*Negative* Croatia n=112 %	*Comparative* U.S. n=90 %	*Comparative* Croatia n=107 %
Extremely Positive	0	0	0	0
Positive	0	2	0	4
Somewhat Positive	5	10	7	2
Neutral	18	41(b)	34	60(b)
Somewhat Negative	26	28	32	22
Negative	39(a)	16	27(a)	11
Extremely Negative	12(a)	3	0	1

Ad Message Format

(a) Percentage response within U.S. sample significantly greater than percentage within Croatian sample
(b) Percentage response within Croatian sample significantly greater than percentage within U.S. sample.

13.5 DEVELOPMENTS IN MARKETING RESEARCH : NEW DIRECTIONS IN MARKETING RESEARCH

PUBLICATION AND SOCIAL EXCHANGE: TRENDS IN FOUR MAJOR MARKETING JOURNALS

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ABSTRACT

The present study examines trends in the number of authors, articles, pages, and various combinations (e.g., pages per article) in JAMS, JCR, JM, and JMR over the last twenty years. In addition to some overall trends, the results revealed differences in trends between the journals. The study and results are discussed from a social exchange perspective.

PUBLICATION AND SOCIAL EXCHANGE: TRENDS IN FOUR MAJOR MARKETING JOURNALS

Since the publication of Bagozzi's (1975) seminal article, marketing has commonly been viewed from the perspective of a social exchange process. Recently, researchers have started examining marketing, and the development of marketing knowledge, from this social exchange or social system viewpoint (e.g., Anderson 1983; Cote, Leong, and Cote 1991; Zinkhan, Roth, and Saxton 1992). Since marketing exchanges can be traced via the written or spoken word (Ferber and Wales 1958; Kassarjian 1977), the social exchange perspective to marketing knowledge may be applied to article publication. As noted by Hoffman and Holbrook:

The development, dissemination, and utilization of knowledge in any academic field of inquiry depends on the circulation of ideas through the publications that appear in scholarly books and journals. Hence, research in marketing and consumer behavior depends for its lifeblood on the flow of information through the publications of people working in the field (1993, page 505).

The journal article has been acknowledged as the most dominant mode of disseminating marketing knowledge (Coe and Weinstock 1983; Goldman 1979; Murray and Ozanne 1995): approximately half of all article references come from academic journals (Leong 1989). Most research examining publication as a social exchange process has focused on the contents of the article and, more specifically, upon the references cited. A variety of methods have been applied, including reference analysis (e.g., Goldman 1979; Leong 1989), citation analysis (e.g., Cote, Leong, and Cote 1991), co-citation analysis (e.g., Zinkhan, Roth, and Saxton 1992), and bibliometrics (e.g., Hoffman and Holbrook 1993) as well as content analysis (e.g., Helgeson, Kluge, Mager, & Taylor 1984; Muncy 1991). Although these methods and corresponding findings assist in elucidating the social exchange process in marketing knowledge development, most fail to consider the context in which the article appears, the journal. For example, Muncy (1991) reported that the trend in the Journal of Advertising was to publish longer articles but fewer articles per volume. Hence, given fewer articles, subsequent authors would have fewer Journal of Advertising articles upon which to draw, regardless of their publication outlets. Most research examining publication as a social exchange has failed to acknowledge the changes that may be occurring within marketing journals.

The purpose of the present study is to examine changes that have occurred over time in the Journal of the Academy of Marketing Science (JAMS), Journal of Consumer Research (JCR), Journal of Marketing (JM), and Journal of Marketing Research (JMR) in a social exchange context. The changes examined include the number of articles and authors as well as the number of pages allotted to the articles. In addition, various ratios involving these characteristics (e.g., authors per article) are also examined. Any changes in these journal characteristics may impact upon the number of individuals involved in the exchange process as authors, as well as the amount of marketing knowledge being exchanged.

BACKGROUND

Publishing as a Social Exchange

Researchers rarely, if ever, develop new knowledge (e.g., theories, methods, findings) without relying on previous work. Rather, all knowledge is developed relative to some context (Price 1986). Authors anchor their efforts to earlier published work, in effect providing statements of debt and acknowledging the importance of previous work in the context of their own research (Goldman 1979). As such, research and publication may be viewed as a communication enterprise in which knowledge generation and dissemination occur within a social system (Cote, Leong, and Cote 1991; Zinkhan, Roth, and Saxton 1992). For example, once produced, a manuscript must be test marketed and published within a system involving peer review for the amount and quality of knowledge generated and for the appropriate acknowledgements to earlier work (Anderson 1983; Peter and Olson 1983; Murray and Ozanne 1995). Other contextual considerations may occur in the system. When evaluating articles, editors may consider the amount of space a journal has available in the context of an article's length and the number of articles waiting to appear in press.

Publishing, and specifically patterns of citations, have been used as an indicator of the social structure and boundaries of marketing (Goldman 1979). Goldman found that there was a propensity for JM and JMR authors to use recent and within discipline cites from a very few journals. As disciplines mature, there is a tendency to borrow less from other disciplines (Whitely 1984); to send and receive less knowledge from other disciplines (Zinkhan, Roth, and Saxton 1992); and to concentrate within the particular discipline (Goldman 1979). Other publication patterns such as changes in journal characteristics should also help identify the changes in marketing's structure and boundaries.

Changes in Marketing Journal Characteristics

Changes in the number of authors, articles, or pages appearing in a journal may be a reflection of changes in the discipline's structure and boundaries. Although these types of changes may be viewed as primarily structural, they may subsequently impact the boundary of the discipline. Structural changes may reflect the potential of marketing to span inter-disciplinary boundaries through the exposure to and utilization of marketing knowledge or vice a versa: marketing's exposure and use of other disciplines' knowledge. For example, an increase in the number of articles appearing in the major marketing journals may result in concentration, providing more material within the discipline for which an author may draw, thus reducing the use of external materials. Conversely, a decrease in the number of articles may result in authors going outside the discipline for material in setting the context for their work.

Only a few studies have examined changes in journal characteristics, Taylor (1984) reported an increase in the total number of consumer behavior articles published between 1950 and 1981 in ten publications. In part, the increase was due to the introduction of some journals (e.g., JCR) and to changes in topics. Yale and Gilly (1988) reported no increase in the number of advertising related articles appearing in six journals between 1976 and 1988. The one exception, however, was for the JCR which had an increase in the number of advertising articles. Muncy (1991), in examining the Journal of Advertising, reported that fewer articles were being published over a twenty-year period. However, the trend was for articles to be longer in length, suggesting that the authors may need more space to explain and justify the research (Muncy 1991, page 10). For the Journal of Personality and Social Psychology, Reis and Stiller (1992) reported increases in the number of pages per article and the number of authors per article over a thirty-year period.

Anecdotal evidence would suggest that the number of articles, authors, and pages appearing in a journal should increase over time. As sponsoring organizations grow in membership (e.g., ACR, AMA, AMS), members may increasingly look to the organization's publications as an outlet for their work. The increase in membership may allow the financing to expand journals. Similarly, with more individuals vying for space in the journals and increased sophistication of methods and procedures, multiple authorships should increase. Finally, as disciplines mature there is a tendency to become more concentrated, relying on within discipline cites and increased sophistication (Goldman 1979). This suggests that there is more within discipline material to cite and, hence, more journal articles, authors, and pages.

Although there is very little direct literature on the characteristics of the major marketing journals upon which to provide a context for the present study, the tangential material and anecdotal evidence allows us to make some preliminary hypotheses concerning the number of articles, authors, and pages appearing in JAMS, JCR, JM, and JMR. Specifically, we postulate an increase in the number of articles, authors, pages, authors per article, and pages per article appearing in these journals over time. In addition, given the shorter history of JCR and JAMS, we predict that the trends will be more pronounced for these journals than for JM and JMR.

H1: Over time, there has been an increase in the number of authors appearing in the major marketing journals.

H2: Over time, there has been an increase in the number of articles appearing in the major marketing journals.

- H3: Over time, there has been an increase in the number of authors per article in the major marketing journals.
- H4: Over time, there has been an increase in the number of pages in the major marketing journals.
- H5: Over time, there has been an increase in the number of pages per article in the major marketing journals.
- H6: The trends mentioned in H1 through H5 will be more pronounced for JCR and JAMS than for JM and JMR.

METHOD

The database consisted of issues published quarterly for JAMS, JM, JMR, and JCR between 1974 and 1994. These journals were selected because of their importance in the field of marketing. The starting point, 1974, was selected due to it being the inaugural year for JCR, the youngest journal. Eighty-two issues of JAMS were examined over the twenty year period. Volume 16 was a double issue (containing both Numbers 3 and 4) and Volume 15, Number 1 was missing from the database. Eighty-three issues from JM were included; the last issue included was Volume 58, Number 3. Eighty-four issues from the JMR were included; Volume 31, Number 3 was the most recent. Eighty-two issues of JCR were included; Volume 21, Number 2, was the last included issue from this journal. Each issue was reviewed and coded by one of the authors. Since the data involved simple counts, multiple coders were not deemed necessary.

The table of contents were reviewed to determine the values for the six dependent variables. Only articles devoted to research (e.g., research articles, research briefs, research commentaries and rejoinders) were included in the database. Book reviews, editorials, and related types of material were not included. *Articles* was the number of separate research articles. *Pages* was the total number of pages in each issue devoted to research articles. After getting the initial number of pages from the table of contents, the issue was reviewed for pages not related to research (e.g., advertisements) and the number of pages adjusted accordingly. *Authors* was the total number of authors per issue.

RESULTS

Since the dependent variables were correlated, and to protect against Type I errors, a MANOVA was initially conducted for the six dependent variables using the journal, year, and the journal-by-year interaction as independent variables. The MANOVA results revealed significant effects of journal, Wilkes' Lambda =. 39, F (18, 899.92) = 19.54, $p < .0001$, eta-square = .13; year, Wilkes' Lambda = .55, F (6, 318) = 42.90, $p < .0001$, eta-square = .08, and the journal-by-year interaction, Wilkes' Lambda = .38, F (18, 899.92) = 19.92, $p < .0001$, eta-square = .13. These results justified examining the individual ANOVAs. The F-values associated with the ANOVAs are shown in Table 1.

Authors per Issue

The ANOVA showed a significant main effect of journal, F (3,323) = 28.91, $p < .001$, eta-square = .21, on the number of authors. Newman-Keuls comparisons indicated more authors per issue for JMR (mean = 23.93) than for the other journals. In addition, JCR had more authors per issue (mean = 21.15) than JM (mean = 18.14) and JAMS (mean=17.01). There was no significant difference in the number of authors per issue between JM and JAMS.

Although the year main effect was not significant, F (1, 323) = 2.12 $p > .05$, the main effect of journal was qualified by a significant journal-by-year interaction, F (3, 323) = 28.26, $p < .001$, eta-square = .21. This interaction was primarily due to significant trends for JCR, JM, and JMR that were not present for JAMS, F (1, 80) = 2.02, $p > .05$. For JCR, the trend indicated increasing numbers of authors per issue over the 20-year period, F (1, 80) = 39.05, $p < .05$, eta-square = .33. Conversely, JM, F (1, 81) = 36.12, $p < .05$, eta-square = .31, and JMR, F (1, 82) = 18.26, $p < .05$, eta-square = .18, trends were for fewer authors per issue for the time period studied. The trend for fewer authors per issue did not differ between JM and JMR, $F < 1$.These trends, not supporting hypothesis 1, are shown in Figure 1a.

Articles per Issue

The ANOVA revealed significant main effects for both journal, F (3,323) = 54.48, $p < .001$, eta-square = .34, and year, F (3,323) = 61.23, $p < .001$, eta-square = .36, on the number of articles per issue. Newman-Keuls comparisons showed JMR had more articles per issue (mean = 12.82) than the other publications. JCR (mean = 10.98) had more articles per issue than JM and JAMS. There was no significant difference in the number of articles in JM (mean = 9.66) and JAMS (mean = 9.24). Overall, contrary to hypothesis 2, the trend was for fewer articles per year when collapsed across the journals.

The main effects of journal and year were qualified by a significant year-by-journal interaction, F (3,323) = 51.93, $p < .001$, eta-square = .32. As shown in Figure 1b, this interaction was due to trends for JCR, JM, and JMR that were not present for JAMS F <1. For JCR the trend indicated increasing numbers of articles over the years, F (1, 80) = 21.90, $p < .05$, eta-square = .22. On the other hand, trends for JM, F (1, 81) = 109.72, $p < .05$, eta- for fewer articles per issue over the 20-year period. The trend for fewer articles per issue did not differ between JM and JMR, F (1, 163) = 2.28, $p > .05$.

Authors per Article

The journals did not differ in the average number of authors per article, F (3, 323) = 2.35, $p > .05$, grand means = 1.90. However, there was a significant main effect of year, F (3,323) = 94.17, $p < .001$, eta-square = .47. As show in Figure 1c, each journal showed significant increases in the numbers of authors per article over the time consistent with hypothesis 3. This increase in the number of authors per article over time did not differ between the journals: journal-by-year interaction, F (3, 323) = 2.48, $p > .05$.

Pages Per Issue

Significant main effects for both journal, F, (3,323) = 28.19, $p < .001$, eta-square = .21, and year, F (1, 323) = 10.01, $p < .001$, eta-square = .03, were found for the number of pages per issue. Newman-Keuls comparisons showed no significant difference between the two journals with the highest number of pages per issue: JM (mean = 136.66) and JMR (mean = 131.4). There was a significant difference between JCR (mean =115.93) and the other journals as well as between JAMS (mean = 107.20) and the other journals.

Collapsing across the journals and lending support to hypothesis 4, the trend was for more pages per issue over time. However, this overall trend was qualified by a significant journal-by-year interaction, F (3, 323) = 27.35, $p < .001$, eta-square = .20. As can be seen in Figure 1d, this interaction stems from a trend for an increased number of pages per issue for JCR, F (1, 80) = 221.13, $p < .05$, eta-square = .73, not evident in JAMS, F (1, 80) = .93, $p > .05$, JM, F (1, 81) = .36, $p > .05$, or JMR, F (1, 82) = 2.05, $p > .05$. Hence, only JCR lends support to hypothesis 4.

Pages per Article

The ANOVA revealed significant main effects for both journal, F (3, 323) = 33.70, $p < .001$, eta-square = .24, and year, F (1, 323) = 169.28, $p < .001$, eta-square = ..34, on the number of pages per article in an issue. Newman-Keuls comparisons showed a significant difference between JM (mean = 15.12) and the other three journals. The number of pages per article in JAMS (mean = 11.60) was also significantly different from the other three journals. There was no significant difference between JMR (mean = 10.74) and JCR (mean = 10.58). Overall, consistent with hypothesis 5, the number of pages per article had increased over the years.

As shown in Figure 1e, the number of pages per article trends differed between the journals, F (3, 323) = 37.80, $p < .001$, eta-square = .26. This interaction stemmed from a trend for an increased number of pages per article for JCR, F (1, 80) = 67.71, $p < .05$, eta-square = .46, JM, F (1, 81) = 202.78, $p < .05$, eta-square = .72, and JMR, F (1, 82) = 101.20, $p > .05$, eta-square = .55, not evident for JAMS F (1, 80) = 1.55, $p > .05$. The increase in the number of pages per article was more pronounced for JM, F (1, 244) = 30.33, $p < .001$, eta-square = .11, than for JCR and JMR. The increase in the number of pages per article over time did not differ between JCR and JMR, $F < 1$.

Pages per Author

The ANOVA indicated significant main effects for journal, F (3, 323) = 17.29, $p < .001$, eta-square = .14, and year F (3,323) = 21.79, $p < .001$, eta-square = .06, as well as the year-by-journal interaction, F (3, 323) = 19.09, $p < .001$, eta-square = .15, on the number of pages per author. JM had the highest number of pages per author (mean = 7.95), differing from the other three journals. The number of pages per author in JAMS (mean = 6.43) was also significantly different from the other journals. JMR (mean = 5.68) and JCR (mean = 5.57) did not differ in the number of pages per author. Overall, the trend was for more pages per author over time.

All four journal had significant trends over time in the number of pages per author (see Figure 1f). However, accounting for the significant journal-by-year interaction, JAMS had fewer pages per author over time, F (1, 80) = 7.45, $p < .01$, eta-square = .08, while the other journals revealed more pages per author over time: JCR, F (1, 81) = 12.86, $p < .01$, eta-square = .14; JM, F (1, 82) = 55.97, $p < .01$, eta-square = .41, and JMR, F, (1, 81) = 8.26, $p < .01$, eta-square = .09. The increase in the number of pages over time was more pronounced for JM, F (1, 244) = 15.18, $p < .001$, eta-square = .06, than for JCR and JMR. The trend, although increasing, was not different between JCR and JMR, $F < 1$.

DISCUSSION

The hypotheses and results for each journal are presented in Table 2.

As can be seen in Table 2, only JCR was consistent with all hypotheses: increases in number of authors, articles, authors per article, pages, and pages per article over time. Only hypothesis 3, predicting an increase in the number of authors per article over time, was fully supported for all four journals. To a lesser extent, hypothesis 5 was supported across journals, the only exception being JAMS. JAMS did not show the increase in the number of pages per article as did the other three journals.

The finding that JCR had an increase in the number of authors, articles, pages, and combinations of these variables was not surprising. As the youngest and multidisciplinary journal, these trends were expected (Whitely 1984). In part, these trends may reflect the increased importance of the journal and its ability to span boundaries more than the other journals studied (Zinkhan, Roth, and Saxton 1992). The lack of any changes in number of authors, articles, and pages for JAMS is more troublesome. JAMS is only one year older than JCR, having started publishing articles in 1973. Future research involving both general trends along with citation analyses might help uncover the degree to which JAMS has been truly stable from a social exchange perspective.

Interestingly, the AMA journals (i.e., JM and JMR) both had decreases in the number of authors and articles appearing in issues over time. These trends are counter to those hypothesized and to those of JCR. While the number of pages remained constant, the number of authors per article and pages per article increased for both journals. A number of possibilities exist for these trends. For example, the proliferation of more specialized journals, and specifically those published by the AMA, may result in the JM and JMR publishing only the more general marketing articles. Similarly, with the increase in publication outlets, these journals may be publishing only the most rigorous articles both in terms of methods and impact on the discipline. There exists the possibility that these more general and sophisticated articles may have more of an impact on the structure and boundaries of marketing than did previous articles, resulting in both more within and between discipline cites. Future research is needed examining citations to these journals along with general publication trends as in the present study to elucidate the exchange process in terms of both structure and boundaries for these journals.

Taken has a whole, a trend is evident whereby fewer but longer articles written by more authors per article are being published in the major marketing journals. When coupled with the finding of no change in the total number of authors appearing in the major journals, some ramifications from a social system perspective can be gleaned. On an individual and practical level, these findings suggest an increased level of justification and sophistication necessary for publishing (Muncy 1991). This level of justification and sophistication requires the collaboration of multiple authors. With the decrease in the number of articles being published and lack of any change for the total number of authors, collaboration is necessary in order to be published. The often espoused requirement for publishing in the top journals for promotion and tenure decisions takes on new meaning in the context of the present findings.

In the context of publication as a social exchange, two issues arise: quality versus quantity of marketing knowledge development and marketing's structure and boundaries. With fewer articles being published one has to hope that the quality outweighs the lowered quantity, at least for the four journals studied. The lowered quantity may result in marketers looking outside of the discipline for knowledge development, a position advocated by Wells (1993), but counter to previous empirical findings using citations (e.g., Goldman 1979; Zinkhan, Roth, and Saxton 1992). Of equal concern, however, is the extent to which other disciplines are accessing marketing knowledge. The possibility exists that the proliferation of marketing journals and publication of more general articles in the major marketing journals indicates increased boundaries both within marketing and other disciplines.

Future research is needed to identify the structure and boundaries of marketing from a social exchange perspective. There exists the need for future work simultaneously studying general trends and citations in the journals. Future research is needed using the article itself as the unit of analysis rather than journal issues, as in the present study. These types of studies may reveal additional trends in topics (Yale and Gilley 1988) and level of sophistication (Reis and Stiller 1992). Finally, given the trends found in the present study, future research should study the trends in the number of different authors appearing in the premier marketing journals as well as who is citing whom (Hoffman and Holbrook 1993). The examination of marketing and the development of marketing knowledge from a social exchange perspective (Anderson 1983; Cote, Leong, and Cote 1991; Zinkham, Roth, and Saxton 1992) can assist in identifying the structure and boundaries of marketing (Goldman 1979) as well as charting the future of the discipline.

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Table 1
Effects of Journal and Year on Dependent Variables: ANOVA F-values

Source	df	Authors per Issue	Articles per Issue	Authors Per Article	Pages per Issue	Pages per Article	Pages per Author
Journal	3	28.91* (.21)	54.48* (.34)	2.35 (.02)	28.19* (.21)	33.70* (.24)	17.29* (.14)
Year	1	2.12 (.01)	61.23* (.36)	94.17* (.47)	10.01** (.03)	169.28* (.34)	21.79* (.06)
Year X Journal	3	28.26* (.21)	51.93* (.32)	2.48 (.02)	27.35* (.20)	37.80* (.26)	19.09* (.15)

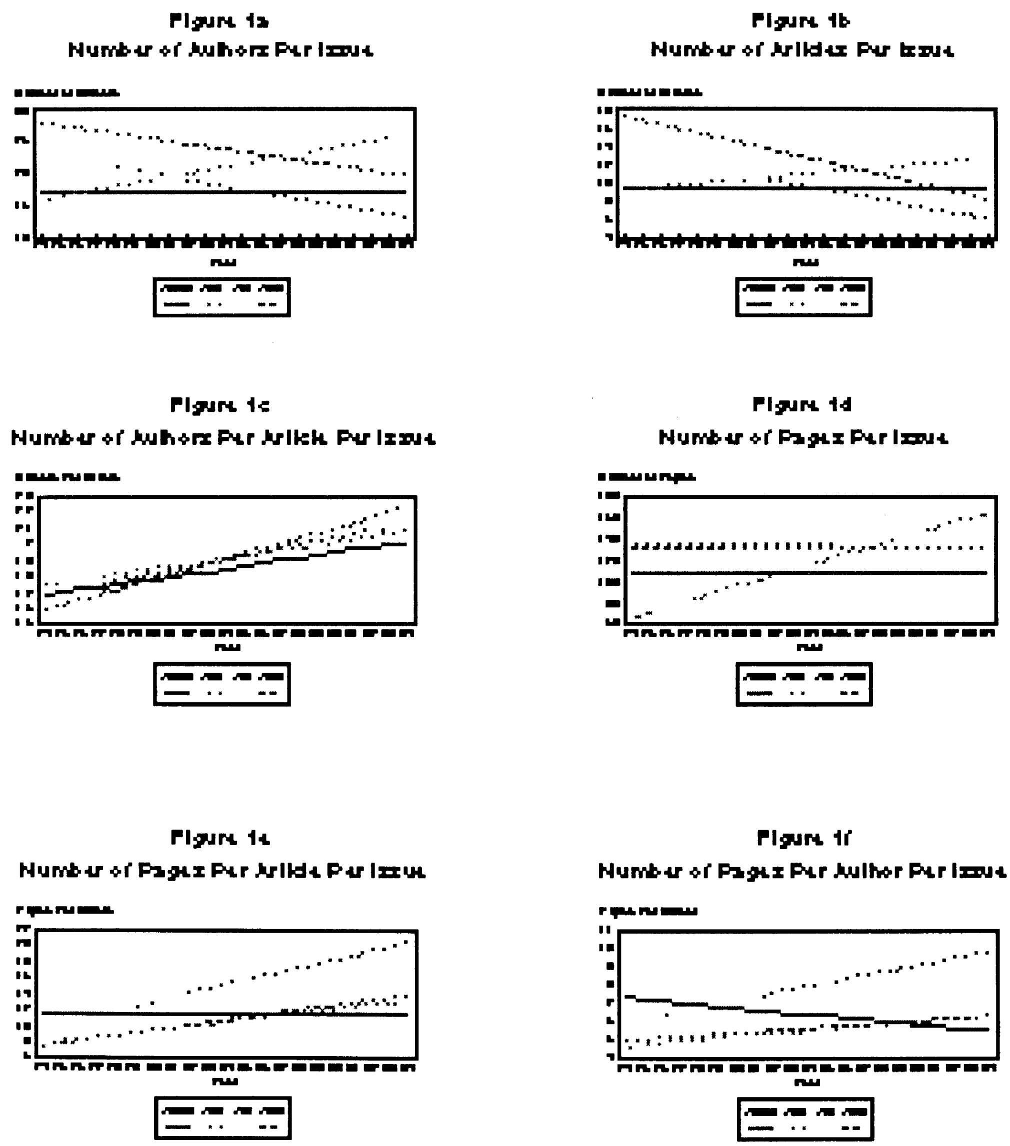
* $p < .001$
**$p < .01$
Note: eta-squared values are in parenthesis.

Table 2
Trends for Each Journal Relative to the Hypotheses

Hypothesis		JAMS	JCR	JM	JMR
H1:	Over time, there has been an increase in the number of authors appearing in the major marketing journals.	no change	increase	decrease	decrease
H2:	Over time, there has been an increase in the number of articles appearing in the major marketing journals.	no change	increase	decrease	decrease
H3:	Over time, there has been an increase in the number of authors per article in the major marketing journals.	increase	increase	increase	increase
H4:	Over time, there has been an increase in the number of pages in the major marketing journals.	no change	increase	no change	no change
H5:	Over time, there has been an increase in the number	no change	increase	increase	increase

	of pages per article in the major marketing journals.				
H6:	The trends mentioned in H1 through H5 will be more pronounced for JCR and JAMS than for JM and JMR.	not supported	supported	n/a	n/a

Figure 1
Dependent Variables Year-by-Journal Interaction



THE QUEST FOR THE DEPENDENT VARIABLE TO MEASURE MARKETING INFORMATION SYSTEM SUCCESS: AN EMPIRICAL INVESTIGATION

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ABSTRACT

This paper examines the suggested and implied linkages relating to the measurement of information system success as proposed by DeLone and McLean (1992), within a marketing information systems framework. Empirical support is found for some of the suggested linkages, however, others are found not to hold true. In addition, the number of suggested dimensions for information systems success are found to number only five in the case of marketing information systems, rather than the six that have been found to exist in the case of other information systems.
A path diagram of marketing information systems success is developed and evaluated, and the implications of the different findings are discussed.

INTRODUCTION

The rapid advances in microcomputers have consistently reduced the cost/performance ratio of microcomputers by 30-40% per annum (Benjamin, et al., 1984). The power of and simplicity of the new software tools and connectivity of computers have increased dramatically. Thus microcomputers and the availability of modelling, sales forecasting and analytical tools and techniques have had a profound effect upon the "state-of-the-science" of marketing and the Marketing Information System (MkIS) has become an integral part of business.
However, in the very first study of the current status of MkIS among American firms, Amstutz (1969) concluded that "Analyses of responses reveal dramatic differences between the theoretical capabilities of management systems described in the literature and those actually used or planned by operating companies. Although a few firms appear to use relatively sophisticated statistical and modelling techniques, the vast majority is more concerned with collecting and retrieving data and is unaware of or relatively unconcerned with the development of frameworks or model structures designed to aid management in assimilating and using information".
Later Jobber and Rainbow (1977) surveyed British industrialists and arrived at a similar conclusion namely that many companies have not given MkIS any serious consideration and are not using simulation or model building. In a similar vein Mitchell and Sparks' (1988) survey of major UK banks revealed that banks' MkIS were not as advanced as might be expected. Fletcher (1983) also found little change in the adoption of MkIS since previous research in 1975 and that management was still reluctant to adopt a sophisticated MkIS to allow it to spot market opportunities and overcome competition.
Recent studies by McLeod and Rogers (1982, 1985) and Higby and Farah (1991) suggest that the use of MkIS by a number of firms has increased more than was previously reported in earlier studies, but that the benefits from the use of MkIS has not been reaped by the majority of businesses (Lewis, 1990, Guimaraes & Ramanjuan, 1986). According to Lewis (1990) some, 700,000 American corporations with 20 employees or more have not yet begun to use marketing information. Further, the use of MkIS by different firms is increasing day by day but there is not a single study in the literature which has addressed the issue of successful design and implementation of MkIS in businesses. Thus, there is an urgent need to research how marketing people can be encouraged to use MkIS in different countries (Marketing Science Institute, research priority topic for 1992-94).

However, it is a prerequisite for identifying the factors and conditions which lead to the successful use of MkIS that researchers should identify the appropriate measures for evaluating the success of MkIS. During the last decade according to DeLone and McLean (1992), half of the studies in the information systems area have attempted to identify factors that contribute to information systems success. System acceptance (Maish, 1974), system quality (Franz & Robey, 1986), information quality (Srinivasan, 1985), system usage (Nelson & Cheney, 1987), user satisfaction (Ives, Olson, and Baroudi, 1983), individual performance (Rivard & Huff, 1985) and organisational performance (Miller & Doyle, 1987) are variables that have been used as surrogates for measuring the success of information systems. While the literature provides considerable guidance about measuring the success of computers and management information systems, far less is known about measuring success in the use of marketing information systems (MkIS).
No consensus has also been reached among the various researchers as to the definition and measurement of a dependent variable which constitutes an information systems success variable. Yet, if marketing information systems research results are to be generalised for use in the practical world, an acceptable and agreed single well-defined measure (which may have several dimensions) of outcome is essential.
DeLone and McLean (1992) have made a significant contribution towards developing a multi-dimensional measure by categorising all the dependent variables used in the literature to measure information systems (IS) success and in explaining IS success as a process. They have reviewed 180 studies and provide a representative review of the work that has been done. This work can provide the basis for formulating a model of MkIS success. This requires empirical testing. This paper therefore sets out to empirically test the DeLone and McLean model as applied to MkIS with data which was collected from practicing marketing managers.
MkIS is defined as a system in which computers are used to generate an orderly flow of pertinent information collected from both intra- and extra-firm sources to support the decision making of marketing management (adapted from Brien & Stafford, 1968).

The MkIS Success Model as based on DeLone and McLean (1992)

Figure 1 sets out the model of MkIS success which is examined in this study.

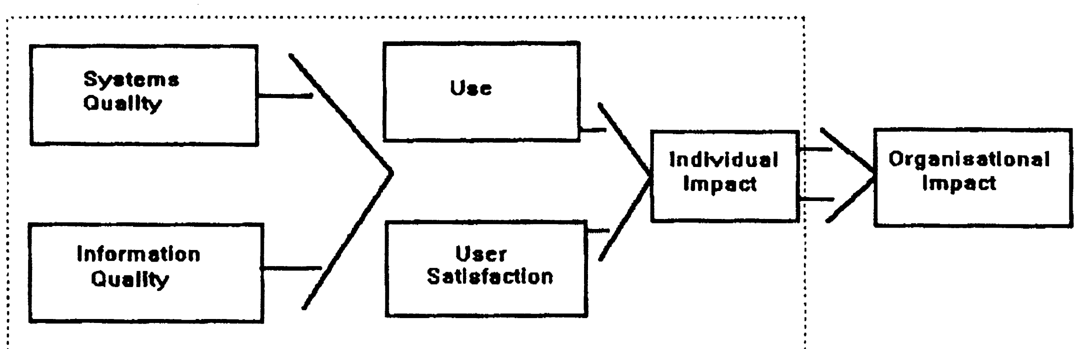

FIGURE 1. Information Systems Success Model (according to DeLone and McLean, 1992).

In this model the boxes labelled systems quality, information quality, use, user satisfaction, individual impact and organisational impact represent the aggregated scores of a number of different indicator variables. They are thus equivalent to latent factors and represent overall measures of the elements contributing to each of the effects.
The factors influencing organisational performance are very difficult to control over the influence of individual performance due to information system usage. Therefore the organisational impact variable in the model will not be tested in this study. Further, since information systems success is a process rather than a state it could reach an equilibrium state after a certain period of time. Therefore,

the first five variables indicated in the outline box will be used from the DeLone and McLean model to test it at the equilibrium state. Data will thus be collected from experienced managers who have been using MkIS for at least two years or more as they will be those who might be evidencing the equilibrium state of MkIS use.

HYPOTHESES

Based on the DeLone and McLean model as well as on other empirical studies, a number of hypotheses are suggested. These are set out and discussed below:

H 1: A positive relationship exists between system quality and use.
Perceived ease of use which refers to "the degree to which a person believes that using a particular system would be free of effort" (Davis, 1989) can be used to measure system quality (Seddon & Keiw, 1993). A system that is difficult to learn and not very flexible would tend to frustrate the user and thus inhibit its use. System quality or perceived ease of use has been found to be positively related to duration of system usage (Davis et al., 1989). However some studies did not find any significant relationship between them (Davis, 1989, Thomson et al., 1991) which suggests that this relationship deserves further research.

H2: A positive relationship exists between information quality and use.
If information quality is perceived to be adequate in terms of relevancy, completeness, timeliness, accuracy, precision and reliability then it might encourage the end user to use the system more frequently and for various types of tasks. Several researchers have found a significant positive relationship between information output (which is an information product factor of the user satisfaction instrument of Baroudi & Orlikowski, 1988) and system usage (Igbaria & Nachman, 1990, Igbaria, 1992).

H3: A positive relationship exists between system quality and user satisfaction.
If a system requires minimum efforts for users to use it then they could be more satisfied with the system. Some recent studies have shown a significant positive relationship between system quality or ease of use and user satisfaction (Seddon & Keiw, 1994, Seddon & Yip, 1992) as proposed in D & M's model .

H4: A positive relationship exist between information quality and user satisfaction.
If the output produced by an information system is perceived to be accurate, precise, timely, reliable, complete and relevant then the information user will be more satisfied with the system. Several studies have tested the relationship between information quality which mainly concerned with different characteristics of information output and user satisfaction. Most of these studies have found a significant positive relationship between information quality and user satisfaction (Seddon & Keiw, 1994, Seddon & Yip, 1992).

H5: A positive relationship exists between use and user satisfaction.
The association between system usage and user information system satisfaction is not clear. Some studies support a positive relationship (Igbaria, 1992, Igbaria &Nachman, 1990), some find no relationship (Cheney & Dickson, 1982) and there is one study which indicates a negative relationship (Robey & Markus, 1984). However, Baroudi et al (1986) provide some empirical evidence that user satisfaction may lead to system usage rather than other way round. Further, Conrath & Mighnen (1990) have shown that system usage should neither be used as an independent nor as a dependent variable when measuring user satisfaction.

H6: A positive relationship exists between use and individual impact.
Perceived usefulness of information has been defined as "the degree to which a person believes that using a particular system would enhance his or her job performance" (Davis, 1989) which in turn could be used to measure the impact of information systems on individual work. Several studies have found a positive relationship between system usage or user acceptance of information systems and

the perceived usefulness of a system (Igbaria, 1993, Davis et al., 1989, Davis, 1989, Mawhinney & Lederer 1990).

H7: A positive relationship exists between user satisfaction and individual impact.
The Seddon & Keiw (1994) study has been the only study which has tested the relationship between user satisfaction and perceived usefulnes or individual impact and which hence suggests the hypothesis stated above, and implied in the model of DeLone and McLean.

MEASUREMENT OF VARIABLES

All the variables used in the study have been previously used and reported in the literature.
Items related to "ease of use" and "usefulness of information systems" are most frequently used in measuring a system quality variable (see table 1 on page 65 of DeLone & McLean article). The instruments developed validated by Davis (1989) are widely used to measure "ease of use" and "usefulness of information systems" in the MIS area (Seddon & Kiew, 1994; Straub, 1994). However, the variable "individual impact" includes items related to task performance, improved personal productivity, time efficiency of task accomplished and effectiveness in supporting decisions which are also measured by the usefulness of information system instrument developed and validated by Davis (1989). It was therefore decided to use five items ie. "MkIS enables me to accomplish my task more quickly", "MkIS enhances my effectiveness on the job", "MkIS improves my job performance", "MkIS increases my productivity" and "MkIS makes my job easier to do".
Davis's (1989) instrument for "ease of use" was employed to measure system quality. Five items were included in the system quality instrument. These were:
"MkIS is flexible to interact with", MkIS is easy to get to do what I want it to do", "MkIS is easy to learn", "MkIS enables to me to quickly become a skilled user" and "MkIS interaction with me is easy to understand".
A revised version of the Baroudi and Orlikowski (1988) measure of user satisfaction was used. This instrument was used as it concerns the whole IS function rather than an individual MkIS application and is widely used in the area of management information systems (Iivari & Ervasti, 1994). Six items were dropped from the original instrument . These were related to "relationship", "communication", "attitude of EDP staff", "request for changes to existing systems", "degree of EDP training provided to user" and "time taken for new system development", all of which were more relevant to very large organisations (Baroudi & Orlikowski, 1988). Yap, Soh & Raman, (1992) also conducted a study in which they also deleted these items from the instrument which they used, since it was likely that the medium size and small companies, which were an integral part of their study, might not have had a separate EDP department. Most of the items were found to overlap two constructs so that items such as "accuracy", "reliability", "precision" and "completeness of output" were found to be shared by "information system quality" and "user satisfaction" measures as based on the literature review of DeLone and McLean. Thus it was decided that items related to the characteristics of information system output (ie. five items from the Baroudi & Orlikowski instrument) should be used to measure information system quality. One extra item ie. "timeliness of output" was added to the information system quality variable as it is frequently used in its measurement (see table 4 on page 72 of D & M's article). Only items directly measuring user satisfaction such as "MkIS easily accessible" and "output is easy to change" were included in the user information system satisfaction measure. An additional item was also included measuring overall satisfaction with the system, "MkIS is satisfactory for me". A five-point scale was used to measure various items discussed so far.
System usage has been established as a multidimensional measure but no single valid composite measure exists in the literature (Seth et al., 1993, Trice & Treacy, 1988). In some studies it was used as a composite scale but its procedure of development was not reported. Consequently, after an extensive literature review the most frequently used dimensions of system usage namely time based measures such as "actual time spent", "frequency of information system use" (in performing eleven marketing activities), "number of years of system experience" and "range of information technologies employed" (ie. twenty one IT used for marketing activities) were included. A standardised index for overall use of information system usage was developed by firstly converting all four dimensions to scores on a scale which ranged from 1 to 4. Secondly, the dimension scores were standardised by

dividing them by their standard deviations in a similar procedure to that of creating z-scores (Freund & Williams, 1964).

EMPIRICAL ASSESSMENT OF THE MODEL

A number of stages were necessary in order to be able to examine the marketing IS success model.
A survey instrument was developed where marketing managers/ owners/ MIS managers were asked to indicate their perceived usefulness (system quality), output quality (information quality), satisfaction (user satisfaction), frequency of use, number of years experience, duration of use, number of software programs in use (use) with respect to the company's marketing information systems. They were also asked to indicate the improvement in their performance as a result of using marketing information systems.
All the constructs were measured using multiple items as has already been identified. A further benefit of this is that single item variables can be ambiguous or can be misunderstood by a respondent. Responses on a trait may differ in respect of the different measures of the same trait because respondents may answer in a way that is a function of his or her misunderstanding of a particular item. With a single item measure any such variation can have a catastrophic effect on the investigation whereas with a multiple item measure the occasional response error effect will be considerably diluted and should therefore not cause the overall analysis to become invalid.
According to Sethi and King (1991) it is becoming clear that greater attention to methodological issues is essential for the evolution of a field into a discipline. Instrument validation has been identified as being inadequately addressed in management information systems research (Straub, 1989) and consequently, this research explicitly addressed the issues related to research instrument validation.
The research instrument was used to conduct a mail survey of marketing managers in all the major business cities in New Zealand. Data was analysed using both bivariate and multivariate techniques to examine the suggested relationships in the MkIS success model.

RESEARCH INSTRUMENT VALIDATION

Several tests of reliability and validity were employed to evaluate the instrument. Cronbach Alpha and Theta coefficients were used to examine the reliability of the multiple item constructs.

Multi-item Variables	Number of total items	Cronbach Coefficient Alpha (Std. variables)	Theta Coefficient	First Eigen Value	Number of Factors
Frequency of Use	11	0.84	0.84	4.23	3
User Satisfaction	3	0.74	0.76	1.98	1
Systems Quality	5	0.90	0.90	3.65	1
Information Quality	6	0.92	0.92	4.29	1
Individual Impact	5	0.96	0.96	4.23	1

All the internal reliability coefficients were well above the acceptable range of $\alpha > 0.60$ (Tull & Hawkins, 1987).
Construct validity for the multiple-item measures was assessed by correlating total composite item scores with individual item scores. This method of construct validation assumes that the total score is valid and hence the extent to which each individual item score correlates with the total composite score provides an indication of construct validity for the item (Kerlinger, 1988). The construct validity of an instrument can also be assessed through principle components factor analysis (Long, 1983; Nunnally, 1967) and factor analysis was thus also used to test construct validity. The results of these tests indicated good construct validity as in all multi-item constructs the factor loadings exceeded .60 and resulted in only one factor. The construct validity was not tested in the case of the system usage variable as it was a composite index however the validity was tested for the frequency of use dimension of system usage which resulted in three meaningful factors related to various

components of MkIS. Factor one consisted of items related to marketing research and internal productivity analysis, factor two was made of of items related to marketing modelling and analysis and factor three included items related to marketing intelligence.

MAJOR FINDINGS AND RESULTS

A total of 140 questionnaires (20%) were returned, of which 126 were useable. However there were only 117 respondents qualified for this study as nine respondents had used MkIS for less than two years. The respondents were employed in a variety of manufacturing, retail, wholesale, and service organisations. They held management positions in their respective organisations, such as those of managing director, marketing manager, MIS manager, assistant marketing manager and analyst.

	Info. Quality	Indi. Impact	User Satisfaction	System Quality	Use
Info. Quality	1.000				
Indi. Impact	.3446	1.000			
User Satisfaction	.4568	.4600	1.000		
System Quality	.3819	.5278	.6101	1.000	
Use		.2470*			1.000

Table 2. Correlation Matrix
(Significance * at p<0.01, all other values significant at p<0.001)

Bivariate data analysis using pearson correlation coefficients indicated that system quality is significantly correlated with user satisfaction. Information quality is also significantly related with user satisfaction. This suggests that system quality and information quality are both associated with user satisfaction. However system quality and information quality was not correlated with use. Use and user satisfaction both were significantly correlated with individual impact.
The bivariate test results confirmed that most of the variables which literature identifies as having been used as surrogate measures for information system success, are interrelated and interdependent as is postulated in the theoretical model (see table 2) except for system usage or use. This suggests that system usage is a different measure to the perceptual measures of system success. It should be noted that system usage was measured by developing a composite scale incorporating four dimensions of system usage which were all related to direct action.

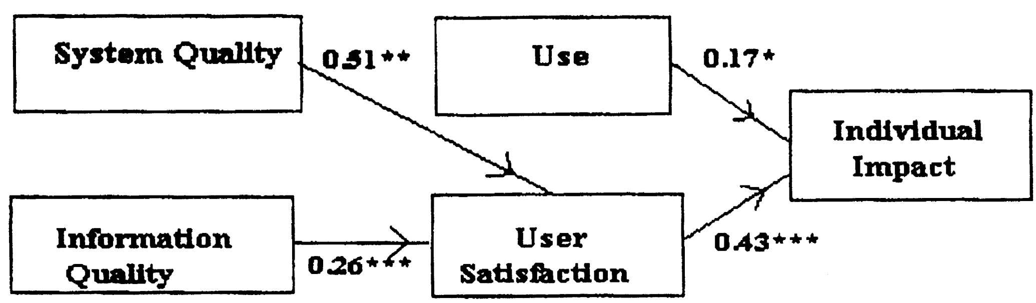

Figure 2. Results of Path Analysis
(Significance levels: *** at p<0.0001, ** at p<0.01, * at p<0.05)

The DeLone and McLean model was also tested using least squares linear regression to calculate the β values for the different suggested paths. These path coefficients were tested for statistical significance at the 0.05 (two-tailed) level. The three paths between system quality and use, information quality and use and between use and user satisfaction were not found to be significant at the 0.05 level. These paths were therefore removed from the model by employing theory trimming

(Heise, 1969). All path coefficients for the trimmed model were then significant at the 0.05 level. The trimmed model and its corresponding β coefficients are shown in Figure 2.

The trimmed model suggests that there is no relationship between system usage (use) and user information system satisfaction (H5). Hypotheses (H1, H2) were also not supported by the data analysis as there were no significant relationships between the variables involved.

Conclusions

This study provides empirical support for the application of the DeLone and McLean model to marketing information systems use. However some of the suggested linkages in this model did not apply and implied relationships between the use variable and user satisfaction, system quality and information quality were not supported.

The study produced similar findings to those identified by Iivari and Ervasti (1994), Udo (1992) and Mawhinney (1990) and suggests that it may be wise to evaluate the results of the behavioural (ie. system usage) measures separately from perceptual (ie. user satisfaction) measures of information system success as has been suggested by Szajna (1993) and Srinivasan (1985). Reinforcement for this opinion is also provided by a study by Conrath and Mignen (1990) when investigating user satisfaction and its related measures. Their study also indicated that system usage should not be considered a major independent or dependent variable as the majority of respondents in their study did not consider it to be an important variable.

In MkIS it was also found that there are five interdependent dimensions to information systems success rather than the five independent success categories suggested in the IS literature.

This study has furthered the search for a valid independent variable for measuring information system success, by identifying the relationships that exist in the case of marketing information systems. Researchers should systematically combine various independent measures identified in the marketing information system success model to create a comprehensive measurement instrument (DeLone & McLean,1992). The fact that there is a difference between the model for this information area and some of those already studied, suggests that it may not be feasible to identify one consistent measure for all information systems. However, before such a conclusion can be drawn it is necessary that the search should be expanded to investigate other information systems and their particular linkages.

Currently, the information system literature provides confusing evidence probably because of investigations which have been carried out in relation to different areas of information systems use. This confusion will only be overcome once all the variables identified in the IS success model have been measured using valid instruments in all the various areas of use.

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A fuzzy way to marketing focus

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Abstract: We present fuzzy sets as a tool of interest for marketing. Fuzzy sets are an extension of conventional sets, allowing partial membership of an element in the set. Using these sets, we create a model for consumer choice which may combine vector and point models, including models with more than one ideal point. We also review the normative power of fuzzy sets models, which are currently used for control, since they can be used for problems otherwise not tractable.

What managerial problem are we solving?

Models in marketing are, more often than not, descriptive. These models provide insights on consumer motivation and are thus important for planning marketing strategy. However, most of these models are too complex for derivation of a control strategy. For derivation of this control (or normative) information, models are sometimes bent into more manageable forms, sometimes entailing a gross distortion of the original concept.

We create a model which is based on fuzzy sets, a mathematical construct which extends the notion of set and, more importantly, has been used to tackle control problems which were difficult to approach using conventional techniques.

When we started this line of research we wanted to solve a positioning problem. That is, our model would allow the development of products better focused on clients needs than an ideal-point model. The practitioner would use our model to determine which characteristics the kernel product should have. After that he might use trade-off or conjoint analysis for the tactical decisions. We expected our model to work better at least for some class of problems. During the research we also used the model for longitudinal analysis, especially focusing on the problem of varied behaviour due to multiple needs (or multiple ideal points). In this case, we expected the model to allow the creation of a good price/communication strategy for management of that varied behaviour.

What is a fuzzy set?

Human beings classify things as a data-compressing device. Thus, we cluster objects by their characteristics into sets and apply set-wise rules to these objects. The construct "set" is thus a highly valuable tool for human reasoning and has been formalised in mathematics for a long time. However, the usual sets are crisp sets, i.e., an element either belongs in the set or not. Human classification is not so crisp. People refer to others as "tall", "nice", etc., which are vague terms. This vagueness, or fuzziness, has no counterpart on crisp sets. To model the concept "tallness" (not "height"), a crisp set imposes a rule, basically a cut-off threshold, stating which people are tall and which aren't. If the rule is "Tall people must have 1m80", then a person 1m79 tall is not tall, which is a rather excessive finding.

Fuzzy sets differ form conventional (crisp) sets by allowing elements to belong more or less to the set (see [ZIM],[KOS]). The degree of belonging is tagged to the element. Thus, in the fuzzy set of tall people, anybody above 1m80 belongs with 1.0 degree. Marie, which is 1m40 does not belong (thus degree = 0). Joe which is 1m76 belongs with degree 0.8 (for instance). We will call the degree of belonging membership and represent the membership of a to the S set by $m_S(a)$. We usually tag memberships to the objects in the sets, like {..., Joe:0.8, ...}.

Fuzzy sets are often mistaken for probabilities. The following example shows the difference. If a person has half an apple in the refrigerator, does that person classify it as belonging to the class apples? In a fuzzy set, the membership might be 0.5. This means that it is partially an apple (which is correct). But it is wrong to say that this number hides a probability, because the half-apple is not an apple with 50% probability (that is, half the times it would be a complete apple and half the times it would be not an apple), it is partly an apple.

What is the relationship between fuzzy sets and questionnaire semantics?

When the respondent selects a 5 in a 7-point perception scale, what does that 5 really mean? Usual interpretation is crisp: In the full range along that dimension, the user thinks that the option is in the midpoint between the centre of the range (represented by 3) and the upper limit.

More probably, the user thinks that the product is quite above the range midpoint (thus 5

the data-reducing process that must take place when a perception along one dimension, measured in units of that dimension, must be communicated in a 7-point scale. The fuzzification of the crisp value 5 generates[1] a set F5={3:0.25, 4:0.5, 5:1, 6:0.5, 7:0.25}.

The degree of fuzziness in the answer must be related to the involvement. We will, for the time being, assume that the importance of dimensions (w_i) and the preference (for perceptions) represent the involvement.

How does the system work?

We must now set a notation. We are considering individual choice among M alternatives. These alternatives are characterised along N relevant dimensions. The subject's perception of alternative o along dimension i is P_{oi}, where $o \in \{0,\ldots,M\}$ and $i \in \{0,\ldots,N\}$. The satisfaction (alias preference) the subject gets from the alternative having P_{oi} along dimension i is S_{oi}, where $o \in \{0,\ldots,M\}$ and $i \in \{0,\ldots,N\}$. The total satisfaction the subject derives from alternative o is S_o.

Our system generates a model for consumer choice using fuzzy implication, in the form of matrixes. We create a link between perceptions and preference, using fuzzy logic. This linkage is as fuzzy implication which, for our experiment we have treated as a compensatory model. This assumption is not central to the model, but it simplified programming. Also, given the high involvement of the purchase, it is a reasonable assumption. We represent the evaluation process in fig. 1.

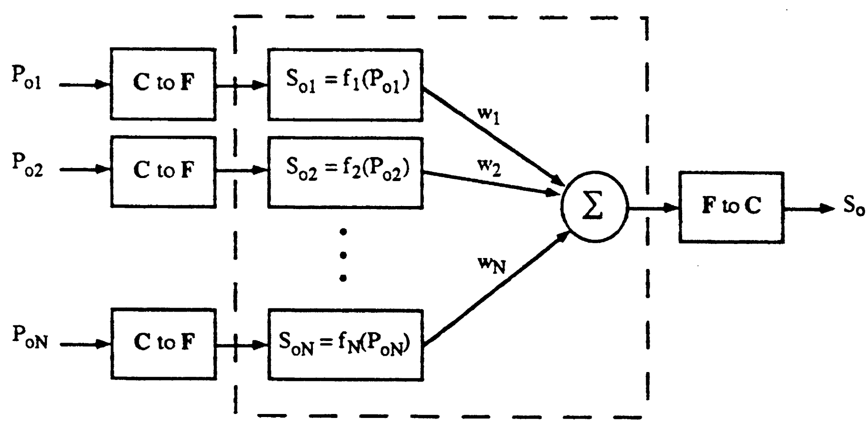

Fig 1: The evaluation process as seen from the questionnaire point of view

We postulate that both preferences and perceptions are fuzzy. The questionnaire answers are a defuzzification of fuzzy numbers, the centroid of the fuzzy set in the respondent's

[1]The membership is set as an example, not as a rule

mind. The relationship between preferences (S_{oi}) and perceptions (P_{oi}) is obtained in a fuzzy space and represented by a matrix $H_i = S_{oi} \cdot P_{oi}^T$, for the ith dimension. As we add multiple (P_{oi}, S_{oi}) pairs, we build a representation of the perception to preference space of an individual. Multiplication and addition are here represented by minimum and maximum operators. Fig. 2 depicts this process.

The general algorithm is:

> Initialise all H_i matrixes to **0**;
> **For** each alternative o in the considered set **do**
>   **For** each dimension i of the perception space **do**
>   Fuzzify P_{oi} and S_{oi};
> $H_i := H_i + S_{oi} \cdot P_{oi}^T$
>   **End For**
> **End For**

To determine the preference function we send delta pulses as inputs to the matrix (that is, we calculate, for j=1..7, $S_{ij} = H_i \cdot \delta_j$), thus receiving the preference values for each perception.

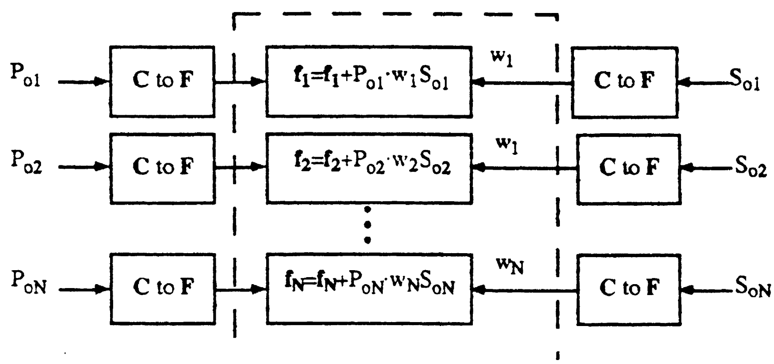

Fig 2: Determination of the H_is (refered to as f_is)

Topological analysis of the H_i matrixes is also very rewarding, as it points out single or multiple ideal points, as well as ideal vector behaviours in the preference functions.

How do we use this system for positioning? - The experiment

We asked a few subjects to grade automobiles along a few dimensions, rank their preferences and indicate their perceived similarity between models. The data was then processed in two different ways. A conventional approach consisted in using similarity to generate a perceptual map (using multi-dimensional scaling, see [CHA], [KRU]), fitting the properties on that map and using a preference fitting program to determine preference functions. The fuzzy approach was a translation of preferences and perceptions as fuzzy implication matrixes, using additive decomposition for the compensatory model. While we might have used estimation for these, we asked users for ratings on their individual satisfaction along each of the dimensions. This sped up the process of research, but is not necessary. Using these values we determined the weights for each dimension by linear regression.

For respondents whose conventional model had a good fit, we analysed the fuzzy set results but they were not superior. However, for those individual models which had low fit, we have found interesting results in the fuzzy set model. The number of such individuals is low. However, this may constitute a basis for segmentation: one applies first the crisp model. If the fit is good, one uses this model. Else, one uses the other model. The positioning approach for the different segments will probably be different.

For these models, it appears that along some dimensions there is more than one ideal point. The significance of this is that users may show a varied behaviour (usually associated with variety seeking and low involvement processes) related to oscillation between these points. We are currently researching the importance of these multiple point models (both crisp and fuzzy). Unbalanced ideal point models, where the preference is skewed to one side is also easy to detect with these models. The difference between multiple ideal point models and other models is presented in fig. 3.

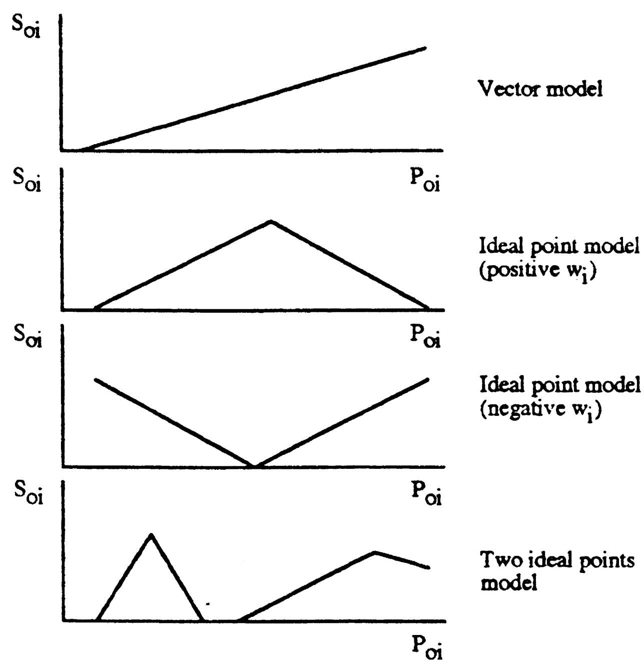

Fig. 3: Differences between models

What does the practitioner get from these models? In case of a good fit of the ideal-point methods, not much, but in this case he will certainly opt for one such model. However, in cases where there are multiple ideal points, or a mixed vector-point model, the positioning decision (or the decision to use advertising to change users' preferences or perceptions) is better.

For instance, along one dimension, the preference function has two maxima. In ideal-point estimation, the ideal point is somewhere between these two maxima (which is wrong). Using this model, the practitioner selects one of the maxima, the one more feasible given his manufacturing constraints.

What about fuzzy control?

What is the meaning of control? We use control to steer a dynamic process into a chosen course. We might say that control is the dynamic counterpart of optimisation. The control problem is finding a strategy (controller) that given the previous inputs and outputs of a process, and a objective, will supply the next sets of inputs in order to attain the objective[2]. The controller includes either implicitly or explicitly a model of the process it controls. The problem with most models — including marketing models — is that the determination of an ideal control strategy is very difficult because of the mathematics involved. Thus, most models are distorted, sometimes lightly, sometimes grossly, in order to use them for control.

Fuzzy logic has been very successfully applied to otherwise irresolvable problems. Using fuzzy sets it is easy to capture human controller rules, thus transferring the expertise to the system. The model is normally imbedded in the rules. Fuzzy systems using neural networks have also been developed for control. These systems have learning capabilities, which allow adaptive control. A further word on adaptive controllers is in order. These controllers are important in marketing because they allow the construction of the model to take part during the control effort, thus allowing the use of longitudinal scanner databases. However, in these controllers we will focus mainly in the more tactical elements (price, features, promotion, see [BLA]), while in our experiment we focused more on product development, or using advertising for preference changing. The determination of attitudes using behaviour information is difficult. More so in case of

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[2]This is feedback control, where outputs are fed into the controller. There is also open loop control, but it will not be discussed here, since it is not very useful.

multiple ideal points. If switching information is used as a surrogate for closeness (see [LEH]) the separation between two points will be lost, even if at the perceptual level they are far apart.

How can we use information given by the system to explain varied behaviour?

We also tried a longitudinal experiment in the field of TV snacks (category definition: things you chew away while you watch TV). This study involved a initial questionnaire, consumption diaries and analysis of the behaviour. As in the first (and some others not cited here) experiment, most respondents had a single ideal point. However, for two[3] respondents, responses indicated more than one ideal point. As this is a low involvement category, with low switching risks, we expected varied behaviour to appear. Therefore we asked several respondents to keep consumption diaries. We found that the respondents whose models had multiple ideal points seemed to concentrate around these points more than the others. We are currently studying if multiple ideal points represent multiple loyalties in low involvement categories, entailing a varied behaviour which is not al all like saturation-based variety seeking, see [MCA].

Can we develop a method for fuzzy clustering?

As a closing application of fuzzy sets in marketing we would like to present the concept of fuzzy clustering. Clustering of data is fundamental in marketing. However, most clustering algorithms create sets (that is crisp sets). A fuzzy clustering algorithm creates sets where outliers have membership functions which decrease with increasing distance to the cluster centroid. Thus, a point may belong to more than one cluster, which implies that it may be viewed as having certain characteristics of a cluster and some of the other. For instance, assuming that we are clustering preference points for different respondents, a point being in two clusters implies that the respondent has characteristics of two segments (as the position of the point certainly indicates).

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Appendix 1: The automobile experiment

The experiment involved 16 subjects, 19 to 32 years old, average income low, looking for a car for daily transportation. That car is to be the only car. The category of consideration was subcompacts, because of budget limitations. Factor analysis indicated two relevant factors: economy and a mix between performance, reliability and comfort which we label workmanship for discussion purposes. For most respondents, the ideal model was either a vector model somewhere near the bisection of the two factor's angle of an ideal point somewhere in the area near that bisection. However, for three respondents there seemed to be more than one ideal point (two had apparently two ideal points, one had three). In effect, the graph for one of them along dimension workmanship is shown in fig A1.

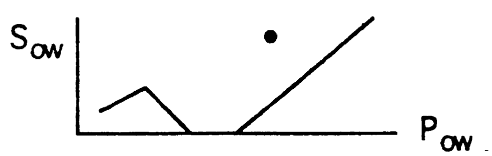

Fig A1: S_{OW} given P_{OW} for a given respondent

In fig A1, the bullet indicates the ideal-point of the single ideal-point model fitted. As is made obvious by the picture, positioning a product in that point along that dimension would be a mistake.

Appendix 2: The mechanics of the system

The responses (P_{oi} and S_{oi}) along the dimensions are fuzzified by transforming them in vectors (representing the fuzzy sets). The shape of the distance function and its variance are functions of the motivation and capacity for processing the information on the category (which are both derived from the w_is and dispersion of answers and postulated by the user). For the automobile experiment, dimension workmanship, a respondent had the following pairs among his answers: (1,1), (4,3). The fuzzification creates the following pairs of vectors:

$$(1,1) \Rightarrow ([1\ .5\ 0\ 0\ 0\ 0\ 0]^T,[1\ .5\ 0\ 0\ 0\ 0\ 0]^T)$$

$$(4,3) \Rightarrow ([0\ 0\ .5\ 1\ .5\ 0\ 0]^T,[0\ .5\ 1\ .5\ 0\ 0\ 0]^T)$$

Beginning with the first pair, we create the initial H_w matrix:

$$H_W^{(1)} = \begin{bmatrix} 1 \\ .5 \\ 0 \\ 0 \\ 0 \\ 0 \\ 0 \end{bmatrix} \cdot \begin{bmatrix} 1 & .5 & 0 & 0 & 0 & 0 & 0 \end{bmatrix} = \begin{bmatrix} 1 & .5 & 0 & 0 & 0 & 0 & 0 \\ .5 & .5 & 0 & 0 & 0 & 0 & 0 \\ 0 & 0 & 0 & 0 & 0 & 0 & 0 \\ 0 & 0 & 0 & 0 & 0 & 0 & 0 \\ 0 & 0 & 0 & 0 & 0 & 0 & 0 \\ 0 & 0 & 0 & 0 & 0 & 0 & 0 \\ 0 & 0 & 0 & 0 & 0 & 0 & 0 \end{bmatrix}$$

The dimension of vectors and matrixes should be 13 instead of 7 (we use a midpoint for extra precision) but we simplified for presentation. The (1) superscript means that it is the first iteration. The second pair will change the matrix into:

$$H_W^{(2)} = H_W^{(1)} + \begin{bmatrix} 0 \\ 0 \\ .5 \\ 1 \\ .5 \\ 0 \\ 0 \end{bmatrix} \cdot \begin{bmatrix} 0 & .5 & 1 & .5 & 0 & 0 & 0 \end{bmatrix} = \begin{bmatrix} 1 & .5 & 0 & 0 & 0 & 0 & 0 \\ .5 & .5 & .5 & .5 & .5 & 0 & 0 \\ 0 & 0 & .5 & 1 & .5 & 0 & 0 \\ 0 & 0 & .5 & .5 & .5 & 0 & 0 \\ 0 & 0 & 0 & 0 & 0 & 0 & 0 \\ 0 & 0 & 0 & 0 & 0 & 0 & 0 \\ 0 & 0 & 0 & 0 & 0 & 0 & 0 \end{bmatrix}$$

After the iterative process we end up with a final matrix Hw for the dimension. To use This matrix we have two alternatives: either make a topological analysis of the matrix, or determine a satisfaction function $S_{ow} = f_w(P_{ow})$. To obtain this function we apply Hw to delta pulses. A delta pulse δ_k is a vector with a 1 in the k^{th} position and zero elsewhere.

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These vectors represent crisp perceptions. For each, there will be a fuzzy satisfaction. To obtain the crisp value we calculate the centroid (assuming that the middle of the scale is 0). The resulting vector (the f_w) is normalised for best use in positioning.

$$k=1 \Rightarrow H_w \cdot \delta_1 = [1\ .5\ 0\ 0\ .5\ .\ 5\ .5]^T \Rightarrow f_w(P_{ow}=1) = \mathit{centroid}(H_w \cdot \delta_1) = -1$$

$$k=2 \Rightarrow H_w \cdot \delta_2 = [.5\ .5\ 0\ 0\ .5\ 1\ .5]^T \Rightarrow f_w(P_{ow}=2) = \mathit{centroid}(H_w \cdot \delta_2) = 1.5$$

etc.

These values (after normalisation) result in the function in fig. A1.

The second approach is the analysis of H_i matrix topology. If the increasing values are seen as darker, fig A2 shows the topologies for four classical models.

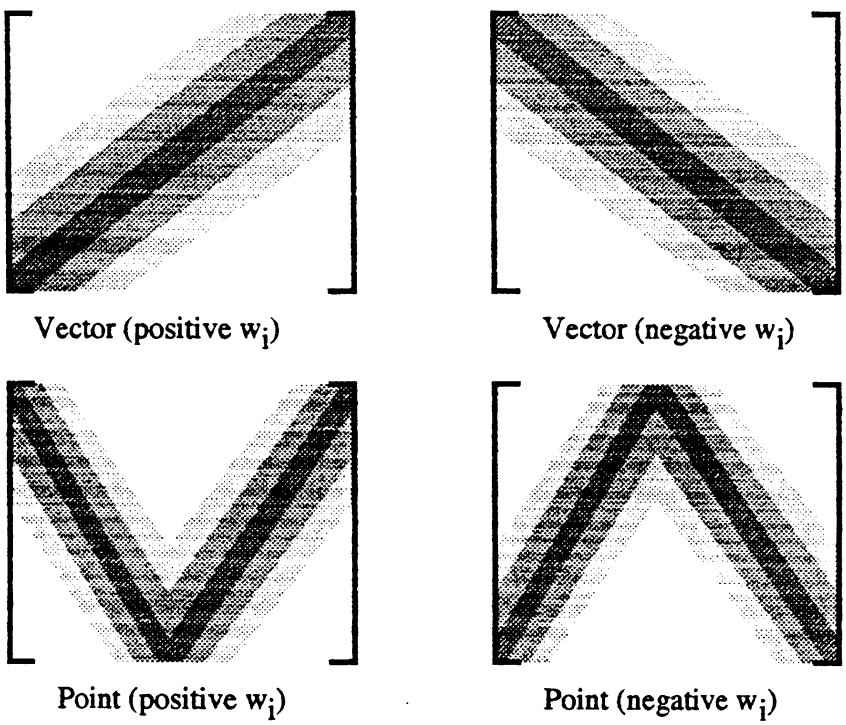

Fig A2: Topologies for the H_i matrix.

Appendix 3: Control using fuzzy rules

Control implies the use of past inputs and outputs in order to attain an objective. As the controller is usually aware of all the inputs we customarily represent it as sampling only the outputs. A controller must have a model (implicit or explicit, static or dynamic) of the controlled process. In case of marketing, the controller is usually the marketer, and the model may range from a simple empirical description of the customers' past preferences to a highly developed, usually stochastic, model. The marketer's behaviour is dictated by a set of normative rules which may be derived from the model but are more often the result of experience. An interesting characteristic of these rules is their customary fuzziness: "If market share is decreasing rapidly, then add some more promotion or the most depleted channels". How do we translate these rules?

First, we define fuzzy sets corresponding to the linguistic variables. Thus, we create the set "decreasing rapidly" as DR={3:1, 2:0.8, 1:0.6, 0.5:0.2}, where the elements are the fall in percentage points. Then we create various rules. They will be triggered in different degrees, because of the different memberships of the crisp value observed. The final fuzzy set will wave the results of all the rules, some to extent 0, probably most. The centroid of this fuzzy set will be the action to take.

This methodology has been used to control various systems (see [KOS]), including many which were not tractable using conventional methods.

Appendix 4: Crisp multiple-ideal point models

We are currently studying crisp multiple ideal point models, after we detected the phenomenon with fuzzy set models. A formal definition of the MIPM , assuming additive compensatory behaviour, yields the following expression:

$$S_o = \sum_{i=1 \ldots N} \sum_{j=NP} \left(w_{ji} \cdot \| P_{oi} - I_{ji} \|_k \right)$$

where NP is the number of ideal points and I_{ji} is the value of ideal point j along dimension i. We also admit the possibility of different ideal points having different importance (hence w_{ji} instead of w_i).The $\| \cdot \|_k$ is the k-distance, which we can set to any value of k. For city-block it would be 1, for Cartesian it would be 2. This model will be used for comparison with the fuzzy set models. The estimation procedure is akin to that of simple point models, only complicated by the existence of two points. As fit is a concave function of the point positions, estimation is straightforward.

NETWORK THEORY'S CONTRIBUTION TO THE DEVELOPMENT OF MARKETING RESEARCH

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ABSTRACT

This paper focuses on how network theory can add to understanding of marketing and strategic management of firms. The paper aims to develop a framework for understanding network theory from its origins and to evaluate its appropriateness in the development of market research in a number of settings where it is little used. In particular, three types of cooperative, inter-firm relationship are developed from the literature together with two of their key features; and their links to Sweeney's organisational, distribution and social system perspectives of marketing are examined. Implications for market research practice are advanced.

INTRODUCTION

Currently, the primary approach governing the direction of marketing research is based upon the power to generate customer reactions, paralleling rationalist frameworks developed from military strategy (Kay 1994). This approach usually refers to models of competition between atomistic business units operating in a faceless environment of competitive forces. By contrast, predominantly European developments in research now extend into interdependence within industry networks. Networking is now "a fashionable topic" (Jarillo 1988, p. 31) and the challenges of the 1990s are drawing managers away from hierarchical blueprints based on competitive units into more fluid forms (Limerick and Cunnington 1993).

Of the two primary forms of network research - internal within hierarchies and external between organisations - the paper focuses predominantly upon the latter. It *aims* to (i) develop a framework for understanding network theory from its origins and to (ii) evaluate network theory's appropriateness in the development of market research in a number of settings. In particular, understanding three types of non-competitive relationships developed from the literature in the paper and their links to Sweeney's (1972) three perspectives about marketing could contribute to the usefulness of market research.

These aims can be justified. Network theory is little known outside Europe. European publications such as Ford (1990) have built upon earlier dyadic studies (Turnbull and Cunningham 1981; Hakansson and Snehota 1982), but "the bulk of the work has been done in Sweden by Swedes" (Axelsson and Easton 1992, p. 4), so the few scholarly articles in English are "mostly from Europe" (Jarillo 1988, p. 32). Moreover there are "scarce writings about marketing networks" (Thorelli 1986, p. 47) (among these are Axelsson and Easton (1992), Ford (1990), Forsgren and Johanson (1992), Gadde and Hakansson (1993), Hakansson and Snehota (1990) and Thompson, Francis, Levecic and Mitchell (1991)). Furthermore, competition-based models of business behaviour have been found to be inadequate to the needs of contemporary practitioners for there is dissatisfaction about studying individual industrial purchases in isolation (Dwyer, Schurr and Oh 1987; Ford 1990). When viewed in a network context, a host of strategic issues such as market development can be better understood (Ford 1990; Jarillo 1988; Ouchi 1980; Powell 1990; Thorelli 1986). Finally, it can be argued that the network approach could result in research developments towards more profitable exchanges between members of networks (Gadde and Hakansson 1992).

Our paper has four sections. Firstly, the dominant competitive approach is briefly described as a basis for comparison with a cooperative approach. Secondly, network theory is reviewed and networks are defined, to clarify our themes. Thirdly, these themes are related to Sweeney's (1972) three perspectives on marketing. General implications for market researchers then follow.

Definitions. Some terms are frequently used and so should be defined. A "transaction" is similar to an "exchange" of value (Bagozzi 1975). When several transactions are made between two or more members of a network, they are "integral parts of the process in which the parties gradually build up mutual trust in each other" (Johanson and Mattson 1987, p. 37). These transactions are usually exchanges of products, services and information (Bagozi 1975). Of these three, the most important is usually information, for it provides the avenue for learning and *adaptation* of products and processes to occur, and this adaptation is an important corollary of exchange in networks (Johanson and Mattson 1987). Definitions of strategic alliances, networks and clans are developed below. Incidentally, cooperate and collaborate mean the same thing in this paper.

COMPETITIVE AND COOPERATIVE APPROACHES

Our first step towards understanding network theory as a contributor to marketing research is to compare two alternative approaches of competition and cooperation. The "dominant" approach in the world of business (Axelsson and Easton 1992, p. 181) is based on sustainable *competitive* advantage in one-off, spot transactions within a market (Porter 1980; Kotler and Armstrong 1994). Despite this approach's general acceptance, some of its core concepts are being questioned. For example, the *either-or* choice between least cost and differentiation generic strategies may not be as clear cut as Porter (1980) thought, for *both* strategies may have to be followed (Karnani 1984; Perry 1992). Furthermore, Porter's definition of an industry may be too broad to be of use for managerial decisions (Buzzell and Gale 1987). Mobility barriers between competitive strategic groups (Porter 1980) within an industry are not correlated with profitability (which prompted researchers to suggest that the "best way to move forward in modelling strategic groups is to adopt some of the philosophy from a network analysis perspective" (Carroll, Pandian and Thomas 1992, p. 32). And even when a "cluster" of firms is discussed, it is secondary to the "the intense rivalry" between industry members (Porter 1990). The application of this competitive approach in marketing is the assembling of a mix of variables launched towards a relatively homogeneous group of many potential customers, who may or may not react to the seller's competitive offering. In conclusion, the dominant approach is sufficiently inadequate to justify an examination of the emerging approach of network theory.

Within the competitive approach, there is a distinction between some of the competing units within the competitive approach. Based upon Coase (1937), Williamson (1975, 1991) suggested that all commercial activities lie along a continuum between markets through hybrids to hierarchies, with the level of the transaction costs in each determining which would be most efficient and therefore prevail. For example, an Australian steel mill could buy iron ore at spot prices on the world market or it could integrate backwards by buying its own iron ore mine in Western Australia. The latter hierarchical integration might allow the steel mill to evade transaction costs of, for example, searching for the lowest cost producer each time it wants ore supplies. The choice between these "make or buy" alternatives would be determined by these transaction costs. But transaction costs are being asked to carry a large theoretical load. For example, transaction costs themselves are difficult to measure (Blois 1990) and alternative, socially conditioned reasons for cooperative behaviour to overcome people's tendency to operate in selfish, opportunistic ways are ignored (Ouchi 1980). More importantly, transaction cost analysis uses the prism of the competitive paradigm by looking at economic *units* and so its major weakness is that it blinds researchers to long-term interactions within economic and social *relationships* (Johanson and Matsson 1987).

In contrast to the competitive approach above, the *cooperative* approach considers these relationships between economic units, that is, "the space between" the units (Wilkinson and Young 1994, p. 1). This "emerging" approach (Axelsson and Easton 1992, p. 181) of network theory focuses on the relationship of interdependent economic actors, with the interdependence based upon their mutual interaction as a means of cooperation as well as competition. This cooperative approach is equivalent to a "non-zero sum" game (Jarillo 1988, p. 32) in contrast to the "zero-sum" (win-lose or lose-win) game of competition. Jarillo (1990, p. 498) summarises this model's core concern: "As anybody who has dealt with real networking systems knows, the essential glue that holds the network together is neither the pure price signal, nor command from above: it is trust".

Insights about the cooperative approach can be found in European studies of long-term business-to-business interactions within dyadic buyer-seller organisational exchanges. The studies found relationships between buyer and seller organisations in distribution channels across Europe averaged eleven years in a sample of thousands of interactions, and suggest that this situation is economically desirable (Turnbull and Cunningham 1981; Hakansson 1982; and Ford 1990), and so the rationalist view of the prevalence of intense rivalry between industry members was not generally a feature of buyer-seller interactions found there. Although stable, these relationships were not static and changed gradually through time.

Moreover, the European studies showed the stable relationships were not just dyadic, that is, involving only one buyer and one seller, but involved a system of "relational marketing" throughout the distribution chain (Axelsson and Easton 1992, Chapter 1). More recently, researchers have considered triadic relationships as well as dyadic relationships, that is, those where the intermediary organisation (the agent, dealer, distributor, value added reseller or even the overseas subsidiary) has contact with both a selling party and a buying party, and these two also have direct contact with each other (Havila 1992).

MODELS OF NETWORK THEORY

This section looks at the cooperative approach in more detail, with three types of relationships being developed within a framework of the economic and social aspects involved. To begin, Table 1 shows a theoretical background to networks built from an understanding of certain frameworks: hierarchies and markets (Williamson 1975), strategic networks (Jarillo 1988) and economic game theory such as the prisoner's dilemma (Axelrod 1984).

TABLE 1
Unit Organisation Types and Behaviour within External Relationships

	APPROACH TO RELATIONSHIP		
	COMPETITIVE BEHAVIOUR (Zero-sum)	CO-OPERATIVE BEHAVIOUR (Win-win)	
UNIT FORM	Competitive independent market	Independent but co-operative network	INDEPENDENT TYPE
	Competitive hierarchical bureaucracy	Co-operative hierarchical clan	HIERARCHICAL TYPE

Sources: based on Thompson, Francis, Levecic and Mitchell (1991, p. 244) and Jarillo (1988, pp. 31-41)

Essential aspects of the competitive and cooperative behaviours shown in Table 1 are captured in the prisoner's dilemma shown in Table 2. A choice between competition and co-operation must be made in each of several periods *without* communicating with a potential collaborator (scenario A) and then *with* communicating with a potential collaborator (scenario B) (Axelrod 1984; Kay 1994; Perry 1992). Scenario A of Table 2 is similar to zero-sum game situations where movement between markets and hierarchies is decided by levels of transaction costs (Maitland, Bryson and Van de Ven 1985, p. 60) because only economic considerations of selfish opportunism are involved. Scenario B of Table 2 shows a cooperation based strategy where each member does not try to gain 100 percent of the outcome in each period with a win-lose (or zero-sum) strategy. Instead, each member decides on a (smaller) win - (smaller) win (or small opportunity loss - small opportunity loss) strategy. In each period, the outcomes are smaller than the best outcome in scenario A, but the *cumulative* total outcomes over several periods/interactions are higher for both members, that is, the `total cake' is larger and so are the total of their `slices'.

The keys to scenario B in table 2 are twofold. Firstly, *economies of cooperation* must exist from reductions in all costs, that is, from production as well as transaction costs, and/or from increases in demand. If these do not exist, there are no forces for cooperation except for its being culturally driven, for example, being "equitable" to use Ouchi's (1988) term. Secondly, there must be *trust* that each member will continue to make the smaller win - smaller win decision. The only barrier to the opportunism in which one member makes the 100 percent win decision is that the other member will make a similar decision in the *next* period and so decrease the size of the cake (scenario A), that is, trust involves a belief in a continuing series of transactions.

TABLE 2
Prisoner's Dilemma Scenarios

Scenario	A			B		
Member	1	2	both	1	2	both
Period 1: decision	2	1		1	1	
outcome	4	0	4	3	3	6
Period 2: decision	2	2		1	1	
outcome	1	1	2	3	3	6
Cumulative total	5	1	6	6	6	12

Source: based on Perry (1992)

Note that economies of cooperation must exist from reductions in all costs, that is, from production as well as transaction costs, and/or from increases in demand. If these do not exist, there are no forces for cooperation except for its being *culturally* driven (Ouchi 1988). These cultural forces are not as important in individualistic Western economies (Hofstede 1991) as they are in some other, more clannish societies, and short-term profitability measures reported on stock exchanges extinguish the "performance ambiguity" often associated with "clans" (Ouchi 1980, p. 130). The long term business horizons of Asian and some other family businesses not listed on stock exchanges may provide these characteristics. We return to this distinction between clans and other networks later.

A theme emerging from the above discussion of networks is that there appear to be two, time-related elements involved:

- *Economic* benefits from interdependence. A network is *future*-oriented involving future, goal-congruent transactions among members; and
- *Social* aspects of interdependence. A network requires continual reassurance of the long-term nature of the relationship which is based on trust built up through *past* experiences and reputation. That is, the second dimension of a network is social, trusting interdependence (Thorelli 1986, p. 451).

Table 3 is a revised version of Table 1, incorporating the insights developed in the paragraphs above. We define "strategic alliances" in Table 3 as different from networks in that they are *legally-formed* co-operative partnerships with the clear cut aim of adding to the competitiveness of each independent partner, for a *specified period.*

By way of summary, a definition of a *network* is developed next. It is done here rather than earlier because foundations had to be laid before the definition could be understood. Three representative definitions from the literature are listed below, but each is somewhat inappropriate for this paper for the reasons given after the definition:

* "sets of two or more exchange relationships" (Cook and Emerson 1978 pp.725 cited in Axelsson 1992 pp.243) - the experiment using this definition focussed on economic exchanges and suppressed non-economic aspects of networks;
* "links between a firm and the suppliers and buyers with which it co-operates" (Bidault, Laurent and Segla 1992 pp.43) - this definition ignores horizontal relationships within distribution channels and these could be considered in overall strategic planning;
* "the total pattern of relationships within a group of organisations acting to achieve common goals" (Van de Ven and Ferry 1980 cited in Axelsson 1992, p. 242) - this does not cover relationships where

goals may not be completely common or where perceptions are different - as explained above in the prisoner's dilemma, goals need only be congruent, they do not need to be common;
and

RABLE 3

Two Dimensional Model of Economic Co-ordination Forms

	COMPETITIVE BEHAVIOUR: Low economic interdependence	CO-OPERATIVE BEHAVIOUR: High economic interdependence
INDEPENDENT UNITS	Competitive independent market	Strategic alliances "collaborating to compete"
INTERDEPENDENT UNITS	Various forms of hierarchy	Various forms of network (including dyads, triads and nets)
BEHAVIOURAL ASSUMPTIONS	Opportunism (self interest)	Trust, reciprocity, and reputation built over time)

The definition adopted for any research project depends on the project's purpose. This research paper focuses on how network theory can add to understanding of marketing and strategic management of firms, and so a comprehensive definition is required: *sets of two or more businesses and/or their customers and/or suppliers (and their customers and/or suppliers) involved in goal-congruent exchanges in some or all parts of their relationship which are not based on legal contracts.*

In the definition, the words "some or all parts of their relationship" acknowledges that members of a network might compete on some issues (for example, for a particular contract) while cooperating on others (for example, in activities involving governments or suppliers). The definition also acknowledges that networks do not involve the legalistic, classical contract law (Williamson 1991) of strategic alliances.

One could imagine that *through time*, the development of trust will allow a progression from competition through legal contracts to networks and even to clans. However, imagining this progression considers only the social aspects of a relationship and ignores the economic aspects. The economic aspects might work against the social aspects: they might force movement away from networks back towards competition. Economic movements would usually *precede* social developments, "positive" ones making the beginning of relationships desirable and "negative" ones making established relationships increasingly expensive to maintain. For example, Larson (1992) gave examples of well-developed, trusting relationships falling apart for economic reasons. In conclusion, networks are not an ideal, they are merely appropriate in some economic circumstances and not in others.

THREE PERSPECTIVES OF MARKETING

Sweeney (1972) has pointed out that there are at least three perspectives from which the phenomenon of marketing can be viewed (Blois 1990, p.494): the organisational perspective, the distribution perspective and the social system perspective (described in Table 4). In this section, these three perspectives will be linked to ideas about networks developed above.

TABLE 4

Relationships Forms Across Marketing Perspectives

	SWEENEY'S MARKETING PERSPECTIVES		
	ORGANISATION PERSPECTIVE	DISTRIBUTION PERSPECTIVE	SOCIAL SYSTEM PERSPECTIVE
VIEW OF TRADE RELATIONSHIPS	Competitive paradigm (zero-sum)	Interactive paradigm (win-win)	Orderly society
SPACE OF RELATIONSHIP	Competitive independent market	Various forms of contract	`Family' businesses
KEY CONCEPT	Opportunism	Trust and reciprocity	Social obligations
MARKETING STRATEGY	Four or five-Ps competition (classical marketing)	Marketing strategies continuum (relationship and IMP relational marketing)	Long term and complex value- adding strategies

Firstly, consider the organisational perspective or what might be called the "classical" perspective of marketing. This perspective assumes the existence of a marketing department and tends to focus on transactions with customers in a market segment through manipulation of the four Ps of price, promotions, product and distribution-placement in single transactions but not aspects of *several* transactions. For example, Bagozzi (1975) explored many aspects of an exchange or transaction, but not the aspect of multiple exchanges. The four Ps concept (McCarthy and Perreault 1991) appears to have grown out of the "marketing mix" where executives are a decider and artist - a "mixer of ingredients" - who sometimes follow a recipe as they go along, sometimes adapt a recipe to the ingredients immediately available, and sometimes experiment with or invent ingredients no one else has tried (Culleton 1948, cited in Borden 1964 pp.2). The four Ps of the organisational perspective could be adjusted to incorporate network relationships by adding fifth P for people (Harris and Sharp 1994; Wong and Perry 1991). This fifth P touches on relationship marketing's activities of building and maintaining people-to-people relationships and the trust involved. But relationships can be inter-*organisational* as well as interpersonal and can be affected by the size or complexity of a transaction (such as those involving a huge mainframe computer with consequent servicing or a complex superannuation policy) (Williamson 1985). Moreover, a fifth P approach to relationship marketing ignores the power aspects of a network, the non-customer relationships with suppliers and horizontal members of a network, and the possibilities of competition existing along with co-operation in the overall relationship. So our view is that the implications of network theory for an organisational perspective of marketing is limited, even if a fifth P is added.

Secondly, consider the distribution system perspective. It is similar to the network view above, for networks within distribution systems have been found to be important by the European researchers noted above. This second perspective shifts marketing research into the breadth, depth and quality of buyer-seller relationships, and would move it into a world of a mixture of collaborations for the purpose of competition described by Lorange and Roos (1992), Bleeke and Ernst (1993), Limerick and Cunnington (1993) and Lewis (1990). This world metaphorically implies the classical Greek sense of order which includes both *taxis* (made order) and *kosmos* (natural order in a state or community) (von Hayek 1989, p. 101).

Thirdly, consider the social perspective. Sweeney's phrase "social system" suggests an anthropological or sociological viewpoint about the solutions for either intra or inter organisation co-ordination. This perspective coincides somewhat with Ouchi's (1988) view of clans' social obligations and performance ambiguity and offers understanding for market researchers of networks where the social aspects overwhelm economic aspects (although not extinguishing them in business settings).

In summary, the organisational perspective of marketing emphasises the economic aspects of relationships, the distribution perspective emphasises a mix of economic and social aspects, and the social system perspective emphasises the social aspect. Each perspective may be appropriate in different situations which require different relationship forms.

IMPLICATIONS FOR MARKET RESEARCH

Inter-firm relationships are often ignored in classical marketing research, industrial organisation economics, organisational theory and international business despite the importance of linkages of suppliers and clients (and the suppliers' sources and the clients' customers). As a pragmatic and potentially theoretically fruitful alternative, economies and their markets may be viewed as a network of organisations comprised of a huge hierarchy of dependent, latticed, networks. This holistic viewpoint acts as a viable contributor to research in vertical channels and diversification, to the means of researching new segments or country markets and even to environmental analysis at the micro or macro levels. This is because in many respects relationships are the most salient part of the environment of the trading organisation providing economies of scale and reductions in transaction costs (Thorelli 1986), as well as possible social obligations. Therefore, researchers should consider the role of inter-organisational relationships and not suppress this aspect of market behaviour.

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13.6 PRICING AND COUNTERTRADE (PRICING & BARTER): CONTEMPORARY ISSUES IN PRICING

AN ENIGMA IN MODERN SOCIETIES: BARTER EXCHANGE AND COUNTERTRADE

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Modern domestic barter systems are operating in Australia at the local community level, and at the national level for business exchanges. The Australian Government, and Australian firms practise countertrade at the international level. These exchange regimes appear to have become institutionalised in an economic system which is organised on the primacy of market exchange based on price as the co-ordinating device. In this paper, possible explanations for this enigma are presented.

MODERN BARTER SYSTEMS

Definition

In searching for a definition of barter, Dalton (1982, p. 181) wrote that "...in English, we use the treacherous term barter to mean two very different kinds of transactions: moneyless market exchange (market exchange in kind), and moneyless exchange of any sort (gift-giving, prestations, ceremonial exchanges such as pot-latch, Kula and moka). To avoid ambiguity, it is essential to confine the meaning of barter to moneyless market exchanges." Hence, barter implies an absence of currency in the exercise of an exchange transaction between parties who might not have been willing to transact had the exchange been monetarised. Domestic barter, as practised within local and regional communities, is simply the simultaneous transfer of goods and services agreed upon as being of equal worth and concluded under the one 'contract' (Birch, Liesch and Yau 1994).

Domestic barter Modern barter systems are currently operating in many countries which are at different levels of economic development and which have different social and cultural backgrounds (Birch, Liesch and Yau 1994). Barter appears to provide an alternative marketing exchange system, particularly in times of low economic growth. The protracted economic recession in Australia, through the late 1980s and early 1990s, appears to have facilitated the institutionalisation of two distinct domestic barter systems. In 1993, in Australia, an estimated AUD60 million of business 'barter-style' exchange was effected between at least 3,500 companies via a network of 30 highly sophisticated, computerised trade exchanges (Hopkins 1993). In addition, over 200 community-based systems facilitate the exchange of goods and services in Australia among individuals without the need for money.

Business-based domestic barter

Business-based domestic barter in Australia is exemplified by 'Bartercard', the largest business trade exchange in Australia. Established in 1991, the company has set up 15 franchised outlets across the nation and two branches in New Zealand. The growth of 'Bartercard' in its first three years of operation has been remarkable. Annual trading has increased from AUD400,000 in the first year of operation (1991/92) to over AUD50 million of trading between its 3,500 members in 1993/94 (Sharpe 1994). 'Bartercard' is essentially an independent computerised clearing-house for effecting commercial barter-style transactions. The company recruits members, records transactions between members, issues monthly statements, provides authorisation for larger transactions, and promotes trade between members (Birch, Liesch and Yau 1994). A diverse range of consumer and business goods and services are exchanged using trade dollars rather than the formal payments system. This system differs from traditional or pure barter in that members are not restricted to a direct and simultaneous exchange. Rather, members can acquire goods and services as required, and credits can be redeemed from within the system at some later time (Hopkins 1993). Interest is neither charged on credit nor accrued on debits.

Opponents of domestic barter systems frequently express concern regarding their legality and integrity. However, the Australian Taxation Department Ruling IT2668 states that business barter transactions are to be treated as cash transactions, for the purposes of taxation, with a trade dollar being assessed as one federal dollar (West 1992). A record of each transaction is retained by 'Bartercard' for accounting and taxation purposes. Furthermore, a self regulatory body, the Australian Reciprocal Traders Association, has been formed to encourage members to abide by a strict Code of Ethics (West 1992).

New members pay a joining fee of AUD595, and are allocated a credit limit depending upon their financial status. A plastic 'Bartercard', similar to a credit card, is issued to each member. To stimulate trade, each member receives an updated copy of a national directory of members on a bi-monthly basis and regular trading gatherings are organised. To cover administrative costs and bad debts, a commission of 10% is levied on each transaction. Members' benefits have been identified as: improved liquidity, utilisation of excess capacity, improved turnover of inventory, maintenance of pricing integrity, market access and networking, additional sales and improved profits, and access to goods and services not normally available with limited cash reserves (Sharpe 1993).

Community-based barter

In addition to the business barter systems, over 200 community-based barter systems, known as *LETS*, an acronym for Local Energy Transfer (Employment Trading; Exchange Transfer) Systems have been established in Australia. *Letsystems* operate at the community level, and are democratically organised, non-profit enterprises. The main aim of these systems is to utilise more fully the skills and resources within the local community, and to provide a mechanism by which the community can remain viable and self-sufficient. *Letsystems* are based on the premise that, "...a community's wealth lies in its goods and services, the skills of its people, rather than the amount of money available to it, and thus is not linked to traditional 'employment' which is heavily dependent on money" (Jordan 1990, p. 1). Each system creates a unique unit of currency, for example 'keatings', 'bunyas', 'frasers'. These units can only be traded within the community's *Letsystem*. The system is closed, hence the sum of credits and debits within the system is always nil. As with the business system, there is no requirement for a direct reciprocal exchange, and because *Lets* units only have value within their own local system, the 'wealth' remains within that community.

These community-based systems are also present in other Western countries. For example, over 115 *Letsystems* have been established in the United Kingdom, and over 60 in New Zealand (Croft 1993). The first *Letsystem* in Australia was established at Maleny, Queensland in 1987. This system now has over 600 members and a growth rate of 10 members per month. Members, in Maleny, exchange a diverse range of goods and services using *Lets* units, called 'bunyas'. Transactions are negotiable, and use of the cash system for making valuations is discouraged. Each 'bunya' represents a cash federal dollar, and transactions are recorded for taxation and accounting purposes. Debt within the system is encouraged and is considered to represent "...a commitment to put 'energy' back into the system at some time in the future" (Birch, Liesch and Yau 1994, p. 5). There is no value to be gained from hoarding *Lets* units as interest is neither paid nor charged. Transactions between members are recorded at the community's *Lets* office, and monthly statements are issued to members. The *Lets* office is staffed by *Lets* members, who are paid in *Lets* units rather than in cash. New members pay a nominal joining fee (AUD15) and are charged a nominal annual fee (AUD2) to cover administrative functions.

This recent trend toward domestic barter has attracted the attention of the popular press. However, there appears to be a minimal academic literature available on domestic barter systems. Conversely, countertrade at the international level has been well researched and documented in the academic literature (eg Liesch 1991; Hennart 1990; Huszagh and Barksdale 1986; Neale and Shipley 1988). Research into domestic barter systems is timely as the growth of these systems has possibly seen them become institutionalised. Preliminary enquiry to date, by the authors, has revealed the extent and processes of domestic barter systems in Australia and has provided some insights into the possible motivations for their institutionalisation.

International Countertrade

The growth and spread of countertrade internationally hints at pervasive deficiencies in the world trade regime. Nations at all stages of economic development and under the various systems of government are active in international countertrade. Estimates of the extent of international countertrade are put variously at 5-40 percent (Liesch 1991). International countertrade can be identified as voluntary or mandated, the former being undertaken voluntarily by firms largely as a marketing device which increases the options available in their portfolio of trading techniques, while the latter is used as an economic policy instrument by governments targeted at various issues, including regional development, employment generation, export promotion, import restriction, trade financing and technology transfer (Liesch 1991).

The particular focus of government mandated-countertrade policies is determined, to a large degree, by the level of economic development of the country in question, and the nature of the economic system governing that economy. For example, centrally planned economies have economic systems that do not integrate well with the market economies of the West. In particular, their currencies are not convertible and they have a shortage of hard currency for international trade facilitation. Countertrade provides one mechanism which enables exchange with market economies. That is, the import of goods and services is linked inextricably with reciprocal exports. Lesser developed and developing economies often have commodities and light manufactures available for export, but with low income elasticities of demand, inferior quality and uncertainty of supply, these exports are difficult to move on world markets. To link the import of products and services necessary for economic development to reciprocal export sometimes provides the means of integrating these economies, with unfavourable international terms of trade, into the international economy. And the developed economies have innovated with the fundamentals of reciprocal trade to create various means of furthering industrial and commercial development (Liesch 1991). Most, if not all, developed economies have some variant of the mandated-countertrade instrument to effect objectives such as regional development and employment generation, and international technology transfer. For example, the Australian government enforces an offsets policy with several variants, but all of which seek to achieve the transfer of technologies and managerial/commercial acumen from abroad with the aim of raising the technological base of Australian industry. This approach recognises the imperfections in (and often non-existence of) international markets in technologies and other industrial capabilities. In the absence of arm's length transacting as an appropriate exchange mechanism, governments, such as the Australian government, have adopted various forms of hierarchial governance to effect such exchanges (Liesch 1993).

AN ENIGMA IN CONTEMPORARY ECONOMIC SYSTEMS

Western economic systems are characterised by the centrality of the price mechanism for co-ordinating the activities of the many agents who individually act in their own self-interest, but who collectively achieve community and societal goals. "The price system is essentially an information processing mechanism and uncertainty can be defined as a lack of adequate information. It is international trade in a stable, liberal framework - in conjunction with international monetary arrangements providing for free convertibility of the major currencies - that connects national price systems into an international one...only the existence of a relatively unimpaired international price system makes it possible for rational individual economic decisions to be efficient from the social viewpoint as well" (Gatt 1984, pp. 18, 19).

Decisions and actions taken outside of the price mechanism, in both the domestic and the international contexts, do not make best use of the information embodied in prices, and will be necessarily less efficient, from an orthodox economics perspective, than those that incorporate all available information. Failure to use fully all available information creates inefficient decision-taking in an environment which becomes more uncertain than need be the case. While barter-like exchanges appear to provide expedient alternatives for the individual (agent, person or firm), their inefficiencies appear to impact at the broader economic and social level in that institutionalisation of these forms of exchange mechanisms postpones adjustments signalled by the market. That is "...it perpetuates existing distortions" (de Miramon 1985, p. 27). Institutionalisation of barter-like exchanges delays a response to the deficiencies identified in the market mechanism which led to the use of a non-market form of exchange to effect a transaction which, otherwise, would not have occurred. All forms of barter-like exchanges produce two general effects, 'a price distortion effect' and a 'currency-trade displacement' effect (Goldstein 1984).

While these effects, and the costs of institutionalised barter-like exchanges, are generally acknowledged, the view of advocates of these regimes is that reciprocal trade "...fundamentally remains a means to increase (world) trade...it is a means to improve opportunities although it introduces distortions in the process because the agreed-upon prices may not be market clearing prices" (Khoury 1984, p. 268). Cohen and Zysman (1986, p. 55) ask, "Have we, in fact, established a mercantilist suborder in a liberal system and justified it in the language of liberal trade... Perhaps managing trade (exchange) [1] relations more explicitly than in the past has allowed new players to enter...has allowed trade (exchange) to continue to expand...and has allowed dramatic changes in market advantage". Both at the domestic and international levels, managed exchange has developed and spread in response to imperfections in the liberal regime of market clearing, price determined transactions. Yet, institutionalisation of these alternative systems creates its own distortions; these alternative systems are somewhat enigmatic.

ECONOMIC THEORY AND THE EXISTENCE OF BARTER

The mere fact that non-monetary (barter-like) exchange systems have become entrenched in the Australian and other high income economies suggests that market imperfections exist. In this section, a number of imperfections are outlined. It is suggested that these imperfections represent sufficient conditions for barter and countertrade to exist simultaneously with monetary exchange. For the purposes of this section, it is convenient to distinguish between domestic community-based *Letsystems,* domestic business barter systems, and international countertrade. The former domestic systems are characterised by exchange of consumption goods or services whereas the latter are characterised by exchange of intermediate inputs. In international countertrade, all types of goods and services are exchanged, but the form discussed here, viz. sophisticated government mandated-countertrade is characterised by technology exchange. Both domestic systems, however, can be construed as providing a substitute system of credit that parallels the formal financial markets. The government mandated-countertrade instrument provides a more efficient exchange mechanism to effect the exchange of technologies, than does arm's length exchange.

Community-based Letsystems

In Australia, the development of *Letsystems* has been motivated by "...a desire to strengthen the local community, increase networking opportunities, utilise unemployed skills and overcome the limited resources and credentials of members" (Birch, Liesch and Yau 1994, p. 35). It is generally argued in the economics literature that the main advantage of monetary exchange over non-monetary exchange is that the former reduces transactions costs. These costs include costs associated with searching for exchange partners, the costs of 'higgling and haggling' over the appropriate rate of exchange of one good or service for another, the costs of enforcing contracts (for example, costs of redress when quality falls below that contracted either explicitly or implicitly in the exchange transaction) and information costs associated with determining the trustworthiness of co-transactors (North 1990). However, there is a tendency to assume that barter is always and everywhere inferior to monetary exchange on transactions costs grounds. This is a mistake because barter transactions are "...by no means difficult to achieve in a small community where everybody knows a great deal about everybody else's products and requirements" (Einzig 1949, p. 352). Transactions costs associated with exchange are low in close-knit social groups. Where *Letsystems* reflect a desire to build community ties and increase networking opportunities, transactions costs may be negligible. Thus, the main motivation for monetary exchange may be absent in *Letsystems.*

Utilising unemployed skills through *Letsystems* implies failures in the market for labour. Orthodox economics predicts that if unemployment emerges in an economy, then the wage rate will fall to such a level that all who wish to work can obtain a job at the 'going rate'. The fact that there are nearly 40 million people unemployed in the member countries of the Organisation for Economic Cooperation and Development (OECD) today, with many individual countries recording unemployment rates of around 10 percent of their labour force, indicates that there is market failure on a massive scale. A number of theoretical perspectives on unemployment can explain this fact.

First, unemployment can be interpreted as the outcome of chronic deficient demand that induces businesses to lay off workers regardless of what is happening to wages. This interpretation is associated with the so-called Keynesian approach to the analysis of mass unemployment. If businesses perceive slack demand for their products they may lay off workers rather than try to negotiate lower wages since there are costs associated with the process of negotiation. Furthermore, in most industrialised countries, wages are only a rela-

[1]The authors' insertion

tively small contributor to total costs of production, so very large reductions in wages would be necessary to maintain profitability of firms. Keynes (1936) also demonstrated that even if wages were to fall, a return to full employment could not be guaranteed because falling wages would be accompanied by further decline in demand for output, unless there was an export boom large enough to more than compensate for reduced domestic demand. Once people have been unemployed for some time they tend to lose their skills as workers and cannot easily be re-hired without training. This diminution of 'human capital' has been implicated in the persistence or hysteresis of high rates of unemployment in OECD countries (McCallum 1986). In times of recession, businesses are understandably reluctant to fund training schemes for unemployed workers.

Second, the existence of trade unions might create 'insiders' and 'outsiders' in the labour market. Insiders are those who have jobs and outsiders are those who do not have jobs, but are seeking them. Continuously increasing unemployment rates might have very little moderating effect upon wages if the insiders do not take outsiders into account in wage negotiations. A variation on this is the existence of internal labour markets characterised by relative permanency of the relationship between employer and employee, promotion from within and few points of entry (Doeringer and Piore 1985). New entrants into the labour force might find it very difficult to shift from the external to the internal labour market. The existence of internal labour markets is well accepted by labour economists today and helps explain why unemployment often impacts very heavily upon the young who have never had employment experience. Whatever the causes of persistent unemployment, it is not surprising that unemployed people get together to trade their skills among one another. If they are locked out of the labour market, then the *Letsystem* becomes a substitute 'labour exchange' that enables them to trade their own labour for consumption goods and services.

Utilising *Letsystems* to overcome limited resources and credentials of members implies failures in the capital market. Unemployed people may have very limited access to credit. They may have little to offer by way of collateral and the lack of regular paid employment may disqualify them for loans from banks and other financial institutions. For people whose spell of unemployment is not expected to be permanent, this is a clear case of market failure because if capital markets were perfect, unemployed people would be able to borrow against expected future income. There might also be discrimination in capital markets based upon race, sex or some other group characteristic. In these instances, *Letsystems* provide what might be described as a parallel credit system for those locked out of the formal markets. In *Letsystems*, individuals can run up debts (within limits) which are extinguished later by transactions in kind.

Business Barter Systems

The rationale for the rapid growth of business barter systems might be different from that of the *Letsystems*. Business barter systems can be construed as institutions specialising in reducing transactions costs and in providing a substitute credit market when interest rates are high.

It has been estimated that the total transactions costs of using monetary exchange markets in the US in 1970 was equivalent to 45 percent of gross domestic product. A century earlier, transactions costs amounted to only 25 percent of gross domestic product (Wallis and North 1986). This being so, there must be a substantial incentive in high income economies to reduce these costs. Among the important costs of using any form of exchange, including monetary exchange, are the costs of enforcing contracts and costs of gathering and processing information associated with determining the trustworthiness of potential co-transactors. Business barter systems emphasise the importance of reputation, an ancient device used for minimising such costs, although they still rely upon legal remedies as last resort. If a member of a business barter system dishonours obligations, there is a price to pay in terms of reputation (usually signalled by expulsion from the system). The threat to reputation may be a very powerful incentive to individual members to maintain integrity in their transactions. This means that business barter systems are cost-effective tools of debt management. All transactions are electronically recorded and the system manager acts as a clearing house for the netting out of transactions. An individual member firm only has to be concerned with its net credit or debit position in respect of the system as a whole. It can ignore the positions of all the specific buyer - seller pairs of which it is a member. (In passing, it is noteworthy that general practitioners and other professionals who are members of *Letsystems* probably find them a very effective mechanism for minimising bad debts.)

Business barter systems may also be a lower cost alternative for businesses requiring working capital. Arranging overdraft facilities through the banking system is costly because of interest and other fees charged. Acquiring inputs via barter can alleviate the need to maintain or extend overdraft arrangements. The transaction charge incurred through a business barter system is low, especially compared to today's market rates of interest. Furthermore, business barter might be the only mechanism that offers credit to some businesses in times of high interest rates owing to the phenomenon of 'equilibrium' credit rationing. Even if financial markets are working efficiently, at high interest rates, many businesses might be locked out because banks cannot distinguish between good and bad risks. When interest rates rise, some borrowers will substitute low return - low risk activities with high return - high risk activities, but the problem for banks is that they do not have enough information to distinguish between the two types of business. Consequently, some firms which do not make the substitution will be denied access to loans (Stiglitz and Weiss 1981, 1992). Firms may then seek to offer goods through the barter system as a substitute for short term loans. Therefore, business barter systems can be seen as a non-monetary, market-based antidote to a failure of the formal financial system in times of high interest rates. Those businesses that would make the high return - high risk substitutions if they could get credit in the formal financial market would possibly be deterred from moving into the barter system by virtue of its reliance on reputation as a sanction against risky or dishonourable behaviour.

International Countertrade: Government Mandated-Countertrade

A common objective of many of the more sophisticated variants of government mandated-countertrade policies practised by Western governments, including the Australian government, is that of encouraging the transfer of advanced technologies, skills and capabilities from technology-rich foreign suppliers of government-funded purchases to local firms (Liesch 1991). Why does not the process of commercialisation of the market for technology ensure willing buyers will search out willing sellers and agree upon a price to conclude a transaction at arm's length?

Technologies have particular characteristics that render conventional marketplace arm's length exchange difficult, and often, impossible. The initial development costs far exceed the marginal cost of making that technology available to other parties. This is not to infer that the costs of effectively communicating knowledge (technology) are insignificant; these costs are often prohibitive. The effective transfer of technology is far more complex than its mere availability. Commensurate with this complexity is the array of commercial activities that has stemmed from the commercialisation of technologies which has required legally enforceable restrictions to be placed on their exchange. The net effect has been a 'market' that is imperfect, with monopoly profits for firms with a competitive advantage in knowledge production, and with buyers attempting to capture some part of the rents created.

In addition, technology (knowledge) depreciates over time, requiring that for knowledge-producing firms to appropriate returns, proprietary rights must accompany these technologies. This is the appropriability problem in that once secondary parties gain access to knowledge, the originator's return is reduced. While uncertainty is a feature of all markets, uncertainty characterises technology exchanges. In particular, technology suffers from "...the classical property of asymmetrical access by the potential parties to a transaction to knowledge about its expected payout" (Caves, Crookell and Killing 1983, p. 250). Opportunism is a feature of the process of negotiation in closing-off transactions when these features are exhibited. Hence, it is implicit in this discussion that an alternative organisational form to arm's length marketplace exchange might exist through which technologies might be transferred. It is possible that this alternative might be more efficient than are markets, as a result of the breadth and pre-eminence of the various imperfections in these 'markets' (Liesch 1993). The unifying concept in determining the nature of this organisational form is that of transactions costs. These are all of those costs "...associated with an economic exchange that vary independent of the competitive market price of the goods or services exchanged" (Robins 1987, p. 69). Calvet (1981, p. 53) writes, "In pure markets, transactions among individuals or groups are carried out at arm's length...In hierarchies, transactions take place among individuals or groups that are linked via an authority relation (...The authority relation gets its legitimacy from ownership rights)... markets and firms can be considered as two extreme modes of organising economic transaction. (Needless to say, many exchanges fall somewhere in between these two modes...)".

Technology is often best exchanged through hierarchial organisational forms, i.e. it is often internalised within an organisation, and sometimes new organisations are established to retain commonly used (and developed) technologies within the organisation. The processes of bureaucratic governance are called upon to ensure efficient hierarchial exchange. When this governance structure is enforced by government fiat, as it is in the specific case of international technology transfer, introduced here, it is termed government mandated-countertrade. Government mandated-countertrade is the most sophisticated form of reciprocal exchange conducted at the international level.

CONCLUSIONS

Formalised systems of reciprocal non-monetary exchange exist in Western economies alongside economic systems which are organised according to the dictates of the price mechanism in market exchange. This is somewhat enigmatic. Yet, on closer enquiry, the puzzle is unravelled. The existence of both types of domestic barter systems, viz. community-based *Letsystems* and business-based systems, and of sophisticated government mandated international countertrade can be explained by failures in the orthodox market systems to effect efficient outcomes from the perspectives of the transactors. Imperfections in the markets for labour (motivating *Letsystems*), for capital (motivating business barter systems), and for technologies (motivating many applications of government mandated international countertrade), unravel the puzzle. While these systems might introduce distortions of their own into the more widely used systems of monetary exchange, they exist in response to market distortions, and they appear to have become institutionalised.

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A MODEL FOR PREDICTING BRAND CHOICE FROM PRICE EXPECTATIONS, POINT OF PURCHASE PRICE COMPARISONS, AND STORE ENVIRONMENT

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ABSTRACT

Past studies have mainly used discrepancy between the actual price paid and internal price expectation based on past prices to explain brand choice. In addition to using this discrepancy, the present paper uses the point of purchase or current price comparison between competing brands, and store environment variables such as displays and features to predict brand choice. Further, a new conceptualization of internal price expectation is offered. Thus, this paper attempts to shed light on the controversy over the extent to which consumers use internal and external price information in purchase decisions.

INTRODUCTION

When making purchase decisions, consumers compare brand prices with a base or reference price. This price is usually referred to as reference price. Reference price as a construct has been conceptualized in a number of ways and has been given different names such as standard price (Monroe 1973), anticipated price (Winer 1986), acceptable price (Urbany and Dickson 1990), and expected price (Urbany and Dickson 1990, Kalwani et al 1990). Some questions related to internal and external sources of price information used in consumer purchase decisions are: Do consumers use internal or external price standards in making purchase decisions? To what extent do consumers develop internal standards based on past prices or use external sources of price information at the point of purchase in making brand choice? (Klein and Oglethorpe 1987). Also, how do consumers develop an internal price standard based on past purchases: the last purchase, the average of last few purchases, weighted average, or a weighted average with exponentially reducing weights or by some other means. This study addresses these issues.

We propose a brand choice model that uses internally developed price expectations, point of purchase sources of price information and store environment as explanatory variables. The internally developed price expectations are in turn predicted by specifying another model using the highest price, the lowest price, and the most frequently paid price paid, in addition to the extent to which the consumer makes deal purchases and the type of store as explanatory variables. Previous studies have either included the use of past price information (Winer 1986, Gurumurthy and Little 1987, and Kalwani et al 1990) or the use of point of purchase price information (Jacobson and Obermiller 1987, Urbany and Dickson 1990, Dickson and Sawyer 1990) by consumers. In this paper, we include both price expectation based on past price information and point of purchase price information in addition to store environment to predict brand choice. We further provide a new conceptualization of price expectation, based on past prices, that uses price ranges. A model is estimated using UPC scanner panel data for a frequently purchased product category, ground coffee.

LITERATURE REVIEW

There is evidence that supports the view that consumers form expectations (Kalwani et al 1990) or anticipate (Winer 1986) prices, compare them to observed prices and develop rules based upon discrepancy (Raman and Bass 1987, Gurumurthy and Little 1987). On the other hand, evidence showing that consumers use price information at the point of purchase in deciding whether to purchase a product (or current price information) has also been found (Jacobson and Obermiller 1987, Urbany and Dickson 1990, Dickson and Sawyer 1990). This is particularly true with the volatility of prices due to inflation and frequent use of price promotions (Dickson and Sawyer 1987). However, few studies incorporate both internally formed prices and the use of point of purchase price information. In this study, we predict brand choice using both the internally developed price expectation and the point-of-purchase price information.

Internally formed price expectation has been conceptualized in a number of ways. Kalwani et al (1990) defined the expected price as the price consumers expect to pay for a brand on a given purchase. Winer (1986) defined anticipated prices as prices against which consumers compare observed prices. He did not clarify how they were different from the other conceptualizations. Kalwani et al (1990), however, clarified that their (Kalwani et al's) definition of price expectation coincided with fair price (Kamen and Toman 1970, Thaler 1985) in most cases, and when it did not, consumers make their decisions based on their definition of expected price. Urbany and Dickson (1990) defined expected and acceptable prices, where acceptable prices were prices that the consumers were willing to pay. They clarified that an expected price could change from being acceptable to being unacceptable due to factors such as budget constraints. Other conceptualizations such as aspiration prices, price one would like to pay and the most one would ever pay (Klein and Oglethorpe 1987) have also been made. We conceptualize the internal price standard developed by consumers as Kalwani et al (1990) and Urbany and Dickson (1990) have and call it the price expectation of the consumer.

Internally formed price expectation has been operationalized in a variety of ways such as the last price paid (Uhl and Brown 1970), a time series forecast of past prices (Raman and Bass1987), a weighted average of the last two purchases (Winer 1986), a weighted average with exponentially decreasing weights (Gurumurthy and Little 1987). It is commonly recognized that consumer internal price standards exist in ranges rather than in points (Monroe 1973, Klein and Oglethorpe 1987, Urbany and Dickson 1990). This, among other reasons, is due to consumers being uncertain about what prices to expect and having quality and budget limits. Given evidence that consumers form price ranges (Monroe 1973), we propose another method of operationalizing the use of past purchase information. We propose that the price expectation is formed out of the highest and the lowest prices paid by the consumer as well as the price most frequently paid. In addition to these past purchase variables, the extent to which purchases are made on deal, and the type of store are expected to influence price expectation. This operationalization of the past price information comes out of findings that a relatively small percentage of consumers recall the exact prices that they have paid for a brand purchased last (Urbany and Dickson 1990). Due to the increased frequency of price promotions used by manufacturers (Dickson and Sawyer 1986), the use of price ranges for remembering price information is even more plausible (Uhl and Brown 1970).

Applying assimilation-contrast theory (Sherif 1963), if the price is viewed to be very low, it will be contrasted and may be remembered better (Dickson and Sawyer 1990). Hence in the aggregate, a special price may be recalled better than a regular price. This notion is also based on the premise that anything out of the usual in a choice environment will attract attention (Dickson and Sawyer 1990) and should be retained better. The arguments applicable to prices that are viewed as low should also be applicable to prices that are viewed as high. Consumers are expected to get conditioned to a particular price as they make more purchases at that price. Thus, the price most frequently paid should influence price expectations. In our conceptualization, the time horizon for the highest and the lowest prices should be reasonable for consumers to remember the highest and lowest prices they have paid in the past. For frequently purchased product categories, a time horizon of the last ten purchases made seems to be reasonable. This corresponds to about one year for the average consumer in a product category such as coffee.

The extent to which the product has been purchased on deal is also expected to determine the price expectation. When a brand is price promoted frequently, consumers' expectation of the future price (Urbany and Dickson 1990) is lowered. Thus, simple expectations of future prices (for example, "this might go on sale next week") fundamentally influence the buyers' willingness to pay the current price. Consumer response is also influenced by the disparity between reference price discount (Lattin and Bucklin 1988) formed on the basis of past purchases and the actual status of the brand. It is important to distinguish the individual experience of consumers from the fact that a manufacturer or a retailer had a deal on during a particular time period. Hence, the proportion of deal purchases of the product by the consumer seems more relevant than simply the percentage of times the brand has been on deal. It should be realized that this variable is not directly under the control of manufacturers or retailers.

The type of store where purchases are made has been found to affect expected price (Kalwani et al 1990). Customers generally expect to pay different prices in different stores (Thaler 1985). For example, they may expect to pay a slight premium when shopping at a convenience store. Kalwani et al (1990) found the type of store to significantly affect price expectation. In a different but related context, Puto (1987) found that consumer determination of fair price was subject to contextual mediation. For example, one considers a higher price appropriate for the same items in a restaurant than in a grocery store (Jacobson and Obermiller 1987). We extend these results and hypothesize that the type of store affects the perception about the general range of prices in the store and hence the price expectation.

In summary, price expectation is modeled as a function of the highest price paid, the lowest price paid, the price most frequently paid, the extent to which purchases are made on deal, and the type of store where purchases are made. The role of internal price standards in brand choice is measured by the difference between the price expectation and the actual price of the brand. The use of point of purchase information is measured by the actual price of the brand, and the differences in price between the brand under study and the individual competing brands. In addition to these internal and point of purchase sources of information, we incorporate store environment variables such as promotion and signaling of price reduction through displays and features for the brand under study.

We illustrate our framework with an example of a frequently purchased product category, soft drinks. While purchasing a six pack of cola, the price that a consumer would expect to pay for a six-pack of Coke or Pepsi would depend on the highest price and the lowest price paid by the consumer, say $1.99 and $.79 respectively as well as the price most frequently paid for a six pack, say $.99. In addition, the expectation would depend on the extent to which the consumer has bought six packs on deal in the past and the type of store where the purchase is made. In our brand choice model, the probability of purchasing say Coke depends on the extent to which the current price of Coke differs from the price expectation, the actual price of the six pack of Coke, the difference between six-packs of Coke and Pepsi, and whether displayed or featured.

MODEL SPECIFICATION

Brand Choice Model

We use a linear-in-parameters multinomial logit model to predict the brand choice of a consumer. We assume that each consumer k has a feasible choice set C_k with a fixed number of alternatives. Customer k's utility for the purchase of a choice alternative i on the n^{th} purchase occasion $U_{ik}(n)$ is given by,

$$U_{ik}(n) = V_{ik}(n) + \epsilon_{ik}(n)$$

where $V_{ik}(n)$ is the deterministic component of utility obtained from observed variables and $\epsilon_{ik}(n)$ is the random component of utility varying from one purchase occasion to another. The probability that a choice alternative i is chosen is given by

$$p_{ik}(n) = \Pr [U_{ik}(n) >= U_{jk}(n), \text{for all j belonging to } C_k$$

that is, consumer k will choose the brand with the highest utility. Assuming that the disturbance terms are independently and identically distributed with a double exponential (Gumble type II extreme value) distribution.

$$F(\epsilon) = \exp[-\exp(-\epsilon)]$$

then consumer k's choice probability of alternative i is given by

$$p_{ik}(n) = \frac{\exp [V_{ik}(n)]}{\sum_{j \epsilon C_k} \exp [V_{ik}(n)]}$$

The deterministic component of the utility that the consumer k derives from the purchase of a given choice alternative is a function of the difference between the observed price for the alternative i and the price expectation derived form the price expectations model, the price of brand i , the difference in price between brand i and each one of the other competing brands, whether brand i is displayed or featured. Specifically, we represent the deterministic component of the utility (assuming there are four brands in the category) as

$$V_{ik}(n) = \beta_0 + \beta_1 [PE_{ik}(n-1) - P_{ik}(n)] + \beta_2 P_{ik}(n) + \beta_3 [P_{ik}(n) - P_1(n)] + \beta_4 [P_{ik}(n) - P_2(n)]$$
$$+ \beta_5 [P_{ik}(n) - P_3(n)] + \beta_6 [P_{ik}(n) - P_4(n)] + \beta_7 DIS_i(n) + \beta_8 FEA_i(n)$$

where

β_0 = brand specific constant for alternative i

$P_{ik}(n)$ = actual price paid or retail price observed by consumer k for brand i on the nth purchase

$PE_{ik}(n-1)$= Price expectation for consumer k derived form the price expectations model

$P_1(n)$ = retail price paid for brand 1

$P_2(n)$ = retail price paid for brand 2

$P_3(n)$ = retail price paid for brand 3

$P_4(n)$ = retail price paid for brand 4

$DIS_i(n)$ = 0-1 variable denoting the presence of a display on purchase occasion n

$FEA_i(n)$ = 0-1 variable denoting the presence of a display on purchase occasion n

We expect a positive sign for β_1, β_7 and β_8, and a negative sign for β_2, β_3, β_4, β_5 and β_6.

Price Expectation Model

We specified the price expectation of consumer k for brand i as a function of the highest price paid, the lowest price paid, the price most frequently paid, the extent to which the product was bought on deal, and the store from which purchase made. Specifically, the price expectation was modeled as

$$PE_{ik}(n) = \alpha_0 + \alpha_1 P_k^U(n-1) + \alpha_2 P_k^L(n-1) + \alpha_3 P_k^F(n-1) + \alpha_4 EDP_k + \alpha_5 STO1_k(n) + \alpha_6 STO2_k(n) + \alpha_7 STO3_k(n) + \mu_{ik}(n)$$

where,

$PE_{ik}(n)$ = price expectation for consumer k on the nth purchase

$P_k^U(n)$ = highest price paid by consumer k for the product in the last one year prior to the nth purchase

$P_k^L(n)$ = lowest price paid by consumer k for the product in the last one year prior to the nth purchase

$P_k^F(n)$ = price most frequently paid by consumer k for the product in the last one year prior to the nth purchase.

EDP_k = extent to which category purchases are made by consumer k on deal for the product in the last one year prior to the nth purchase

$STO1_k(n)$ = 0-1 variable denoting a purchase by consumer k from store 1

$STO2_k(n)$ = 0-1 variable denoting a purchase by consumer k from store 2

$STO3_k(n)$ = 0-1 variable denoting a purchase by consumer k from store 3

We expect a positive sign for α_1 and α_4 , a negative sign for α_2 and α_3, and α_5, α_6, α_7 to be different.

MODEL ESTIMATION

While estimation of the brand choice model is normal, we find that price expectation is a variable that is unobservable. We use an estimation approach in which we can replace the unobservable variable with a substitutable observable variable. This approach is based on the rational expectations hypothesis formulated by Muth (1961) and has been used by Winer (1986) and Kalwani et al (1990). He argued that people who make economic decisions tend to take into account all available information. Therefore, to assume that they create expectations only on the basis of past information is unrealistic. He further suggested that "expectations, since they are informed predictions of future events, are essentially the same as the predictions of the relevant economic theory". That is, an economic agent such as a consumer would make use of all the information available in forming the expectations, and over time the expectations or predictions should be as accurate as (or an unbiased estimate of) the true value. In the price expectations context it means

$$P_{ik}(n) = PE_{ik}(n) + v_{ik}(n)$$

with $E[v_{ik}(n)] = 0$. On the basis of the rational expectations hypothesis, we assume the expectations to be different across consumers and unbiased over time or purchase occasions. There is considerable evidence that consumers behave in a manner consistent with the rational expectations hypothesis (Kalwani et al 1990). In marketing this hypotheses has been used to show that discrepancies between expected prices (Kalwani et al 1990) or reference prices (Winer 1986) and observed prices adversely affect brand choice. In our study substituting for expected price information in equation 4, we get

$$P_{ik}(n) = \alpha_0 + \alpha_1 P_k^U(n) + \alpha_2 P_k^L(n) + \alpha_3 P_k^F(n) + \alpha_4 FOP_i + \alpha_5 STO1_k(n) + \alpha_6 STO2_k(n) + \alpha_7 STO2_k(n) + v_{ik}(n)$$

Because the combined disturbance term $\mu_{ik}(n) + v_{ik}(n)$ still has a zero mean, we use an ordinary least squares regression approach. It may be highlighted that we estimate the expected price of choice alternative i at purchase occasion n by using only information prior to that purchase occasion.

DATA ANALYSIS

We used the IRI scanner panel data for coffee for a three year time period for model estimation and validation. Coffee is a frequently purchased product category that is actively marketed by both manufacturers and retailers which makes it a good category for testing a choice model (Guadagni and Little 1981). Urban and Hauser (1993) divide the coffee market into six categories: ground, instant caffeinated /decaffeinated, and within instant freeze dried and non freeze dried. Using this division, we found that in our data set, ground coffee accounted for about 70% of the total coffee purchases. Further, the 16 oz coffee cans accounted for about 75% of the ground coffee purchases. Together, the 16 oz ground coffee segment accounted for a substantial part of the total coffee market. Also, four brands account for a large proportion of purchases.

We carried out our analysis on the 16 oz ground coffee market. We also deleted all the panelists with fewer than eight purchases in a year. This was done to ensure that panelists had a sufficient number of purchases to have a range and remember prices. The resulting panel consisted of 272 households with over 3250 purchases in 52 weeks. The price expectations model was estimated for the 272 panelists using their past purchase history to determine the individual variables such as maximum, minimum, and most frequently paid prices, and the extent of deal purchases. The results of the estimation of the price expectations model are shown in **Table 1**. The tests for the violation of the assumptions of OLS showed that none of the assumptions were critically violated.

The model was found to be significant overall (F = 11.008 with 264 d.f) with an R^2 of 0.2272. Of the seven variables, the two store variables STO2 and STO3 were found to be significant at a 1% significance level. Stores 2 and 3 are national chains whereas Store 1 is a regional chain. It is likely that consumers might perceive the national chains to offer better prices and promotions which might result in lower price expectations. However, our conceptualization of internal price expectations based on past purchase history was not found to be significant. It was evident that in the estimation of the price expectations model, the significance of the price variables depends upon the time period over which consumers are assumed to remember both extreme prices and the most frequently paid prices.

The predicted price expectations based on the coefficients obtained from the price expectations model were used in the brand choice model. In the brand choice model we had three sets of variables:

* **the price discrepancy**: the difference between the price expectation and the actual price of the brand,

* **the current price information:** the actual price of the promoted brand, and the price difference between the brand under study and each of the competing brands, and

* **the store environment:** whether the brand is displayed and featured.

We found that the five variables measuring current price information had severe multicollinearity (Conditional Indices greater than the limit of high collinearity as given by Kleinbaum, Kupper, and Muller 1988). As suggested by Kleinbaum, Kupper and Muller (1988), we overcame this problem by carrying out a principal component analysis on the five variables. We found that only one of the principal components had a eigen value greater than one ($\lambda_1 = 4.21$) and that explained 83% of the variation in the five variables. We retained this component on the criterion of eigen values greater than unity (Green 1978). The principal component was called PRIN1.

The brand choice model was estimated using the discrete choice estimation procedure of the limited dependent variable software LIMDEP. For the brand choice model, the total sample was divided into a calibration sample of 136 households and a hold out sample of 136 households. We estimated seven models, three with price discrepancy (M1), PRIN1 (signifying current price information (M3), and the store environment variables (M2), three with two of them taken at a time (M4, M5, M6) and one with all three variables included in the model (M7). The results of the estimation are given in **Table 2**.

The estimation results showed that the results were fairly stable. The models M1, M2, M3 with the three variables included separately showed that all the three variables were significant (the significance of coefficients in logit is similar to that in regression and is determined using t-tests). The program offered two goodness of fit measures: the log likelihood ratio and the chi-square statistic. Using the log likelihood ratio and the log likelihood ratio with dummy variables, we calculated the U^2 which is an equivalent of R^2 in regression analysis. It was found that while the U^2 with the price discrepancy variable and the current price information variables was about the same, the store environment variables offered a much higher U^2 (0.401). When variables were added to the model, it was found that all variables other than displays were not significant. The improvement in the goodness of fit and U^2 was also marginal.

To test how well the models predicted brand purchases in the hold out sample during the same time period used in the calibration, we used coefficients from each model (estimated on the calibration sample) to predict the purchase probabilities for the four brands. The brand with the highest purchase probability was taken as the prediction. The percentage of correct predictions was given by the hit ratio. The hit ratios for the seven models are given in **Table 3**. Again, it was seen that models which included displays as a variable offered best validation results.

Thus, from estimation and validation of various models it is clear that the model with price discrepancy and store environment offers the best results in terms of parsimony, U^2, goodness of fit, and predictive validity (hit ratio).

DISCUSSION

The model and estimation carried out in this study have clear limitations. Various marketing activities carried out by manufacturers and retailers such as advertising, couponing, and price discounts that influence purchases have not been included in this framework, due to the non-availability of this information in our data base. Another limitation is that we have used one data point for each individual in our estimation. While we could have added more data points per individual, in the price expectations model it would probably have generated similar observations (due to the nature of our variables), without generating any incremental variation. Further, the use of principal component analysis means that we do not estimate individual coefficients for the current price information variables. This is reasonable as we are interested in determining the impact of current price information as a whole. We concede that it would have been useful to have determined the individual coefficients. Finally, the models need to be tested on other product categories in addition to coffee.

Brand choice at an individual level is important as it determines the eventual market share of competing brands. This study offers both research and managerial implications. Here, we tested a new conceptualization of internal price expectations based on past purchase history. It appears that consumers do not seem to form their internal price expectation based on the maximum, minimum, and the most frequently paid price. The earlier conceptualizations (Winer 1986, Kalwani et al 1990, Raman and Bass 1987) could also be tested using these models. Also, with this data set it appears that consumers do not compare prices at a retail store and even if they do, it doesn't affect their brand choice significantly. This in itself is an important finding. However, it would be interesting to test the same conceptualization on other product categories and also identify other ways of conceptualizing current price information. In addition, some manufacturer and retailer controlled variables such as coupons, price discounts, and advertising can be incorporated by using different data bases.

In this model, we have tested the model across all consumers. It would be interesting to find out whether the model behaves in a similar manner across consumers. Do brand loyal users and brand switchers exhibit similar behavior in terms of this model? If they don't then price and promotion strategies for targeting these segments could be different. The extent to which consumers base their choices on internal and current price information has different implications for marketers. If internal price expectations are used, then manufacturers would want to highlight past prices in their pricing and promotional strategies. For example, "Regular price $30, Sale price $15". On the other hand, if current price information were important, then price information, particularly low price information would be emphasized. As noted in earlier studies (Urbany and Dickson 1990) it would be a good idea to signal low prices with displays and/or features. The results show that the type of store whether (national or regional) influences price expectation. If this be the case, the promotional strategies for the two kinds of retail stores could be different. Finally, the significance of displays confirms results obtained by earlier studies and experience of marketers.

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TABLE 1
ESTIMATION OF THE PRICE EXPECTATIONS MODEL

VARIABLE	PARAMETER ESTIMATE	T-VALUE
INTERCEPT	268.91[a]	5.761
MAXPR	0.0689	0.494
MINPR	-0.075	-0.806
FRPR	0.0566	0.286
EDP	2.4636	0.940
STO1	-42.629	-1.429
STO2	-71.364[a]	-2.398
STO3	-81.122[a]	-2.696
F	11.088	
R^2	.2272	

a = significant at $\alpha = .01$
b = significant at $\alpha = .05$

Legend:

MAXPR = maximum price paid
MINPR = minimum price paid
FRPR = most frequently paid price
EDP = extent of deal purchases
STO1 = purchases made at store 1
STO2 = purchases made at store 2
STO3 = purchases made at store 3

TABLE 2
ESTIMATION OF THE BRAND CHOICE MODELS

	M1	M2	M3	M4	M5	M6	M7
D1	.064 (.016)	-.05 (.144)	.095 (.236)	.402 (.237)	.090 (.208)	.110 (.250)	.110 (.250)
D2	1.51 (4.51)	.780 (2.78)	1.61_a (4.64)	1.607_a (4.36)	$.961_b$ (2.48)	$.986_b$ (2.45)	$.987_b$ (2.44)
D3	-2.28 (5.16)	-1.25_a (2.49)	-2.30_a (5.18)	-2.30_a (5.18)	$-.134_b$ (2.57)	-1.35_b (2.58)	-1.36_b (2.58)
DISCR	$-.035_a$ (5.033)			-.006 (.022)	-.006 (.677)		-.0007 (.022)
PRIN1			$-.017_a$ (5.42)	-.016 (1.27)		1.003 (.714)	-.003 (.226)
DIS		2.61_a (5.71)			2.508_a (5.251)	2.50_a (5.24)	2.50_a (5.24)
FEA		-.589 (1.10)			-.672 (1.22)	-.69 (1.25)	-.692 (1.24)
LL	-134.74	112.10	-133.97	-133.9	-111.6	-111.6	-111.8
LL0	-187.1	-187.1	-187.1	-187.1	-187.1	-187.1	-187.1
U^2 goodness of fit	0.28 104.82	0.401 150.10	0.284 106.35	0.284 106.3	0.404 150.5	0.404 150.6	0.404 150.61

a = significant at $\alpha = .01$
b = significant at $\alpha = .05$

Legend:
D1, D2, D3 = Brand Specific dummy variables for brand 1, 2, and 3 respectively.
DISCR = Price discrepancy between the price paid or observed and price expectation
PRIN1 = Principal component based on current prices
DIS = Dummy variable for display for the brand
FEA = Dummy variable for feature for the brand

TABLE 3
VALIDATION ON THE HOLD-OUT SAMPLE

	M1	M2	M3	M4	M5	M6	M7
0	46	39	97	45	39	60	39
1	90	97	39	91	97	76	97
%	66.17	71.32	28.67	66.91	71.32	55.88	71.32

0 = wrong prediction
1 = right prediction

COUNTERTRADE: A REVIEW AND DISCUSSION

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ABSTRACT

The exchange of goods for other goods rather than for money is on the upswing. This paper reviews the types of countertrade and the impact it has on multinational firms and developing countries. The importance of countertrade and some of its disadvantages are discussed. Marketing management strategies are suggested for implementation of countertrade.

The use of countertrade in international commerce has become more widespread over the past decade than in previous years. In addition to global expansion, countertrade formats have evolved to meet the needs and repayment capabilities of trading parties. In the 1980s, countertrade transactions were mainly a vehicle for financing trade turnovers with developing countries. In the 1990s, the practice is emerging as a vehicle for financing capital projects and production-sharing ventures, for ensuring the repatriation of profits from investments in countries beset by external debt and hard currency shortages, and for competitive bidding on major nonmilitary government procurement (Verzariu 1992). Countertrade represents about 30% of world trade, and projections indicate that by the year 2000 it may reach 50% of world trade (Reisman, Aggarwal, and Fuh 1989).

The products most frequently countertrades appear to be aerospace parts and products, industrial equipment, communications and electronics products, transportation equipment, and chemical products (Bussard 1984; Huszagh and Barksdale 1986; Bates 1986). The services industry also has implications for countertrade. Areas such as hotels, car rentals, mass advertising media, and proprietary schools have high countertrade potential (Reisman et.al. 1989). Major areas served by countertrade service organizations are the Asian-Pacific region, Eastern Europe, Western Europe, the Middle East, Central America, and North America (Palia 1990).

Countertrade is a practice whereby a supplier commits contractually as a condition of sale to reciprocate and undertake certain specified commercial initiatives that compensate and benefit the buyer. The oldest form of countertrade is barter which involves the direct exchange of goods and services for others of equivalent value. Bartering is based on the premise that everything has value to someone, that one person's junk is another person's treasure.

Forms of Countertrade

There are several forms of countertrade. The most common are: 1) barter/swaps, 2) counterpurchase, 3) buy-back/compensation, 4) switch trade, and 5) offsets.

Barter is characterized by a one-time transaction that involves a direct , simultaneous exchange of goods and /or services between trading partners. If goods are bartered to save on transportation costs, the arrangement is called a swap. Barter transactions are popular when international currency systems are in disarray. These transactions were rare in earlier times except for trade within the Communist bloc, trade among Developing Countries (Dcs), and trade between Dcs and the Communist bloc (Palia 1993).

Counterpurchase is an agreement by the initial exporter to buy a specified value of goods from the original importer during a specified time period. Counterpurchase typically involves two separate contracts: one for the principal purchase and one for the counterpurchase. For example, Aveling Barford, based in Grantham, England, is selling three models of Kawasaki wheel loaders of 2.4-4.5 cubic meters capacity under its own name. Under the agreement, Kawasaki will take the British company's rigid dump trucks (Garnett 1988).

Buy-back/Compensation is an agreement by the original exporter to accept as full or partial payment products manufactured by the original exported product. This type of countertrade is applicable for the construction and supply of plant and equipment, such as mining machinery, oil refineries, and steel mills. The exporter is paid in material produced from the resulting facility, ie. ore, refined petroleum or steel. A characteristic of this form of countertrade is its long term aspect (Finley 1985). Sulong (1988) reported a compensation agreement between PALMCO Holdings, Malaysia's biggest palm oil refiner, and KAO Corporation, the Japanese detergents and chemical group. The $70 million joint venture was to produce high-value palm oil byproducts in Malaysia. KAO will take 60% of the output for its own use in the manufacture of detergents, paints, cosmetics, and toiletries. Since this type of agreement finances construction of new production capacity, it insures continuity in the export flows on which repayment flows are based. Consequently, they may represent a potential means for recourse by the financing institution to the project's proceeds, as well as a legal mechanism that could enhance the opportunity for liquidating debt in case of default (Verzariu 1992).

Switch trading refers to the use of specialized, third-party trading house in a countertrade agreement. The third-party house buys the selling company's counterpurchase credits and sells them to another company that can use them better. If a company in one country has credits it cannot use, it may use that excess to satisfy the obligations of one of the two bilateral clearing agreement partners. The obligations of that company are simply switched to another partner.

Offsets are a range of industrial and commercial compensation practice, including barter, counterpurchase, buy-back/compensation, and switch trade. Their distinguishing characteristic is that they are required as a condition for the purchase of military related exports. Such exports include foreign military sales by the government and commercial sales of defense articles and defense services.

Importance of Countertrade

Even those who are concerned about the practice of countertrade agree that it performs an economically beneficial role by supplying some nations with scarce materials, marketing and manufacturing skills. Countertrade can be an efficient way of overcoming handicaps and distortions in economies that are rigidly controlled (Lohr 1988).

Countertrade is mandated in 80 countries by their government. Seventy percent of all countries in the world do not have either convertible currencies or sufficient cash flow to pay for imports. Consequently, to the U.S. where the trade deficit has been more than $100 billion, and where American bankers have developed an antipathy for financing international deals, countertrade could play a significant role in expanding exports and helping American industry weather the current economic storm (Gilbert 1992). Approximately 20% of U.S. exports involve countertrade. As countertrade becomes greater in America's competitor nations , companies must agree to it and make a sale, or politely refuse and let someone else get the business.

Companies involved in countertrade frequently have enjoyed a variety of marketing, financial, and manufacturing advantages that have resulted in increased sales, increased employment, and enhanced company competitiveness. By accepting goods and services as payments instead of cash, countertrade participants have been effective in : 1) avoiding exchange controls, 2) selling to countries with inconvertible currencies, 3) marketing products in less-developed, cash strapped countries (with centrally planned economies) that could not make such purchases otherwise, and 4) reduced some of the risks associated with unstable currency values (Huszagh and Barksdale 1986). In overcoming these financial obstacles, countertrading firms have been able to enter new or formerly closed markets, expand business contacts and sales volume, and dampen the impact of foreign protectionism on overseas business .

Forker (1992) researched purchasing professional's views on countertrade to see if differences existed between firms that had\ not had countertrade experience, Her findings revealed that experienced countertraders held stronger opinions about the positive aspects of countertrade than those with no experience. Consequently, countertrade participants are in stronger agreement with its advantages and stronger disagreement with its weaknesses. Additionally, firms that participate in countertrade are larger than those who do not participate. This may signify that size may be an important determinant of countertrade success as larger firms may be able to absorb or avert the risks that countertrade poses.

Forker's (1992) final finding was that firms experienced in countertrade made more international purchases. Moreover, their greater participation in international procurement may present these firms greater opportunity to engage in countertrade.

Countertrade has engendered good will with foreign governments concerned about their trade balances and hard currency accounts. Furthermore, Western participants in countertrade have enjoyed fuller use of plant capacity, larger production runs, and reduced per-unit expenses due to the greater sales volume (USITC 1985). Their expanded sales contacts abroad have sometimes led to new sources of attractive components and, at other times, to valuable outlets for the disposal of declining products (Neale and Shipley 1988, 1989). Countertrade has opened up many opportunities for American firms willing to become involved in it.

Disadvantages of Countertrade

Experienced companies have encountered a number of problems when dealing with countertrade. Negotiations tend to be longer and more complex than conventional sales negotiations. Moreover, the negotiations must be conducted with at times powerful government procurement agencies that enjoy negotiating strength (Busssard 1984; Bates 1986; Neale and Shipley 1988) . Additional expenses in the form of brokerage fees and facilities, other transaction costs, and higher procurement costs reduce the profitability of countertrade deals (Huszagh and Barksdale 1986; Neale and Shipley 1989).

Bussard (1984), Huszagh and Barksdale (1986) and Neale and Shipley (1989) have reported that there have been difficulties with quality, availability, and disposal of goods taken as payback. In addition, countertrade introduces pricing problems associated with the assignment of values to products and/or commodities received in exchange. Commodity prices can vary over lengthy negotiations and delivery periods, and trading partners may differ as to the worth of particular products. Consequently, these drawbacks result in higher risk and greater uncertainty about the profitability of a countertrade deal.

Technology transfer requirements, local procurement conditions that favor local suppliers, and rigidities are major concerns in offsets. The result for Western firms is often increased competition and some offset requirements divert a Western firm's resources to less than optimal suppliers.

Marketing Management Strategies

Marketing managers can seek out countertrade opportunities to use them as ways for business expansion that is driven by a desire for vertical or horizontal diversification, or simply for increasing sales. Reisman et.al. (1992) have discussed expansion in terms of Likelihood of Profitable Countertrade (LPC). They believe that countertrade can allow a company to diversify easily into directly or indirectly related markets. Furthermore, they suggest some factors in considering countertrade. The first faction is the Marginal Cost Ratio (MCR). This ratio is defined as the marginal cost of producing and marketing one more unit of a good or service for the purpose of countertrade, divided by the total cost of producing and marketing the product if countertrade did not create any new demand. For example: A scheduled airline, flying with empty seats and/or unfilled cargo space would have a very low MCR. This is apparent because the marginal cost of fuel to transport one extra passenger and his or her bags is negligible. The fixed costs remain the same.

A second factor addressed by Reisman et.al. (1992) is the assessing to which the physical capacity of the firm is underutilized. The greater the underutilization, the lower the MCR will tend to be and greater will be the availability of goods for countertrade. A third factor is in developing a countertrade strategy. This is the need to insulate existing customers from gaining access to the lower priced countertrade goods. International or geographic segmentation is a way to achieve this. At his point the firm must consider tax and legal aspects of price discrimination in segmented markets. The U.S. Internal Revenue Service requires payment of taxes on gains through barter even though they may be non-monetary. Currently the Robinson-Patman Act has not been tested in situations involving countertrade (Reisman et.al. 1992).

Countertrade can help to gain strategic advantage. Maher (1984) reported that experienced countertraders claim that the relationships formed in a countertrade deal are just as strong as those formed in a cash deal, maybe more so because of the extra negotiating needed. Consequently, countertrade can be used as a marketing tool, both in terms of capturing orders and of allowing the prospective customers to pay. When a customer does not have cash countertrade could enable sales to be salvaged despise the lack of cash.

Countertrade can be integrated with offshore sourcing. Opportunities can be found in countries just beginning to impose countertrade requirements, where competition for sources of supply are also just beginning. According to Carter and Gagne (1988) a problem can arise in a strong economy. Suppliers of popular products become increasingly reluctant to countertrade. Thus, a company may have to deal with a number two or three supplier rather than first choice.

Carter and Gagne (1988) developed a countertrade Implementation Model to show the flow of activities in a countertrade deal. The model goes through the steps of analyzing the countertrade opportunity, to strategy development, commitment from management, to how the countertrade will be handled. It is a good example for those wishing to explore countertrade opportunities.

CONCLUSION

Imports and inflows of foreign capital are necessary elements of national economic growth. Thus, there is increased emphasis today among developing countries on privatizing state-owned firms, on easing of restrictive investment laws, and on realizing overinflated currency rates.

Consequently, the trend in countertrade seems to be away from one time, short-term arrangements and toward long-term partnerships. Multinationals are looking for permanent foreign sources that can be developed into part of their sourcing supply.
Forward looking firms are seeking market opportunities, and then identifying potential countertrade partners who can best help them explore the opportunities. A firm's knowledge about the value of goods received in exchanges, how to best dispose of the goods, and the overall advisability of a countertrade deal can then be utilized to help make countertrade a profitable undertaking.

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PRICING BY DIFFERENCES: A RETAIL PERSPECTIVE

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Pricing by Differences: A Retail Perspective

This paper describes pricing by differences. Pricing by differences is not radically different from present pricing theory, but several insights about pricing can be derived. Differential pricing, blind item pricing, backward pricing and the pricing of private brands are discussed. The limitations of differential pricing are offered.

Pricing by differences, often called differential pricing (DP) (Oxenfeldt 1979, Dickinson 1993)[1], is arguably the most frequently used method of pricing at the retail level. Further, there is evidence that in at least one market a leader-follower system provides results more consistant with actual pricing behavior than a mutually independent pricing rule (Roy, Hanssens and Raju 1994).

Pricing by differences is of importance to both suppliers and retailers. It is a passive, let's not rock the boat method and thus is relevant when the strategy of the firm in a particular market has been so defined. Thus it is just one form of pricing. The logic is to fit an item or service into the present price structure of a defined market, e.g. a traditional department store or a supermarket.

DP can be seen as one form of leader pricing in that the price of the item or service is developed in the context of the perceived value of alternative items/services that generally have an important market share. In this sense it is a benchmarking method. The approach is not radically different from the present price theory taught in most schools of business and economic departments, but there are differences that may be of value to executives in retail and supplier firms.

This paper covers: 1. DP defined; 2. Four types of product line pricing (supplier and retail; 3. Blind item pricing; 4. Backward pricing; 5. Pricing of private brands; 6. DP and cost; 7. Fitting into other pricing alternatives; 8. Other ramifications; and 9. Some limitations.

DIFFERENTIAL PRICING DEFINED

Find a best seller that is very similar (as close as possible) to the item/service that one is attempting to price. If one is a supplier, select a best seller in the kind of retail outlet that the item is intended to be sold at. One then estimates the difference in perceived value, plus or minus, of the item/service to the target audience between the old item and the new item, considering all aspects including brand.

There are three basic ways of establishing this perceived difference: 1) ask target customers what the difference in value is. This recognizes that it is easier for the consumer to estimate differences rather than absolute values (Oxenfeldt, 1966); 2) ask the salespeople or those who have been talking to consumers what the difference in perceived value will be; and 3) make a knowledgeable judgment, perhaps by someone who has been involved with the merchandise and the sales rates of the merchandise for years, e.g. a buyer for a retail firm.

A Benchmark

Benchmarking can be useful to marketing decision making in several ways (Gable, Fairhurst, and Dickinson 1993). Two types of benchmarks are used in business. The best known kind academically and in consulting is to find the firm that is "known" to be the most effective at a given process, e.g. distribution. Rather than start from scratch, examine how the other firm does it, e.g., Wal-Mart, then adapt and improve that process to your particular business needs. Thus one often hears the term "benchmark to the best."

The second form of benchmarking is relevant to DP. Here one is interested in obtaining information from the marketplace - in getting hard data on which to base decisions. Thus, rather than starting a pricing process from scratch and having to consider all important variables, start from the base of the information "inherant" in the fact that the item/service to which one is relating is a best seller. One is then concerned with the variables that create the value of the perceived differences, positive or negative, to the target market.

The Advantages

The advantages of DP include: 1. Being based on hard, market data; 2. It is an incremental method that can save much time and money. Only those factors that are relevant to the perceived differences need be considered. 3. It is simple for the decision maker and student to understand and use. 4. Permits a great range of analysis. An executive can use this method as a quick and dirty approach and get quick answers. Or she can approach this method with great sophistication. 5. Reflects the way many consumers and resellers think. Comparative evaluation is usually done in terms of differences. This thinking will be made more clear later in the paper. 6. Mandates that decision makers use several pricing techniques. DP has specific uses and often must be complemented by other techniques.

Refined

A characteristic of most pricing at retail is that prices are easily changed, at least downward (Oxenfeldt 1964). Once a product has been priced, the price is subjected to the test of the market. That is, in many instances the initial price is not critical since the price is given an immediate market test. If the merchandise does not sell well, the price can be lowered if price is seen as the culprit.

Thus, the validity of the process is checked against reality once the price has been established. Further, such evaluations become part of the information system of the firm and the relevant individuals.

Differential Pricing Versus Price Discrimination

In marketing academia today, price discrimination is defined as the practice of charging different customers, typically segments of customers, different prices for approximately the same good or service (Cassady 1946a, 1946b). Price discrimination has also been used to describe the practice of charging the same price for "bundles of goods or services that have different value." See footnote 1.

DP as a term has also been use to describe pricing that charges different prices to different customers for approximately the same product (Vaile, Grether, and Cox, 1952, p. 415. Tellis 1986). In this paper we discuss DP as a method of pricing with substantial implications for decision making in marketing (Oxenfeldt 1964, 1979, Dickinson, 1993).

FOUR TYPES OF PRODUCT LINE PRICING (SUPPLIER AND RETAIL)

DP has an another important characteristic. No matter what method was used in setting a price, the perceived differences in price within a product line or set of offerings must be logical to the customer target. In a supplier presentation to a specific customer, say to a reseller - both the price to the reseller and the anticipated price to the consumer must make sense in terms of the differences among elements of the offerings. Thus, the question raised logically by all buyers of retail firms who do not think that they know the reasons for the difference in price between items after a price quotation, will be - what is the difference? Clearly supplying firms anticipate this question and have appropriate sales presentations in which the differences are explained or made obvious to the prospective purchaser.

The retailer of goods or services has the same problem in creating his/her offerings. Indeed many tpes of retailers, e.g. department and specialty stores, use price points in organizing their presentations using substantial sales analysis over extended periods of time (Duncan, Hollander and Savitt 1983). The retailer creates price points that are appropriate for the target market, perhaps $9.99, $14.99, and $19.99. And as much as feasible, the difference among merchandise at each of the price points should be tangible and obvious, or at the very least explainable to the consumer. Indeed, a check on any offerings is to estimate if the price differences will be perceived as logical by the intended audiences. The expected reactions of consumers to these differences can used by retailers to change the pattern of sales in desired directions (Simonson 1993, Simonson and Tversky 1992).

Thinking in this manner also leads to four obvious, related, ways of pricing a product line. One can benchmark against a best *seller competitor item at the highest price point, and then* differential price down. One can benchmark against a best seller competitor item at the lowest price point, and then differential price up. One can pick the average price point and go both up and down. The most prevalent practice in firms appears to be to benchmark at the best selling price point in your line and then go both up and down. The logic here is to focus on the best seller because the best selling product/service is probably the most important to the firm. In these examples we have benchmarked against the market leader (best seller) where feasible and desirable. If you are the market leader, you can then of course benchmark against your most important price point.

BLIND ITEM PRICING

A most important concept of pricing at all levels of the channel, but particularly at the retail level due to the general lack of sophistication of consumers, is that of a blind item. An item is labelled blind if it can not be easily recognized by the consumer in terms of its value. The concept of a blind item is a continuum, not a dichotomy. It is perhaps easiest to see what a blind item is but knowing what it is not. It is not Heinz 28 ounce catsup.

It is often useful to think of two kinds of blind items, at least in the extreme. First, there are items that are not important, e.g. safety pins. Second, there are items that are merchandised as blind, perhaps deliberately so. If Macy finds a unique umbrella in a small factory in India, it may contract for its entire output to get the benefits of exclusivity and the resultant blindness of the item. The consumer can not directly compare the umbrella at other outlets.

The supplier and the retailer will often create a degree of blindness to mitigate competition at the retail level. Thus, even if a firm can not differentiate a product in any meaningful way, it can differentiate brands, e.g. for many years General Electric produced both General Electric and Hotpoint appliances. In many instances a supplier will introduce a degree of blindness by selling retailers items with different product numbers.

A procedure for pricing a blind item is possible. By any of the three methods outlined earlier (asking salespeople, asking consumers, or professional judgement), develop the response to the following question. What is the highest price that a partiuclar item can be sold for with a reasonable possibility of attaining reasonable unit sales? This is DP biased toward the high side. The figure or average of the figure received is the initial price. If the item sells at a satisfactory rate, the price is maintained at the high level. If the sales rate is not satisfactory, the retail price is then systematically reduced until an adequate sales rate is obtained. This procedure can be seen as an example of using a satisficing rule in order to optimize.

Blind item pricing empirically approximates the upper ranges of a demand curve. A key problem for the decision maker is whether to red-mark through the previous price tags or to reticket the item as the markdown schedule is followed.

The procedure also takes advantage of a principle of pricing. It is easier to lower a price than to increase it (Oxenfeldt 1966).

The knowledgeable retail observer will note that much fashion is blind in the sense we just described. Indeed traditional department stores, e.g. the May company stores in the United States, have approached the pricing of much ready-to-wear fashion in the above manner. Of course at least the private brand and exclusive offerings are on the blind part of the continuum. The high starting prices are systematically reduced. One can regard pricing in this manner as a particular kind of yield management.

BACKWARD PRICING

A common pricing technique for a supplier is backward pricing. DP can help a supplier (could be a retailer performing manufacturing functions or giving advice to a supplier) decide whether or not a market for a particular product is relevant. For example, suppose we are considering whether or not we should go into the silk shirt business. In the type of retail outlet appropriate for the shirt - what it the DP price, including brand? The DP can be based on as much research as the supplier deems appropriate. Given the DP price, the supplier then ascertains what an appropriate margin for the retailer is for this type of garment. The result of the above process is an estimate of the price to the retailer. The supplier then estimates the costs of getting the merchandise to the retailer, perhaps by selling through a manufacturer's representative. The results of the above analysis can be used to estimate profit per unit that can be reasonably expected at time "x" if the company does the job well. Volume estimates are still necessary.

An interesting aside in the context of the history of marketing is that if the research is effectively done and the time lapse is not very large, the channel decision process will look to an outside researcher examining the pricing process as if the channel members had arrived at the various prices by cost plus a fixed percentage. In reality, however, the process is highly market based. It can be argued that researchers misreading the marketplace in this manner for such as department stores are responsible for much of the literature in marketing and economics that suggests that many firms price by cost plus a fixed percent or margin (see Cyert, March, and Moore 1962).

Recognize further that if the supplier has a strong consumer franchise within a push distribution system, it may be capable of imposing the retail price on the retailer. This final price would still probably arrived at by the logic of differential pricing if the brand is not the market leader in the specific merchandise category. In this the researcher would also pick this up as cost plus a fixed margin pricing.

PRIVATE BRANDS

Private brands in general sell for less than major brands (McGoldrick 1990). In many instances it makes sense in pricing to see what the relationship is between the prices of a particular major or level of major brand are compared to a particular level of private brand over many product categories. Presumably the sales rates of the existing bases used in developing the comparatives are satisfactory because the private brands are still being handled by the retailer. Thus one can price an anticipated or new private brand based on the differences between the prices of major brands of a similar level and private brands of a similar level, tempered by judgment - both in a not too different merchandise category. For example, if retailer A is interested in whether or not to stock private-brand catsup, s/he will know what happened at respective price differences, typically percentages, in similar merchandise classifications.

Further, when the private-brand catsup is put on the shelf, the sales results will be known. The price may then be modified as the data are analyzed. Obviously, the new hard data information should be included in the information systems of the retailer and/or relevant decision makers for consideration of the next decision on whether or not to private-brand. Clearly, this information can be used in negotiating with suppliers (Dickinson 1967).

DIFFERENTIAL PRICING AND COST

A most basic element of pricing for economists is that an optimal occurs when marginal cost equals marginal revenue. A basic principle of pricing that flows from this equation is that a well conceived method will consider both costs and revenues.

DP does consider costs, the costs of the firm that markets the best seller. DP suggests that in order to compete effectively, you must have reasonable costs. Best sellers are generally profitable for the firm (Buzzell and Gale 1987). Therefore, a competitor of a best seller must get costs down to the point where it can make money when the item is appropriately priced in the market.

One way to look at costs and differential pricing is that in many instances the price and the resulting margin determine the cost. This has been of course an argument in marketing for many years. Drucker (1995) suggests that increasingly price is establishing cost. Goodman (1988) cites evidence from a Dun and Brad Street study of retail liquor stores. The costs seemed to adapt to the margins rather than the other way around. Necessity seems to be the mother of invention. Goodman further suggested that drug stores eliminated their ice cream sections, because they did not understand the dynamics of cost. Price driving cost can be seen as an integral part of cost driven retailing (Dickinson and Cooper 1992).

FITTING INTO OTHER PRICING ALTERNATIVES

A key element of pricing is that there is no need to use just one pricing method for a particular decision although, as suggested earlier, a product line or merchandise line must in general meet the standards of differential pricing no matter how arrived at. One can calculate or create a price by five or six methods and then decide which one or which mix is preferred. Further, as suggested earlier, once a price has been created at retail it generally can be changed downward without great cost.

Further, combinations of pricing methods are possible and on occasion desirable. For example, an initial or base price can be established by DP. We then, via marginal analysis, estimate the contributions per item at three price points - the base price, the price point above the base price, and the price point below the base price (Oxenfeldt 1964). The contribution for each price point is developed by multiplying the contribution per unit times the estimated quantity sold. Select the option that offers the largest contribution. In instances where the item is presently carried, the present price is the base.

SOME RAMIFICATIONS

Pricing by DP clearly gives notice to marketers that features should be created that add value to the product in terms of the consumer target. Thus the costs of the feature and the benefits of that feature either alone or in the context of other features must be recognized. Relatedly, the importance of tangibility of the differentiating feature becomes integral to the creation process. If a feature is a selling point, try to make the feature very noticeable. It is also a message to a buyer for a retailer to purchase items for varied price points so that the differences are tangible from the perspective of the customer.

If the experience curve, i.e. the more one produces, the lower will be the costs, is relevant, differential pricing can become a little different twist to skimming the demand curve. The prices can remain about the same but costs decrease.

LIMITATIONS

As suggested earlier, DP only deals with a limited range of problems. DP is a passive means of fitting into the market without making great waves, i.e. starting a price war. Thus firms desiring an aggressive stance, perhaps as part of their strategy, will often not find DP satisfactory.

Further, DP will tend to be more relevant to a distribution system that is reseller oriented. In such instances prices have to be maintained at the retail level or the entire distribution system may be jeopordized.

DP is particularly relevant for products and services to which comparative merchandise is appropriate. For example, Oxenfeldt (1964) maintained that one could price television using DP based on radio. Applications of this nature are at best difficult to implement. A related problem is that a trade off may be necessary between a best seller and the category selected.

DP is also more relevant to non-promotional pricing, although as we suggested earlier blind item pricing is highly relevant to systematic markdown processes over time. There is also little consideration of the synergy between price and elements of sales promotion. However, in aggressive promotions a supermarket, for example, can and does clearly benchmark from the results of the pricing of previous promotions. Further, today much salespromotion is price related, e.g. coupons.

Finally, some of the complexities of pricing are glossed over. It does not address differences in cost, geographic differences and the like (Oxenfeldt 1979).

SUMMARY

This paper defines and describes a process of pricing by differences. The pricing of product or service offerings, blind item pricing, and backward pricing are techniques of pricing that are derived by pricing by differences. The method is one of a mix of techniques that the marketing manager and retailer ought to be familiar with. The limitations are articulated.

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NOTES

1. In the United States there has been a confusion of terms for describing a market in which different consumers/customers paid different prices. The problem is primarily caused by the history of the Robinson-Patman Act of 1936. Charging different business customers different prices was seen to be illegal unless one of the defenses, e.g. the cost defencse, was applicable. Thus the term price discrimination in marketing was reserved by some observers to refer to illegal business practices under the Act. These practices came to be labelled price discrimination. Relatedly, in economics charging different prices to different customers that were not proportional to cost differences came to be seen as price discrimination (See Monroe 1979). For some insights into this, see Cassady (1946b) and Vaile, Grether and Cox (1952).

Today most marketing academics use the more general definition of price discrimination as charging different customers different prices for the same good or service or charging customers the same price for different value. For a different use of differential pricing see Tellis (1986).

13.7 SERVICES MARKETING TRACK : MEASUREMENT ISSUES IN SERVICES MARKETING

EXISTING MEASURES OF BRAND EQUITY: ARE THEY APPROPRIATE FOR THE SERVICE SECTOR?

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ABSTRACT

Although the concept of brand equity has application in services marketing, existing definitions and measures of brand equity may require modification when applied to brands with a service-orientation. This study uses four marketing-based measures to assess brand equity. Findings suggest that measures of brand equity in service categories do not converge and provide inconsistent evidence of a brand's equity. Further, results of this study indicate that the potential for building *negative* equity may exist. The authors conclude that current measures of brand equity may not be appropriate for measuring the equity of branded services.

The notion that brand names are valuable is not new. However, in recent years, branding has experienced a resurgence with the development of the concept of brand equity. Both academia and the corporate world have expressed considerable interest in brand equity (Crimmins 1992; Farquhar 1989; Keller 1993; Leuthessar 1988; Maltz 1991).

Brand equity has its roots in the marketing of products, but rarely is found in, or even tangentially linked to, the services marketing literature (Cobb-Walgren, Ruble and Donthu 1993). However, services do possess equity. Lists of brands with the highest equity inevitably include not only those with a product-orientation, but a service orientation, as well (e.g., Disney World/Disney Land, CNN and UPS) (Ten Kate 1991).

While the branding of services may not seem unique, nonetheless it has failed to garner the attention bestowed upon its product counterparts, which may be due, in part, to the fact that the brand name of a service typically has been that of a company name (as an umbrella) to which all services within the company are attached (Berry, Lefkowith and Clark 1988; Douglas 1988). For example, the brand name Holiday Inn traditionally has been attached to all hospitality offerings of the Holiday Inn Corporation. However, in recent years Holiday Inn has begun to develop individual brands such as Crowne Plaza, Holiday Inn Express, Holiday Inn Select and Holiday Inn Garden Court (Vesey 1994). Similarly, British Airways has established individual brand names such as Concorde, Club Europe, and Super Shuttle under the umbrella of its corporate name (Torin 1988).

Given the fact that brand equity has applications in services marketing, researchers need to turn their attention to the current measures of the construct and consider how they translate into this new context. Do the existing definitions and measures of brand equity need modification when applied to brands with a service-orientation, or are they adequate as is? Preliminary research indicates that some adaptation may be necessary (Kennett and Sneath 1994).

The purpose of this study is to examine whether or not commonly accepted measures of brand equity are appropriate for measuring the equity of branded services. Specifically, four marketing-based measures of brand equity will be employed to determine if these measures yield consistent results for the service categories utilized in this study. These results will then be compared with the results from two product categories.

BRAND EQUITY DEFINED

What exactly is brand equity? Numerous definitions and views of brand equity exist (Keller 1993; Shocker and Weitz 1988; Srivastava and Shocker 1991). For example, David Aaker (1991), in his book Managing Brand Equity, defines brand equity as "a set of brand assets and liabilities linked to a brand, its name and symbol, that add to or subtract from the value provided by the product or service to a firm and/or to that firm's customers" (page 15).

The common link among all definitions of brand equity is that a brand is a "perceived value in the mind of the customer" (McKenna 1992). By incorporating consumers' perceptions of value, these definitions go beyond the simple definition of a brand. Accordingly, a brand name is viewed as an asset which can be managed and as a symbol of trust between the consumer and the company.

For example, take the case of the toy manufacturer Mattel. Mattel manufacturers Barbie Dolls which account for 52 percent of the company's revenues. Mattel has been given a market value of $2.3 billion. However, if the value of the brand name "Barbie Doll" is factored in, the company's market value increases to $4.5 billion (Brown 1992). In other words, the name "Barbie Doll" possesses a high level of brand equity.

MEASUREMENT OF BRAND EQUITY

The measurement of brand equity typically is approached from two divergent perspectives - a financial perspective and a marketing perspective (Smith 1990; Srivastava and Shocker 1991). Those individuals advancing the financial perspective are motivated by the desire "to estimate the value of a brand more precisely for accounting purposes or for merger, acquisition, or divestiture purposes" (Keller 1993, p. 1). Conversely, those individuals favoring the marketing perspective focus on improvement of marketing productivity through brand management, striving to gain a more thorough understanding of consumers' perceptions of a brand. Measures of brand equity have been devised to address both of these perspectives.

Finance Perspective Measures

Various measures have been suggested which would be appropriate for use by companies approaching brand equity from a financially-oriented perspective. These measures include: 1) the price premium, compared to the competition, that a brand name can support (Aaker 1991), 2) the difference between the acquisition price and fixed assets for an acquired brand (Keller 1993; Mahajan, Rao and Srivastava 1991), 3) the replacement value of the brand, equal to the cost of establishing an equivalent brand name (Aaker 1991), 4) the stock market valuation (while the balance sheet of a firm may not reflect brand equity, the stock market does take this asset into account) (Simon and Sullivan 1992), 5) the earning power of a brand, not only now, but in the future (Aaker 1991), and 6) the implementation of a momentum accounting system which can value the changes in brand equity (Farquhar and Ijiri 1991).

Marketing Perspective Measures

From a brand management standpoint, however, measures of brand equity that take into account the marketing perspective may be more appropriate and useful. These consumer-oriented measures are essentially measures of a consumer-based brand equity, which is defined as "the differential effect of brand knowledge on consumer response to the marketing of the brand" (Keller 1993, p. 2). Indirect and direct measures of customer-based brand equity exist, both of which focus on assessing the effects of brand knowledge (Keller 1993).

Indirect measures of customer-based brand equity focus on measuring brand awareness and brand associations. Brand awareness can be measured through aided and unaided recall (measures which do not account for valence) while brand associations (which do account for valence) involve the use of qualitative techniques such as free association and picture interpretations (Aaker 1991; Keller 1993). On the other hand, direct measures, which explore the role of valence and brand knowledge in consumers' responses to marketing mix elements, call for the use of experimentation. One of the most commonly used direct measures is conjoint analysis (Aaker 1991; MacLachlan and Mulhern 1991; Cobb-Walgren et. al. 1993). Conjoint allows the researcher to examine directly the role of brand name in determining preference, while measures of unaided recall, aided recall and brand associations assess the consumer's knowledge and perceptions of a brand, based upon the assumption that this has a direct impact on behavior.

Although these and other measures of brand equity have been suggested and implemented by academicians and practitioners alike, no single measure of brand equity has been agreed upon as being *the* definitive measure. Most researchers purport the use of multiple measures given the notion that these measures should converge and provide consistent evidence for the existence (or lack thereof) of brand equity (Cobb-Walgren et. al. 1993).

HYPOTHESIZED OUTCOMES

Brand equity usually is associated with what are considered to be "goods" or "tangible products". Most work in the area of brand equity, both empirical and theoretical, deals predominantly with these products and applications therein. For example, Ourusoff's (1992) empirical examination of the brands with the highest equity worldwide does not include any brands that might be classified as services. Likewise, most theoretical pieces (e.g., Aaker 1991; Keller 1993; Kim 1990; McKenna 1992) also examine the brand equity associated with products. Since it appears that existing measures of brand equity (especially the customer-based/traditional marketing measures) were developed with product categories in mind, the following hypothesis is proposed:

H1: Within product categories, indirect and direct measures will converge and provide consistent evidence of a brand's equity.

Given brand equity's ties to products, the previously discussed measures, although suitable for product applications, are perhaps not as appropriate for service applications. These researchers question whether the fundamental differences between products and services were accounted for during the development of brand equity measures. For example, Zeithaml, Parasuraman and Berry (1985) suggest that "services marketing problems require services marketing solutions - that strategies developed from experience in goods marketing are often insufficient" (page 33). This statement would lead one to conclude that existing measures of brand equity may not be germane to services and that distinct or modified measures of brand equity may be necessary. Based on this assertion, the following hypothesis is proposed:

H2: Within service categories, indirect and direct measures will not converge and will provide inconsistent evidence of a brand's equity.

METHODOLOGY

Pretest

A pretest (n=87) was undertaken to determine inputs for the measurement study. Four products (jeans, suitcases, soap, paper towels) and four services (weight loss clinics, tax preparers, real estate companies, long distance services) were included in the pretest. The pretest was used to gauge respondents' level of familiarity and experience with various product and service categories and with various brands within these categories. Two products (jeans, paper towels) and two services (weight loss clinics, tax preparers) were chosen for inclusion in the study, based on pretest results which indicated that respondents possessed both a high level of knowledge and experience with the categories. The chosen categories also exhibit differences with respect to involvement as measured by Zaichkowsky's PII scale (1985). Jeans and tax preparers were rated as high involvement, while paper towels and weight loss clinics were rated as low involvement. Using similar familiarity and experience criteria, two brand names per category were chosen (Levi's and Palmetto; Bounty and Coronet; Jenny Craig and Quick Weight Loss Center; H&R Block and Tax Professionals, Inc.).

The pretest also was used to determine important product/service attributes for each of the products/services. The three most important attributes, along with brand name, for each of the product/service categories were utilized in the conjoint analysis measure. The results of the pretest indicated that the following attributes (in addition to brand name and price) were the most important: fit and fabric (jeans), absorbency and wet strength (paper towels), food and results (weight loss centers), qualifications of the preparer and availability of other financial services (tax preparers).

Research Instrument

A total of four questionnaires were designed - one for each product/service category. Questionnaires were designed to accommodate four measures of brand equity: the indirect measures of unaided recall (measured by asking the respondents to list the names of as many different brands of a product/service that they could think of), aided recall (assessed by asking respondents if they had heard of a specific brand, and if so, degree of familiarity with the brand measured on a 7-point scale) and brand associations (captured by asking respondents to list the descriptive words, thoughts, characteristics, symbols or images that came to mind when they thought about a certain brand); and the direct measure, which utilized conjoint analysis (input of which was based upon respondents' preferences for nine different profiles, using a 7-point Likert scale).
The research instrument was administered to 171 consumers, ages 20 to 55, 51.2 percent of whom were female and 48.8 percent male, representing all ethnic groups and income levels. Respondents were randomly assigned to a product/service category, and asked to complete the appropriate version for that category.

FINDINGS

The results of this study provide support for both hypotheses. All four measures of brand equity converge for product categories (H1). These measures consistently indicate that Levi's possesses higher equity than Palmetto and that Bounty possesses higher equity than Coronet. However, inconsistent results emerge for service categories (H2). The unaided and aided recall measures indicate that H&R Block possesses higher equity than Tax Professionals, Inc., while the brand association and conjoint (direct) measures indicate the opposite. A slightly different pattern is found for weight loss clinics. All four measures indicate that Jenny Craig possesses higher equity than Quick Weight Loss Centers, but evidence is uncovered that leads one to conclude that this equity is not positive in nature and therefore, is not reflective of the existing definition of brand equity (i.e., equity equals value). Each of the four measures and the related findings are discussed below.

Unaided Recall

According to the unaided recall measure of brand equity, the brand name that is recalled most often has higher equity (Aaker 1991; Cobb-Walgren et al. 1993; Keller 1993). For the product category of jeans, the brand name Levi's was recalled by 43 respondents, while the brand name Palmetto was recalled by 5 respondents (significantly different at p=.01). For the product category of paper towels, the brand name Bounty was recalled by 32 respondents versus Coronet, which was recalled by 9 respondents (p=.01). Therefore, in the product categories, Levi's and Bounty are considered to have higher equity than their chosen competitors.

For the service category of tax preparers, the brand name H&R Block was recalled by 36 respondents versus the brand name Tax Professionals, Inc. which was recalled by 0 respondents (p=.01). For the service category of weight loss clinics, the brand name Jenny Craig was recalled by 41 respondents versus Quick Weight Loss Center, which was recalled by 18 respondents (p=.01). Therefore, in the service categories, H&R Block and Jenny Craig are considered to have higher equity than their chosen competitors.

Aided Recall

According to the aided recall measure of brand equity, the brand that most consumers have heard of and are most familiar with has the higher equity. For the product category of jeans, 97.7 percent of the respondents had heard of Levi's jeans, while only 2.3 percent had heard of Palmetto jeans (significantly different at p=.01). The mean familiarity score (reported only for those respondents indicating they had heard of the brand name) was 6.442 for Levi's and 3.455 for Palmetto (p=.005). Familiarity was measured on a 7-point scale with 1=not at all familiar and 7=very familiar. For the product category of paper towels, 95.2 percent of the respondents had heard of Bounty paper towels, while 83.3 percent had heard of Coronet paper towels (n.s.), the former having had a mean familiarity score of 5.220 and the latter a score of 3.917 (p=.005). The aided recall measures, when examined in conjunction with the familiarity measure, confirm the results of the unaided recall measure, namely that the equity of Levi's and Bounty is greater than their chosen competitor.

For the service category of tax preparers, 97.7 percent of the respondents had heard of H&R Block while only 2.3 percent had heard of Tax Professionals, Inc. (p=.01). The mean familiarity score of H&R Block was 4.023 and 2.000 for Tax Professionals, Inc. (p=.005). For the service category of weight loss clinics, 93.3 percent of the respondents had heard of Jenny Craig while only 64.4 percent had heard of Quick Weight Loss Center (marginally significant at p=.10), the former having had a mean familiarity score of 2.837 and the latter a score of 2.567 (n.s.). As with the product category, the aided recall and unaided recall measures appear to converge.

Brand Associations

Respondents' brand associations were recorded as being either positive or negative in nature. Brands high in equity should provoke a large number of positive associations. Conversely, brands low in equity should provoke a large number of negative associations. For the product category of jeans, 92.7 percent of the brand associations for Levi's jeans were classified as positive. This confirms the high brand equity of Levi's. On the other hand, only 38.1 percent of the associations for Palmetto jeans were classified as positive. The difference (p=.01) provides further support for the low brand equity of Palmetto.

For the product category of paper towels, 91.7 percent of the associations for Bounty were classified as positive. This measure, therefore, converges with the previous measures which support the high brand equity of Bounty. However, Coronet paper towels had an even split with respect to the number of positive and negative associations made by respondents. 52.6 percent of the associations were positive and 47.4

percent were negative. The difference between the positive associations (p=.01) supports the previous findings of lower brand equity for Coronet.

The results for the services categories fail to converge with the previous measures of brand equity. For the services category of tax preparers, 55.2 percent of the associations for H&R Block were classified as positive and 44.8 percent were classified as negative. This leads one to conclude that the brand equity of H&R Block may not be as strong as previous measures indicate. For the brand name Tax Professionals, Inc. 70.0 percent of the associations were positive and only 30.0 percent were negative. Therefore, according to the brand association measure of brand equity, Tax Professionals, Inc. has strong brand equity (the difference between positive associations is marginally significant at p=.10), contrary to the aided and unaided recall measures.

Contradictory results were also found for the services category of weight loss clinics. 70.7 percent of the associations made with Jenny Craig were negative. Further, 80.6 percent of the associations made with Quick Weight Loss Centers were negative (n.s.). This leads one to conclude that *both* of these brands possess very little positive brand equity. Further, it indicates that the equity possessed by these firms is negative. This is in direct contradiction to the previous two measures of brand equity (aided and unaided recall).

Conjoint Analysis

The final measure of brand equity, conjoint analysis, is a direct measure. The results of the conjoint analysis show that brand equity is more important in determining preference for product categories than for service categories. The importance assigned to brand name for each product/service category is as follows: tax preparers (1.32%), weight loss clinics (1.14%), jeans (31.97%), and paper towels (5.31%), which indicates that the brand name of services in this study is not an important attribute in consumers' minds.

Using conjoint analysis, the value attached to a brand name can also be examined, serving as a direct measure of each brand's equity. For the product category of jeans, Levi's is assigned a weight of .607 while Palmetto is assigned a weight of -.607. This supports the strength of the brand name Levi's over Palmetto. This measure agrees with the previous measures examined.

Similar agreement is found for the product category of paper towels. Bounty paper towels is assigned a weight of .095 while Coronet is assigned a weight of -.095. This also provides support for the notion that Bounty has stronger brand equity than Coronet. Therefore, in these two product categories, consumers are more likely to use the brand name as an evaluation criteria.

However, in the service categories, brand name is substantially less important to consumers. For the category of tax preparers, Tax Professionals, Inc. is assigned a weight of .024 while H&R Block is assigned a weight of -.024. This would lead one to conclude that Tax Professionals, Inc. has the stronger brand equity. While this is in agreement with the brand association measure, it is in direct conflict with the aided and unaided recall measures.

For weight loss centers, Jenny Craig is assigned a weight of .019 while Quick Weight Loss Center is assigned a weight of -.019. Although the measure of brand associations indicates that neither brand has much equity, this measure is in agreement with the aided and unaided recall measures.

CONCLUSIONS AND IMPLICATIONS

The proliferation of the branding of services suggests that brand equity is an important concept in services marketing. However, because most of the work has been conducted in the area of tangible product marketing, existing measures of brand equity may require modification for application in services industries. Results of this study lend support for this statement.

The measurement of the brand equity of services deserves further consideration. Although existing measures of brand equity appear appropriate for product categories, the findings of this study indicate that they may not be as useful when measuring the brand equity associated with services. Refinement of current measures should be considered. The situation in which services marketers find themselves today, with respect to measuring brand equity, is analogous to the situation during the previous decade when initial attempts were made to measure quality in a service setting. Measures of quality, which have their origins in tangible goods industries (Crosby 1979; Parasuraman, Zeithaml and Berry 1994; Oliver 1993; Zeithaml, Parasuraman and Berry 1990), required modification before they were applicable for services industries. Similarly, measures of brand equity, which are also rooted in product industries, appear to require modification before they will be appropriate for use in services industries.

A further implication of this research is that perhaps brand equity falls on a positive-negative continuum and should not be conceptualized in only positive terms. For instance, in service categories, the aided and unaided recall measures would lead one to conclude that Jenny Craig and H&R Block possess extremely high brand equity. However, other measures of equity indicate that this equity may not be positive and actually may be negative. Therefore, measures of brand equity should incorporate the potential for negative equity and work towards identifying when this negative equity does exist. Although predominant in service categories examined in this study, the notion of negative equity deserves further exploration to determine whether or not this is something unique to services.

Attempts to replicate these findings should be made across other service industries to verify that these findings are not unique to tax preparers and weight loss clinics. Furthermore, replications involving service categories dominated by positive perceptions (e.g., day spa), as well as product categories dominated by negative perceptions (e.g., used cars) should be conducted to further explore the notion of negative and positive brand equity and to enhance the generalizability of these findings. It is apparent that the study of brand equity in the service sector is in its infancy and much work remains to be done.

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A PATH ANALYTIC MODEL OF THE PSYCHOLOGY OF SERVICE COMMITMENT

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A major thrust of the marketing activities of a firm is often viewed in terms of the development and maintenance of repeat patronage. The psychology that best explains this behavioral phenomenon is customer commitment (e.g., Day 1969; Jacoby and Kyner 1973), as this epistemology looks at how customers think and develop ongoing relationships with products or services (Beatty and Kahle 1988). Current discussion of the phenomenon emphasize its importance and earmark the understanding of customer commitment as an essential focus for firms competing in the 1990's (Martin and Goodell 1991; Ulrich 1989). According to Morgan and Hunt (1994), increased competition over the past decade has turned theorists and practitioners toward relationship marketing and the maintenance and retention of customer relationships. This shift has prioritized commitment research as the key mediating variable of successful, enduring market relationships.

Evidence of commitment's effect in customer relationships is readily supported by past studies of repeat purchase behavior (Jacoby and Kyner 1973), consumer expectations (Kelley and Davis 1994) and advertising effectiveness (Robertson 1976). Although an influential psychological construct, some argue that little is known of the ways in which people develop committed relationships, whether with doctors, banks, unions, bars, products or services (Pritchard, Howard and Havitz 1992); a critique that is notably applicable to the marketing literature (Morgan and Hunt 1994). The objective of this study is to review the construct's cognitive processes and propose a framework to clarify the formative psychology that underlies a consumer's commitment and relationship with branded products and services.

Definitions of commitment in the consumer literature have to date be somewhat superficial in their treatment of a construct other disciplines consider as complex psychology (e.g., Kiesler 1971). In several consumer behavior studies commitment is defined simply as a cognitive component of loyalty (Assael 1987, p.76) or as a closely related form of involvement (Lastovicka and Gardener 1979). A more expansive definition offered by Crosby and Taylor (1983) moved beyond the static representation of commitment as a state of brand affect (e.g., Beatty, Kahle and Homer 1988) and proposed that the psychology denoted a tendency to resist change in preference in response to conflicting information or experience. Crosby and Taylor (1983) further argued that several features maximized this tendency, namely an individual's desire for cognitive-affective consistency (Rosenberg 1960) between the preference and the cognitive structure, and that important values and self-images were linked to and initiated a state of position involvement (Freedman 1964) with that preference.

Several researchers assert that a number of psychological mechanisms are operating in a person's commitment to a brand (Dick and Basu 1994; Kanter 1968), and argue for a more complex interpretation of the construct (Bagozzi 1993; Pritchard et al. 1992). A brief review of commitment's theorized processes follows. Using Crosby and Taylor's (1983) definition of resistance to change, a structural equation model of commitment and it's formative psychology is proposed (see Figure 1), testing the validity of both the definition and it's theoretical antecedents in a comprehensive nomological network.

In the model, cognitive consistency is hypothesized as the degree of congruence between industry beliefs (evaluative cognitions), brand affect and intentions. Here, "If cognitive, affective, and conative antecedents are consistently favorable for a brand, the degree of differentiation in its relative attitude is expected to increase" (Dick and Basu 1994, p. 105). This operant condition was discussed in earlier theory by Rosenberg (1960) who argued that cognitive consistency between belief's and feelings for an object leads to a stable intention toward that object. Consistency is typified in the model by this progressive causal sequence, where cognitive beliefs of involvement, differences between service alternatives, volition (freely chosen service alternative), and risk (consequences) precede an attitudinal structure (affect) of position involvement, cognitive complexity and satisfaction, which in turn supports and maximizes the tendency to resist changing preference for that service alternative.

First, formative indicators of product involvement are surmised to engender a degree of position involvement with the brand of service (Beatty et al. 1988; Mittal and Lee 1989). This personal association/identification with the service leads to a resistance to change preference (e.g., Burton and Netemeyer 1992; Cialdini and De Nicholas 1989; Soloman 1983).

Second, significant perceived differences have been found to stabilize preference and influence loyalty (e.g., McConnell 1968; Olson and Jacoby 1972). Directional hypotheses denote the influence this construct has on the potential for position involvement (Assael 1987, p.76) and on perceptions of risk (Mittal and Lee 1989). Greater service differences for a particular brand make personal identification or association with that brand more desirable (Soloman 1983). Perceived differences between services also heighten consumer perceptions of risk, as the consequences of inappropriate service selection increase as a result of greater differences between alternatives. Elevated perceptions of risk's consequences in turn increase a consumer's level of information search and acquisition. If faced with uncertainty, consumers attempt to mediate the risk of incorrect service selection through agglomerating information into an increasingly complex cognitive structures (McQuiston 1989). When the tendency of 'resistance to change' is based upon a complex structure of cognitions (Day 1970), deviation from that attitude is said to impart a psychological cost to the individual as change would be potentially disruptive to their organization of salient cognitions (Crosby and Taylor 1983; Kiesler 1977). A simple extrapolation of this contention is that information may well form a 'pyramid' of cognitions that direct preference stability (Burton and Netemeyer 1992) and support commitment's tendency to resist to change.

Third, volition or the ability to freely choose a service from a range of alternatives (Jacoby and Kyner 1973) allows the patron to take self-responsibility for that selection. Volition then directly influences the degree to which a customer can evaluate that selection as their own and state whether they are satisfied with their choice of service provider. Bagozzi (1993) notes volition's causal role in outcome-based activities such as satisfaction. Several theorists argue the integral role of volition in any theory of commitment (e.g., Kiesler 1971), as choice is a necessary precondition that influences the potential for meaning, self-attribution (Bem 1967) and resistance to persuasion (Freedman and Steinbruner 1964). Volitional choice of a service alternative and the evaluative processes of perceived differences are deemed to operate concurrently in defining the appropriateness of a selection and the potential for satisfaction (Kelley and Davis 1994; Olson and Jacoby 1972). Finally, satisfaction with a service is hypothesized to lead to commitment and a resistance to change preference for using that service (Anderson and Sullivan 1993; Crosby and Taylor 1983; Kelley and Davis 1994).

The above discussion provides a conceptual understanding of how committed service relationships develop. Rather than simply compiling a laundry list of antecedents (Morgan and Hunt 1994), the model postulates an attitudinal sequence that underlies and maximizes the tendency of resistance to change (Crosby and Taylor 1983). While the theory presented is consistent with past literature, it requires empirical validation, a task that is currently under investigation.

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COMMITMENT NOMOLOGICAL NETWORK

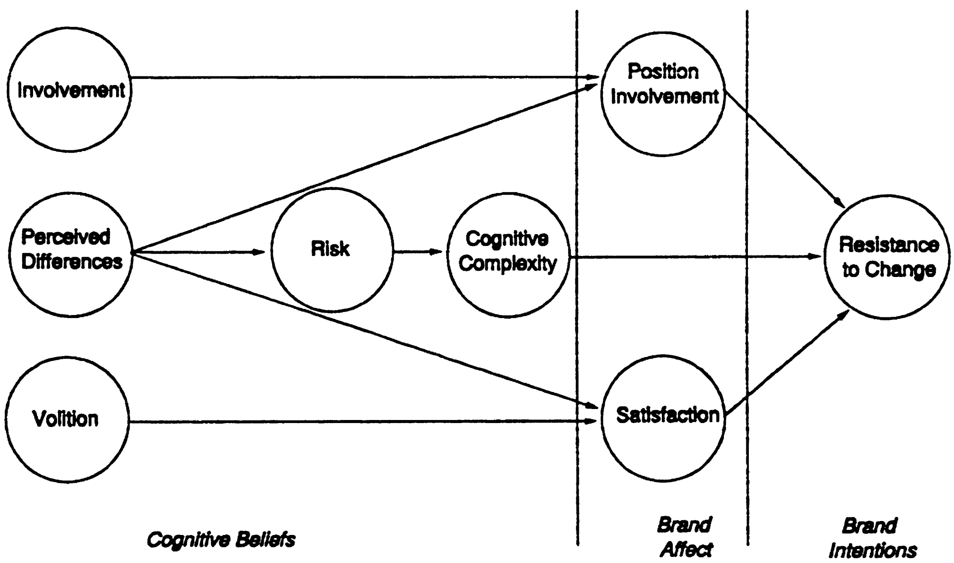

Figure 1. A Path Analytic Model of the Psychology of Service Commitment

REVISED PERSONAL INVOLVEMENT INVENTORY FOR SERVICES

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ABSTRACT

Whilst considerable attention has been devoted to the development and refinement of involvement scales for physical goods, only scant attention has been given to this research in the services literature. This paper provides an empirical examination of a 10-item involvement scale across four services (exercise club, life insurance, furnace overhaul, and income tax). Results of the study indicate that, in a services setting, involvement appears to be a 2-dimensional construct, importance and interest. Lovelock's (1983) classification was used as the basis for selecting four services investigated in this study.

INTRODUCTION

There is a considerable body of evidence supporting the notion that involvement is an important concept in understanding and predictingconsumer behavior (Brisoux and Cheron 1990; Krugman 1967). Most of the research on involvement to-date, however, has been limited to productsrather than services. While researchers have suggested the need to betterunderstand the role of involvement in a services marketing setting (cf.
Good 1990), only scant attention has been paid to this potentiallyimportant issue. Prior research on involvement in a services marketing context hasprovided some initial insight as to the dimensionality of the construct andthat consumers' levels of involvement may vary across service settings(Arora 1993; Dahringer, Frame, Yau, and McColl-Kennedy 1991). While thisinitial evidence provides an important foundation regarding the role ofinvolvement in services marketing, much remains to be done. For example,efforts to develop a valid measure of involvement in a services context arelimited to only a few studies. Not surprisingly, therefore, evidence as to
the dimensionality of involvement in a service setting is still anunresolved issue. Those studies that have investigated the dimensionalityof involvement in a services setting have generally used an aggregatedlevel of analysis (i.e., combined level of involvement across several typesof services), rather than assessing dimensionality on a service-by-servicebasis. Also, none of the prior studies on involvement in a servicesmarketing context reported the factor structure of their findings (i.e.,all the items, their loadings, cross-loadings, etc.). Finally, the authors
were unable to locate any study that had empirically tested the involvementconstruct across any classification scheme for services. Given the potential importance of involvement in a service settingand the limited evidence regarding the construct, the present study wasdesigned to: (1) assess the dimensionality of a 10-item involvement scaleacross a previously developed classification scheme based on whether aservice is directed at a person or an object, and whether the service istangible or intangible (Lovelock 1983); (2) provide a comprehensive
analysis of the scale's psychometric properties; and (3) provide anempirical test of the scale's construct validity across each of fourservices, rather than in the aggregate. The development and validation of a multi-item scale to measure involvement in a services setting will provide a necessary first step for future research that investigates the consequences of involvement in a services setting.

CONCEPTUAL FRAMEWORK

Involvement

Much of the recent work on involvement builds on the earlier effortsof Zaichkowsky (1985) and Laurent and Kapferer (1985). While those authorsgenerally agree on the theoretical importance of involvement, they differ as to the likely dimensionality of the construct. Zaichkowsky (1985), despiteempirical evidence in her own study to the contrary, views involvement asunidimensional, focusing on the personal relevance aspect of involvement.

Laurent and Kapferer (1985) define involvement as having four dimensions:importance, risk (importance and probability), pleasure, and sign. Theyprovide empirical evidence to support their 4-dimensional view ofinvolvement. For a critical review of the Zaichkowsky (1985) and Laurentand Kapferer (1985) work on involvement, see Mittal (1989). Mittal (1989) partially reconciles the difference between Zaichkowsky (1985) and Laurent andKapferer (1985) by noting that Laurent and Kapferer's (1985) view ofinvolvement contains constructs that are actually antecedent toinvolvement, rather than a part of the construct itself. Zaichkowsky (1985) defines involvement as, "a person's perceivedrelevance of the object based on inherent needs, values, and interests."

She developed a 20-item semantic-differential scale, which she termed PII,to assess the degree to which consumers become involved in purchaseoccasions. Her empirical test of the model was limited to a range ofproducts. As earlier noted, empirical evidence suggests the 20-item PIIscale is two dimensional. Dahringer and his colleagues (1991), using avariety of service encounters, obtained a factor structure similar to that reported by Zaichkowsky (1985). McQuarrie and Munson (1992), borrowing from Zaichkowsky's PII scale,defined involvement as a two dimensional construct, importance and interest. Through an empirical and conceptual scale purification process, McQuarrie and Munson (1992) found empirical support for viewing involvement as a 2-dimensional construct, in part due to the addition of two items not included in the PII scale (i.e., dull...neat and fun...not fun). McQuarrie
and Munson's (1992) purification of the Zaichkowsky (1985) scale yielded a10-item scale which they term RPII. They chose to discard evaluative items from Zaichkowsky's (1985) PII, based on the presumption that evaluation wasdistinct from involvement. It should be noted, though, that McQuarrie andMunson's (1992) empirical study was based on products, rather thanservices. The authors of the current study were unable to locate any
research that examined McQuarrie and Munson's (1992) RPII in a servicescontext, despite the RPII's apparent merits as a means to measureinvolvement.The only other empirical study that examined involvement in a
services context is reported by Arora (1993). That study largely builds on the work of Laurent and Kapferer (1985). Not surprisingly, therefore, hereported empirical support for involvement as a 4-dimensional construct,although Arora (1993) does not report individual items' factor loadings and cross-loadings. Two of the factors identified by Arora, personal relevanceand hedonic, are similar to McQuarrie and Munson's (1992) notions of importance and interest. Inspection of items intended to measure the othertwo factors extracted by Arora (1993) contain words/phrases that are risk-oriented (e.g., If I choose the wrong ___, I may look bad...). WhileArora's (1993) findings certainly add to the knowledge base of involvementin a services context, further investigation of the matter is warranted,given this scale's potential confound with another construct (risk), andthe need for further psychometric evidence regarding the properties of a scale used to measure involvement in a services context. Based upon the above evidence, the authors decided to measure involvement in this study using the 10-item semantic differential RPII scale developed by McQuarrie and Munson (1992). The scale appears to more closely match the conceptual definition of involvement provided by Zaichkowsky (1985) by eliminating the evaluative items contained in her
scale. The RPII also seems superior to that reported by Arora (1993), given the RPII scale does not contain elements that may actually be separate, antecedent constructs to involvement (i.e., risk).

Services Categorization Scheme

While the prior research of Dahringer et. al. (1991) and Arora (1993) contribute to our understanding of involvement in service settings, neither study addressed any scheme suggested in the literature as a plausible way to categorize services. Failure to encompass such a categorization scheme into involvement research limits the understanding of involvement and inhibits the ability to generalize a study's findings across other contexts. To
remedy this matter, the current study based its selection of services to conform with a categorization scheme proposed by Lovelock (1983). He suggests that services may be categorized using a 2x2 framework, based on whether: (1) the object of a service offering is a person or an object; and (2) whether a service is perceived as tangible or intangible.

Selection of Services for the Current Study

It was decided to include four different services in the current study, so that each of the quadrants in Lovelock's (1983) scheme would be represented for empirical tests of the 10-item involvement scale. Services were selected so that survey respondents had either procured the service sometime in the past, or he/she would most likely be able to visualize what it would be like to obtain such a service. An inventory of plausible services was reviewed with a panel of experts. Based upon these considerations, the following services were selected for inclusion in the study: (1) exercise club was selected as a service directed at people and viewed as tangible in nature; (2) life insurance was selected as a service indicative of one directed at people, but intangible in nature; (3) for the service indicative of an act directed at an object and tangible in nature, furnace overhaul was selected; and (4) income tax accountancy was employed to represent intangible services directed at objects, rather than people.

METHOD

Sample and Procedure

A convenience sample of 340 residents from a major midwestern cityserved as the sample for the study. Fifty-two percent of the respondents were male, 48% female. Respondents' ages ranged from 19 to 81 years, with a mean age of 46.7 years (16.72 std. dev.). Sixty percent of the sample earned between $25,000 and $80,000 per year, and approximately 64% of the sample had at least some college education. This demographic profile is generally representative of the midwestern city used in this study. Each respondent as asked to rate the degree to which a particular service was involving, measured by McQuarrie and Munson's (1992) 10-item revised involvement scale (RPII). Upon completion of the self-administered survey, respondents returned the surveys by placing them in stamped self-addressed envelopes.

Measures

Consistent with the suggestions of McQuarrie and Munson (1992), the 10-item scale was hypothesized a priori to comprise two dimensions, importance and interest. The importance dimension of involvement was measured with the following semantic-differential items: (1) important/unimportant, (2) irrelevant/relevant, (3) means a lot to me/means nothing to me, (4) matters to me/doesn't matter, and (5) of no concern/of concern to me. The interest dimension of involvement was measured with: (1) dull/neat, (2) boring/interesting, (3) fun/not fun, (4) unexciting to me/exciting to me, and (5) appealing/unappealing. Note that several of the items were negatively worded to avoid a consistency bias.

Analytical Procedures

In order to empirically assess whether the 10-item involvement scale was indeed two-dimensional across the aforementioned service settings, a series of confirmatory factor analyses (CFA) using LISREL VII (Joreskog and Sorbom, 1988) were employed. This method of analysis was employed for three reasons: (1) CFA provides goodness-of-fit indices to assess how well/poorly the observed data actually fit an hypothesized model; (2) CFA corrects for attenuation due to measurement error. (Since there is only limited empirical evidence regarding involvement as a construct in services marketing, failure to correct for such attenuation may understate the correspondence between variables-of-interest); and (3) CFA affords the opportunity to apply a rigorous test of a scale's construct validity, as prescribed by Fornell and Larcker (1981). The adequacy of the fit of the data to the hypothesized model was assessed using the Tucker LewisGoodness-of-Fit Index (TLI), since it has been shown to be the most robust,among alternative fit indices, with respect to changes in sample size(Marsh, Balla, and McDonald, 1988).

The assessment of each scale's construct validity follows that prescribed by Fornell and Larcker (1981). Those authors recommend that, using a CFA, one should examine: (1) the amount of each scale's variance explained by its underlying construct; and (2) the amount of variance shared by each of the constructs' scales in the CFA. To measure the amount of variance explained in each scale by its underlying construct, one merely calculates the mean of the squared multiple correlations for the items hypothesized to be indicators of that factor. Assessment of the variance shared between two constructs is calculated by squaring the appropriate value in the standardized PHI matrix of the CFA output. A scale is said to possess convergent validity if more than one-half of its variance is explained by its underlying construct (i.e., mean of SMCs should be at least .50). A scale, according to Fornell and Larcker (1981), is said to possess discriminant validity when more of its variance is explained by its underlying factor than the amount of variance it shares with each of the other constructs' scales in the model. Thus, the mean of the squared multiple correlations for a construct-of-interest should be greater than the square of its inter-correlations with other constructs in the confirmatory factor analysis model.

RESULTS

Inspection of the initial confirmatory factor analyses suggested that the involvement construct is 2-dimensional across all four types of service settings. In three of the four service settings (i.e., life insurance, income tax accountancy, and exercise club), the data adequately fit the hypothesized 2-factor model, based upon inspection of the Tucker-Lewis Goodness-of-Fit indices (TLI). However, the TLI (goodness-of-fit) for the furnace overhaul service encounter was only .87, failing to meet the minimum criterion of .90 (Joreskog and Sorbom, 1988). Moreover, one of the items, fun/not fun, performed quite poorly across all four service settings, especially furnace overhaul and income tax accountancy. This observation is based on its small factor loadings, relative to other items, and its small squared multiple correlations. An item's squared multiple correlation is, in essence, a measure of the degree to which an observed item correlates with its underlying construct. In the case of the "fun/not fun" item, its squared multiple correlation was only .091 for furnace overhaul and .165 for income tax accountancy. Given the previously-discussed empirical evidence, along with the fact that a service encounter need not be "fun" for the encounter to be "interesting", it was decided to omit the item from the hypothesized model and to then re-run the CFAs across the four services.

Refer Table 1 Here

Results of the modified confirmatory factor analysis models (i.e.,with the "fun/not" fun item omitted) are reported in Table 1. Inspection of Table 1 suggests that involvement is indeed a two-dimensional construct, and that the 9-item scale generally possesses an adequate amount of construct validity for involvement in a service setting. This conclusion is based on the following observations from Table 1. Goodness-of-Fit Criterion. Across all four service encounters, the data fit the hypothesized model, given that the TLI exceeds the .90 criterion in all instances. TLI indices ranged from a low of .901 for furnace overhaul to .937 for exercise club.

Convergent Validity Test. Most of the tests of convergent validity, as prescribed by Fornell and Larcker (1981), were satisfied (i.e., 6 of the 8 scales satisfied the 50% variance explained criterion). Inspection of Table 1 shows that several of the scales had more than 60% of their variances explained by their respective underlying constructs. Moreover, in the two instances where the convergent tests were not met, the average variance explained by the underlying construct certainly approached the 50% criterion (i.e., 46% and 44% variance explained). Discriminant Validity Test. In three of the four service settings the test of discriminant validity was also satisfied (i.e., variance explained by the underlying construct was greater than variance shared between the constructs). Only in the exercise club scenario did the model fail the Fornell and Larcker (1981) discriminant validity test. The inter-correlation between importance and interest in the exercise encounter was quite high, r=.849, indicating that importance and interest share about 72% of their variance. Although this level of association significantly exceeds Fornell and Larcker's (1981) guidelines, two points are worthy of consideration: (1) the inter-correlation between importance and interest reported in this study is after correction for attenuation due to measurement error; and (2) a nested model design was used to empirically investigate whether the two variables were perfectly correlated.

RESULTS

of that analysis indicated that, in the case of the exercise club, although importance and interest are highly correlated with one another, they are not perfectly correlated.

DISCUSSION

This study tackled the issue of the dimensionality of involvement in a service setting across a categorization scheme for services. The findings provide strong empirical evidence that involvement is a 2- dimensional construct (importance and interest) across various service contexts.

While the results reported in this study lend support to McQuarrie and Munson's (1992) notions as to the dimensionality of involvement, it does appear, at least in a service context, that a "fun/not fun" item is not germane to the "interest" aspect of involvement. Moreover, the confirmatory factor analytic procedures reported in the current study provide considerable insight, on an item-by-item basis, for the degree to which individual scale items are related to their hypothesized underlying dimensions, an issue that has previously received little attention.

LIMITATIONS AND DIRECTIONS FOR FUTURE RESEARCH

While this study has contributed to the understanding of involvement in services, certain aspects of the study limit its generalizability and warrant further investigation of this research area. For example, the achieved sample and services used in this study are not necessarily representative of other settings and services. Also, some of the sample sizes for the services were slightly smaller than that recommended (Joreskog and Sorbom 1988). Thus, future research is needed to replicate the current study across additional settings, both geographic and service-type.

Finally, the current study did not investigate how each of the aspects of involvement (i.e., importance and interest) may influence the consumer search and decision making process. For example, no attention has been given to how involvement influences consumers' search activities (Zaichkowsky 1985) or formation of consideration sets (Brisoux and Cheron 1990). Thus, future research to examine the consequences of search in services is certainly warranted.

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Table 1
Summary of Confirmatory Factor Analyses on 9-item Involvement Scale[a,b]

Item	Exercise Club Importance	Exercise Club Interest	Life Insurance Importance	Life Insurance Interest	Furnace Overhaul Importance	Furnace Overhaul Interest	Income Tax Importance	Income Tax Interest
important/unimportant	1.80		1.42		1.28		1.36	
irrelevant/relevant	1.17		1.01		1.67		0.82	
means a lot/meas nothing	1.84		1.52		0.87		1.72	
matters/doesn't matter	2.04		1.81		1.16		1.30	
of no concern	1.86		1.35		1.61		0.89	
dull/neat		1.28		1.47		1.24		1.64
boring/interesting		1.34		1.70		2.03		1.92
unexciting/exciting		1.50		1.11		1.19		1.44
appealing/unappealing		2.22		1.44		0.82		0.87
Mean of SMCs	.62	.57	.53	.46	.44	.61	.44	.53
TLI[c]	.937		.917		.901		.907	
$PHI_{2,1}$[d]	.860		.423		.385		.133	

[a]Although t-values are not reported here, or elsewhere in this study, all of the factor loadings in the lambda matrix, error loadings in the theta matrix, and the off-diagonal element in each of the PHI matrices were statistically significant. According to Fornell and Larcker (1981) this is one of the necessary prerequisites for considering the fit of the data to a hypothesized model.

[b]Although modification indices are not reported here, or elsewhere in this study, there were only a few indices that indicated model fit could be improved by freeing parameters that were a priori constrained to be zero. It was decided to leave those parameters constrained to zero (and forego better model fit) because freeing such parameters would have seriously violated the hypothesized model, and because the estimated effect size of freeing each additional parameter was quite small.

[c]As noted elsewhere in the text, the Tucker-Lewis Goodness-of-Fit Index (TLI) was employed in the current study because it has been demonstrated by Marsh, Balla, and McDonald (1988) to be superior to other fit indices, given its robustness to sample size variations.

[d]The term "$PHI_{2,1}$" merely denotes the correlation between each of the involvement dimensions, importance and interest. This measure is obtained in confirmatory factor analysis by standardizing the PHI matrix, which provides the covariance among each of the factors in the hypothesized model. Moreover, standardizing the PHI matrix was used to set the metric in the current study.

Session 14

Monday July 10, 1995

10.30 - 11.45 am

14.2 CONTEMPORARY ISSUES IN ASIAN/PACIFIC MARKETS

ANALYZING THE ETHICAL DECISION-MAKING OF THAI MARKETERS

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ABSTRACT

Marketing ethics theories generally recognize culture as an important influencing factor for ethical decision-making (e.g., Ferrell and Gresham, 1985; Hunt and Vitell, 1986). The important role of culture in ethical decisions was further accentuated in the theoretical work of Vitell, Nwachukwu and Barnes (1993) where Hofstede's (1983) cultural typology was applied to ethical issues. Results from various inter-country studies of business people also indicate that there are variations in ethical decisions across cultures. While there has been some interest among researchers on the cross-cultural aspects of business/marketing ethics decisions, there has been relatively little interest among researchers on the ethical decision processes of marketers from different countries and cultures. The few cross-cultural ethics studies conducted tend to focus mainly on *behavior* or *intention* and not on the cognitive components or the psychosocial factors underlying ethical decision-making processes. Moreover, these cross-cultural studies are mainly limited to western advanced countries.

Southeast Asia markets can be considered as important target markets for many multinational corporations. Among the Southeast Asian countries, Thailand is reported to enjoy one of the highest economic growth rates in the region. As a result, it is appropriate to study the ethical decision-making processes of Thai marketers from different perspectives. This study examines the relative influences of professional values and ethical perceptions on the ethical judgments of Thai marketers. These factors were chosen because of their importance as evidenced in the marketing ethics literature.

A self-administered questionnaire was used as the data collection technique. The constructs "perceived ethical problem" and "ethical judgment" were measured by means of two marketing ethics scenarios. The construct "professional values" was measured by asking the respondents to rate a set of nine statements selected from the code of ethics of the American Marketing Association. The results indicate that the construct "perceptions of an ethical problem" was a significant predictor of a Thai marketer's ethical judgments. In particular, the Thai marketers who perceive a marketing situation to have an ethical problem tended to form "more ethical" judgments. This implies that sensitizing Thai marketers to ethical issues/problems by means of ethics training and explicit ethics guidelines is crucial. Furthermore, the survey results reveal that "professional values" is a significant predictor of a Thai marketer's ethical judgments, but only for one of the two marketing ethics situations tested. This somewhat weak relationship between professional values and a Thai marketer's ethical judgments implies that Thai marketing professionals' ethical judgments depend more on their perceived ethicality of the problem rather than on any professional codes of ethical conduct.

ACKNOWLEDGMENT

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GLOBAL EXPORTS SAARC POSITION AND PAKISTAN'S EXPORTS: PERFORMANCE AND PROSPECTS

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University of Punjab

PRELUDE

The prosperity of a country lies in boosting exports. This is a lesson which one must learn from NICs which pursued export led growth strategy and now the Pacific Rim has shown to the world the spectacular growth registered by them. Based on 1994 world Development Report just released, the exports for 1992 of NICs were: Singapore ($ 63 billion), Taiwan ($ 81 billion), Korea, Republic ($ 76 billion) and Hong Kong ($ 30 billion). These countries have shown to the world that break through in exports is possible and achieving growth in exports is not the exclusive preserve of a few developed countries.

CONSTITUENTS OF PAPER

The paper has been divided into the following four part:
Part A: Global Exports Trends.
Part B: SAARC Region Trade.
Part C: Export Performance of Pakistan
Part D: Suggested Direction

PART A: GLOBAL EXPORTS

Based on available information a review of growth trends of global exports is presented. Dimensions covered in this respect will include competitive edge, global trends, world exports leaders and NAFTA. A review of classification of exports togetherwith the structure has also been undertaken and included in this paper.

Competitive Edge

Pakistan can get motivated by studying global trends in exports. No country should acquire the negative motivation that the competitive edge is blunt and therefore growth in exports is not possible. Instead we should believe that positive motivation can enable them to have a sharp competitive edge. This is well demonstrated by four NICs (Singapore, Taiwan, Hong Kong and South Korea) as has been stated earlier. With enlarging the base of exportable surpluses, these countries have registered growth in exports in considerable dimensions. Therefore there is a lot that Pakistan can learn from the growth trends in the world of exports and all stakeholders can play a great role in boosting exports.

An attempt has been made to study the growth of global exports. The results of research study are included in this paper.

Global Trends

Pareto application also extends to global exports. This is supported by the following results:

A detailed analysis of world exports has been carried out and research results are as under:

1. Out of 23 high income economies, only 9 countries had 78% of their share of market of the group. In terms of world exports, their share of market was 61%.
2. The share of market of lower middle income economies was only 3% of the world exports. However, within this group there was a great concentration in few countries. Seven countries namely Thailand ($ 32) Iran ($ 18), Turkey ($ 13), Poland ($ 13), Algeria ($ 12), Phillipines ($ 10) and Chile ($ 10) had 47% of their share of market of the group.
3. Twenty one countries belonging to upper middle income economies had 7% share of the world exports and six countries had 70% of the share of the group. These included South Korea ($ 76), Saudi Arabia ($ 42), Malaysia ($ 41), Brazil ($ 36), Mexico ($ 27), and South Africa ($ 24).
4. Low income economies share of world trade was 4%. Concentration within this group was very high. Only five countries namely China ($ 85), Indonesia ($ 34), India ($ 20), Nigeria ($ 12) and Pakistan ($ 7) had 89% of their share of the group.

5. It can be seen from the above that the number of countries and value of exports have inverse relationship. This shows concentration of exports with a group of few countries located in the high income group area. As against the world exports of US $ 3,575, the World imports were US $ 3,786.

World Export Leaders

Our research revealed that there were only nine countries in the world in 1992 whose exports constituted 61% global exports. These included, Germany, ($ 430 b), USA ($ 421 b), Japan ($ 340 b), France ($ 231 b), UK ($ 191 b), Itlay ($ 178 b), Netherland ($ 140 b), Belgium ($ 123 b). In terms of value, the total export of the above nine countries were $ 2186 billion (612) and for the rest of the world the amount was $ 1389 billion (39%). This shows high concentration and domination by only nine countries in a total population of 132 countries - representing 6.82%.

Analysis of above export of above nine countries in respect of various continents is tabulated below:-

The research results show that share of global exports of nine countries listed above was 61%. This shows high concentration of exports in few countries.

Classification of Global Exports

Based on our research and using 1992 global exports figures from the World Development Report 1994 classification of global exports has been computed as under:-

Structure of Merchandise Exports

High income economies had large share of their exports consisting of machinery, transport equipment and other manufactures. This trend is growing in middle income economies and upper middle income economies. However bulk of exports of low income economies constitute fuels, minerals, metals and other primary commodities.

NAFTA

Year 1993 saw the emergence of North American Free Trade Area popularly known as NAFTA. This consists of three countries namely USA, Canada and Mexico. Based on World Development Report 1994, NAFTA total exports for 1992 constituted 16% of the World exports. This aggregated to a total of US Dollars 580 with a break up constituting USA $ 421, Canada $ 132 and Mexico $ 27.

Imports into NAFA were 19% of thw World imports. This was US $ 721 with a break up of USA $ 551, Canada $ 122 and Mexico $ 48.

PART B: SAARC REGION TRADE

The world is experimenting trading regions with great success. ASEAN region has demonstrated a magnificient growth. NAFTA has shown a glorious interest. EEC have integrated nicely. In this background, the performance of SAARC region has been very dismal. The population of SAARC is around 24% of the World population. However its share of world exports is only 0.83%.

Table 5 shows that there is a need to achieve break through by operationalising exports led growth policies.

Pakistan's exports to other SAARC Countries during July 1993 to March 1994 were Rs. 3.98 billion (3% of total exports). Details in this respect are tabulated.

There is an urgent need for SAARC countries to grow and develop an expanding vista of trade. In the SAARC Summit held in Dhaka in 1993 SAPTA was announced. This needs to be practically implemented. All SAARC countries should attach this area a high priority.

PART C: EXPORTS PERFORMANCE OF PAKISTAN

It is interesting to note that, with the exception of three years, exports from Pakistan never exceeded the imports in the history of our country. The first occassion was the year when Pakistan was born. The second year was 1950-51 when Korean war was going on. The third year was after breakaway of the then East Pakistan, now Bangladesh. In this year i.e. 1972-73 interwing trade was diverted to other parts of the world. It is, therefore, apparant that even the three years in which the exports exceeded the imports, the performance was not in normal circumstances.

Exports Trends

The following table gives an abridged picture of the export trends of Pakistan from her birth to 1993-94.

Economic Classification of Exports

Developing countries have greater share from the exports consisting of primary commodities and semi-manufactured items. The struggle to increase their share consisting of manufactured goods is continuing. So far, in the last two decades, Pakistan has succeeded in achieving this goal as is reflected in table 7.

Major Exports listed in Pakistan Economic Survey 1993-94 included Fish and Fish Preparation, Rice, Hides &

Skins, Raw Wool, Raw Cotton Thread, Cotton Cloth, Petroleum & Products, Synthetic Textiles, Foot Wear, Animal Casings,Paints and Varnishes, Tobacco (Raw and Manufactured), Ready Made Garments, Drugs & Chemicals, Surgical Instruments, Carpets & Rugs, Sports Goods and other items.

Major Exports

Only 16 items represented 75% of our major exports of Rupee One Billion or above. Position in this respect appear in table 8.

From the above table, it is apparant that there is dire need for diversification and quantium jump in the exports.

The following frequency table 9, prepared through our research offort, further shows heavy concentration of very few items within rupees one billion and above club group:

A refined analysis revealed that only ten items as per following table constituted 71% of total exports of Pakistan.

Destination of Exports of Pakistan

Despite lip service and propoganda that Muslims countries must have strong cooperation and SAARC countries must emerge like Pacific Rim, the real position is the very opposite. Our analysis reveals that pakistan Exports to Organisation for Islamic Countries (OIC) constituted only 14%. OIC has a membership of over 50 countries. Their meetings are held to enjoy the luxury of excellent food without producing greater productive results. The position is even far more disastrous in the SAARC countries. Total exports from Pakistan constituted only 3%. Despite army of persons working in foreign Embassies of Pakistan in ASEAN countries, Pakistan's total exports constituted only 4% of our total exports. On the basis of our research the position of destination of exports is shown in table 11.

PART D: SUGGESTED DIRECTION

The Government of Pakistan has expressed their desire to increase the export target to Ten Billion in the next two years. This is only possible if we succeed in creating exportable surpluses in Pakistan. In this respect, the encouraging policies of deregulation, disinvestment and denationalisation are welcome steps. A tangible improvement in law and order situation can now help improve investment climate in macro framework and sound management at the micro level with excellent labour management relations based on mutual repsect and dignity. Productivity orientation and industrial peace can help in achieving the above objective. Every one in the Government, industry, trade association, employees and employers and all those involved in economic activities must put in their best to achieve the above goal of increasing exportable surplus which will enable Pakistan to take off with export led strategy.

Pakistan's share of global exports in 1992 was 0.20%. There is a need to register a rise in this ratio. Let us commit to our nobel cause of logistical support to business community and play our result oriented role as bankers, Government and other bodies to ensure a rising curve of exports from Pakistan.

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World Development Report 1994, Table 13, PP 186-87.
Pakistan Economic Survey 1993-94, Statistical Annexure, PP 138-163.

Table No. 1

Global Exports: 1992
Classification Based on Income Economies Regimes

US $ in Billion

	Particulars	No.	%	Amount	%
1.	Low-Income Economies	42	32	177	05
2.	Lower Middle Income Economies	46	35	235	08
3.	Upper Middle Income Economies	21	16	351	07
4.	High Income Economies	23	17	2,812	80
		132	100	3,575	100

Source: World Development Report 1994, Table 13, PP 186-87.

Table No. 2

Continent Wise Analysis of Exports: 1992
(Nine Countries)

	Continent	$ Billion	%	% of World Exports
1.	Europe	1,293	59	36
2.	Asia	340	16	10
3.	North America	553	25	15
	Total:	2,186	100	61

Table No. 3

Frequency Distribution of Global Exports: 1992

Group		Number
B $	B $	
401	402	2
301	400	1
201	300	1
101	200	5
50	100	5
		14
1	50	61
Less than one billion		57
		132

Table No. 4

Foreign Trade of SAARC Countries

($ Million)

Countries	1992	1991	1990	1989
1. India	17,962	17,593	17,965	15,884
2. Pakistan	7,430	6,529	5,590	4,705
3. Sri Lanka	2,264	1,987	1,913	1,540
4. Bangladesh	1,932	1,691	1,674	1,305
5. Nepal	337	264	210	158
6. Bhutan	72	66	74	74
7. Maldives	35	54	52	45

Source:- Asian Development Bank Annual Report, 1992. Table 4, P-168.

Table No. 5

Trade in SAARC Countries

1993-94 (July - March: Nine Months)

Countries	Exports Rs. Million	Imports Rs. Million
1. Bangladesh	1,931	726
2. Sri Lanka	1,196	854
3. India	809	1,409
4. Nepal	26	21
5. Maldives	22	2
	3,984	3,012

Source: Economic Survey 1993-94 (Pakistan), Statistical Table 11-9, PP 152-63.

Table No. 6

Trade Trends of Pakistan

Years	Exports Rs. Million	Imports (Rs. Million)
1947-48	0.44	0.32
1950-51	1.34	1.17
1960-61	0.54	2.17
1970-71	2.00	3.60
1980-81	29.28	53.54
1988-89	90.18	136
1989-90	106.47	149
1990-91	138.28	171
1991-92	171.73	230
1992-93	177	259
1993-94	147*	187
July - March (P)		
* This figure for 1993-94 was 206		

Source: Extracted from: Economic Survey 1993-94 (Pakistan): Islamabad, Government of Pakistan, Finance Division, Economic Adviser's Wing, Statistical Appendix, Table 11-2, P-139.

Table No. 7

Economic Classification of Exports of Pakistan

Year	Total %	Primary Commodities	Semi Manufactured	Manufactured Goods
1970-71	100	32	24	44
1980-81	100	44	11	45
1988-89	100	33	19	48
1989-90	100	20	24	56
1990-91	100	19	24	57
1991-92	100	19	21	60
1992-93	100	15	21	64
1993-94 July-March (P)	100	11	22	67

Source: Extracted from: <u>Economic Survey 1993-94</u> (Pakistan), Statistical Appendix, Table 114, P-140-41.

P = Provisional

Table No. 8

One Billion and above Exports Items of Pakistan

Major Exports (One Billion and above)	July - March 1993 - 1994 Rs. Billion	%
1. Cotton Yarn	26	
2. Ready Made Garments	24	
3. Cotton Cloth	17	
4. Synthetic Textiles	12	
5. Rice	5	
6. Leather	5	
7. Fish and Fish Preparations	4	
8. Sports Goods	4	
9. Surgical Instruments	4	
10. Carpets & Rugs	3	
11. Raw Cotton	2	
12. Guar & Products	2	
13. Petroleum & Products	1	
14. Cotton Waste	1	
15. Foot Wear	1	
16. Drug and Chemicals	1	
	112	76
Other Exports	35	24
	147	100

Source: Extracted from Economic Survey 1993-94 (Pakistan) Islamabad: Government of Pakistan, Finance Division, Economic Adviser's Wing, Statistical Appendix, Table 11.5, PP 142-146.

Table No. 9

Frequency Table of Rupee One Billion and Above Pakistan Exports

Group Pak Rupees in Billion	Frequency (Number)
1 - 2	5
3 - 5	6
6 - 10	-
11 - 15	1
16 - 21	4
	11
	16

Table No. 10

Ranking of Top Ten Pakistan Export Items: 1993-94 *

Commodity	Rs. Billion
1. Cotton Yarn	26
2. Ready Made Garments	24
3. Gotton Cloth	17
4. Synthetic Textile	13
5. Rice	5
6. Leather	5
7. Surgical Goods	4
8. Fish and Fish Preparation	4
9. Sports Goods	4
10. Carpets and Rugs	3
	105
Percentage of Total Pakistan Exports	71

* July 1993 to March 1994.

Table No. 11

Destination of Exports of Pakistan: 1993-94

Particulars	1993 Rs. Billion	1994 %	July - March 1992 - 1993 Rs. Billion	July - March 1992 - 1993 %
1. Developed Countries:	89	61	74	57
OECD	89	61	73	56
Other European	-	-	1	1
2. CMEA	1	1	1	1
(Council of Mutual Economic Assistance)				
3. Developing Countries:	57	39	55	42
OIC	20	14	20	15
SAARC	4	3	5	4
ASEAN	6	4	7	5
Central America	1	1	--	--
South America	1	--	1	1
Other Asian	20	14	17	13
Other African	5	3	5	4
	147	100	130	100

Source: Extracted from: Economic Survey 1993-94, (Pakistan) Statistical Appendix, Table 11-9, PP 152-163.

VIETNAM: TIGER OR PUSSYCAT?

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ABSTRACT

Tiger or Pussycat? Can Vietnam overcome its war torn infrastructure and become a fifth Asian tiger or will it struggle along a path of economic and social underdevelopment? The willingness by the international community to make large FDI's is one significantly positive signal.

INTRODUCTION

After the Unification of Vietnam under Communist Hanoi leadership in 1975, Vietnam was modeled after Soviet patterns. Economic ties with western economies became greatly reduced, and almost disappeared in 1978. Losing economic ties with the West left Vietnam economically dependent on the Eastern bloc: exporting primary goods, handicrafts, and some light manufacturing products in exchange for petroleum, fertilizers, steel, etc. The Council for Mutual Economic Assistance (CMEA), provided Vietnam with credit and technological expertise and considerable amounts of aid. This aid resulted in cement factories, power generators, mining technology, and other infrastructure projects. Following Vietnam's invasion of Cambodia in 1978, the former USSR became Vietnam's greatest ally and its major supplier. The Soviet Union remained Vietnam's longest trading partner until the late 1980s accounting for 65% of its total external trade.

Despite the considerably high economic support , Vietnam's plans for reconstruction was failing, its economy went into steady decline, and living standards dropped to alarmingly low levels. In the mid-1980s, the Hanoi leadership was aware that economic reform was needed and began to enact a series of liberal economic adjustments while maintaining a communist posture. This evolved into a trend toward a market, or demand led economy. The late 1980s and early 1990s brought a new prospective of the Vietnamese economy and its investment potential. The Soviet Communist party lost its grip on power. The United States, following the lifting of the trade embargo on February 4, 1994, Japan and other countries are asserting themselves as leaders in foreign investment in the new Vietnamese market economy. Vietnam provides an ideal climate for foreign investors. The country's increasing position as a market economy is due to economic growth, abundant resources, a large, highly literate low cost labor force, and a liberal foreign investment code.

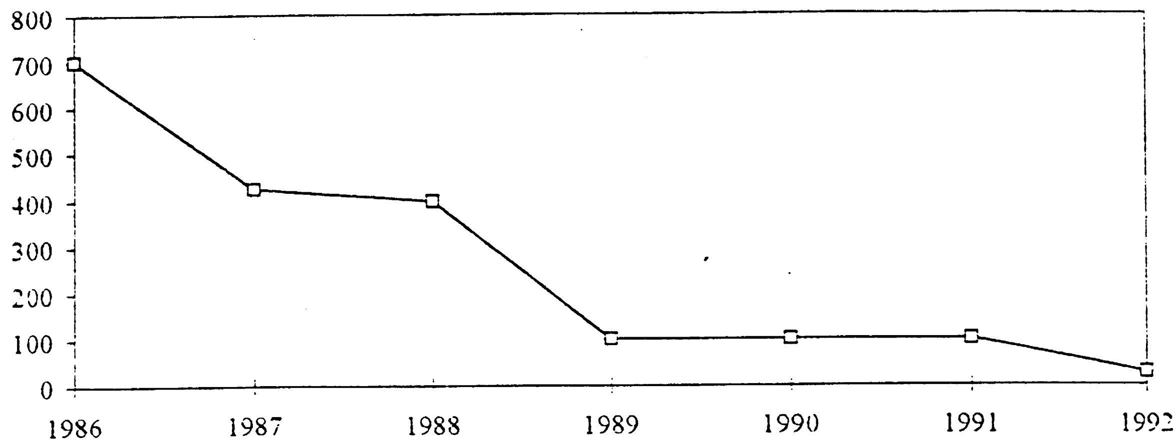
ECONOMIC GROWTH

As more countries in the Pacific rim implement economic stabilization and new foreign investment policies, their prospects for quality of life factors should increase economic stability and economic reforms boost economic growth and improves the incentive to save and invest.

There have been significant variations in the growth performance of developing country regions for the past two decades. Asia has the highest growth of all the developing regions. In the 1980s, per capita income increased at an average annual rate of 5 percent in Asia. Vietnam's location within the Southeast Asian Region puts it in an area that is sustaining new economic growth.

In 1992, Vietnam curbed inflation and experienced a trade surplus for the first time in recent history. Inflation fell to roughly 18% in 1992, from nearly 70% in 1990 and 1991 (See Graph 1). The drop resulted from the government's efforts to reduce the budget deficit and control the money supply. The trade surplus for 1992 was estimated at U.S. $70 million, a major feat for a country in which imports outweighed exports by 4:1 only 10 years ago.

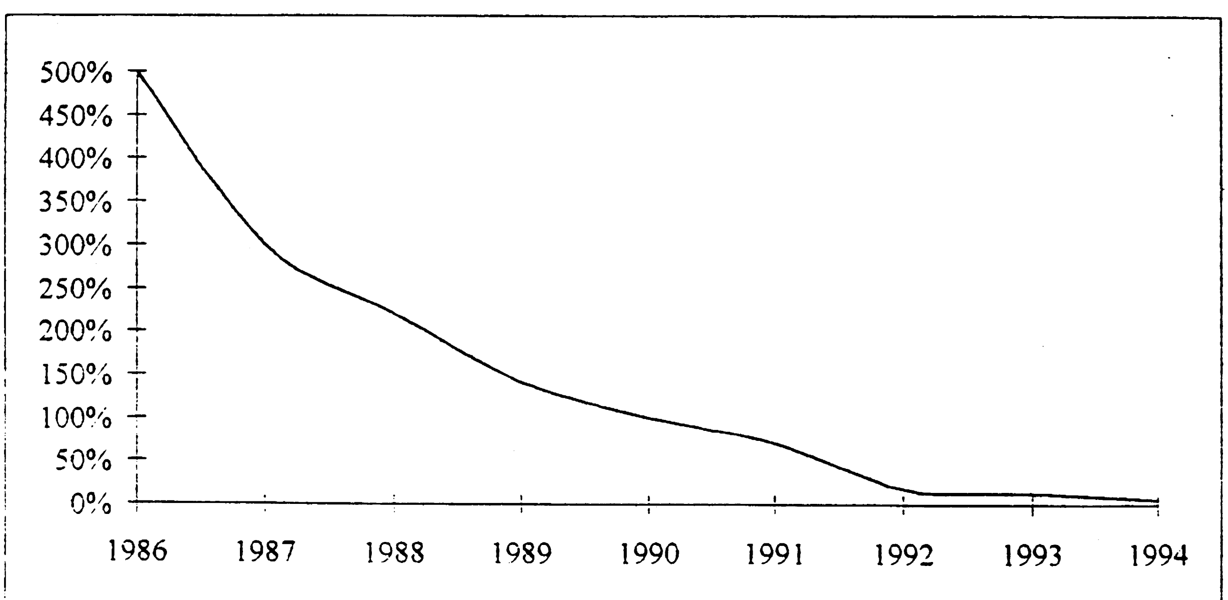
Graph 1
Vietnam's Annual Price Rises



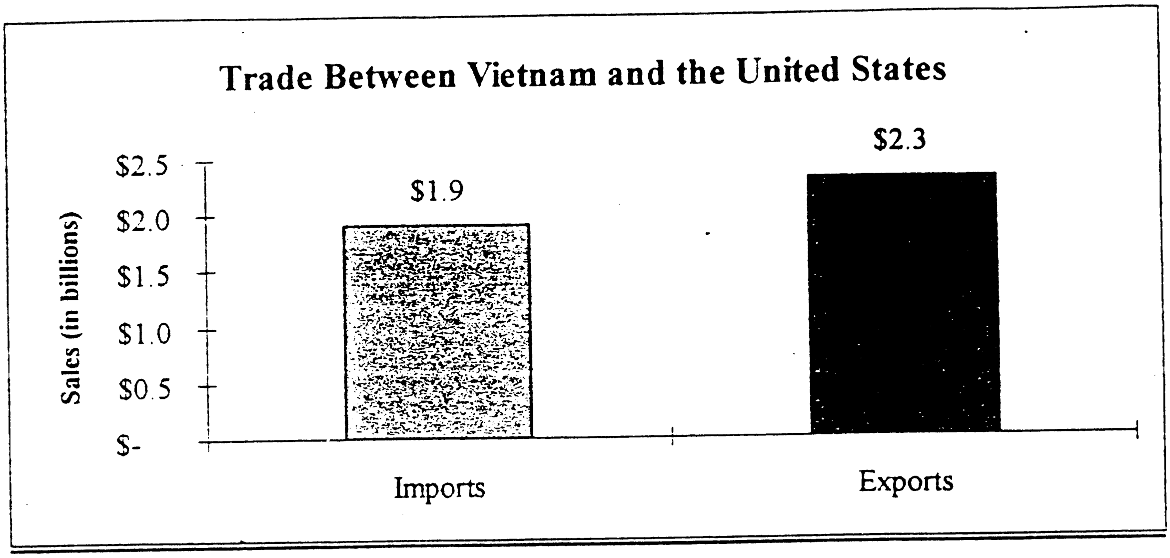
Source: Institute for Research on Market and Price

Graph 2

Inflation in Vietnam from 1986 through 1994



Graph 3



NATURAL RESOURCES

Vietnam has an abundant amount of natural resources that have not been explored or remain untapped. Foreign investors are attracted to Vietnam's oil, bauxite, coal, and timber.

The projected energy requirements for Vietnam will require over U.S. $4 billion in investments by the year 2000. According to Vietnamese Director of Administration, Nguyen Tien Hai, U.S. $2 billion will be raised through borrowing from foreign banks, the other U.S. $2 billion will come from aid packages such as Japan's Official Development Aid Plan and from the Asian Development Bank. Vietnam's expected output will increase by 10% to 18% a year.

Other international organizations have increased funding for development projects in Vietnam. Japan's Overseas Economic Cooperation Fund recently released $450 million for powerplants, highway and port projects while the World Bank and the Asian Development Bank have previously provided a total of $305 million. This is viewed as an opportunity for U.S. engineering and construction firms who can submit bids for the projects being funded.

Oil exploration has been the single biggest source of investment by foreign firms. Oil reserves in Vietnam were estimated to be about 1 billion to 2.5 billion barrels in 1992. Vietnam's prospects as a major oil and gas producer this decade will be known in the 12 to 18 months following April 1994. The country, which currently has one oil production field, is anticipating the coming onstream of two more. The three, according to Petrovietnam, will boost the country's output to 170,000 b/d by 1995.

EXPORTER OF RICE

The fertile Mekong Delta has helped to make Vietnam the world's top rice exporter. In 1992, Vietnam earned $400 million in foreign exchange on more than 2 million tons of rice.

Vietnam's exports of rice are hindered by inefficiency. The production of rice has become more efficient since private production was expanded in 1988, and the 1993 total was unsurpassed at 25 million tons. However, exports have declined 6% to 1.7 million tons and ports are full of backlogs. Part of the inefficiency comes from intense competition among government controlled export companies which contract middlemen to deal with farmers. The government is considering cutting the number of exporters.

TOURISM

Vietnam's tropical climate is very similar to Hawaii's. The white sandy beaches could draw millions of foreign tourists, especially wealthy tourists from the surrounding Eastern rim.

Foreign airlines are stepping up efforts to gain a share of Vietnam's rapidly growing air-travel market. In 1990, Singapore and Japan airlines decided to lift their prohibition on investment in Vietnam to gain market share. In 1989, Vietnam Airlines made $3 to $5 million in profits. Profits almost doubled in 1990 as a result of international flights.

The potential for the tourist and vacation industry in Vietnam has generated investments in hotels. Vietnam's hotel sector is one of the fastest growing areas of foreign investment. About 30 hotel projects are waiting for approval in the City of Ho Chi Minh. In 1986, an estimated 10,000 foreigners visited Ho Chi Minh City. One year later in 1990, the number of visitors increased to 100,000 and then to 200,000 in 1991.

In 1990, Hanoi Tourism reached an agreement with Pullman Hotels for the renovation of the Thong Nhat Hotel and the construction of an annex. This $26 million project is called the Pullman-Thong Nhat Metropole, or Pullman TNM for short.

Other foreign companies seeking approval for large hotel projects in Ho Chi Minh City are the Regent, Hyatt, Novotel, and Peninsula Groups. A joint-venture between Hong Kong and the Vietnamese Ministry of Construction, called Kenton Investment, are combining to open a luxury hotel. Saigon Tourist and New World Development of Hong Kong are in a joint-venture to build the Le Lai Hotel. The hotel will have 500 rooms and will cost U.S. $40 million.

A LARGE, HIGHLY LITERATE LOW COST LABOR FORCE

Foreign investors are taking advantage of Vietnam's large and highly literate work force. Its population of 70 million people--about 60 percent of whom are under the age of 21--provides a large labor market.

Japanese companies see Vietnam's low wages ($200 pci) as a source of cheap labor for satisfying their manufacturing of inexpensive, low-tech components for their higher technology products. This compliments the thousands of small job-shop suppliers that make JIT work in Japan. Japan, itself, is basically a cheap labor society. Apparently, Japan is now "exporting" low-end jobs to avoid conflicts at home. JVC and Sanyo are assembling television sets, tape recorders, and other electronics at plants in Vietnam.

LIBERAL FOREIGN-INVESTMENT CODE

Vietnam's foreign investment code, introduced in 1987, is one of Asia's most liberal. Foreign companies are allowed 100% ownership, or up to 99% equity in joint-ventures. Tax breaks are provided for projects that provide employment and generate exports. Foreign companies also receive tax breaks for projects that promote hard-currency earnings, technology transfers, or can harness Vietnam's abundant natural resources.

Exhibit 1
Key Features of the New Foreign Investment Code

- Guarantees against expropriation
- Guarantees no nationalization
- Guarantees the right to repatriate capital and profits
- Imposes no minimum investment ceilings
- Imposes no minimum levels of Vietnamese participation

Getting Approval for foreign investment projects. An application must be completed in both English and Vietnamese, then seven copies of the application are submitted to the State Committee for Cooperation and Investment (SCCI).

Applications are reviewed by six other agencies:

1. The Ministry of Finance
2. The Central Bank
3. The Ministry of External Economic Relations
4. The State Planning Commission
5. The Scientific and Technology Commission
6. The Council of Ministers.

The project review process can last two to three months.

Stock Market. Vietnam does not have a stock market, but plans to develop a Vietnamese stock market are being discussed. The stock market in Vietnam is being pushed by the Prime Minister, Vo Van Kiet. Authorities are sorting out the details for possible implementation in 1995. Combined investors have pumped more than $240 million into the country--without a stock market.

Exhibit 2
Pacific Rim Countries with Stock Exchanges

Hong Kong	Philippines	Malaysia
Indonesia	Singapore	Taiwan
Japan	South Korea	Thailand

The Asian stock markets have recently performed much better than the U.S. markets. In 1993, the top performers were Hong Kong and the Malaysian markets that rose by 57% and 61%, respectively. U.S. markets, in the same period, rose less than 6%. These markets offer returns far above the U.S. and the current trend toward investing in the stocks is likely to continue.

CONCLUSION

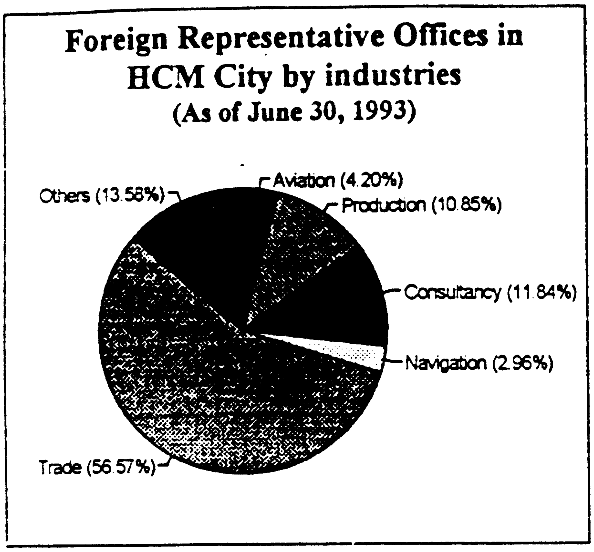
Vietnam is one of the richest nations in Asia in terms of natural resources. Vietnam's labor force is young, well educated, and labor is inexpensive. Vietnam appears to be managing the transition to a market economy successfully through dramatic changes in foreign policy and a liberal foreign investment code. The growth rate in Vietnam has averaged 10% annually for the past three years and inflation is being brought under control.

To succeed in the Vietnamese market, the country must be viewed as an "opportunistic" environment. The Japanese and many European countries are pursuing business opportunities. Due to several prior U.S. government international restrictions, the majority of U.S. businesses were excluded from developing the necessary foundation to enter this market of 70 million people.

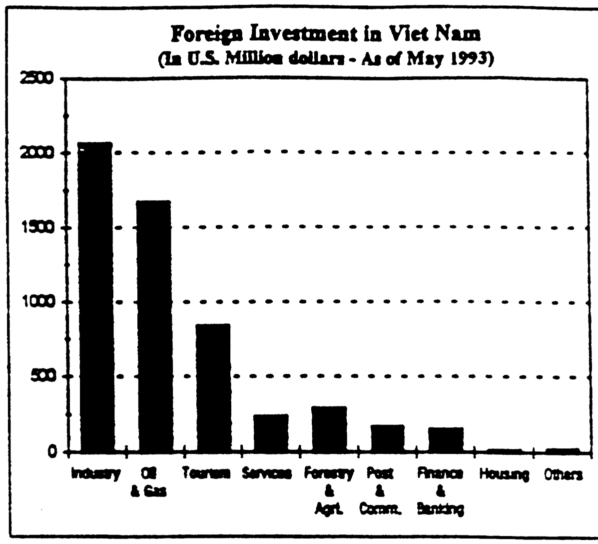
Vietnam, as well as other countries in the Pacific Rim, should be viewed as developing economies worthy of investment. It is also one of the untapped economies left in the region offering new investors to get in on the initial stages of investment. Appendicies A and B are samples of the variety of current investment.

Coca-Cola and Chrysler Corp. were the main attractions at Vietnam's first international trade exhibition since the U.S. imposed an economic embargo in 1975. The fair, which opened April 5, 1994, saw young Vietnamese swarming around the latest Chrysler automobiles and tables laden with samples of free Coke. It attracted 200 foreign and 150 local participants who were drawn to Vietnam's potential market of more than 70 million customers.

Graph 4



Graph 5



Viet Nam Business Review *Vol. 1, No. 4, November 1993*

DISCUSSION OF FINANCIAL MARKETS IN VIETNAM

Banking. Vietnam officials are developing new banking codes that will move Vietnam toward internally accepted business and cost accounting standards. This will open doors for commercial and foreign banks. These codes were drawn up in 1990 with advice from the IMF.

The new codes will set up the stage for creating an array of financial institutions, including finance companies, credit cards, and joint stock banks. The English bank, Standard Chartered, is moving toward a joint-venture, and the French bank, Credit Lyonnais, has formed the first mutual fund to make investments in Vietnam. A fourth one was launched by Franklin Resources in October 1994 was the $98 million "Templeton Vietnam Opportunities Fund."

Appendix A
An Investment Collage

Handicrafts. Clive Fairfield, owner of Indochina Import-Export Ltd. was jointed by Gerrard Heinen in shifting their Philippine handicraft production to Vietnam. They both feel Vietnam will overtake the Philippines in economic progress.

Toymaker. Bandai Co., a Japanese toymaker is building new production facilities. The "Mighty Morphin Power Rangers" arrive in Vietnam.

Coffee. The Vietnamese coffee cup will increase 10 percent per year to over 150,000 MT.

Sugar Cane. Modernization of sugar industry from 7 to 10 million MT's to serve new beverage and confectionary industries.

Law. U.S. law firm Paul, Weiss, Rifking, Wharton and Garrison established a Vietnam practice for international transactions.

Beer. BGI from France, Carlsberg from Denmark, and Tiger from Singapore, in conjunction with Heineken see a rapidly expanding market.

Mini-Hotels. Small mini-hotels accommodate a rapid increase of tourists by offering inexpensive and unique styles.

Travel Agents. Marcia Selva of Here Today There Tomorrow in Washington, D.C. and Ken Fish of Absolute Asia organize business trips and the up-coming first U.S. Trade Show in Hanoi.

Communications. AWA Ltd. of Australia is building a $20 million rural telephone network.

Banking. Citibank and Bank of America had offices even prior to lifting of the embargo.

Contracting. Lehman Brothers has a contract to finance the renovation of the Hanoi Airport.

Soft Drinks. Coca-Cola and Pepsi are both establishing bottling plants and local beer maker, BGI has a U.S. $10 million FDI to launch Saigon Cola.

Autos and Motorcycles. Honda and Toyota planning assembly lines.

Shipping. American President Lines, Danzas Corp., and DHL Worldwide Express began shipping services the day after President Clinton lifted the embargo. Mitsue O.S.K. and Sea Land Service Corp. also established services.

Travel-Tourism. Growing numbers of airline services and tourist infrastructures.

Garbage. CA-based Americasian Technology Ventures, Inc. has a contract with Haiphong to provide garbage collection, disposal and recycling consultation and services.

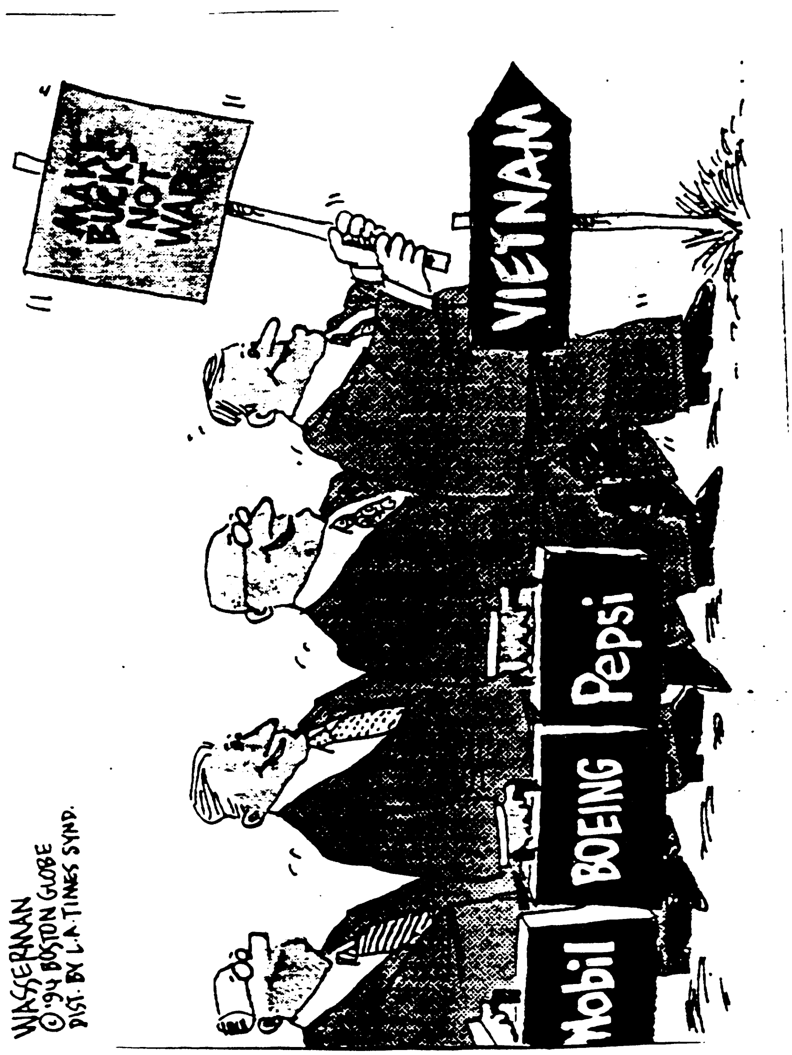
Club Med. Yes, they see a lovely location for a new venture.

Computers. Microsoft is currently studying the Vietnamese market and its 72 million consumers--IBM has full time operations.

Petroleum. A previous section discussed exploration of the Cuu Long Son and Nam Con Son basins.

Potpurri. $476 Million of signed agreements in the fields of banking, industrial property, mining, and economic consulting. Others doing or having plans to do business in Vietnam:

- Motorola
- U.S. Connell Bros. Co.
- The United Kingdom
- Mastercard • American Express
- Bangladesh
- UNDP's Sea Dike Technical Service
- South Korean Daewoo
- Italian Official Development Aid (ODA)
- British John Laing International
- French Petroleum • Air France
- Azerbaijan Oil
- The EC
- U.S.A.E.A. Holding Corp.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VIETNAM
Mobil
BOEING
Pepsi

INFLUENCE OBJECTIVES AS ANTECEDENTS TO INFLUENCE STRATEGY SELECTION WITHIN DISTRIBUTION CHANNELS

Brett A. Boyle
DePaul University

ABSTRACT

This paper proposes a normative framework for the selection of influence strategies within a distribution channel relationship. The basis for selection focuses upon (1) the objective at hand for the source of influence and (2) the level of relationalism within the channel relationship. In route, a typology of six influence *objectives* are presented, developed from qualitative data from a survey of 300 automobile dealers. Propositions are offered as to what influence strategy is most effective given the objective of the influencer and relational climate of the exchange relationship.

The focus of power in channels research has been pervasive for nearly twenty-five years. The very nature of inter-organizational networks dictates that power (either "held" or "exercised") has a prominent effect on the relational and operational aspects of the distribution system. Varying goals and outlooks among channel participants manifests in the form of bargaining, negotiating, or forms of influence. Early power research focused on power *sources* of members, driven by the overwhelming acceptance of French and Raven's (1959) power-base typology.

Over the last ten years the focus has shifted toward overt *influence strategies* used by channel members. This body of work has uncovered important antecedents and outcomes of various forms of influence. However, little has been done to provide normative direction as to which influence approaches are most effective under particular conditions of the trading relationship. This paper provides a basis from which to build more directional research in the inter-firm influence arena by presenting six influence *objectives* likely to be prevalent in many channel arrangements. The purpose of this typology was the first step in the eventual development of a propositional framework which suggests the most effective of Frazier and Summers' (1984) six influence strategies to use, given (1) the objective of the influencer and (2) the dominant norms of the relationship. These propositional relationships are grounded in social psychological theory (Kelman 1961; Raven and Kruglanski 1970) and relational contracting research (Macneil 1978).

This effort is inspired by Frazier and Sheth (1985), who developed a framework of strategy selection for downstream member acceptance of new programs. As these authors note (p. 47), enhancement of their model is necessary which identify other "processes of relevance within distribution channel relationships." We contend that such processes could include other objectives of influence other than participation in programs. Further, our model considers the relational atmosphere of the trading partners as a contingency of influence strategy selection (cf. Boyle *et al.* 1992). Empirical testing and verification of this framework will provide greater guidance in communication strategies which, according to Mohr and Nevin (1990, p. 36), are nonexistent in the current literature:

"The lack of relevant theoretical and empirical research on channel communication makes it difficult to suggest effective and efficient communication strategies for channel managers. Current heuristics and rules of thumb ... are not only simplistic but probably inaccurate."

ANTECEDENTS OF INFLUENCE STRATEGY CHOICE

A myriad of factors may play a role in the approach taken by boundary personnel who wish to influence a trading partner. Previous research has considered the governance structure of the channel (Boyle *et al.* 1992), degree of power held by the source (Gundlach and Cadotte 1994), and external conditions such as the "richness" of the market (Dwyer and Oh 1987). However, no known work has considered *the objectives of the source of the influence* as a precursor to that party's choice of influence. When one speaks in terms of strategies or strategic plans, implied within are the goals which first fostered their development and subsequent execution. Whether planning a cross-country trip, developing a military campaign, or redirecting a firm's position in the marketplace, such activity logically flows from a desired end result. Gordon (1969) underscores the significance of objectives specifically within the realm of communication (p.204):

"A communication without an objective is possible to conceive of but difficult to find. Then one justifies 'art for art's sake,' he is stating an objective as clearly as political polemicist. The seemingly meaningless verbal outpourings of small children contain distinctive psychological intentions. Even the purpose of Tarzan's cry is to attract attention of apes or audiences."

Fotheringham (1966) echoes this point in presenting a communication continuum with "consummatory" and "instrumental" message effects as end-points. The former reflects the "art for art's sake" objective of Gordon; communicative efforts which seek only their immediate effects as ends in themselves. Communications whose effects are seen as instrumental in ulterior effects comprise the other extreme. However, "it follows from the fact that a communicator may value effects for their consummatory *and* instrumental qualities that no strict dichotomy exists between persuasive and non-persuasive messages (Fotheringham 1966, p.25)." Therefore, communication in total isolation from purpose would appear nonexistent. Given this strong conceptual bond between the message and its objective, a supplier's choice of persuasive communication is expected to be, in part, based upon the desired end-result.

In a study of *intra*-organizational influence, Kipnis, Schmidt and Wilkinson (1980, p.452) report "remarkable variation" in the form of persuasion when differing goals are sought by those in the firm. In a similar study, Ansari and Kapoor (1987) found divergent influence tactic use among middle managers when the objective was organizationally, versus personally, focused. "Rational" tactics were used significantly more for organizational objectives, while ingratiation was the dominant approach for personal gain.

Therefore, it is appears influence objectives represent a significant link to understanding variant selection of influence strategies within a *channel* setting. However, a first step is the development of a typology influence goals prevalent in distribution channel exchange relationships.

INTERFIRM INFLUENCE OBJECTIVES

Presented are those goals of influence felt to be frequently sought by supplying firms from downstream exchange partners. The first five objectives were deduced primarily from the author's own experience within the steel distribution industry. However, Frazier and Summers (1984) concur with the inclusion of purchases and participation in special programs as being predominant in the automobile channel. Finally, qualitative data from a survey of 300 automobile dealers grants a degree of face validity to the proposed typology. Respondents were asked in open-ended fashion the issues surrounding an influence attempt from their major supplier. From this, a sixth objective, "performance modification" was added. All typology elements were mentioned in some fashion within the data set. While intuitively attractive, we recognize the typology's embryonic state of development. Further testing is required of the proposed framework, particularly with respect to its applicability in other channel settings.

These six objectives may be thought of as either *episodic* or *role-related* in nature. Episodic objectives, represent isolated instances where compliance is required quickly and may or may not have lasting effects. Securing a purchase, participation in special program, obtain information and adherence to agreements or rules here are considered episodic in nature. Role-related objectives, in contrast, refer to goals which significantly alter the behavior of the (target) trading partner. As such, these outcomes of influence have a strategically lasting effect if compliance occurs. Presently, role and performance modification are considered role-related objectives. Each is described below.

Secure a Purchase. The very nature of distribution channels dictates that products flow from producer to final end-user, be they private consumer or other businesses. Physical movement of products or services alone, however, may not be sufficient for channel efficiency. In industries typified by high manufacturing overhead (automobile, oil, steel), level and consistent ownership "flow" is especially critical. Therefore, we expect boundary personnel to be particularly concerned with securing purchase orders from downstream channel members. Not surprisingly, this objective was mentioned most often by car dealers when asked "the issues surrounding two influence attempts" by their primary supplier. Typical responses were "buy more cars and trucks from Ford" or "order more cars".

Participation in Special Programs. The tasks of channel members normally go beyond mere selling and reselling of goods. Upstream members often seek assistance from their downstream counterparts to perform promotional or other special tasks. At the retail level, a wholesaler may ask the retailer to accept point of purchase displays, or contribute to local advertising campaigns. Wholesalers may be asked by manufacturers to participate in sales or technical training seminars.

While we agree the ultimate goal of any persuasive effort is *action* (Fotheringham 1966), Frazier and Sheth's (1985) sensitive treatment of behaviors and actions adds to the current thinking about the connection between goals and strategies of influence. Their model, as noted, only concentrates on participation in programs as the primary objective of influence. Speculation is that their normative propositions may not be appropriate across all goals of influence.

Adherence to Agreement/Rules. Particularly in franchise systems, channel member conduct may be dictated by formal agreements or contracts. This is especially the case for fast food franchisees, who often must conform to detailed codes of food preparation and cleanliness standards. Cooperatives and wholesale voluntary groups normally require members to purchase a minimum volume of inventory ever year (Dwyer and Oh 1988). Even in "loosely held" conventional channels, short term "system selling" agreements may be present. However, formalized arrangements are ineffective without some level of monitoring or modification. In the event the letter and/or spirit of an agreement is not met by a downstream member, a supplying firm is expected to direct the buyer's attention to a contract or policy.

Obtain Information. The physical proximity of downstream members to consumer markets gives them the ability to provide upstream members with vital market information. Consumer needs and satisfaction levels, product modification ideas and shifting preferences are examples of specific forms of information desired by producing firms. To the extent that disclosure is not a prescribed activity within formal agreements or historical precedents, boundary personnel may be required to persuade exchange partners to supply market data. Channel member performance audits also require such information as sales records, inventory levels, attitudes of resellers, and growth projections. Channel audits allow the manufacturer to understand not only the needs of final customers, but those of intermediaries as well.

Performance Modification. One of the more insightful findings from the open-ended responses of auto dealers was the presence of a sixth influence objective. Many dealers mentioned *their* sales levels and/or customer satisfaction levels as an issue taken up by manufacturer boundary personnel. "Increase my sales volume" and "improve CSI (Customer Satisfaction Index)" were issues of influence typical of this category. Clearly, suppliers have a vested interest in the success of their downstream buyers, particularly when it pertains to their products. When inadequate performance levels represent a threat to the goals of one or both of the exchange partners, suppliers may be expected to motivate and/or provide assistance for ailing resellers. For example, Caterpillar Tractor has developed a strong network of independent dealers through on-going managerial training and support programs.

Role Modification. Within any channel, certain tasks must be performed by members to insure efficient and effective flows of good to end users. Who performs these tasks is sometimes a matter of controversy or even conflict among channel members. Such tasks include maintaining specific inventory levels, delivery, technical service to end-users, and packaging, to name a few.

In light of environmental or internal changes to either a buying or supplying firm, modifications in responsibility for various tasks may be required. For instance, a dealer in an extremely competitive local market may ask a wholesaler or manufacturer to assist in supporting a local ad campaign. Likewise, car manufacturers may ask dealers to carry a relatively large parts inventory to increase customer satisfaction. Unlike performance modification, which focuses on *how well* tasks are performed, role modification seeks to change *who* within the distribution system will be responsible for them.

The preceding typology is felt to represent a vast majority of those issues central to supplying firms' exercise of influence on their immediate customers in a distribution channel. Again, it is stressed that the framework is in an exploratory stage, with qualitative data from one channel system. However, it is presented with hope of greater empirical testing in the future.

INTERFIRM INFLUENCE STRATEGIES

Frazier and Summers (1984) developed a typology of six influence strategies prevalent between boundary personnel of exchanging firms, here categorized as; "mediated" strategies (promises, threats, and legalistic pleas) and "nonmediated" (recommendations, information exchange, and requests).[1] The former refers to influence attempts which rely on the sources ability to deliver rewards or sanctions. Compliance is therefore "mediated" through this ability. A distributor faced with the threat of a reduced line of credit due to an overdue account complies because of the potential outcome which is under the control (mediation) of the supplier. Compliance to nonmediated influence is not motivated by any direct reward or punishment from the source, but from external outcomes of (non)compliance. For example, the distributor who implements a supplier's recommendation of carrying a new product line does so with the anticipation of increased sales, an outcome *not*

[1]For a complete description of these strategies see Frazier and Summers (1984).

under the direct control of the supplier. In this case, the supplier simply acts as a facilitator of the outcome.

ASSOCIATIONS BETWEEN INFLUENCE OBJECTIVES AND STRATEGIES

A "source" (influencer) will either use persuasion to induce change in the private beliefs of the "target" (influencee), or seek conformity in the target's behavior (Frazier and Sheth 1985). Persuasion constitutes an attempt to change or restructure the goals or attitudes of the target through the use of argument, propaganda, or special knowledge, but not through the employment of either deterrence or inducements (Tedeschi and Bonoma 1972, p.10). Where *role-related* objectives are sought, persuasive communications are likely to be most effective. Conversely, conformity is defined as a behavioral change that occurs as a result of some real or imagined group of pressures (Walster and Abrahams 1972, p.217). As specific behavior change is likely to be more specific in nature (e.g., paying a past-due account), *episodic* behavior change is likely to be linked to the attainment of conformity.

The central question here is: what impact do the goals of the influencer have on the methods they use in achieving them? As noted, confirming that particular influence objectives are best achieved via corresponding strategies provides channel members with a valuable tool for successful exchange. The following section offers apossible theoretical base from which it begin, and conjecture as to specific association between goals and tactics of influence.

The propositional framework (Table 1) was developed from the psychological works of Kelman (1961) and Raven and Kruglanski (1970), along with the contract theory of Macneil (1978). A central tenet of two psychological theories holds that influence objectives pivoting on the private beliefs of the target are best achieved through indirect methods, playing upon shared values and goals between source and target. When behavioral conformity is the primary goal of the source, more direct means of influence are appropriate.

Kelman (1961) outlines three "processes" of influence; compliance, identification, and internalization. He suggests that a source's goals of influence are dependent upon which process is undertaken. Compliance and internalization are discussed here in detail, as these constructs draw the clearest distinction between external and intrinsic motivations, respectively, for target influence acceptance. Again, it is the motivational locus which the present study uses to dichotomize influence tactics as mediated or nonmediated. Compliance occurs when a party conforms to the demands of another in order to attain rewards or avoid punishments which the influencing agent controls. Only the rewards and/or punishments contingent on executing the behavior are considered by the target, not the intrinsic rewards of the behavior itself. To gain compliance, Kelman proposes that the source will use "means control"; the ability to supply or withhold means needed by the target to achieve its goals. To the extent this control is effective, the target is limited in behavior choices.

Internalization can be said to occur when a target accepts influence because the induced behavior is congruent with its value system (Kelman 1961, p.65). Unlike compliance, internalization requires source credibility to reorganize a target's "means-end framework"; or the manner in which they perceive relationships between various behaviors and desired ends. As this relationship becomes restructured by the source, the induced response emerges as the preferred course of action in terms of the target's own values. Because the target "comes to know" its own opinions, this form of influence is generally more enduring.

Raven and Kruglanski (1970) developed a similar framework to predict the effects utilization of various power bases have on target behavior, private beliefs, interaction and identification with the source. In general, they predict use of *any* power source is likely to lead to a positive behavioral reaction from the target. However, if the source is attempting to change private beliefs (i.e., attitudes), this model suggests the use of less direct forms of influence. Also, the differing outcomes given the use of a promise or threat again argue against the former to be categorized as "coercive".

From these two approaches, it becomes apparent that, in general, *the use of mediated forms of influence are best suited for influence solely directed toward episodic change*. Rewards and punishments focus the target's attention to contingent outcomes of compliance, rather than any intrinsic benefits to be gained from the behavior itself. Therefore, the value system of the target is only considered to the extent that they find source-mediated contingencies to be vital to goal attainment and/or satisfaction. Proponents of "incentive theory" would predict the use of promises has a similar positive effect on private beliefs as overt behavior; the more reward associated with an act, the more pleasure the target experiences and associates with the desired behavior (cf. Janis and Gilmore 1965). However, experimental evidence from dissonance theorists counters this position (e.g., Festinger and Carlsmith 1959). The crux of these works holds that the *less* incentive a person is promised to perform an act, the more compelled they are to change private beliefs in favor of the activity to reduce dissonance. The present study adopts this latter view, noting its consistency with Kelman (1961) and Raven and Kruglanski (1970).

Nonmediated influence tactics are expected to be used when source objectives center on a modification in the target's role. Specifically, effective use of information exchanged with the target should have an impact on his strongly-held beliefs or goals. Benefits of the desired behavior are internal to the act itself, and are, hopefully, self-evident to the target once made clear by the source. To the extent that the target desires to be associated with the source, or views the latter as an expert, a recommended course of action is interpreted by the target to be beneficial to them. A target's private beliefs toward the activity, in turn, are likely to be positive. Therefore:

P1: In general, a channel members influence objectives which seek significant, long-term (role-related) change from a partner are best achieved through non-mediated forms of persuasion. Those that seek immediate, short term (episodic) effects are best served through conformity to mediated approaches.

RELATIONALISM AND INFLUENCE

Relationalism is exemplified by long-term planning, high trust, and sharing of gains (and losses) between channel partners (cf. Macneil 1978). Relational norms of solidarity, flexibility, exchange of information are prevalent in such arrangements and act as a safeguard against exploitative, individualistic goal-seeking by any one exchange partner (Noordewier, John and Nevin 1990; Heide and John 1992). At the other end of the "relational spectrum" are discrete transactions, whereby buyer and seller view one another a strictly a source of supply and revenue respectively. No future transacting is anticipated, nor are personal relationships likely to develop. The isolated exchange of goods in and of itself defines the "relationship".

Boyle *et al.* (1992) hypothesized that influence attempts will vary depending upon the level of *relationalism* in a channel relationship. These authors did confirm that threats and legalistic pleas were negatively related to high relationalism. However, they contend that the lack of a *positive* relationship between relationalism and nonmediated strategies could have been due to "contextual constraints" in the channel investigated. Possibly one such contextual variable is the goal of the influencer. Table 1 provides propositional relationships between the objectives of influence, the level of relationalism, and the chosen influence strategy. Unlike Boyle *et al* (1992) and similar channel research, the aim here is to present a *normative* framework as to which tactic would be most effective, given the influencer's objective and the dominant norms of the exchange relationship. In doing so we propose ...

P2: The effectiveness of any one influence strategy will be dependent upon (1) the objective of the influencer and (2) the level of relationalism between trading partners.

Under discrete transactions, the exchange itself is central, with little consideration of future events. Therefore, using "deals" or other inducements may be appropriate in these impersonal exchanges. However, where relationships have been built through trust and an on-going sense of cooperation, the use of promises may be taken as an insult. Frazier and Summers (1984) report that a number of car dealers expressed disdain for such tactics as being unprofessional. Therefore, we expect recommendations and information exchange to be used in the majority of these instances. Under high levels of relationalsism, both parties trust that the other has their best interests in mind when offering recommendations. Therefore, such tactics would likely be most effective under this trading condition. Selling techniques will stress the benefits to the buyer's business, rather than any "deal" the purchaser may obtain.

Another characteristic of discrete relationships is the lack of unity among goals of the firms (Macneil 1978). To secure participation in programs of little inherent interest to buyers, supplying firms will likely rely on mediating direct forms of influence; with anticipated emphasis on promises. However, the use of threats may also be applied, particularly if the buyer is dependent upon the supplier for valued resources. The influencer is likely to have other market participants at his disposal under discrete conditions. Therefore, long-term risks is using threats may be minimal.

Under relational contracting firms form alliances based on common goals and trust. If a program is initially rejected by a supplying firm, the source may highlight the benefits of participating for the target. This is likely to be in the form of recommendations and/or information exchange. Under conditions of high trust among parties, the target will know that the source has his best interest in mind, and that any information (market, technical, etc.) will be credible.

The use of threats and legal pleas for adherence to rules or agreements under relational conditions may cause a greater loss to the relationship than the violation of the agreement itself. Ill feelings among partners may pervade even after compliance is attained, leaving the relationship in a more fragile condition (Hunt and Nevin 1974). Therefore, more "polite" tactics such as requests are expected to be utilized. Long-term losses beyond the transaction at hand are not of concern under discrete transactions. Value to any one party is attained in the transactions itself, and violations of term risk this value. Parties will not hesitate to use more direct forms of influence, particularly threat or legalistic plea.

Roles are more clearly defined in discrete transactions; they basically consist of a buyer and a seller. However, slight modifications within these roles may take place. For example, the supplier may ask a buyer to provide delivery for an order, where the buyer has been accustomed to delivery service provided by the supplier in similar transactions. Like participation, the lack of congruent goals results in the use of promises, and possibly threats. Roles under relational contracting are more blurred and are performed for longer time periods than under discrete conditions (Kaufman and Stern 1988). Again, a source will use the already existing level of trust to "sell" the desired role by detailing the benefits for the target as well as the relationship as a whole. This is accomplished best through requests and information exchange.

Like participation in programs, the frequency of information attainment as an objective of influence by suppliers in discrete transactions is likely to be low. The search for information among buyers and sellers is likely to be initiated by the former; with prices, delivery schedules, and product availability of primary interest. When necessary, we speculate simple requests for information is made. For coordinated, long-term relationships to be effective, exchange of information is critical. Relational contracting, with its high sense of trust and solidarity, will likely utilize information exchange by one party it gain such vital information. Finally, performance modification is proposed to be attained under discrete transactions through direct influence tactics, most likely threats. Lack of similar organizational goals precludes the use of recommendations and information exchange used in relational exchanges. Future transactions are not considered, therefore little risk is taken with such an approach.

Finally, performance modification is proposed to be attained under discrete transactions through direct influence attempts such as promises and threats. As market conditions are likely to have a pleantiful number of substitute resellers under discrete conditions the supplier would have low switching costs from an unproductive distributor. Under relational conditions, switching costs are relatively high. Therefore, the costs of "nurturing" an unproductive reseller through recommendations and information exchange are offset by the potential loss of a valued channel partner.

CONCLUSION

Influence strategy research has reached a significant juncture. The proliferation of major studies has legitimized communicative behavior among boundary personnel as a important channel phenomenon. The extant literature has focused on the collateral use of six influence tactics, as well as limited research on the effects of tactic use. More research is necessary to understand the antecedents to influence tactic selection. Potential explanatory factors have been presented in this paper, with emphasis on the objective of the influence itself. With this, a typology of six influence objectives was proposed, as well as possible associations between objectives and strategies under discrete and relational exchange conditions. The primary objective of this paper is to provide a theoretical grounding toward more normative studies on influence within marketing channels. Obviously, empirical studies are necessary to test the propositional framework. Eventually, this "matching" process will lead to more normative findings as to the most effective means of influence, given the contingency of influence goals and the level of relationalism.

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TABLE 1

Proposed Relationship Between Objectives and Strategies of Influence

	Form of Exchange Relationship	
	Discrete	Relational
Influence Objective		
Secure Purchase	Promise	Recommendation
Obtain Participation	Promise/Threat	Recommendation/Info. Exchange
Adherence to Rules	Legal Pleas	Request
Role Modification	Promise/Threat	Request/Info. Exchange
Attain Information	Request	Information Exchange
Performance Modification	Threat	Recommendationst/Info. Exchange

CHANGING DISTRIBUTION STRUCTURES - ON THE ROLE OF INTERMEDIARIES

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ABSTRACT

Distribution systems for industrial goods are changing structure. Important reasons are development of information technology and transportation systems. New conditions provide strategic opportunities for manufacturers and end-users, as well as new forms of intermediaries making use of technological development for functional specialization. These changes will mean a severe challenge for the strategic role of industrial distributors.The paper adresses these questions by analysing the role of intermediaries in a historical perspective. Based on this analysis present conditions and possible future developments are discussed.

INTRODUCTION

During recent years the interest in distribution systems and their dynamics have increased considerably. One important reason for this attention is related to the strategic opportunities available to a company through more offensive use of distribution in shaping a competitive edge. Such a view contrasts earlier observations that distribution mostly have been used in a rather defensive way, where distribution strategy seemed to be more determined by historical patterns and industry traditions (Nieschlag 1954, Fullerton 1986). Now, however, Stern & Sturdivant (1987) report that "a number of companies have out-stripped their competitors with imaginative strategies" (p. 35). Important prerequisites for the on-going changes have been new opportunities available through technological development in information exchange and in transportation. New techniques within these areas has resulted in "tremendous innovation in distribution" (McKenna 1988, p. 87). Another important characteristic of today's development is that relationships between producers and distributors are changing. By relying more on cooperation than on confrontation manufacturers have been able to make much better use of their distributors than was possible earlier (Anderson & Narus 1990).

The magnitude of these changes are expected to become very considerable. Morgan (1991) argues that "by 2000 industrial distribution will be restructured radically" (p. 64). Technological development will make it possible both to undertake and to organize distribution activities in new ways. Producers and end-users will be provided with tools that improve the conditions for direct exchange - without any midleman at all. Furthermore, alternative means of specialization will make it possible for new types of intermediaries to emerge. Information brokers of various kinds already exist (Konsynsky & McFarlan, 1990). Logistical activities are at an increasing rate out-sourced to transportation companies that try to strengthen their position also by undertaking other distribution activities such as warehousing etc (Bardi & Tracey 1991).

The potential for restructuring, therefore, has been regarded a special challenge for intermediaries representing a severe threat to the "traditional distributor" of industrial goods. We both agree and disagree with that conclusion. Intermediaries in general - and thus the industrial distributor - obviously will be affected by the on-going changes. On the other hand, however, there is no such thing as a "traditional" industrial distributor. On the contrary, history clearly shows that the roles and characteristics of intermediaries have been changing over time in accordance with the changes of distribution structures. When conditions have changed, so have intermediaries.

Therefore, knowledge of historical changes of distribution and intermediaries should contribute to the understanding of the present situation and be of help in analysing possible future developments. The first aim of this paper is to briefly describe and analyse the historical development of distribution systems and the role of intermediaries. The second one is to use these findings to discuss present conditions and on-going changes. The focus will be on distribution of industrial goods.

INTERMEDIARIES IN A HISTORICAL PERSPECTIVE

We start our analysis of the structure of distribution and the role of intermediaries at the turn of the industrial revolution.

In the 1790s the general merchant, the businessman who had dominated the economy of the colonial period was still the grand distributor. He bought and sold all types of products and carried out all the basic commercial functions. He was an exporter, wholesaler, importer, retailer, shipowner, banker and insurer. (Chandler, 1977, p.15)

During the next fifty years the distribution structure changed in a rather significant way:

> By the 1840s however, such tasks were being carried out by different types of specialized enterprises. Banks, insurance companies and common carriers had appeared. Merchants had begun to specialize in one or two lines of goods: cotton, provisions, wheat, dry goods, hardware or drugs. They concentrated more and more on a single function; retailing, wholesaling, importing or exporting. (ibid. p. 15)

Advantages due to specialization thus had changed the distribution structure. One aspect of specialization was functional. When certain actors concentrated on specific activities the performance of distribution systems could be improved. We can also see the first moves towards an institutional specialization, forming systems of actors on different levels. These changes enhanced performance by lowering information exchange costs as well as the costs of financing and transportation of goods. However, the new firms that were established mainly took over the existing procedures and practices earlier used to handle these transactions. Therefore the business firms were still small and mainly personally managed. This caused problems when trade grew and the number of transactions was multiplied as the individual firm could not substantially increase the amount of goods to handle.

These obstacles were overcome in the middle of the 19th century when the infrastructure in transportation and communication was established. According to Chandler (1977) the new technologies caused a:

> revolution in the processes of distribution..... Modern mass production and distribution depend on the speed, volume and regularity in the movement of goods and messages made possible by the coming of the railroad, telegraph and steamship. (Ibid. p. 207)

Together mass production and mass distribution shaped the bases for the modern business enterprise, which according to Chandler mainly could be seen as a result of the integration of these two processes. The wholly integrated company and the mass marketers in wholesaling and retailing mainly evolved within manufacturing and distribution of consumer goods. Their main influence in distribution of industrial goods seems to have been in "older industries", in industries where the manufacturing processes were "labour intensive and technologically simple". In other industries, however, another development took place. The more "modern" industries were characterized by "more complex high-volume processes of production". In these cases "the mass producer rather than the mass marketer took over the role of coordinating the flow of goods through the company" (Chandler, 1977, p. 239). The major channels for such manufacturers were either their own sales organizations or a reliance on commission agents.

It seems to have been in the middle of the 1800s that manufacturing firms began to establish marketing organizations of their own (Bucklin 1972). For mass production firms this was a necessary step because the existing distribution systems were unable to sell and distribute the manufactured products in the volumes they were produced. Other types of manufacturers had other reasons. Producers of complex high-priced machinery required specialized marketing services such as demonstration, installation, etc which the existing middlemen neither had the interest nor the competence to provide (Chandler 1977). Corey et al (1989) explain the emergence of increasing direct sales organizations by the favourable economies of selling directly to large accounts in geographically concentrated markets. Furthermore advantages were obtained in close relationships with major accounts in terms of "benefits of direct technical interchange, direct price negotiations and market feedback" (ibid. p. 223). It is fairly easy thus to realize that the earlier forms for distribution of more advanced and complex products decreased in importance as compared to the direct sales organizations established.

During the second half of the 19th century a new actor entered the distribution arena - the industrial distributor. Manufacturers' sales activities necessarily had to be concentrated, which meant that two types of customers were difficult to serve - the small customers and the geographically dispersed ones. This gap was filled by industrial distributors. This kind of intermediariy has often been denoted "independent". They were considered independent compared to the earlier most important type of intermediary - the agents. Agents did not take title to goods but sold on commission. The independent distributors were able to make use of improvements in transportation and communication and create efficiency in physical distribution. They also reduced inventory to sales requirements and lowered inventory investment risks. Therefore independent distributors relying on purchasing from suppliers rather than selling on commission showed up in many industries (Corey et al, 1989, p. 240). Two important prerequisites for the entrance of the independent distributors can be identified. The first one was an increasing standardization in equipment design and the second the development of interchangeable parts and components. This standardization reduced the need for close relationships between producer and end-user and made it possible for industrial distributors to expand the role in distribution (ibid. p. 234). At the same time other products were characterized by an increasing complexity calling for direct customer contact for service. Therefore it is possible to see a polarization of distribution during this period. The manufacturers′ sales networks and the independent distributors were able to strengthen their position at the same time, while we can observe a declining role for commission agents as a channel institution during the first quarter of the 20th century (ibid. p. 237).

During the remaining years of this century the basic structure of distribution has not changed very much. Firms manufacturing technically complex products and requiring direct customer contact for service have continued to develop their own distribution systems on national and international bases. At the same time independent distributors have been able to further strengthen their position in industrial distribution - see for example Webster (1975), Hlavacek & McCuistion (1983) and Herbig & O′Hara (1994). According to Morgan (1991) no less than 37 per cent of total industrial sales in the United States was handled by independent distributors. The reasons for the increasing importance are the same as before - the major one being economies of scale in serving small and medium-sized customers in physical distribution (Hutt & Speh 1983) and personal selling (Michman 1980). Webster (1975) points to the impact of increasing product standardization and a need for an assortment function when many manufacturing firms have shortened their product lines to obtain economies of scale in production. Another important explanation has to do with distributors themselves. They have grown in size which has increased their resource base and provided them with economies of scale in the operations. They are today more professionally managed and have been able to strengthen their position either by specialization or by various kinds of value-adding activities.

ANALYSIS

The most important aspects of the historical development will now be analysed in more detail. It seems to be that the major characteristic of distribution development over time is an increasing specialization. The first issue therefore deals with specialization and the subsequent need for coordination. One important determinant of coordination in distribution is the relationship between manufacturer and distributor. The nature of this relationship will be the second issue. In the third part of the analysis changes in distribution are discussed. Issues dealt with are the characteristics of the changes that have taken place and how these changes are related to specialization and producer-distributor-relationships.

Specialization and coordination

The most significant change over time regarding intermediaries in distribution is a, more or less, continuous specialization. We started with the grand distributor of the late 18th century that handled all the distrbution functions and represented all institutional levels. Two hundred years later intermediaries are characterized by quite another degree of specialization. It started with the separation of transportation, financing and insuring where specialized enterprises showed up to take care of these functions. The remaining commercial activities were handled by the commission agents which firms however only seldom took title of the goods. During the 1900s manufacturers own sales organization have become more and more important. At the same time however also the independent distributors have improved their positions. Over time also these firms seem to have become more and more specialized.

> Distributors emerged whose businesses were defined in terms of user industries, such as steel, mining, textiles and ship-building. Others specialized by product categories, for example welding supplies, cutting tools, and industrial chemicals. Some specialized, in a sense, by addressing service needs of small industry in secondary and tertiary trading areas. (Corey et al, 1989, p. 253)

This specialization, as earlier mentioned, provided certain advantages in making the exchange processes more efficient. But the other side of the specialization coin is a need of integration. Activities or functions that are separated, in some way, have to be coordinated. Specialization of distributive functions resulted in a separation of producer and consumer. Already in the 1940s Alexander et al point to four major problems owing to that kind of structural change:

> This separation...gave rise to the need for go-betweens, or middlemen, to bridge the gap between maker and user...a complicated system of such agents was built up....numerous and costly.........
> This separation of producer and consumer also gave rise to a lack of understanding between them. No longer was bargaining carried on directly between the parties involved but through intermediaries and at long distances.......
> A third result of this separation was the loss to the producer of practically all control over the conditions under which his product was sold and used......
> Finally the fact that producer and consumer no longer were in close proximity raised certain fairly serious problems regarding the quality of the goods made and sold. (Alexander et al, 1940 p. 6-8)

The period from 1940 has been characterized by a substantial increase in the degree of specialization of any industry. Products and processes have become more complex and the need for coordination and integration have been increasing. At the same time independent distributors have been able to improve their positions. It is not surprising therefore that the problems identified in 1940 are even more accentuated today than they were at that time. In fact these issues probably represent the most important reason for major changes of distribution structures to take place.

Producer-distributor relationships
A major determinant of the outcome of coordination efforts is related to prevailing producer-distributor relationships. This relation is problematic as it is characterized by cooperation as well as conflict (Alderson 1965). According to Alderson the cooperative aspect has been seriously neglected in all kinds of analysis of economic behaviour. This is true also for marketing channels which is considered a problem as they "cannot function without sustained cooperation in which each party knows what to expect from his opposite number" (ibid. p. 239). It seems obvious that the conflicting aspect has received most attention for practitioners as well as for academicians. Distributors mainly have been characterized by independence, which means that they have not wanted - or been allowed - to be too strongly connected to specific manufacturers (Webster 1975). This fact of course has delimited the possibilities to achieve the desired effects from more cooperative relationships. Research reports and text books on distribution also have been overwhelmingly busy with the conflicting aspects. Whether this is a mirror of reality or something that is one of the reasons for prevailing adverserial producer-distributor relations is unclear. But it is very obvious that the general text-book approach to channel management and coordination have recommended manufacturers to rely more on power than on trust (see for example Stern & El-Ansary 1982). Also the researchers′ major interest seems to have been more related to confrontation than to collaboration according to a major review of behaviorial research in distribution (Hunt & Ray 1981). In that review various aspects of "conflict" appeared 98 times. "Power" was a concept identified 138 times. On the other hand "cooperation" appeared 11 times and "satisfaction" 13 times.
The existence of conflict is a major problem for channel performance. Alderson (1965) states that "sometimes the element of conflict is so pronounced that an effective channel can scarcely be said to exist" (p. 253). We do believe that the degree of producer-distributor conflicts in general has not decreased since 1965. Therefore, changing the nature of relationships will be another important factor to determine new structures. Efficiency in daily distribution activities will require more of cooperation and less of conflict. But even more important is that the adverserial relations have been an obstacle towards innovation in distribution. According to Alderson "tensions built to a peak in times of changes" (ibid. p. 253). Because the actors in a channel tend to regard each other more from a conflicting and competitive view than from a cooperative, they will regard changes introduced by other actors more as a threat than an opportunity. The underlying reason being that every change in the division-of-work will affect the positions of the actors in the power structure. Ford (1978) observed that members of distribution channels seemed to be interested in cooperation only when they together experienced some common threat.This means that cooperation was used more as a defensive strategy than an offensive.

Changes in distribution
It seems to be a common view that distribution for a rather long time has been characterized by a low propensity to change. Nieschlag (1954) is of the opinion that distribution systems are essentially conservative and slow to adapt to opportunities provided by new conditions. This view seems to be rather valied also in recent years. According to Stern & Sturdivant (1987) distribution is the “neglected side of marketing“. They also conclude

that many companies are reaching their markets in “outmoded ways“ (ibid. p. 34). These statements are not in accordance with the general opinion of more or less continuous improvements of efficiency owing to changes in the division-of-labour and specialization. The theoretical arguments for such a view of distribution were developed by Stigler (1951) and later analysed by Mallen (1973) in terms of a "functional spin-off" of activities from manufacturers to intermediaries. We have also been able to observe an increasing spin-off from manufacturers to independent distributors during the last fifty years or so. But if we take a closer look at the characteristics of these changes we are ready to agree with Nieschlag and Stern & Sturdivant in their conclusions of a low propensity to change in distribution. To arrive at that conclusion we need to analyse the degree of changes and the nature of specialization that really has taken place. In the foregoing section we concluded that prevailing producer-distributor relationships have not favoured major innovations in distribution in the meaning of radical restructuring of the systems. In general changes has taken place within an established structure more as minor modifications in the division-of-work between the actors involved. Corey et al (1989) discuss this in terms of "a finely articulated division of labour in distribution" (p. 253). In many cases, therefore, major changes in distribution has been introduced by firms outside the established distribution structure. According to McCammon (1964) this is the fact regarding major innovations in retailing.

The other aspect has to do with the nature of specialization. Division-of-work usually is analyzed in terms of a functional spin-off, meaning that activities that can be more efficiently handled by other actors are taken over by these actors. That kind of functional specialization was also an obvious effect when the grand distributor of the late 1700s was replaced by more specialized intermediaries. At that time we witnessed a clear spin-off to new forms of actors undertaking functions such as transportation and finance. Chandler´s analysis deals with specialization in finance (banks) and transportation (freight forwarders and transportation companies) on one hand and specialization in commerce on the other. But "commerce" is not a separate function as is transportation and finance. It is represented by a bundle of different activities, which together were taken over by the commission agent. The independent distributor represented no change in this respect. The only modification was that he took title of goods which in fact increased the number of functions undertaken. In many cases the independent distributors of the late 1900s are responsible also for finance and transportation to the small and medium sized customers. One important characteristic of today´s industrial distributors, therefore, is that they are some kind of "all-activity"- firms.

> The industrial distributor is a full service intermediary who performs a broad range of marketing channels functions between industrial manufacturers and industrial end users. The distributor contacts customers and makes the product available by providing necessary supporting services such as delivery, credit, technical advice, repair service, assembly, and promotion.
>
> (Herbig & O´Hara 1994, p. 199)

It seems thus as if the changes in industrial distribution so far not have utilized the opportunities that are provided by a real functional specialization. The prevailing specialization is mainly directed towards different customer groups, i.e. the actor dimension rather than the activity dimension.

Conclusions

Changes in distribution systems and the roles of intermediaries are to a great extent to be understood as resulting from ambitions to enhance specialization and a susbsequent need for changing coordination mechanisms. Specialization obviously provide advantages in terms of more efficient operations resulting from economies of scale. On the other hand, specialization creates problems as the need for coordination increases when production and consumption are separated. In industrial distribution intermediaries have come to play a more and more important role as a coordination mechanism during the 1900s. It is a real problem then, that producer-distributor relationships in general have been characterized more by confrontation than by collaboration. The specialization characterizing industrial distributors today generally is directed towards different types of customer. The industrial distributor of today is undertaking a whole bundle of activities. Furthermore the distributor generally is independent both in relation to producers and end-users.

POTENTIAL DEVELOPMENTS IN DISTRIBUTION

There are all reasons to believe that distribution also in the future will be very much determined by the interplay between specialization and coordination. We will therefore begin by analysing the potential impact of specialization on future developments. The second point will be to discuss what consequences specialization will have on coordination mechanisms and what other factors will be important in this respect. The third important aspect to be dealt with is the changing nature of some of the most important theoretical rationals for the existence of intermediaries. Finally the implications for intermediaries will be discussed.

The impact of specialization

Specialization to enhance efficiency generally should be directed towards the activity structure. By specializing in certain activities economies of scale can be obtained and performance improved. In general, however, industrial distribution systems of today are not characterized by such a specialization. The independent distributor is not primarily a result of a functional specialization. On the contrary he undertakes the same kind of activities as the manufacturer - but towards other customers.

> Manufacturers have tended to use their own sales-force to reach large customers and to cover concentarted trading areas. They have left to intermediaries the smaller customers and the less concentrated markets. More important, they have relied on distributors to cluster items having relatively small dollar value, in arrays that suit the purchasing behaviour of myriads of customers.
>
> (Corey et al 1989, p. 253)

We do not argue that this division-of-work has been - or is - an inefficient one. But what can be said is that when new opportunities for rationalization of distribution functions are made available we have to consider the principle of non-proportional change. This concept was originally developed by Boulding (1962). According to that principle the major reason for specialization is that it makes it possible to undertake each activity at its optimum scale. So even if the present kind of specialization has been an efficient one, the conditions now will be changed. Technological development can be used to enhance performance in information exchange and materials flows. To be able to utilize these opportunities, however, will require investments in machinery and capability. It is very unlikely, therefore, that one and the same company also in the future should provide the best opportunities for undertaking the whole bundle of activities with so different characteristics as those handled by the all-activity distributor. Therefore the principle of non-proportional change probably will enhance a real functional specialization, meaning that the manufacturer will be provided opportunities to a more or less complete spin-off of some of the functions in the material and information flows.

These conditions represent a challenge for the all-activity distributors. The challenge is very obvious because a number of new forms of intermediaries have already emerged. They are trying to exploit the opportunities provided by technological development. Information brokers of various kinds is one of these new forms, but also in transportation and warehousing new actors have shown up. We should remember also that the first major revolution in distribution was made possible by technological development. Even at that time it was the improvements of the infrastructure in communication and transportation that created the opportunities for new distributive arrangements.

The impact of coordination

Increasing functional specialization will call for more coordination. But an interesting thing is that the development of information technology per se changes the conditions for coordination. IT-systems of different kinds will at an increasing rate make it possible for manufacturers and end-users to coordinate their activities. Therefore, increasing specialization now can result in a decreasing need for middlemen. The coordination can take other forms due to technological development. But only a few aspects of coordination can be replaced by information technology. To understand the future need for coordination - and its consequences for intermediaries - we have to consider the specific role of middlemen as being in-between two parties. The strategic objectives of manufacturers and end-users will provide opportunities as well as restrictions for the future role of intermediaries. Therefore an analysis of these objectives will be necessary for the understanding of the potential options for intermediaries.

Producers in general seems to be rather dissatisfied with their distributors. The problems identified by Alexander et al (1940) are still valied and might be even more accentuated today. We believe that the most important problem for manufacturers to handle is the loss of "practically all control over the conditions under which his product was sold" (ibid. p. 7). Today the augmented product has replaced the core product as the major competitive tool in most industries. A number of the services and value-added activities of the augmented product are created in the direct contact with the industrial user. These factors are supposed to become more and more important for the competitive position of producers. Therefore, it seems fairly obvious that producers can not be too comfortable with having almost no control over the conditions under which their products are

sold. Instead of having independent partners they will be interested in dedicated partners being some kind of prolonged arms. Such partnerships have to be characterized by cooperation rather than conflict and require considerable changes of prevailing adverserial producer-distributor relations.
It is obvious that a great number of manufacturers are turning in that direction these days. They consider their distribution networks as a strategic asset. Hardy & Magrath (1988) states that high-performing distribution partners have brought "success to many manufacturers". The most important issue according to these authors is to find ways to better utilize the combined resources of producer and distributor. Similar arguments are raised by Narus & Anderson (1987). They argue very much for more sustainable and productive partnerships that must be based on "coordinated actions directed at mutual objectives, strategies and tactics that are consistent across organizations and mutual cooperation" (ibid. p. 35). It is evident that such an atmosphere differs very much from what generally has characterized producer-distributor relationships. There are many examples pointing to the advantages that can be attained by more cooperative relationships. They are related to effects on information exchange (e.g. Reddy & Marvin 1986), logistic systems (Bowersox 1990) and capability transfer (Cavusgil 1990). Conditions and effects of these types require new kinds of coordination mechanisms. Cooperation and trust have to replace conflict. Furthermore, issues of motivation will be more important than relying on power for achieving control (Rosenbloom 1990).
Even the end-user perspective is dominated by a desire to develop more integrated relationships. The major trend in purchasing is that customers today reduce the supplier base and develop closer relationships to the remaining suppliers to make it possible to rationalize procurement activities (Gadde & Håkansson 1993, Lamming 1993). Many of these closer relationships are directed towards manufacturers as they often are related to technical development collaboration. But also the material and information flows offer substantial potential for rationalization. In this case intermediaries can be an important integrated partner. A number of distributors have been able to improve their strategic positions by undertaking different value-adding activities (Morgan 1991).
Producers and industrial users also have one goal in common; i.e. to reduce the accelerating costs of distribution. Integrated relationships can be one way of doing this. But in other cases opportunities provided by functional specialization might be a more efficient solution. For standardized products, where the need for technical information exchange is more or less negligable, the most efficient distribution arrangement might be a combination of an information broker and a transportation specialist. In other cases the producer might take care of the exchange of technical information with the industrial user and spin-off the other activities to various kinds of functional specialists. There are a large number of combinations available in this respect due to the different forms of specialization that has emerged. It is no coincidence that these various forms show up at the same time. This development is due to what Alderson (1954) identifies as proliferation of opportunities. The meaning of this concept is that the opportunity for one firm to specialize in a marketing activity depends on which other forms of specialists that exists. According to Alderson, therefore, opportunities are proliferated as the entry of one type of firm may be the point of departure for another one. The conclusion in our terms is that the existence of transportation specialists is a prerequisite for the emergence of information specialists and vice versa. In this way we might probably see even other forms of specialization emerge.

The theoretical rationals for intermediaries

We will end our analysis by bringing in two aspects that have been very important determinants of today's distribution structures and the major theoretical rationals for intermediaries. One of them is the "discrepancy of assortment" (Alderson 1954), the other is the "postponement-speculation" issue (Bucklin 1965). The sorting function identified by Alderson was necessary to handle the discrepancy between assortment of goods and services generated by the producer and the assortment demanded by the consumer. The discrepancy is a result of the fact that manufacturers typically produce a large quantity of a limited variety of goods, whereas consumers usually desire only a limited quantity of a wide variety of goods. This discrepancy has been one important reason for the existence of intermediaries. Within industrial distribution the nature of discrepancy has changed over time. Today the quantity dimension of discrepancy has lost much of its importance. By use of flexible manufacturing systems, producers are able to handle the demand even for small quantities without substantial losses in economies of scale. This means that from the manufacturer perspective the need for intermediaries owing to discrepancies has diminished. The discrepancy regarding variety, however, is still important. Intermediaries can play an important role by fulfilling the assorting subfunction (Alderson 1954).This function is important mainly from the consumer point-of-view, much less from the producers.
The principle of postponement-speculation has been used to explain the determination of inventory levels and

inventory location. Bucklin (1965) states that efficiency in marketing channels is promoted by postponement of the changes in the form and identity of the product to the latest possible point in the marketing process and inventory location to the latest possible point in time. This results from the fact that risk and uncertainty costs increase when the product has become more differentiated. Postponement favours efficiency by moving differentiation nearer to the time of purchase when demand is less uncertain. Speculation is the other side of the coin. Speculation can reduce costs by an opposite strategy: "changes in form and the movement of goods to forward inventories should be made at the earliest possible time in the marketing process" (Bucklin 1965, p. 68). According to Stern & El-Ansary (1982) cost reductions due to speculation are made possible through economies of large scale production and reduction of stockout costs.

In many industries speculation has been the most promoted strategy resulting in substantial inventories on a number of levels in the distribution systems. Today, however, we can see a clear shift in this respect. Increasing capital costs is one of the reasons why speculation in most cases has been replaced by postponement. We have already mentioned that the economies of large scale production has diminished substantially due to new manufacturing technologies. The stock-out problem can today be handled through other means than a speculative inventory. Improvements in the speeed as well as the reliability of information as well as material flows combined with flexible manufacturing systems makes it possible for manufacturers to secure availability on the market without substantial investments in inventories. We have thus been provided with a number of good arguments for an increasing reliance on postponement. The declining importance of speculative inventories will be another drawback for the typical distributor of the late 1900s - in fact their very existence might be threatened. Bucklin (1965) even states that "without such inventories there may be little economic justification for a title holding intermediary" (ibid. p. 70).

Implications for intermediaries

The discussion have identified obvious needs as well as opportunities for major changes of distribution systems for industrial goods. In such a restructuring it is likely that existing intermediaries will be affected in a significant way. The most important intermediary today - the independent distributor carrying out a whole bundle of activities - will be challenged in a number of ways.

The first challenge is that technological development will provide opportunities for functional specialization and a subsequent emergence of alternative kinds of middlemen. Such a development represents a threat to distributors carrying out a lot of activities, beecause they will have difficulties in obtaining corresponding economies of scale in operations. The second challenge is that certain producers and end-users are interested in developing more integrated relationships than has been prevailing before. Firms with that strategic objective will not be interested in independent distributors - they want dedicated partners. These new conditions are of such a magnitude that they should have significant effects on the role of intermediaries. Therefore, in some way existing middlemen have to respond to these challenges.

Responding to producers′ aims of developing partnerships will require that distributors give up a great deal of their independence. Instead of trying to identify the most relevant supply source in each situation, distributors have to enter integrated long-term relationships with specific manufacturers. They also have to act mainly as their prolonged arms. Such a behaviour deviates substantially from the traditional attitudes of industrial distributors favouring freedom and independence (Webster 1975). On the other hand, major distributor companies today seem to have quite other attitudes, strategies and capabilities than they had twenty years ago (Anderson & Narus, 1990). Another strategic option is to take integrated relationships to customers as the basic point of departure. To give up independence in this respect will be a much easier task for the typical industrial distributor of today than to do the same towards producers. Already in 1960 McVey questioned the general view of middlemen as selling agents for manufacturers. Rather they should be considered purchasing agents for a coveted group of customers (ibid. p. 62). The potential for functional specialization should also be considered a strategic option by industrial intermediaries. This doesn′t necessarily mean that the typical distributor should concentrate only to a few activities. But what will happen is that the all-activity distributor at an increasing rate have to compete with firms that have specialized in certain functions. This probably means that these competitors either can undertake the activities at a lower cost due to more efficient equipment and operations or that they will provide services with a better quality. The worst case will be when both these conditions are valid.

The conclusion of this paper is that existing intermediaries in industrial distribution are challenged by new conditions. But to be challenged is not the same as to be threatened. On the contrary, the changing conditions that have been discussed representent obvious opportunities for industrial distributors. Due to their present strong position they should be able to be an active part in the on-going restructuring. By adapting to new conditions it will be possible to be part of the emerging distribution structure. On the other hand, industrial distributors taking a defensive position - mainly interested in consolidation of the present role - will be severely threatened.

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MULTILEVEL MARKETING PLANS: A NEW CHANNEL OF DISTRIBUTION

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Multilevel marketing (MLM) plans provide a quick and inexpensive route to business ownership for would-be entrepreneurs. This paper presents an overview of MLM with an emphasis on the environmental factors which affect the manufacturers, distributors, and consumers involved in this method of distribution. It is argued that MLM should be thought of as an alternative channel of distribution rather than merely one component of direct marketing.

INTRODUCTION

Faith Popcorn, the well known marketing prognosticator has predicted that as consumers continue to "burrow," an extension of her concept of "cocooning," they will become more receptive to door-to-door sales concepts (Drucker 1992). Expanding on this prediction, Drucker suggests that consumers will demand increased home delivery of their purchases in the future. The Direct Selling Association (DSA) of the U.S. estimates that more than $11.1 billion in goods and services were sold in 1991 through Direct Sales (DS) distribution channels (Drug and Cosmetic Industry 1992). Products and services such as: cosmetics (Avon, BeautiControl, Mary Kay), clothing (UndercoverWear), household products (Amway, Electrolux, FullerBrush, Saladmaster, Tupperware), giftware (Betterware, Stanhome), insurance (A.L Williams) and salvation (The Watch Tower Society), barely scratch the surface of those being sold through DS. The importance of DS is further illustrated by the 3.6 million people reportedly employed in this industry in the U.S. in 1989 (Marketing News 1989). This article focuses on one particular organizational structure utilized by a number of direct sales organizations (DSOs): Multilevel Marketing (MLM). Brown (1992), meanwhile, suggests that MLM is but one component of direct marketing, which can be segmented into 3 areas: 1) direct selling, 2) multi-level marketing, and 3) party plans. However, we suggest that MLM is more appropriately viewed as an alternative distribution channel rather than a segment of direct marketing. This belief is based on the premise that branded merchandise and services are being distributed through MLM plans in addition to those goods manufactured by the MLM firms themselves.

Most research on MLM is anecdotal and appears in popular business publications, biased biographies, or exposés. Although obscure, these organizations are phenomenally successful (Marketing News 1989) despite expressed concerns about the legality of some of their business activities (Augenstein 1993). The veil of secrecy and ignorance surrounding MLM firms has been promulgated by this sparsity of research, and has resulted in intense legislative scrutiny of this marketing channel. Therefore, these multilevel networks offer researchers a fertile setting in which to explore.

This paper represents a preliminary investigation of MLM, a form of distribution which we believe will continue to grow in importance. Specifically, the overview of multilevel marketing presented here concentrates on the product and environmental characteristics surrounding this seldom researched area of marketing. Implications for small business researchers and practitioners are discussed.

MULTI-LEVEL MARKETING : An Overview

MLM firms rely on the development and expansion of a product distribution network comprised of independent salespeople, also referred to agents, distributors, representatives or consultants (Skolnik 1984). These salespeople in turn sponsor other representatives, and the organization grows on the strength of the recruiting efforts of its distributors. Klebnikov (1991), demonstrates the power of this recruiting strategy:

> **Distributor A recruits distributors B,C,D each of whom recruits three more distributors to work for them. If this recruiting pattern continues ten times-that is, there are 11 levels in the distribution chain-then the fellow who started the network, distributor A, would have 88,572 distributors working for him. If each of those people sells, on average $1,000 worth of products, you've got an $89 million marketing organization stemming from that one distributor A.**

This hierarchical, exponential growth is the reason that MLM firms are also referred to as Network DSOs (Biggart 1989), Multi-Level Franchises (Stockstill 1985), and Person-to-Person Marketing firms (Business Korea 1991). MLM firms derive numerous benefits from this structure: few employment costs, rapid sales increases with channel growth (due in part to the required purchases of inventories, samples, literature, etc.), and few if any marketing costs.

Free (1992), indicates that distribution costs for many traditional businesses have been rising rapidly; with some estimates as high as 85% of retail cost. As a result, marketers have been forced to find more efficient ways to distribute their products. It is for this reason that MLM firms are expected to continue to experience explosive growth (Sherman 1991).

However, the traditional motive for choosing the MLM approach has been to secure large initial cash inflows without loss of equity, or incurring debt. Distributorships are sold in the form of sample kits, and minimal investment inventories, attracting a large distributor base and substantial initial sales with little marketing investment. Therefore, cash is readily available for capital acquisitions and increased production in the early stages of development of an MLM company.

The second motivation for firms to utilize the MLM channel is the high cost of: marketing new products, securing shelf space/ media time, and/or building market share in well-developed product categories. In addition, it is often necessary to offer substantial remuneration to attract salespeople for a product with little or no sales history. Consequently, MLM firms are able to avoid spiralling benefit costs, and other overhead expenses associated with an employee sales force.

At first glance, the MLM approach appears to have few pitfalls. However, the overview of the MLM environment presented in the following sections indicates a more restrictive climate than presented to this point.

The Legal Environment

MLM firms are often equated with their illegal cousin - pyramid selling schemes (e.g., Augenstein 1993; Eisenberg 1987; Stockstill 1985). Amway's **Business Reference Manual** (1989) describes a pyramid scheme as one which has the following three elements:

> **1) a large, required initial investment or purchase of inventory;**
> **2) direct payment for the recruitment of additional persons in the scheme;**
> **3) heavy emphasis on the recruitment of additional persons with little or no emphasis on the sale of product.**

The distinction between the two marketing practices is not entirely clear from the above elements, largely due to the use of such ambiguous terms as "large," "direct," and "heavy." Although a number of federal, state, and provincial laws have been passed to protect both investors and consumers, the guidelines are sufficiently vague to allow for considerable latitude in interpretation. It is ambiguities such as these that enable illegitimate pyramid schemes to try to pass for legitimate MLM plans. Indeed, Amway's Canadian business manual cautions:

> **...distributors who require large initial investments in sales kits or inventory and do not properly emphasize retail sales of Amway products may invite scrutiny under various provincial pyramid laws (p.108)**

Investors are at the mercy of unscrupulous pyramid scheme promoters for exactly the same reason that the MLM approach is so successful: its capacity for exponential growth! Investors are bitten by the low start up costs and stories of tremendous wealth potential associated with MLM plans. To delay a week, in a multi-level sales scheme, could mean foregoing several levels, and thousands of dollars. As a result, would-be entrepreneurs invest a few hundred dollars buying into a scheme failing to first check it out with the DSA, Better Business Bureau (BBB), or any other consumer protection agency. There are numerous examples of both legitimate MLM, and illegitimate pyramid schemes, which have been prosecuted under antipyramid laws because of runaway growth. The following is one such example.

> **USA Inc., an MLM company, manufactured and distributed a purportedly "revolutionary" health program of vitamins and nutritional supplements. Monthly sales were averaging $10 million/month in 1986, and USA was poised to break Compaq Computers first year sales record of $111 million before the collapse of the organization. Star athletes and misrepresented physicians, scientists, and their institutions were used to endorse the products. In 1987 the company filed for protection under Chapter XI, with $3 million in debts and**

130,000 distributors. (Roth 1987b)

Stockstill (1985), created a guideline that can be used to discriminate legitimate MLM plans from pyramid/lottery schemes based on characteristics of a lottery scheme:

1) an element of lot or chance;

2) a price;

3) a payment consideration

Basically, MLM firms are those which concentrate on the sale of legitimate products, rather than the recruitment of new distributors, and according to Stockstill (1985) the chance of financial gain must be controlled by the participant.

Augenstein (1993), suggests that "due diligence" be used when considering investing in a network marketing plan. Specifically, the investor should insure that the company's management is experienced in both MLM and the product category. Furthermore, Augenstein suggests that the company should be a member of the DSA and have no pending legal actions against it.

MLM networks cross state and international borders at an incredible rate. As a result, the cross-border flow of products leads to regulatory and jurisdictional problems with regard to business operating practices. Eisenberg (1987), advocates the use of greater federal, state, and private regulation of the MLM industry, to protect both investors and consumers from illegitimate schemes and fraudulent product claims. Specifically, he suggests that federal legislation concerning MLM standards be adopted, and that the industry should take a more proactive stance in regulating its own members.

At the moment MLM is still not perceived as a legitimate channel alternative, but as a quasi-illegal investment strategy. Until adequate legislation is adopted by the federal government this image will continue to stigmatize legitimate MLM plans. Even this, however, may be insufficient to correct the situation. Canada, for example, has recently amended the multilevel marketing provisions of its Competition Act to require that:

-Distributors must be able to return products "on reasonable commercial terms."

-Companies cannot require product purchase as a condition of participation.

-Companies cannot "load up" a distributor with more inventory than they can sell.

-Companies cannot pay fees to distributors for recruiting other distributors.

-If earnings are mentioned, companies must also disclose the earnings of a "typical participant" who has been with the company for at least one year.

Such legislation is still no guarantee against abuse if the government doesn't have the resources to police its own legislation (Tillson 1994).

The Labour Market

In North America, DSOs have been competing for an increased share of a declining market: the part-time labour force. Women dominate the DS industry, and according to a Louis Harris and Associates survey, 80% of direct sellers are women (Biggart 1989). Three factors are seen to affect the labour market for the direct sales industry and, by association, MLM firms. These factors are: 1) the emancipation of women, 2) economic trends, and 3) turnover.

The Emancipation of Women

With increased numbers of women entering the full-time workforce, DSOs are forced to fight for a smaller market of individuals interested in part-time employment. This shift to more females working outside the home also affects the MLM consumer base. Consequently, firms are finding it difficult to maintain their impressive growth given the scarcity of prospective distributors.

However, part-time work is not without proponents, as many people discover that working for someone else is not quite as rewarding as they'd anticipated. Biggart (1989) and Taylor (1978), emphasize that women remain the primary caretakers in the home; and benefit from the flexibility of a part-time direct selling position. Although more women are entering the full-time workforce, most work in service industries where the possibilities for advancement and recognition are substantially decreased. Alternatively, MLM plans appeal to those individuals with an entrepreneurial spirit as there are, at least in theory, no limits to their earning potential. Combine this sky's-the-limit approach to earnings, with the freedom of an independent business and it is easy to see why many people are drawn to MLM programs.

Biggart (1989), raises another explanation for the preponderance of women in DSOs. He states, "In 1980, 73%

of working women were single, widowed, divorced or separated or had household earnings of less than $15,000." These statistics suggest that although women are entering the work force in greater numbers, they are poorly compensated, and must seek additional avenues to offset household expenses.

Economic Trends

Employment trends in the direct selling industry are seen to be counter-cyclical with recessionary periods typically representing boom periods for the industry (Biggart 1989; Skolnik 1984). In fact, most people state that their primary motive for joining a DSO/MLM plan is to complement family income. In recessionary periods jobs are lost, wages rolled back and yet, family expenditures remain constant. MLM plans enable households to offset lost revenues while providing the flexibility necessary to maintain conventional household schedules. However, people also seek alternative employment with DSOs to complement the shortfall from existing employment.

Despite this income motive Butterfield (1985) suggests that only meagre profits are actually made by most MLM distributors. In support of this contention, Klebnikov (1991) comments:

> **...the average distributor in the U.S. will net around $780 a year in bonuses and markups from selling Amway products...And he may spend hundreds of dollars or even thousands more on telephone bills, gas, rallies, publicity material and other expenses to expand the business. (p.245)**

Furthermore, he indicates that only 2% of the 1.8 million distributors of Amway around the world are direct distributors. These direct distributors gross approximately $35,000 per year. Therefore, the idea of a distributor being able to afford to quit their "day job" is attainable albeit highly unlikely.

Turnover

Turnover is a never ending problem for most DSOs and MLM plans thus demonstrating the reason recruitment is of such concern to these firms. Estimates indicate that anywhere from 50 to 200 percent of a DSOs' agents may quit in a given year (Taylor 1978; Wotruba and Tyagi 1991). Richard DeVos, the co-founder of Amway, emphasizes that distributor recruitment is essential to the growth and prosperity of the MLM firm. He states, "We'll expand not by selling more per store but by opening more stores" (Klebnikov 1991).

With turnover rates averaging 100% per year, there is a continual unravelling of the MLM framework. Turnover rates are affected by the new recruit's motivation, expectations, and the degree of saturation in their particular market. A distributor with a short term profit orientation will probably not last very long in an MLM plan. This short term focus is demonstrated by the turnover rates experienced by Tupperware, a party plan sales organization. At Tupperware 23% of new dealers quit in the first three months, with 49% leaving within six months (Taylor 1978).

MLM plans attempt to decrease turnover amongst their independent distributors by encouraging these distributors to make increasing financial and personal commitments to the MLM organization. Butterfield (1985), notes:

> **A new member can drop out anytime and lose nothing but the price of a starter kit and a few gallons of gasoline. People are kept in and converted by making it expensive for them to quit...the more people they sponsor, the more sacrifices they make, the harder it is for them to resist...**

However, it is believed that the hidden costs associated with MLM plans are also, in part, responsible for the high turnover rates experienced in the first year. Similar to an individual's investment horizon, a typical MLM investor may be prepared to invest 3 or 6 months in a plan before receiving an adequate financial return. Consequently, the hidden costs which "lock in" some investors, may represent costs which push other investors over their investment threshold - resulting in turnover. Wotruba and Tyagi (1991), measured turnover rates in direct sales firms, and found that Met Expectations (ME) are related to turnover. Wotruba and Tyagi's work suggests that turnover in DSOs could be decreased by more accurately portraying the commitment-remuneration picture. This view is supported by UndercoverWear's Ronda Pimental, an MLM distributor of lingerie, who states: "UndercoverWear has never sold anybody with `Be a Millionaire,' the way other companies do" (Skolnik 1984). UndercoverWear's approach to realistic remuneration expectations, has resulted in a turnover rate amongst first year recruits of only 15% (Skolnik 1984).

The International Market

Direct Selling is not strictly a North American phenomenon and has become widely accepted in countries all over the world, as evidenced by Avon's phenomenal success in China (Tanzer 1991). MLM firms such as Amway are also cashing in on the wave of capitalism spreading across Asia, and the Eastern Block countries.

Traditionally, these consumers have had disposable income, but were unable to obtain products due to the centralized distribution mechanism. As a result, DSOs and MLM firms are satisfying the pent up demand for products in these markets with independent distributors who are, in turn, learning the value of capitalism. For example, in Guangzhou, the capital of Guangdong Province, in the People's Republic of China, some doctor's are selling Avon products part-time and earning 10 times their monthly medical salary (Tanzer, 1991).

It should be noted that there are a number of reasons that MLM firms are finding great success in foreign markets: a more favourable employment environment, restrictive distribution policies/systems, and a positive consumer environment.

The Employment Environment

Countries with a strong orientation toward traditional male/female roles are prime targets for DSOs and MLM plans as witnessed by Avon, Mary Kay, and Amway's success in China, Japan, and Mexico. These cultures provide the MLM firm with a captive labour market; one with few opportunities for alternative employment. MLM plans are perceived as part-time jobs and, therefore, do not encroach upon the male dominated full-time work place. However, as noted previously, the potential exists in these markets to earn incomes well in excess of a full-time position.

In Japan, "Yakult Ladies" are responsible for 75% of sales of the Yakult Hosha Company's fermented drink. This network of door-to-door saleswomen has been in existence since 1963 and has taken advantage of the limited employment opportunities for Japanese women. However, like their North American DSO counterparts, Yakult is having difficulties securing distributors as more women are accepted into the full-time work place (Takahashi 1991).

Therefore, Eastern-block, Asian, African, South and Central American countries are all being targeted by network DSOs for expansion. However, each country brings with it unique product, legislative, and operational problems that must be addressed.

Restrictive Distribution Systems

The distribution systems in most countries are protectionist and, by definition, strictly controlled. These restrictions often make it difficult for both foreign and domestic companies to distribute new products. However, MLM firms do not rely on these conventional distribution systems and, therefore, have an advantage over traditionally-distributed competitors.

Despite its advantages, the North American version of direct selling is rarely transplanted to foreign markets without some modification. Joint venture manufacturing facilities are often required by the target country, creating revenue and jobs for the home country, and goodwill for the MLM firm. In addition, most of the countries/markets targeted have inadequate infrastructures for MLM firms to operate as they do in North America. The result: a hybrid of MLM and traditional distribution, with warehousing and modified accounting procedures. For example, it is very difficult to accept a cheque for products, where there are no banks (Business Mexico 1992).

However, MLM is not simply hampered by operational or logistic hurdles in the international environment. Legislated restrictions in some countries are such that the system is all but banned. The Republic of Korea has proposed banning MLM marketing firms under legislation entitled Super 301, which specifically limits the allowable number of distribution levels to 2 (Hansen 1991). If adopted, this legislation would mean that MLM firms would have to modify their recruiting and compensation practices - their strength - or avoid this market.

In another example, the United Kingdom proposed more stringent regulations for MLM in 1987 to protect independent salespeople from bearing too great a proportion of the financial risk. These laws were an expansion of the Fair Trading Act legislation of 1973, and were instituted in response to the rapid growth of MLM plans (Herchak 1987). It is apparent from these examples that MLM firms must be cognizant of the cultural and legal environments specific to the countries targeted for expansion. However, to be successful in these foreign markets flexibility is required with respect to distribution, communication, and operating systems.

The Consumer Environment

Given the restrictive distribution systems discussed above, MLM firms often find little competition in those international markets with centralized supply systems. Consumers like variety and the MLM firm satisfies this need. Not only is there a lack of competition in these markets but, as seen in the case of China, there are few products available in any category. The result is a marketing dream: an eager consumer market willing to buy - anything! However, this is not to say that the international consumer is any less discerning, rather they are eager to buy anything of high perceived value. Central-planning countries are notorious for their poor quality products and impersonal line-ups. In contrast, MLM firms offer products of relatively higher quality with an entrepreneurial, yet personal approach.

Culture dictates the type of products required in these international markets and therefore, market research is essential to success. For example, makeup colours, food flavours, and clothing styles must be culturally appropriate. In addition, the health, safety and drug administrations, for each country must be appeased prior to product distribution. MLM firms must be especially cognizant of these aspects of international marketing if they hope to avoid the stigma which surrounds them in North America.

The Product Market

Several examples of product categories distributed through domestic and international MLM channels have been presented. Here, the characteristics which make a product suitable for direct selling, and more specifically, for distribution through an MLM plan are discussed.

Roth (1987a), emphasizes that products distributed by MLM ventures must be supported by high margins. He states:

> **...for a distributor to pocket a 35% retail profit and remain price-competitive with non-MLM vendors, there has to be a tremendous margin available. Consequently, high-margin products...are the stock-in-trade of MLM companies, who, according to the Direct Sales Assn. (DSA), typically set retail prices at five times the manufacturing cost and pay out about 25% of their revenues in commissions, leaving gross margins of greater than 500%.**

MLM companies seek to market items that are: inexpensive to produce, traditionally supported by large marketing expenditures to create demand or awareness, and which are not technically-involved. In addition, products must not be cost prohibitive for the independent salesforce (i.e. to carry inventory).

An interesting, and recent trend emerging in MLM firms is the distribution of branded goods, and services. For example, an Amway **Personal Shoppers Service** catalog is almost indistinguishable from any other retail catalog. Biggart (1989), illustrates the success with which MLM firms have been able to distribute branded products in this example:

> **...the MCI telephone company solicited Sears, American Express, and Amway to sell long-distance services through their customer networks. Amway brought in 800,000 customers, more than Sears and American Express combined...**

Selling branded merchandise and services through an MLM firm's distribution network is the basis for our contention that MLM is not a segment of direct marketing, but rather, a distinct distribution channel. Philips, for example, distributes its electric shavers through Amway just as it does through more conventional channels, such as catalogue stores and retail outlets.

The Consumer Market

Working women have an impact on network DSOs beyond the labour force discussed previously. Specifically, these firms are finding it increasingly difficult to reach women - their traditional consumers - at home. As a result, many DSO's have been forced to turn to alternative marketing strategies to maintain/increase sales, such as; direct mail, and selling in the workplace (Seitz 1991). Smith (1992), indicates that the use of multichannel strategies by DSOs gives them a competitive advantage over single-channel firms. Arguably, the branded product firms which utilize the MLM channel, in addition to traditional channel strategies, have similar benefits. Amway's attempted purchase of Avon in 1989 (Klebnikov 1991) indicates that MLM growth is not solely reliant on foreign market penetration. Rather growth may be accomplished by mergers and acquisitions, multi-channel marketing strategies, and product diversification. However, the ability of an MLM firm to operate successfully in these distinctly different organizational/cultural climates remains in question.

DISCUSSION

The most important contribution of this paper is the reconceptualization of MLM as a distinct marketing channel rather than as a segment of direct marketing. The tremendous growth of MLM companies, both nationally and internationally, suggests that business practitioners should recognize MLM as a legitimate organizational development strategy. Furthermore, viewed as a legitimate marketing channel, MLM deserves greater attention from academicians as well.

Specifically, it is believed that research into the antecedents and consequences of turnover within these organizations will provide more accurate prescriptions with which to address this problem. Finally, it is suggested that an investigation of the attitudes, values, and personalities of MLM distributors is required to facilitate recruiting and improve distributor motivation within MLM organizations.

Finally, the MLM channel is surrounded by controversy and secrecy, and is stigmatized by recruiting practices which are often indistinguishable from illegal pyramid/lottery schemes. It is believed that legislation and greater self-regulation on the part of the MLM firms will help to address the aura of illegitimacy which currently surrounds these firms.

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QUANTIFYING DIFFERENCES IN PRODUCT ATTRIBUTES PERCEPTIONS: THE CASE OF WASHING MACHINES IN THE UK AND GERMANY

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ABSTRACT

This paper explores whether, and to what extent, different consumer perceptions form barriers to product standardization across two EU countries. Using washing machine purchases in Britain and Germany as empirical backdrop, an attempt is made to quantify the impact of different product attributes on the overall product preferences of consumers in both countries. Within the context of seventeen product attributes, particular emphasis is placed on the value of country-of-origin and ecological friendliness. A partially-individualized conjoint analysis provides two managerially useful results: First, product development is aided through identifying key preference drivers. Second, the scope for product standardization is illustrated through identifying those product attributes that are valued differently in Britain and Germany.

INTRODUCTION AND BACKGROUND

The creation of the European Union (EU) has rejuvenated the old standardization versus adaptation debate (e.g. Buzzell, 1968; Levitt, 1983; Douglas and Craig, 1986; Akaah, 1991). The central concern is whether and to what extent it is possible to standardize the marketing program across different EU countries (e.g. Guido, 1991; Jain and Ryans, 1991), when prevailing economic, cultural, and behavioral differences between European consumers may still create barriers to standardization (Boddewyn, 1981; Boddewyn et al., 1986; Kashani, 1989).

But while the scope for standardization depends on a multitude of factors including the nature of the product, the target market as well as environmental- and firm-specific variables (see Jain, 1989 for a review), the present work focuses exclusively on the customer preferences. Specifically, it compares British and German consumers with regards to washing machine purchases, placing particular emphasis on *quantifying* the relative importance of country-of-origin and ecological cues in a multi-cue context.

Two key considerations provide the rationale for choosing Britain and Germany for the analysis. First, they are two of the largest markets in the European Union, representing a population of 58 million and 81 million in Britain and Germany respectively. Second, the two countries are culturally more distinct from each other than many other European countries, which is supported by Ronen and Shenkar's (1985) clustering of countries on attitudinal dimensions.

The focus on country-of-origin stems from industry concern that a (partial) shift of production into emerging market economies might negatively impact on product perception. Recent work on the relationship between country-of-origin effects and branding lends support to such concerns (Ettenson, 1993; King, 1993; Tse and Gorn, 1993). There have also been calls for more multi-country studies of country-of-origin effects (Papadopoulos, 1993).

In the European Union, ecological product attributes have become increasingly important determinants of purchase behavior (Simintiras et al., 1994). The particular emphasis placed on such attributes in the present research is further warranted by suggestions that British and German consumers may differ in terms of their ecological values (Peattie, 1992; Marketing, 1991).

RESEARCH PROPOSITION
Product Standardization versus Product Adaptation

Proponents of standardization argue that there is a convergence in consumer taste and a globalization of competition itself (Buzzell, 1968; Levitt, 1983; Sorenson and Wiechmann, 1975; Ohmae, 1989). However, there are researchers who contend such arguments and point out that companies are not ready to implement global strategies (Jain, 1989), or that the needs of international markets are still too culturally diverse to be standardized (Wind and Douglas, 1986). Their key arguments tend to rest on differences in use conditions,

regulations, consumer behavior and local competition.
Wills et al. (1991) claim that the standardization and adaptation debate is too polarized. The truth appears to lie in the design of products that combine the advantages of standardization with responsiveness to local needs. In essence, it is a call for a "think global and act local" approach. With specific reference to the European Union, Halliburton and Hünerberg (1993) also propose such middle ground.
In order to examine whether, and to what extent, differences in the evaluation of product attributes in the current industry and country setting are constituting barriers to standardization, the following proposition is tested:
H1: The values attached to different attributes of washing machines vary between Britain and Germany.

Country-of-Origin and Product Perception
A substantial stream of research in international business has been devoted to country-of-origin effects (see, for example, reviews by Kaynak and Cavusgil, 1983; Papadopoulos et al., 1986, 90; Johansson and Nebenzahl, 1987; Hung, 1989; Oszomer and Cavusgil, 1991 and Yaprak and Baughn, 1991). But despite the large number of empirical studies, there is still disagreement on the exact nature of the country-of-origin influence. Among others, it appears to vary across product categories and respondent groups.
The use of different methodologies has also contributed to the disparate results (Hausruckinger, 1993). In this context, much of the criticism is levied against the prevalence of single-cue studies, introducing product alternatives only in terms of their origin while ignoring other product attributes which may moderate the country-of-origin effect (Wall et al., 1991; Chao, 1992).
The present research, therefore, places country-of-origin in the context of other product attributes (multi-cue setting). Extending the previously developed hypothesis, the following proposition is tested:
H2: The values attached to country-of-origin effects vary between British and German purchasers of washing machines.

Ecological Attributes and Product Perception
Washing machine manufacturers have not remained unaffected by ecological concerns of consumers. Product features like energy saving programs, automatic load adjustments and noise emission have consequently assumed a high degree of prominence in promotional material. Given that consumers in different countries may attach unequal weight to ecological issues (*Marketing*, 1991), there appears to be a need to test whether the importance attached to such ecological product attributes varies across countries and creates barriers to standardization. To this end, the present study again extends the first proposition and tests the following hypothesis:
H3: The values attached to ecological product attributes vary between British and German purchasers of washing machines.

A CONJOINT APPROACH TO ANALYZING PRODUCT STANDARDIZATION

Conjoint analysis would appear to be an attractive methodology for studying the scope for product standardization. It enables not only the assessment of product attributes in a multi-cue setting, but also the *quantification* of the effect in terms of dollarmetric values. This also overcomes a problem typical of past research, notably the use of monadic (and usually non-validated) scales such as quality-, risk-, or buying intention ratings (Sauer et al, 1991).
From the different versions of conjoint analysis that are available (for relevant reviews, see Green and Srinivasan 1978, 1990), the approach employed in the present study is that of Böcker and Schweikl (1988), which enables the selection of *customized* sets of attributes by each respondent. This permits the impact of different product attributes to be analyzed in the context of cues *directly* relevant to particular individuals. The latter property is, for example, important for the determination of the country-of-origin effects, as the magnitude of these effects has been shown to diminish in the presence of other cues (Liefeld, 1993).

RESEARCH DESIGN

This study represents part of a wider research program on product attribute preferences in different countries. Both in Germany and Britain, a set of desktop computers were positioned outside major stores and shoppers were invited to participate in a computer-aided questionnaire survey. Within Germany, all shopping centers from which data was collected were located in the former West Germany.

Survey participants were screened to ensure that they had bought washing machines during the last two years or were planning to purchase one within a year. Students were intentionally not included in the sample as their use has been criticized in previous country-of-origin studies (see Bilkey and Nes, 1982). A total of 207 "eligible" individuals took part in the survey, 101 from Britain and 106 from Germany.

For data collection, the present research used the *IDAS* (Interactive Decision Analysis System) computer-aided questionnaire program[1], which has the ability to handle different languages[2], individualize the selection of product attributes and randomize subsequent comparisons of product profiles. Each respondent was initially requested to classify each of *seventeen* attributes associated with washing machines, presented one at a time on the computer screen, as either important or unimportant. The list of attributes was developed following an examination of previous literature, qualitative interviews with manufacturers and inspection of relevant promotional material. Attributes classified as important were subsequently rank-ordered by the respondent. Finally, *if not already selected*, country-of-origin and automatic load adjustment (representing the key ecological product attribute) were added to the *three* most highly ranked attributes. This procedure resulted in a partially-individualized attribute set of size *five* (with two fixed attributes common to all respondents).

Country-of-origin was represented with five attribute *levels* (i.e. made in the U.K., Germany, Spain, Italy, France), while all other attributes had two levels. By replacing the five levels of the former by four dummy variables, the final partially-individualized conjoint attribute sets consisted of eight variables each at two levels (with obvious restrictions placed on the dummy variables). Thus, the following part-worth model can be utilized, *separately for each respondent*, for a particular object (i.e. product profile):

$$Y_i = a + \sum_{j=1}^{8} \beta_j X_{ij} + e_i \qquad (1)$$

where: Y_i is the preference score for the ith object;

X_{ij} is 1 or 0 depending on whether attribute j for product i is present or absent; a is an intercept term;

β_j is the part-worth associated with the presence of attribute j;

e_i is the error term for the ith object.

Data derived from *pairwise* comparisons of different (hypothetical) product profiles were used to estimate the part-worths in (1) via OLS regression. The product profiles were determined from the individualized attribute sets and based on well-known orthogonal designs (see Addelman, 1962). In addition to parameter estimation, the pairwise comparisons were also used to test for linear intransitivity, i.e. whether an individual's responses are consistent with the linear model in equation (1). Specifically, respondents were screened for consistency on the basis of the Hauser-Shugan test (1980) and those who showed inconsistencies were not included in the regression analysis[3]. Altogether, the survey contains twenty-four pairwise comparisons for estimation purposes, including twelve transitivity triplets used in the Hauser-Shugan (1980) test. To check for internal validity, the coefficient of determination (R^2) was used to test how well the regression function in (1) represents the empirical values. Finally, six *additional* pairwise comparisons were included to obtain a measure of the external validity of the estimated model; this shows, for each respondent, how well the observed values are correlated with those estimated on the basis of the twenty-four pairwise comparisons.

Respondents expressed their preferences in terms of monetary values, the so-called "dollarmetric" scale; this shows how much more a given respondent is willing to pay for one combination of product attributes vis-a-vis another. The transitivity, internal validity and external validity tests resulted in the exclusion of 18 (17.8%) UK and 42 (39.6%) German respondents from the final analysis.

The sample composition in both countries turned out to be remarkably similar. No significant differences could be detected between the British and German consumers in terms of education level, profession, household income, household size, number of children and age of eldest and youngest child respectively.

RESULTS

Preference Rankings

An initial comparison of the respondents in terms of the importance attached to the different product attributes is provided in Table 1. The two importance measures shown for each product attribute represent the proportion of respondents in each country who consider the attribute as important (measure 1), and the proportion of respondents who included the attribute among their *five highest ranked* ones (measure 2, below the first value). For each measure, the respective rank of the product attribute is given in parentheses. Two-tailed z-tests for

differences in proportions have been calculated to check for differences between British and German consumers.
The results reveal a large number of differences in the attribute rankings between British and German respondents. Specifically, German consumers place comparatively more emphasis on water-, energy- and washing powder consumption, a valve for efficient detergent use and the life expectancy of the appliance. British respondents, on the other hand, show higher preferences for a special woolcare program, good washing results, a short wash program, a long guarantee period, after sales service, top loading machines and an automatic load adjustment (second measure only). Respondents from Britain and Germany showed no differences in the number of attributes classified as important, the mean being about nine for both countries.

Conjoint Analysis

Turning to the results of the conjoint analysis, Table 2 shows two sets of part-worths for each attribute[4]. First, the means of the *normed* part-worths, i.e. raw part-worths divided by the sum of the absolute part-worths; the latter can be interpreted as "directionalized" share of the preference range[5]. Second, the means of the *raw* part-worths, i.e. the estimates of the coefficients in equation (1) in DMarks. However, the "true" values have been disguised through a linear transformation to comply with a request of a company partly sponsoring the research.
Statistical inference based on the results in Table 2 is only possible if assumptions *additional* to the usual regression assumptions are made[6]; moreover, *within* respondent groups, care should be taken in comparing attributes on the basis of the magnitudes of the raw part-worths as the latter are level-specific. For example, an improvement of 100 rpm in spin speed is likely to be evaluated differently when the base is 500 rpm compared to a base of 1000 rpm. This complicates comparisons between attributes even though the orthogonal design allows for statistical comparison (since, with the exception of country-of-origin, the unmodified estimators - i.e. raw part-worths - are statistically independent).
The comparison *between* British and German respondents are, of course, not affected by these considerations. Contrasting both sub-groups in terms of *individual attributes*, t-tests are used to gauge statistical significance. The two values in parentheses refer to the 2-tailed probability of separate (S) and pooled (P) variance t-tests for independent samples applied to the means of raw and normed part-worths respectively[8]. Mann-Whitney-U probabilities are also reported, as the small sample sizes in some of the comparisons necessitate the use of a nonparametric test.
In terms of country-of-origin, there are greater German preferences for France vs. Italy (0.003 P; 0.032P) and greater British preferences for Britain vs. Italy 0.001S; 0.001S). Based on Scheffe multiple comparison tests at the 5% level, the following preference order in noted:
U.K.: British = German > Italian > Spanish = French
Germany: German > French = Italian = British > Spanish
These results support **H2**, namely that the value attached to country-of-origin effects varies between British and German purchasers of washing machines.
Focusing on the (forced) ecological product attribute, i.e. automatic load adjustment, no statistically significant differences can be observed between respondents from both countries. The same holds for most other ecological attributes such as valve for efficient detergent use, energy saving program, noise emission, washing powder consumption and energy consumption. The only exception is water consumption (0.001P; 0.001S). However, it is unlikely that this difference is primarily a reflection of disparate ecological concern. Instead, it is presumably a reflection of the fact that in Germany, the water consumption of households is always metered, while this is usually not the case Britain. Consequently, German households can be expected to be far more price sensitive with regard to water consumption than British households.
Thus, the results **do not** support **H3**, namely that the value attached to ecological product attributes varies between British and German purchasers of washing machines.
Looking at differences in the remaining product attribute preferences, only one significant finding emerges, namely a greater German emphasis on washing results (0.055P). In fact, there is a comparatively smaller number of German respondents that consider washing results to be an important attribute, but they are prepared to pay more for a higher product specification.
The lack of significant differences between mean part-worths for British and German respondents is surprising, given the relatively large number of significant differences observed as a result of the ranking process (Table 1). Calibrating the comparison to a smaller set of conjoint variables appears to align the consumer preferences.

Taken collectively, the findings **do not** lend unconditional support to **H1**, namely that the values attached to different attributes of washing machines vary between Britain and Germany.

DISCUSSION AND CONCLUSIONS

With regards to country-of-origin, the findings support the "generalized conclusion that people hold stereotypical images about various countries and that these images affect the way in which the countries' products are evaluated" (Papadopoulos et al, 1989, p.3). However, the results go beyond merely reiterating conventional wisdom in three important ways. First, they provide insights as to the *amount* consumers are willing to pay for a washing machine manufactured in one country versus another. Second, they show the *differences* in country-of-origin ranking between the two analyzed countries; a preference for domestic products was found in both the German and the British sample. Third, the results indicate the *relative importance* of the country-of-origin variable versus other product attributes in a comparative setting. In both countries, the value placed on the preferred country-of-origin was about in line with that placed on the ecological variable automatic load adjustment, but lower than the values observed for nearly all other product attributes. Thus, while there are differences in country-of-origin perceptions between British and German respondents, country-of-origin is not regarded as particularly important when compared with other product attributes.

Unfortunately, it is a limitation of the present research that it was not set up to analyze possible interaction effects between the perception of brand quality and country-of-origin, i.e. a German washing machine brand manufactured in Germany may be perceived differently from *the same brand* manufactured in Spain. Han and Terpstra (1988), looking at this relationship, suggest that perceptions were more strongly influenced by country-of-origin than country-of-brand.

However, taking the findings of the present study collectively, the results lend support to the standardization proponents. Even though there are considerable cultural differences between Germany and Britain (compare Hofstede's (1983) well known cultural typology), and even though there are *some* differences between British and German respondents, the overall results clearly suggest a high standardization potential for this product group.

Finally, focusing on future research, three promising avenues emerge. First, the analysis should be refined by investigating other variables besides nationality that could impact on product attribute preferences. Such variables may include attitudinal characteristics (e.g. ethnocentrism or ecological concern) or basic demographic variables (e.g. product attribute preferences of older versus younger consumers). Second, the analysis could be extended by exploring product preferences in different E.U. countries. It may well be that countries in different stages of economic development (e.g. Portugal vs. France) show more pronounced differences than the ones that emerged in the comparison of Britain and Germany. Last, it should be investigated to what degree the product standardization potential depends on the product group in question. It is likely that the obtained results would differ considerably if a more culture bound product (e.g. a food item) were to be analyzed.

NOTES:

1. The *IDAS* program has been developed by the Department of Marketing of the University of Regensburg in Germany, which was the coordinating partner institution in the study; descriptions of *IDAS* can be found in Hausruckinger (1993) and Herker (1993).
2. Back-translating procedures as recommended by Douglas and Craig (1983) involving both native speakers and individuals fluent in the languages concerned were employed to ensure consistency in the British and German versions of the research instrument.
3. Specifically, respondents are screened for consistency according to the interval-theory:

$$g_{ij} = u_i - u_j - e_{ij}$$

where: g_{ij} = dollarmetric value in the comparison of test stimuli i and j
u_i = preference value; test stimulus i
u_j = preference value; test stimulus j
e_{ij} = error term

4. As Country-of-origin, originally at five levels, is replaced by four dummy attributes, the part-worths reflect preference for production in the relevant country relative to manufacture in Italy.
5. The normed part-worths are calculated for each respondent separately and can, therefore, be either positive or negative depending on the sign of the relevant unmodified (i.e. raw) part-worth. As Table 2 shows, the mean values for each attribute over *all* respondents selecting it, it is possible that the signs of the unmodified and

normed part-worths may differ as a result of the averaging process.

6. *Raw part-worths*: For a given attribute i (selected by n_i respondents), let b_{ji}, $ß_{ji}$ and v_{ji} be respectively the estimated part worth, expected part worth and variance for respondent j. Then the usual regression assumptions lead to b_{ji} being normally distributed with mean $ß_{ji}$ and variance v_{ji}. Aggregate analysis over all n_i respondents depends on the assumptions made regarding the distribution of the $ß_{ji}$'s. For instance if this distribution is taken to be normal with mean $ß_i$ and variance v_i, then the marginal distribution of b_{ji} is normal with mean $ß_i$ and variance $v_{ji}+v_i$. Moreover, if v_{ji} is very small relative to v_i, then the marginal distribution of b_{ji} can be approximated by a normal distribution with mean $ß_i$ and variance v_i. Hence the usual statistical inference procedures concerning population means can be applied. In the present case, the assumption concerning the negligibility of v_{ji} relative to v_i is satisfied (hence the use of independent sample t-tests in subsequent analysis). *Normed part-worths*: If an assumption is made that the normed part-worths for respondents have identical distributions, the usual large sample approximations for testing the difference between means are in order.

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Table 1: **Attribute Rankings**

Attribute	British	German	p-value
Country-of-origin	0.218 (17)	0.255 (15)	0.533
	0.149 (14)	0.133 (13)	0.945
Valve for efficient detergent use	0.307 (16)	0.613 (6)	0.000
	0.050 (17)	0.330 (6)	0.000
Energy saving program	0.683 (5)	0.783 (3)	0.104
	0.485 (3)	0.481 (4)	0.953
Special woolcare program	0.406 (12)	0.226 (16)	0.005
	0.129 (16)	0.038 (17)	0.017
Automatic load adjustment	0.356 (14)	0.321 (14)	0.588
	0.168 (12.5)	0.066 (14.5)	0.022
Short wash (40 min) program	0.624 (6)	0.377 (13)	0.000
	0.277 (8)	0.066 (14.5)	0.000
Noise emission	0.436 (10)	0.425 (12)	0.872
	0.178 (10.5)	0.226 (8)	0.390
Washing powder consumption	0.347 (15)	0.745 (4)	0.000
	0.139 (15)	0.547 (3)	0.000
Energy consumption	0.703 (2.5)	0.877 (2)	0.002
	0.525 (2)	0.745 (1)	0.000
Spin Speed	0.525 (8)	0.453 (11)	0.301
	0.287 (7)	0.179 (10)	0.066
Water consumption	0.475 (9)	0.896 (1)	0.000
	0.238 (9)	0.689 (2)	0.000
Washing results	0.713 (1)	0.566 (7.5)	0.028
	0.604 (1)	0.311 (7)	0.000
Length of guarantee	0.693 (4)	0.500 (9)	0.005
	0.475 (4)	0.151 (11.5)	0.000
Appliance life	0.554 (7)	0.670 (5)	0.088
	0.356 (6)	0.387 (5)	0.897
After sales service	0.703 (2.5)	0.566 (7.5)	0.041
	0.465 (5)	0.189 (9)	0.000
Anti-flood protection	0.416 (11)	0.491 (10)	0.280
	0.168 (12.5)	0.151 (11.5)	0.734
Top/front loader	0.376 (13)	0.179 (17)	0.002
	0.178 (10.5)	0.057 (16)	0.006

Table 2

Summary of Part-Worths

Attribute	British N	British Mean	British St.Dev.	Germany N	Germany Mean	Germany St.Dev.	p-values t-test	p-values Mann-W
Country-of-origin								
France/Italy	83	-0.041	0.106	64	0.016	0.117	0.003 P	0.006
	83	-25.400	85.470	64	1.720	60.410	0.032 P	0.014
Spain/Italy	83	-0.610	0.102	64	-0.045	0.112	0.380 P	0.510
	83	-32.750	89.590	64	-27.580	63.350	0.683 P	0.752
Britain/Italy	83	0.090	0.144	64	-0.014	0.083	0.000 S	0.000
	83	31.190	77.090	64	-6.310	48.720	0.000 S	0.000
Germany/Italy	83	0.070	0.117	64	0.106	0.143	0.103 S	0.145
	83	27.580	59.210	64	43.090	67.380	0.140 P	0.069
Automatic load adjustment								
Yes/No	83	0.095	0.084	64	0.082	0.101	0.395 P	0.246
	83	37.190	34.520	64	34.580	45.020	0.701 S	0.357
Valve for efficient detergent use								
	3	0.177	0.137	12	0.167	0.092	0.879 P	0.718
	3	67.000	58.660	12	94.330	94.060	0.644 P	0.665
Energy saving program								
	27	0.160	0.147	22	0.173	0.102	0.706 S	0.503
	27	58.440	57.250	22	59.450	48.640	0.948 P	0.732
Special woolcare program								
	5	0.204	0.109	1	0.170			0.770
	5	75.600	49.180	1	42.000			0.380
Short wash(40 min) program								
	15	0.190	0.141	3	0.133	0.060	0.512 P	0.373
	15	62.800	41.530	3	44.000	37.990	0.480 P	0.476
Noise emission								
	7	0.086	0.125	4	0.115	0.122	0.715 P	0.925
	7	78.860	128.570	4	31.250	32.290	0.383 S	0.705
Washing powder consumption								
	6	0.122	0.117	26	0.119	0.093	0.956 P	0.828
	6	35.000	28.250	26	50.080	39.830	0.390 P	0.595
Energy consumption								
	33	0.079	0.095	46	0.120	0.116	0.099 P	0.091
	33	28.360	39.990	46	45.670	54.380	0.107 S	0.165
Spin speed								
	15	0.203	0.136	5	0.190	0.131	0.858 P	0.965
	15	67.600	49.070	5	96.200	71.740	0.327 P	0.407
Water consumption								
	12	0.122	0.103	35	0.253	0.106	0.001 P	0.001
	12	37.750	26.200	35	99.690	65.110	0.000 S	0.001
Washing results								
	40	0.176	0.098	11	0.242	0.103	0.055 P	0.057
	40	67.200	65.200	11	120.820	83.210	0.270 P	0.027
Length of gaurantee								
	28	0.180	0.143	2	0.060	0.057	0.254 P	0.197
	28	55.930	46.090	2	33.000	24.040	0.497 P	0.505
Appliance life								
	20	0.173	0.122	9	0.143	0.165	0.598 P	0.450
	20	65.250	71.540	9	35.670	43.500	0.263 P	0.289
After sales service								
	23	0.146	0.096	6	0.127	0.128	0.689 P	0.127
	23	53.870	56.370	6	62.830	65.480	0.739 P	0.936
Anti-flood protection								
	7	0.240	0.203	7	0.206	0.129	0.713 P	0.848
	7	81.000	58.120	7	81.570	66.470	0.987 P	0.949
Top/front/loader								
	8	0.098	0.195	3	0.233	0.306	0.394 P	0.259
	8	30.000	55.990	3	39.670	67.310	0.813 P	0.540

AMERICAN AND FRENCH INDUSTRIAL SERVICES BUYING BEHAVIOR : AN EXPERIMENTAL STUDY

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Abstract

The paper deals with the cultural dimension of business-to-business relationships in the buying behavior of industrial services. Based on a literature from the fields of industrial, services and international marketing, hypotheses were developed aiming at testing in an experimental study the convergence thesis of industrial services buying behavior in France and the United States in terms of importance given to product and service decision criteria in the stage of tender offer. Data were collected from 170 French and 192 American managers and analysed by ANOVA in a 2 X 2 factorial design (French vs. American national culture ; Buyer vs. Seller professional culture). As expected, results are consistent with a partial convergence thesis due to a convergence of product attributes evaluations between the two countries, but to some specifics of French service attributes evaluations.

Introduction

The service industry firms are increasingly engaged in international operations. Though international comparative studies within the fields of management or marketing are increasingly numerous (e.g. Adler 1991 and Usunier 1993 for international cross-cultural management and marketing reviews of literature), few academics have been interested in studying the cultural determinants of services buying behavior. In particular, we know little about the decision criteria used by managers from the USA and France, the two worldwide leading exporting competitors in this sector, when buying and selling industrial services.
We will first review the theoretical background from the fields of services, industrial and international marketing. Specific hypotheses will be developed relating culture to the importance of product versus service decision criteria when processing to the tender offer stage of the industrial marketing relationship. We will then present the methods and discuss the results of the experimental empirical study examining the effects of national culture (American vs. French) and professional culture (buyer vs. seller) on the behavior of American and French managers involved in a simulated tender offer.

Theoretical background and hypotheses development

Cross-cultural research is necessarily cross-disciplinary since culture is a multifacet concept.
Our survey of the literature on the subject involves three fields of marketing : services, industrial and international marketing.
Culture has been defined in many ways (e.g. Keesing 1974) among which the vision emphasizing the implicite non directly observable cognitive and symbolic aspects of the cultural phenomenon (Goodenough 1971 ; Geertz 1973). From that perspective, culture can be seen as cognitive scripts for action as well as the necessary meanings human beings must learn, to interprete stimuli coming from themselves and their environment. Culture is a complex system of scripts and meanings that are learned and shared by members of a group to adapt successfully to their environment, and much of culture is carried unconsciously by a group's members, a point emphasized by many cultural analysts (e.g., Linton 1945 ; Hall 1959).

Services and industrial marketing : towards relational marketing

Services marketing and industrial marketing have witnessed a convergence associated with a broadening of both research fields towards each other. After having been largely developed in the field of consumer services (Shanahan 1985 ; Jallat 1993), several concepts coming from services marketing have been integrated and used in the industrial field (Cova 1990 ; Berry and Parasuraman 1991 ; Moore and Schlegelmilch 1994). Services marketing introduces a new approach, both interactional and relational, founded on long term relations

(Gummesson 1987; Grönroos 1989), which meets the paradigmatical evolutions industrial marketing has undergone. And this is all the more important in international markets (Sharma 1991). Industrial buying behavior models have been considerably developed since the 80's (e.g. Cova and Salle 1992). Classical analyses dissociating the study of both partners of the transaction (in particular studies of buyers' behavior and sellers' performance), have been replaced by the diadic exchange model of the American current (Bonoma and Johnston 1978), and by the interactionnist model of the Scandinavo-European school (Hakansson 1982), which led to an impressive amount of research.

Another significant element concerns the broadening of the notion of industrial offer. A marketing limited to the sole product attributes has been gradually replaced by the notion of global offer. The importance given to the service dimension is not a new factor and, as known, it is largely considered as the prevailing decision criterion for the industrial buyer (De Banville and Chanaron 1990). Nevertheless, this notion has not been precisely defined and has been submitted to several operationalizations (Salle and Sylvestre 1992 ; Morris and Davis 1992 ; Day and Barksdale 1992). We based our research on several of the most currently used criteria to define the service dimensions we measure afterwards. Rather than searching for competitive advantage, largely founded on cost based strategies, as they did before, companies nowadays favour differenciation strategies, in particular by extending the service dimension of their offer and their ability to manage external ressources networks (Axelsson 1989 ; Badot and Cova 1992 ; Guéhénn 1993). Not only the product, but a complete or integrated solution, a system, or even a partnership, is sold at a given price. There is a transition from "price based advantage" to "cooperation based advantage", where the global offer is viewed in a relational long term approach (Cova 1990). The price of the supplier's offer may be higher, but the cost of managing the solution by the customer will be lower, as the transaction costs for both partners will be (Williamson 1975).

The international industrial buying behavior

The interactionnist model views relations between organizations as structured in a body of interaction processes. These processes are founded on various exchange contents (products, services ...) and according to differenciated time perspectives (episodes, relations). The first significant commercial episode, at the basis of a potential transaction in the industrial field, is generally the appeal for tender phase, when customer and supplier expose the criteria that will guide the buying decision. The literature on buying criteria used by the industrial buyer is relatively well-developed in the U.S.A. Thus, we know that the criteria are mainly : service, quality of the product and price (cf. Pras and Tarondeau 1981 ; Salle and Sylvestre 1992 ; Morris and Davis 1992). In comparison, few is known about the relative importance given to the dimensions of the offer in other cultures (Dale and Powley 1985 ; Ghymn 1990).

The influence of cultural factors on the methods of international industrial marketing are widely acknowledged though. Törnroos, Bonaccorsi and Dalli (1993) provide a review of the different theoretical approaches of business-to-business interaction across borders (i.e. general economic theory, organizational theory, the interaction and network approach and cultural anthropology), among which cultural anthropology is outlined as a major but partially neglected field by present literature.

Several authors also pointed out the contrasts between the structure of markets and the resulting general characterictics of the industrial buyer's behavior in the U.S.A. and in Europe (Hakansson 1982 ; Turnbull and Valla 1986 ; Cova and Salle 1991).

In Europe, each country is a market on its own on the cultural, political, administrative, economic or technical level. As the market is narrower, suppliers often used differenciated strategies in which the service dimension of the global offer prevails. This dimension relies on the close partnership with the customers, through cooperation, complementarity and participation.

In the U.S.A., on the contrary, several factors resulted in giving a decisive weight to price, and in limiting the intensity of supplier-customer relations, in favour of competitivity, substitution and distance (Mattson 1985). E.g. the existence of compelling anti-trust laws, the size of the market which induces a higher number of competing suppliers to use cost reduction strategies through experience and economies of scale, the frequent resort to industrial resellers due to the size of the country, the method of multisources buying strategies and the systematic competitive evaluation of suppliers by buyers.

Taking into account these different theoretical approaches shows the necessity of developing the intracultural and comparative knowledge of industrial buyers' decision making processes, in the U.S.A. and Europe. The weight given to product dimensions ("hard" attributes) and services ("soft" attributes) in the global offer may not be identical among different cultures and must be submitted to a systematical analysis. This is the object of the following hypotheses which will be tested in our experimental study.

Research hypotheses

Starting from this conceptual structure, we have developed two hypotheses. A large number of studies in cross-cultural management has been devoted to the "convergence hypothesis" of managerial practices around the world towards "Anglo-american" models (Pascale 1978 ; England, Neghandi and Wilpert 1981 ; Kim 1989), often leading to complex and sometimes contradictory results. The following set of hypotheses aims at testing the convergence hypothesis of industrial services buying behavior in France and the U.S.
H1 : There is a convergence of French and American evaluations of product attributes
These normative models of managerial methods originating from the U.S.A. have been exported more or less successfully to the rest of the world (cf. Hofstede 1980).
As G7 members, France and the U.S.A. inherited an old industrial culture, which leads to the assumption that managers in both countries give similar importance to the "hard" attributes of the offer.
H2 : There is a divergence of French and American evaluations of service attributes.
The history of industrial service is more recent than that of the tangible "hard" component of the offer. Thus we might deduce that cultures in both countries differ more on this point. Indeed, the American models have not imposed an acknowledged and systematically reproduced code of behavior. Moreover, the differences we pointed out concerning the environmental constraints and the research models suggest the existence of differences between Europe and the USA. Last but not least, the analysis of service, a major "cultural object" (Badot and Cova 1992 ; Rochefort 1993), might show international differences more than the analysis of "hard" dimensions.

Methods

The empirical study is exploratory. It aims at testing the above hypotheses in a controled experimental design. We will present the tender offer simulation, the variables and their measures and the sample characteristics.

The data collection instrument
Because all laboratory experiments imply general problems regarding external validity, one solution is to provide the respondents with a concrete and detailed stimulus. The simulation must consider transactions according to their history and their anticipated future as well as long-term relational aspects of many buyer-seller exchanges (Dwyer, Shurr, and Oh 1987). And since buyers' and sellers' behaviors are different by nature but are engaged in a specific relationship, it must also consider simultaneously the two sides of the transaction, although we did not have hypotheses about the effect of that factor. Besides, the effect of national culture should never be over-estimated and it is necessary to control simultaneously other sources of culture, such as professional or sectorial membership, or national economic environments (Törnross and Möller 1990 ; Prime 1994).
We have thus developed a tender offer simulation according to the vignette methodology (Alexander, Becker 1978). This methodology has been used in research conducted in several domains, management (Gill 1979 ; Becker, Fritzsche 1987), international marketing (Tse, Lee, Vertinsky and Wherung 1988 ; Francis 1991) and industrial marketing (Puto, Patton, King 1985). Vignettes are hypothetical scenarios presented as short descriptions of a person and social situations that contain precise references to the factors under consideration, such as those most important in decision-making and in the formation of judgments by the respondents. The vignettes have the advantage of being very detailed, which allows the characteristics of the vignette to vary systematically regarding the variable factors. They allow a precise estimate of the combinations of these variables. Finally, they lend themselves well to the use of complete factorial designs, which provide strong control over the stimulus situation.
The simulation concerns a transaction for a manufacuring machine of a new electronic component. It is very detailed in terms of companies profiles, markets analysis, objectives of the firms and negotiators, risks, etc. About 15 minutes are required to complete the task : reading the scenario of the purchase / selling situation and aswering a short post-questionnaire. The scenario has been pre-tested in France on a sample of 16 buyers and 21 professional business executives to check the external validity of the simulation. The instructions, the scene and the questionnaire were all contained in a single four-page packet.
But comparative research studies entail much more than merely collecting data in two nations and comparing

the results (Douglas and Craig 1983). A particular challenge is to achieve equivalence between the contents of the simulation and its associated questions between the research source culture (France) and target culture (the U.S.). Following the advice of Berry, Poortinga, Segall, and Dasen (1992), the American version of the simulation was first translated from French into English and then back-translated into French (Sechrest, Fay, Zaidi 1972), and the final version was evaluated by an expert chosen for his knowledge of French and American cultures as well as the ideas presented in the simulation.

Variables and measures

Two independent variables were manipulated in a 2 X 2 factorial design with two levels of national culture (American versus French) and professional culture (buyer versus seller). The buyer and seller roles were established in the scenario and by manipulating the following statement in the half-page of instructions : "You will be playing the main role in this situation. In the scene described, you are taking the part of a negotiator-buyer (seller) and are negotiating the purchase (sale) of a new product from (for) a potential supplier (buyer)". Subjects in each country were randomly assigned to one of the four exchange conditions.
All the dependent variables in this study were measured in the post-questionnaire. Table 1 presents the operationalization of the Product dimension and the Service dimension. The two dimensions were operationalized by selecting several specific attributes.

TABLE 1 :
DEPENDENT VARIABLES AND MEASURES

VARIABLES	MEASURES
1) Product attributes: - **Specifications reliability** - **Quality** ***2) Service attributes:*** - **Leadtimes** - **Conditions of payments** - **Availability of salesmen** - **A feeling of partnership** - **Keeping in regular contacts**	"You assess the 5 proposals (as a Buyer) / You have made a proposal (as a Seller). Drawing on your personal experience and the situation which has been described, what importance do you give to the following criteria ?" 1 = not important, 2 = of some importance, 3 = relatively important, 4 = important, 5 = very important.

Sample
The samples are restricted to actual executives and managers in France (Paris and Lyon) and the United States (five Missouri cities). Samples of middle and higher level managers in the fields of sales, purchasing, and production management were drawn from manufacturing firms in France and the United States. The samples were limited to sales, production, and purchasing managers because these managers would be most likely to have experience with the type of buying-selling situation depicted in the simulation. The French total size sample is 170. With means of 12.5 years of professional experience, 36.3 years of age, and 28 percent were women. American total size sample is 192 with means of 17.8 years of professional experience, 42.5 years of age, and 16 percent were women.

Results

Hypotheses were analyzed by using ANOVA (cf. table 2 and table 3) :

TABLE 2 :
ANOVA : TESTS OF HYPOTHESES
ON NATIONAL CULTURE

VARIABLES	**US (N=192)** Means (s.d.)	**FRANCE (N=170)** Means (s.d.)	**F RATIO**	**HYP.**	**RE-SULTS**
Spécifications reliability	3.81 (0.902)	3.89 (0.864)	0.747	**H11: US~ F**	**US ~ F**
Quality	4.72 (0.725)	4.71 (0.551)	0.125	**H12: US~ F**	**US ~ F**
Leadtimes	3.82 (1.044)	4.18 (0.866)	12.420**	**H21: US F**	**F > US**
Conditions of payments	3.21 (1.093)	3.66 (0.916)	18.410**	**H22: US F**	**F > US**
Availability of salesmen	3.43 (0.907)	3.97 (0.817)	38.446**	**H23: US F**	**F > US**
Atmosphere of partnership	3.89 (1.070)	4.14 (0.779)	6.797 **	**H24: US F**	**F > US**
Keeping in regular contacts	3.65 (0.914)	3.94 (0.830)	10.763**	**H25: US F**	**F > US**

* : p<0.05 ; ** : p<0.01.

TABLE 3 :
ANOVA : DESCRIPTIVE RESULTS
ON PROFESSIONAL CULTURE

VARIABLES	**BUYERS** Means (s.d.)	**SELLERS** Means (s.d.)	**F RATIO**	**RESULTS**
Spécifications reliability	3.89 (0.931)	3.81 (0.831)	0.340	**B ~ S**
Quality	4.86 (0.446)	4.56 (0.786)	19.377**	**B > S**
Leadtimes	3.97 (1.031)	4.01 (0.922)	0.151	**B ~ S**
Conditions of payments	3.31 (0.988)	3.55 (1.078)	5.150*	**S > B**
Availability of salesmen	3.47 (0.916)	3.91 (0.839)	26.178**	**S > B**
A feeling of partnership	3.86 (0.960)	4.17 (0.919)	9.930**	**S > B**
Keeping in regular contacts	3.59 (0.820)	4.00 (0.906)	22.326**	**S > B**

* $p<0.05$, ** $p<0.01$

There were no differences between American and French perceptions of the importance of Specifications reliability (F=0.747, ns.) and Quality (F=0.125, ns.), thus supporting Hypothesis H1 for both Product attributes. Of the five service attributes evaluation in France and the U.S., the influence of culture was significant as predicted by hypothesis H2, thus supporting it. French and American managers did differ in their evaluation of the importance of : (1) Leadtimes (F=12.420, p<0.01) ; (2) Conditions of payments (F=18.410, p<0.01) ; (3) Availability of salesmen (F=38.446, p<0.01) ; (4) Atmosphere of partnership (F=6.797, p<0.01) ; and (5) Keeping in regular contacts (F=10.763, p<0.01). Although the means for both countries show a general high level of expectations for all attributes, in all cases were French means higher that the American ones indicating that the French give significantly more importance to the Service attributes.
As we had expected, descriptive results on the role factor suggest a significant effect for one of the two Product attributes and four of the five Service attributes. Buyers and Sellers did differ in their evaluation of the importance of : (1) Quality (F=19.377, p<0.01) ; (2) Conditions of payments (F=5.150, p<0.05) ; (3) Availability of salesmen (F=26.178, p<0.01) ; (4) Atmosphere of partnership (F=9.930, p<0.01) ; and (5) Keeping in regular contacts (F=22.326, p<0.01). Thus buyers gave more importance to Quality than sellers, whereas the reverse was true for the four Service attributes. But no differences were found concerning Specifications reliability or Leadtimes. Finally, there were two significant interaction effects between Culture and Role for the two service attributes evaluations : Leadtimes (F=9.256, p<0,01) and Keeping in regular contacts (5.457, p<0,05).

Discussion of the results

As hypothized, the results suggest a convergence pattern of French and American evaluations of the importance of the two Product attributes, but some specifics in the service attributes importance evaluations, French expectations being always higher.

It could be advanced that the French respondents are submitted to a cultural bias over-using the top of the scales, just as it can be observed between French and English Canadians (e.g. Plummer 1977). But Americans tend to answer questions more extremely (in positive or negative terms) when compared to other nationalities, such as the Japanese (Zax and Takashi 1967) or Koreans (Chun, Campbell and Hao 1974). And if American evaluations are also quite high, it could simply indicate the relevance of the attributes that were proposed to the managers. Thus, results suggest that a professional managerial culture could have developed, that is shared by managers across national boundaries, especially between the managers from countries that are important industrialized trading partners such as France and the United States. This managerial culture could be a transnational example of what Trice and Beyer (1993) describe as "occupational subcultures".

Still we were surprised by the challenging results we obtained for the hypotheses concerning two service attributes : leadtimes and conditions of payments. For these two attributes, we would have expected the Americans to have a higher level of expectations, given they belong to a monochronic culture (equivalence of time and money) as opposed to the French polychronic time usage (Hall and Hall 1990). Besides, international reputations in that matter are quite strong, emphasizing in Anglo-saxon cultures the frequent deadlines in France.

One possibility lies in the methods employed. This result, since the simulation elicitates mainly ideal behavior (nothing is really at stake), is nevertheless consistent with Hall's evaluation in details. He notes that the Japanese deal with non-Japanese in a monochronic fashion but deal with other Japanese polychronically and that the French are intellectually monochronic but behaviorally polychronic (Hall and Hall 1987, 1990).

Another possible explanation of the French valuing more leadtimes and conditions of payment than the Americans could be attributed to the phenomenon of cultural imports / exports of efficiency norms related to business. Imports-exports of cultural products have always existed between different societies (e.g. Braudel 1987), and culture is by nature an adaptative system. The openness of societies to others varies and a fruitful cultural contact has most of the time as a necessary condition that the two societies don't differ too much in terms of technical development (Leiris 1988, presents the example of the Tasmanian and the British in Australia in the early XIXth century). If the technical levels of development of the two societies are comparable, the receiving culture quite often reinforces the imported models, and becomes "more royalist than the king". More research is certainly needed in this area, to take into account the dynamics of cultures, evolving under the pressure of exchanges with one another (e.g. Lauglin and Brady 1978), particularly in the field of international marketing (Cateora 1983 ; Usunier 1993).

The results for the three other service attributes (Availability of salesmen, Atmosphere of partnership, Keeping in regular contacts) fitted more with the literature outlining the French need of close and personalized business relationship with room for feelings and people, whereas the Americans emphasize the functional part of it (Fisher 1980).

Independently from hypothesis on national culture, descriptive results on the influence of the role suggest interesting points. For product attributes, buyers' importance given to Quality is higher than sellers'. The existence of a derived demand might explain their emphasis on this core attribute. For service attributes, the analysis reveals a clear pattern by which sellers give significantly more importance to four attributes out of five (appart from Leadtimes). Independently of their national culture, sellers were more sensitive to the Service dimension, suggesting a transnational behavior shared within this professional culture. The two significant interactions effect between national and professional culture for Leadtimes and Keeping in regular contacts suggest potential discrepancies between the importance given to these service attributes by French Buyers exchanging with American sellers and vice versa. French buyers (and sellers) gave more importance to Leadtimes and Keeping in regular contacts than American sellers' (and buyers') expectations.

Conclusion

A first limit of this study is linked to its exploratory nature. It does not take into account the large number of possible industrial offers attributes, nor different types of products, industrial sectors and purchase situations in terms of perceived risk which is a fundamental factor identified in the American literature (e.g. Hall and Rao 1990). The cross-cultural validity of this concept needs to be explored across the world and future research could take into account these factors. In terms of cultural analysis, we consider only the influence of national and professional cultures, excluding the impact of industrial or regional cultures. Studies could be developed so as to consider simultaneously more sources of culture. Eventhough random sampling and strict comparative samples can rarely be implemented in cross-cultural studies (Berry, Poortinga, Segall and Dasen 1992), our

results are limited due to convenience samples. Besides, the study should be replicated exclusively with populations of professional buyers and sellers.
Overall results suggest a convergence of product attributes evaluations between the two countries, but to some specifics of French managers' (and Sellers') service attributes evaluations comparing respectively to American managers' (and Buyers'). Consequently this research is consistent with a partial convergence thesis, but not a convergence imperative.

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GIFT-GIVING FAMILY STYLES: A CROSS-CULTURAL STUDY WITH CONSUMER SOCIALISATION IMPLICATIONS

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ABSTRACT

The present study combines Belk's (1979) conceptualisation of gift-giving functions with the McLeod and Chaffee (1972) model of family communication systems to explore gift-giving family styles in individualistic and collectivistic cultures. The major objective of the research was to identify gift-giving family styles across cultures, using the McLeod and Chaffee model as a framework for the inquiry. Data for this research was collected through a series of in-depth interviews with sixty-eight individuals (sixteen families) of Australian Anglo-Celtic and Sino-Vietnamese backgrounds. The major findings from this research were that: (1) the four family styles outlined by the McLeod and Chaffee model are indeed reflected in four distinct gift-giving family styles; (2) the styles are distributed differently in the two cultures, with the Anglo-Celtic higher on the socio-oriented dimension and the Sino-Vietnamese higher on the concept-oriented dimension; and (3) even within the most prevalent family gift-giving style, i.e. the consensual, there are distinct cultural differences between the two groups that reflect the collectivism-individualism continuum.

INTRODUCTION

`Gift-giving family styles' (GGFS) is a term that to the best of our knowledge has never been used before. It is defined here as the verbal communication that takes place when gifts are exchanged within the family. In particular, it encompasses all the overt and subtle messages that are transmitted between parents and children to form distinctive patterns of gift-giving behaviour. The concept of GGFS is restricted to interactions between parents and children. It does not encompass interactions between parents or interactions between children during the gift-giving process.
The concept of GGFS is based on several assumptions. First, it assumes that gifts derive their meaning from their social context, e.g. the family, in which they are exchanged. Second, it assumes that families have distinctive patterns of behaviour or `mini-cultures' that impact on their members' behaviour in all aspects, including gift giving. Finally, and most importantly, the concept of GGFS assumes a simultaneous relationship between gift giving and family interactions, with gift-giving behaviour being both the product of the family pattern of interaction and its trigger.

The major objective of this research is to explore GGFSs across cultures. The theoretical basis for this research is the McLeod and Chaffee (1972) model which describes four distinct family styles of parent-child interaction. This model is used to identify distinct family styles during the gift-giving process across cultures.

LITERATURE REVIEW

INTRODUCTION

The idea that gifts derive their meaning from their context is rooted in much of the early literature on gift giving. Tribal cultures were the first context in which gift-giving practices were studied by Malinowski (1922, 1926), Mauss (1925), and Levi-Strauss (1949). Their contributions stood alone until the 1960s when psychologists and sociologists began to study gift giving (Gouldner 1960, Blau 1964, Sahlins 1965, Schwartz 1967). By the 1970s, when some of the most interesting developments in consumer behaviour started to occur, the study of gift-giving behaviour began to be explored by consumer researchers (Belk 1979, Sherry 1983).

THE SOCIAL CONTEXT OF GIFT GIVING

The importance of the context of gift giving has been highlighted by Banks (1979) and Sherry (1983), who were among the first to regard it as an interactive process in which the giver and recipient move through a series of stages.
Belk (1979) emphasised the context of gift exchange even further by pointing out that gift giving varies according to the types of: givers, gifts, recipients and **situational conditions**. Belk went on to identify four functions that the process of gift-giving behaviour may serve, namely: (1) social exchange, (2) economic exchange, (3) socialisation, and (4) communication.

Cross-Cultural Research

The recent attention given to cross-cultural research on gift giving can be seen as a further step in the continuing study of the concept in its social context. While a number of studies have explored gift-giving behaviour in Western societies, recent research has broadened the perspective to include non-Western cultures. For example, Hwang (1987) and Yang (1989) have described the type of reciprocity that operates in a collectivistic culture, i.e. Chinese society.

Individualism versus Collectivism

Note that in many of the studies the distinction between Western and non-Western cultures have been conceptualised in terms of the individualism-collectivism continuum (Hofstede 1980). According to Triandis (1988) and his colleagues, individualism is a cultural value system in which self is independent from the ingroup, i.e. the family. Collectivism, on the other hand, is a cultural value system in which self is seen as an integral part of the in-group, i.e. the family.

Gift-Giving Research from a Non-Western Perspective

An additional step in anchoring gift giving in its social context is the recent realisation by researchers that when studying gift giving in contemporary, non-Western cultures, there is a need to immerse oneself in the intrinsic value system of the society under investigation (Schieffelin 1980). Hwang (1987) argued that research emanating from the West on interpersonal behavior patterns and rules of exchange needs to move beyond the prevailing individualistic social exchange theory of Blau (1964) when investigating collectivistic cultures. Yang (1989) later stated that since the Chinese construction of self is collectivistic, it is different from the autonomous individual, dominant in Western societies. In an earlier study (Johnson 1974), a similar point of view was reiterated in relation to Japanese Americans in Honolulu. Finally, Green and Alden (1988) found that Japanese usually lack emotional involvement during gift selection and purchase, resulting in their experiencing less stress than Americans.

Gift-Giving and Consumer Behaviour

Even though many of the ideas on gift giving have stemmed from various disciplines, Belk (1979) brought them together when he integrated this area of research with the body of literature in consumer behaviour. In one paper, Belk (1984) distinguished between two types of cultures, i.e. group-based and individual-based. Group-based cultures are collectivistic, emanating from small-scale traditional societies. On the other hand, individual-based cultures are individualistic, emanating from large-scale industrial societies.

GIFT-GIVING IN THE CONTEXT OF THE FAMILY

As a natural progression of the research on gift giving in its social context, several studies have looked at gift giving in the family context. The first research in this area (Luschen 1972) explored gift giving across social classes and religious groups (Catholics versus Protestants) in Finland, Ireland and Germany. The findings revealed that regardless of the change in social structure to nuclear families, the maintenance of kinship ties continued to be of equal importance across social class and religious affiliation. A later study in the U.S. independently came to the same conclusion (Caplow 1982). More recently, while a Canadian study (Cheal 1988) confirmed the findings of Luschen and Caplow for the most part, it was found that Ukrainian Orthodox informants had different gift-giving rituals (e.g. at weddings) than the Protestants and Catholics of the other two studies.

Family Styles

The McLeod and Chaffee (1972) model specifically describes the communication between children and parents within the family. The model consists of two dimensions, i.e. socio-oriented and concept-oriented. The socio-oriented dimension is `indicated by the frequency of (or emphasis on) communication that is designed to produce deference and to foster harmony and pleasant social relationships in the family' (McLeod & Chaffee 1972, p. 83). The concept-oriented dimension is indicated by the frequency of communication that involves `positive constraints to stimulate the child to develop his own views about the world, and to consider more than one side of an issue' (McLeod & Chaffee 1972, p. 83). When these two dimensions are combined to form a two-by-two model, four distinct combinations are produced. Each of these combinations represents a different family type that is characterised by a specific parent-child interaction style, i.e. laissez-faire, protective, pluralistic and consensual.

Gift-Giving Family Styles

The present study uses the McLeod and Chaffee (1972) model as a basis for our conceptualisation of gift-giving family styles. As indicated in Figure I, each cell in the model represents a different relationship between children (A) and parents (B) with regards to the gift (X) that is being exchanged.

METHODOLOGY

The research was exploratory in nature, using an inductive, qualitative approach. An attempt was made to explain the significance of the phenomena as described from the perspective of the respondents and interpreted by the researcher. Thus, in-depth interviews with a limited number of respondents who met specific selection criteria were required.

SAMPLE

The chosen population consisted of Anglo-Celtic and Sino-Vietnamese families who lived in the Sydney region of New South Wales, Australia. The Anglo-Celtic respondents were born in Australia of second-generation parents. The Sino-Vietnamese respondents were first-generation Australians who had recently immigrated to Australia. However, they had all lived in Australia for at least ten years and, therefore, were assumed to have gone through the acculturation process. These two cultures were selected because they represent two extremes on a continuum ranging from individualism to collectivism (Hofstede 1980). The Anglo-Celtic culture represents individualistic values, whereas the Sino-Vietnamese culture represents collectivistic values.

The sample included a total of 68 respondents drawn from 8 families in each culture (32 parents, i.e. 16 per culture, and 36 children, i.e. 18 per culture). Note that since the focus was on parent-child interactions, there were 288 parent-child interactions explored per culture or 576 separate parent-child interactions explored across cultures. In the Sino-Vietnamese families, 11 girls and 7 boys were included. On the other hand, in the Anglo-Celtic families, 8 girls and 10 boys were included. Also, an attempt was made to include at least one male or female adolescent child of every age. Except for the 21 year olds in the Anglo-Celtic families, a male or female adolescent child was indeed included for all ages.

The study relied on snowball sampling. This approach initially used informants from each culture to recommend families. Each family thereafter was asked to recommend another family who fit the selection criteria.

An attempt was made to keep all demographic variables constant in order to highlight cultural differences between the Anglo-Celtic and Sino-Vietnamese families.

The study focussed on the middle-class traditional nuclear family, consisting of both parents living together with their children. This family type was selected for both cultures for the following reasons. First, despite the fact that a number of new family types has emerged in Australia in recent years, the traditional nuclear family is still considered the cultural norm (Borrie 1989). Second, although the predominant family type in Vietnam is the extended family, the majority of Sino-Vietnamese families in Australia more closely resemble the traditional nuclear family because of displacement during emigration. Finally, the majority of families with dependent children in Australia are middle-class (ABS 1986).

Within the traditional nuclear family, the study concentrated on families with adolescents, i.e. children between the ages of 12 to 21. The children in the sample were all living at home and attending high school, university, or trade school. The parents in both cultures had all received at least a high school education. In accordance with the traditional nuclear family, the fathers in both cultures were the major breadwinners and the mothers were all homemakers without full-time employment outside the home.

RESEARCH INSTRUMENT

The research instrument was a semi-structured interview. That is, the parents and children were each asked during the interview to discuss four gift-giving behaviour issues, i.e. motivation, selection, presentation, and reaction. See Table I for the interview agenda.

FIELDWORK

In all the families, both parents and each adolescent child were interviewed separately in their homes. Even though most of the interviews were conducted in English, some Sino-Vietnamese parents required an interpreter to be present. The interviews were tape recorded and transcribed verbatim. Probing and cross-check interview techniques provided continual assessment of the validity of the data throughout collection.

ANALYSIS

The focus of the analysis was on parent-child interaction within the Anglo-Celtic and Sino-Vietnamese families. The McLeod and Chaffee (1972) model served as a guide to identify family interaction styles and to compare and contrast how they shaped family gift-giving behaviour across cultures.

FINDINGS

The distribution of styles for the two cultures was different. In the Anglo-Celtic families, six expressed consensual interaction styles, one expressed a protective interaction style, and one expressed a laissez-faire interaction style. In the Sino-Vietnamese families, a consensual interaction style was again the most prevalent, with only two families expressing a pluralistic interaction style. Figure 2 presents the distribution of the interaction styles for the Anglo-Celtic and Sino-Vietnamese families in terms of the McLeod and Chaffee (1972) model.

CONSENSUAL GIFT-GIVING FAMILY STYLE

The majority of Anglo-Celtic and Sino-Vietnamese families expressed a consensual gift-giving style, which is high on both the socio- and concept-oriented dimensions. The parents frequently required the children to defer to their views regarding suitable gifts. At the same time, the parents frequently encouraged the children to consider various gifts that they would like to receive and asked the children for gift suggestions. When the parents did not agree with the children's gift selections, a compromise was reached through negotiation, or other gifts were selected that the parents regarded as more suitable.

ANGLO-CELTIC MOTHER

The mothers stated that they were concerned about their children as persons and about the effectiveness of the children's interpersonal relationships, i.e. their self-esteem in relation to peer group pressure. The mothers were actively involved on a daily basis in their children's interests and activities and took the dominant gift-giving role in the family. The mothers said that even though they did not necessarily agree with their children's gift requests, they frequently negotiated with them to achieve mutually satisfactory decisions. For example, the children sometimes contributed money towards more expensive gifts or relinquished one gift to get another. Since the mothers often yielded to the children's gift requests, they were not inclined to use gifts for socialisation purposes. When the children gave gifts to the parents, the mothers stated that the children were frequently encouraged from an early age to help select the gifts for the parents. On these occasions, they were given the opportunity to express their individuality even though the parents expected the children to agree with their points of view. The following excerpt gives a typical account of the gift-giving interaction between the mothers and their children in the Anglo-Celtic consensual families.

[Gifts to the children.] My son wanted a pair of Reebok running shoes. The gift was his choice but he did a bit of bartering with me before I made the final decision. It was going backwards and forwards and "Can I have these ones if I don't get that?", and I finally agreed. I ended up getting him a pair which were dearer than the ones we were originally looking at. ... **[Gifts from the children.]** Well, the kids and my husband would probably go out shopping for my gift. It would be what they saw at the time that would seem appropriate. My husband would have to agree but they always pick something.

ANGLO-CELTIC FATHER
The fathers stated that because they wanted their gifts to satisfy the children's current needs, they frequently gave them a voice in gift decisions. Because the fathers were rarely involved in gift shopping, they were more inclined to engage in gift discussions with their children before purchase. The fathers said that if they disagreed with their children's gift suggestions during these discussions, it was sometimes necessary for them to use their power of veto. The fathers were more likely than the mothers to use gifts for socialisation purposes. For example, they were inclined to select gifts to foster their children's interests in areas that they considered worthwhile, such as sports activities. When the children gave gifts to the parents, the fathers said that they always took the younger children and sometimes the older children to the shops to help select gifts for the mothers. At those times, the primary function of the fathers was to give approval and offer suggestions. The fathers indicated that they frequently encouraged the children to express their individuality through gifts, but they ultimately expected the children to comply with their own gift selections. The following excerpt gives a typical account of the gift-giving interaction between the fathers and their children in the Anglo-Celtic consensual families.

[Gifts to the children.] Well, my son wanted a bike last Christmas. And we took him around and he had a look at different bikes and he didn't actually pick one but he showed us the type of bikes he'd be interested in. And then my wife went back and got it. There's no use buying things that they don't want. I could have bought him a bike but it wouldn't have been the bike that he'd want. ... **[Gifts from the children.]** Well, the kids usually know what my wife wants and she usually tells me what she wants and I might say "Well, what about we get this, this and this?" and they think it's either a good idea or not a good idea even though I always have the last word.

ANGLO-CELTIC DAUGHTER
The daughters said that when they gave gifts to their parents, they took a more active role in gift selection than their brothers. The daughters preferred to surprise their mothers and fathers rather than to ask for their suggestions. When the daughters received gifts from their parents, they said that most of their gift requests were granted even though they did not receive gifts that were considered to be unsuitable or too expensive. When gifts were costly, they were obtained as a result of some negotiation, i.e. the daughters offered to contribute their own money towards the gifts. The following excerpt gives a typical account of the gift-giving interaction between the daughters and their parents in the Anglo-Celtic consensual families.

[12 year old's account of gifts to the parents.] You see, Dad's harder than Mum because she's a woman and I sorta know more of what she'd like. And where it comes to her, you can always get her some makeup or something. But with Dad, you don't know what he likes and you sorta ask Mum or ask him or you get him some socks or look around the shops for something. ...**[19 year old's account of gifts from the parents.]** It was my turn to get a big present and I said I wanted a tape recorder. So we went to the shops together and I chose it. Mum and Dad just said "Here's the price, so choose what you want". And they went along with what I wanted.

ANGLO-CELTIC SON
The sons indicated that they were more active than their fathers during gift selection but less active than their sisters. When the siblings selected gifts together for each parent, the sons tended to rely on their sisters, especially the older ones, to make the final decision. When the sons described the

manner in which the parents gave gifts to them, their accounts were consistent with the daughters. That is, the sons mentioned that they too were inclined to give their parents hints and make suggestions. While their parents usually granted their requests, they too did not receive items that were considered to be unsuitable or overpriced. The sons said that during negotiations, they frequently agreed to relinquish one gift to obtain another or offered to contribute money towards the purchase. In this way, they were more likely to receive expensive gifts, e.g. name brands. The following excerpt gives a typical account of the gift-giving interaction between the sons and their parents in the Anglo-Celtic consensual families.

[17 year old's account of gifts to the parents.] It's just now that we've started thinking about what we can get Mum ourselves. Before Dad would sort of decide and he'd give us ideas and then we'd go out and buy them based on those ideas. Or we'd ask her ourselves what she would like. ... **[12 year old's account of gifts from the parents.]** Well, I'd probably have to say I like my new transformer toy the best. I got it for Christmas. But, I saw this tape before at the store with Mum. It's a Chipmunks tape. And I told Mum I wanted it. But she said it was too dear but we'd go home and talk to Dad but he told me he didn't think it was worth paying $25 for a tape. So Mum and Dad said that if I got the tape, it would be my whole Christmas present. So I told them I wanted the transformer toy because I'd wanted it for a long time.

SINO-VIETNAMESE MOTHER

The mothers indicated that they took the dominant role during gift selection. Even though the children usually accompanied the mother to the shops when gifts were purchased, the mothers said that they tended to exercise their power of veto if items were deemed to be too expensive or were considered to serve no useful purpose. For this reason, the gifts that they chose were based on their children's needs and usually were of an educational nature. For example, computers, books and musical instruments were mentioned as suitable gifts. Although Western gift-giving rituals were occasionally observed for the sake of the children, gifts were not necessarily given on the actual day of the occasion since the mothers preferred to wait until the items were reduced in price. Chinese New Year, however, was always celebrated on the actual day. At that time, lucky money was given, which was intended to be saved. When the children gave gifts to the parents, the mothers indicated that they were inexpensive items that they bought from their pocket money or that their parents bought for them directly or indirectly. The following excerpt gives a typical account of the gift-giving interaction between the mothers and their children in the Sino-Vietnamese consensual families.

[Gifts to the children.] And when they get the lucky money, they put it in the bank. But we've taught them that this money isn't you and this money isn't me. It is all we can use together. They understand that. My son's lucky money is for when he goes to university because there is a lot of other expenses when he goes to uni. ... **[Gifts from the children.]** They sometimes give us a gift on our birthdays or Mother's Day and Father's Day. We go together. We take them to the shop. My daughter buys a present but she doesn't tell me it is for my birthday. She makes a surprise for me because she buys something that doesn't cost much money and puts it in the shopping cart. But they don't use their money because they don't take the money because when they buy something they must ask me.

SINO-VIETNAMESE FATHER

The fathers were seldom involved in the selection of tangible gifts for their children. Instead, they preferred to leave this task to the mothers. The fathers mentioned that they were primarily interested in encouraging their children's academic endeavours and training them to be good money managers. For this reason, they tended to reward their children with gifts of money for good school performances and to make sure that they were provided with the necessary educational tools, e.g. computers and books. While they always celebrated Chinese New Year by giving money to their children, the fathers were less inclined than the mothers to observe Western gift-giving rituals. When the children gave gifts to the parents, the fathers said that they discouraged the children from spending their money on gifts for them. Since they expected their children to save their money and seek permission before making most purchases, the fathers were inclined to receive inexpensive gifts or hand made cards. The following excerpt gives a typical account of the gift-giving interaction between the fathers and their children in the Sino-Vietnamese consensual families.

[Gifts to the children.] I give them money to use during the year. That's what I give to them for gifts. They put in the bank the money, you know. It is to teach them how to save the money and how to use the money. If you have money, in the future if you want to do something you don't need straightaway to ask for the money. ... **[Gifts from the children.]** Maybe the daughter and son would make a birthday card but not buy a present for us. I want them to save their money. In our family it is not our way to buy gifts for one another. We don't select a special gift for a certain person. In most occasions, like if it was for my birthday, then we all go out to the restaurant.

SINO-VIETNAMESE DAUGHTER
The daughters said that they were encouraged by their fathers to save their money for the future rather than spend it on gifts for them. When the daughters gave tangible gifts to their parents, it was usually to the mothers rather than the fathers. But, they considered that they gave intangible gifts to both parents when they contributed money to the family or helped in the home beyond the usual household duties. When the daughters received gifts from their parents, they said that they mainly received lucky money or items that served useful purposes. When the daughters received lucky money, they were required to put it in the bank for future use and were only allowed to keep a small portion for incidental purposes. The following excerpt gives a typical account of the gift-giving interaction between the daughters and their parents in the Sino-Vietnamese consensual families.

[21 year old's account of gifts to the parents.] I used to give my parents gifts, especially for Mother's Day and birthdays because my Mum deserves a lot and I wanted to surprise her. I tried to give my Dad gifts too but he didn't really want anything. He told me not to buy him anything so it's a bit hard. He wanted me to save my money and not spend it on him. I think that European type culture with birthdays and Mother's and Father's Day and Christmas and all the little bits in between, I think it's too materialistic anyway. ... **[14 year old's account of gifts from the parents.]** Usually Mum tells us to put our lucky money in the bank so we put it in the bank. Basically the reason we get lucky money for gifts is just for the future. So it's for our education. We have to learn. It's not for us to go shopping. So gifts are always for a reason. They're not for our enjoyment usually.

SINO-VIETNAMESE SON
The sons were not active gift-givers but more involved than their fathers. They sometimes gave small gifts to their parents, especially the older sons who received money from the government to further their education. Since their parents did not consider Western gift-giving rituals to be important, the sons rarely gave gifts to their parents on these occasions. When birthdays or Mother's Day and Father's Day were observed, the younger sons would help prepare a family meal, whereas the older sons would pay for their parents to go out to dinner with the family. When the sons received gifts from their parents, they mentioned that the gifts were primarily meant to be shared with their siblings. Lucky money was the main personal gift that they received from their parents, but it was expected to be saved. The following excerpt gives a typical account of the gift-giving interaction between the sons and their parents in the Sino-Vietnamese consensual families.

[14 year old's account of gifts to the parents.] Sometimes I'll give them Mother's Day and Father's Day presents and I might cook them breakfast or dinner or something but that's when we all do together. But sometimes we forget their birthdays and we don't remember when it is and we don't really celebrate that. It's not important to them anyway. And my parents don't really care about Christmas either so if we don't get them anything, we just use the money to give each other things. ... **[16 year old's account of gifts from the parents.]** Mum decides about gifts. Yeah, the main person I think is Mum. Mum likes to give us things. But Dad won't give out any gifts at all. Only Mum will give out. But I don't want things for me. If you want something, it's for the family. It's not personally.

PROTECTIVE GIFT-GIVING FAMILY STYLE

One Anglo-Celtic family expressed a protective gift-giving style, which is high on the socio-oriented dimension and low on the concept-oriented dimension. The parents frequently required the children to defer to their views regarding suitable gifts. At the same time, the parents infrequently encouraged the children to consider various gifts that they would like to receive or asked the children for gift suggestions. Thus, the children were frequently dissatisfied with their gifts. Also, when the children gave gifts to the parents, one parent frequently selected the gifts for the other parent without involving the children in the decision-making process. The children were then expected to give the gifts to the parents even though they were not involved in gift selections.

ANGLO-CELTIC MOTHER

The mother said that she expected her children to appreciate whatever they received without complaining. When they did not behave according to her expectations, the mother expressed disappointment. When the children gave gifts to the parents, the mother indicated that the older children were not as considerate as the younger children. The following excerpt gives a typical account of the gift-giving interaction between the mother and her children in the Anglo-Celtic protective family.

[Gifts to the children.] I don't know. I guess I sometimes rave on, so to speak, and talk to them about the way I feel or say "You don't have to have such and such" or "Isn't it good that you can use that surfboard because it's as good as something with another name on it". I don't know. I don't know whether they understand or not. I would like to think that there was a little bit of feeling of value of things but I don't think they put as much value on their things as I do. ... **[Gifts from the children.]** Well, I suppose my daughter is thoughtful but my 15 year old is probably not so thoughtful. And my 12 year old, well as a gift-giver he has shown himself to be thoughtful. And the 9 year old, well he loves to please. He loves to give gifts.

ANGLO-CELTIC FATHER

The father indicated that he played as dominant a gift-giving role as the mother. The father said that he frequently made independent gift decisions that he believed were in the children's best interests, using gifts as instruments of socialisation. When the children gave gifts to the parents, the father pointed out that even though the children were expected to earn money to buy gifts for themselves, he did not expect them to work and save to buy gifts for their parents. Instead, the parents frequently bought gifts for each other on the children's behalf. Thus, the data suggested that the father was socialising the children to consider themselves but not to consider others during gift giving. The following excerpt gives a typical account of the gift-giving interaction between the father and his children in the Anglo-Celtic protective family.

[Gifts to the children.] Well, all of them would have liked bikes younger but I told them that for their 8th birthdays, I'd get a bike. I've also told them they had to put in half for it. So as they were contributing towards it, it gave them time to do some part-time work or whatever to make some money. They'd do extra jobs around the yard or around the house. They'd like to tell us what they want but it's usually too expensive. So normally they don't know what they're getting so I don't always get it right. ... **[Gifts from the children.]** Well, we often buy the gifts for each other and they give them. I don't think my boys like to buy them. And my daughter is probably the most generous because she's earning an income and the boys only have their pocket money.

ANGLO-CELTIC DAUGHTER

The daughter indicated that while she enjoyed giving gifts to her friends, she did not receive the same amount of enjoyment from giving gifts to her parents. When the daughter received gifts from her parents, she mentioned that they were not inclined to grant her gift requests except when she contributed most of the money. For this reason, she was not always able to afford the gifts that she wanted. The following excerpt gives a typical account of the gift-giving interaction between the 17 year old daughter and her parents in the Anglo-Celtic protective family.

[Gifts to the parents.] I know I really like to give gifts. More to my friends than my family, I think. Mum and Dad appreciate it but it's like they've got most things anyway. But when you give it to your friends, you don't do it out of compulsion. You do it because you want to. Whereas with Mum and

Dad, you give it to them because you know you have to. ... **[Gifts from the parents.]** When I want something, I guess I speak to both of them. But mainly Dad because he's got all the money. And usually I'll just talk about it first with Mum and she'll say "Yes, it's a good idea" or "We can't really afford it" or whatever and then I go to Dad. But he won't just hand out money. Yeah, Mum and Dad still always have the last say.

ANGLO-CELTIC SON

The sons expressed apathy towards gift giving. Since the parents frequently made the gift decisions without considering their children's gift suggestions, the sons seemed not to be motivated to participate. When the sons received gifts from their parents, the older son expressed more resentment towards the behaviour of his father than the younger son. But, both sons indicated that they were not satisfied with the manner in which their mother and father gave gifts. The following excerpt gives a typical account of the gift-giving interaction between the sons and their parents in the Anglo-Celtic protective family.

[15 year old's account of gifts to the parents.] Oh, I buy gifts for my folks about 50-50. Mum buys them and I buy them. But it's not all that important anyway. ... **[15 year old's account of gifts from the parents.]** I've never got a gift from my folks that I really wanted that much. They're poories. They don't want to spend a lot of money. And I never get any say in it but I know Mum would be heaps better than my Dad. He gets just whatever he likes.

LAISSEZ-FAIRE GIFT-GIVING FAMILY STYLE

One Anglo-Celtic family expressed a laissez-faire gift-giving style, which is low on both the socio- and concept-oriented dimensions. The parents infrequently required the children to defer to their views regarding suitable gifts. Also, the parents infrequently encouraged the children to consider various gifts that they would like to receive or asked for gift suggestions. Instead, the children tended to give the mother gift orders with little negotiation on her part. Although this practice promoted independent behaviour, it did not always promote responsible behaviour. As a result, the children were inclined to be self-indulgent and materialistic.

ANGLO-CELTIC MOTHER

The mother said that since she enjoyed shopping, she satisfied her need to buy consumer goods by over-indulging her children, especially her daughter, instead of herself. Thus, by giving to her children, she was able to engage in extravagant behaviour without feeling guilty. When the children gave gifts to the mother, the cost of the gifts enhanced her sense of self while also reinforcing her guilt. The following excerpt gives a typical account of the gift-giving interaction between the mother and her children in the Anglo-Celtic laissez-faire family.

[Gifts to the children.] I buy through my daughter instead of me now, you know. And I suppose I tend to perhaps maybe spend a little bit more on her than the boys because girls just seem to need more things than boys. I buy things for the boys too though. I do spend a lot on all of them. ... **[Gifts from the children.]** The kids spend too much on me at Christmas. Sometimes I wonder where they get the money from to do it. But I'm at a stage in life where I like buying something nice when I go out. I don't buy cheap. I want some nice perfume, I go and buy some nice perfume and I guess they see that when I go out and I say I bought some of this and I suppose they think they can't give me anything that's inferior to that.

ANGLO-CELTIC FATHER

The father said that because of work commitments outside the home, he was not involved in selecting gifts for his children. He indicated, however, that since he provided the finances, he was making a significant contribution. When the children gave gifts to the parents, the father was able to point out his children's level of generosity even though he was unable to recall the specific gifts that he had received from them. That is, he indicated that his sons were not generous gift-givers while his daughter was extremely generous. The following excerpt gives a typical accounts of the gift-giving interaction between the father and his children in the Anglo-Celtic laissez-faire family.

[Gifts to the children.] I can't be around that much, so I leave the gifts to my wife. Some of the things I don't see until the kids get them on Christmas morning. They may be explained to me what she has bought but sometimes I don't see them. But, she always gets them what they want. In material things, my wife is overgenerous. ... **[Gifts from the children.]** Terrible. I can't even remember what they've given me. If my daughter saw something she thought I'd really like, she'd probably buy it. The boys might spend a little bit but they're shrewd with their money. I wouldn't say exactly mean but they watch where their money goes. They're not generous.

ANGLO-CELTIC DAUGHTER

The daughter expressed an irresponsible, extravagant gift-giving behaviour. While she enjoyed buying gifts for her parents, she found it difficult to save money. For this reason, she frequently had to ask her brothers for loans. The daughter also indicated that she was inclined to select trendy clothes as gifts for her mother and father even when she knew they would not like them. By buying such gifts, she was mainly trying to please herself rather than her parents. When the parents gave gifts to the daughter, she indicated that their generosity had fostered her expensive tastes. The following excerpt gives a typical account of the gift-giving interaction between the 18 year old daughter and her parents in the Anglo-Celtic laissez-faire family.

[Gifts to the parents.] My Mum is usually very shocked by all that I give her. But I love giving really expensive gifts to my folks. I usually borrow off my brothers to buy their gifts and then maybe I'll pay them back. I generally go for something that she wouldn't buy herself because she'd think it was too young for her but I'd think it would be okay so I'd get it for her. And this year for Christmas I'm going to get Dad a denim shirt because I think he would look great in denim even though Mum and Dad don't think so. ... **[Gifts from the parents.]** Well, I hardly ever see Dad cause he's always working but he's generous. You see, he tells Mum how much money they can spend on us at Christmas and birthdays and they really overspend on us. Dad gives all the money to Mum and so he shows his love by giving so much money and he just gets money to buy all the stuff and Mum shows love by buying things that she knows we like and that we said we wanted.

ANGLO-CELTIC SON

The sons admitted that since they were more inclined to save money, they were not as generous as their sister. When they gave gifts to their parents, they selected ones that they hoped would be liked. When the sons received gifts from their parents, they said that they received whatever they wanted. For this reason, they tended to save their money and ask their mother to buy the items they required. They indicated, however, that the need to save was not fostered by their parents. Instead, it was motivated by a desire to gain a competitive advantage over one another. The following excerpt gives a typical account of the gift-giving interaction between the 16 year old sons and their parents in the Anglo-Celtic laissez-faire family.

[Gifts to the parents.] If I buy them something good, then I know they'll return the favour. With presents it's what you give is what you get. ... **[Gifts from the parents.]** If you ask for something, you'll get it. If you asked for something my folks didn't like, they'd give you a few looks but if you really wanted it, they'd get it for you anyway.

PLURALISTIC GIFT-GIVING FAMILY STYLE

Two Sino-Vietnamese families expressed a pluralistic gift-giving style, which is low on the socio-oriented dimension and high on the concept-oriented dimension. The parents infrequently required the children to defer to their views regarding suitable gifts. At the same time, the parents frequently encouraged the children to consider various gifts that they would like to receive and asked the children for gift suggestions. Thus, the parents frequently promoted open communication and discussion of gift ideas without accompanying constraints.

SINO-VIETNAMESE MOTHER

Since the mothers were receptive to various world views, they encouraged their children to move beyond Chinese traditions by also considering Australian customs. One mother was actively supporting Western gift-giving rituals within the family while the other mother was not discouraging these practices. If the children received lucky money from family or friends, they were not required to put it in the bank but were permitted to spend it. When making their decisions about the money, the children tended to talk to their parents about what they wanted to buy before they went to the shops to make the final purchase decisions. When the children gave gifts to the parents, the mothers said that they were usually given on Mother's Day and Father's Day. One mother also received birthday gifts. On those occasions, the children often gave more expensive gifts since they had access to their money for personal use. The following excerpt gives a typical account of the gift-giving interaction between the mothers and their children in the Sino-Vietnamese pluralistic families.

[Gifts to the children.] When she gets the lucky money, she saves it for herself. She is not happy to put it in the bank. She likes to keep it for herself. It is not much. Under $100. No, she won't put it in the bank. So I let her keep it in her hands. Now we try to do it the way of Australia. And when we surprise her with a present, sometimes I make the decision and sometimes my husband decides. But my daughter she often chooses for herself. ... **[Gifts from the children.]** Last week my daughter got a very, very expensive nightdress for my Mother's Day present. Very expensive, I think. She and I went to shop when I picked her up from school and I said this is a very nice nightdress. She got her money and she went to the shop after school with her cousin and she got it for me. And when it is her father's birthday, we go in half for his present.

SINO-VIETNAMESE FATHER

The fathers did not emphasise their children's education to such an extent that they discouraged them from pursuing outside recreational activities. While one of the fathers gave mainly money to his children as gifts, it was given to show his appreciation for their having helped in the family business rather than to reward them for their academic performance. The children were not required to save their money. Instead, they were allowed to use it for personal purchases. While one of the fathers frequently chose gifts for his children, he also gave them the opportunity to make their own gift selections. At those times, the gifts were not required to be for educational purposes. When the children gave gifts to the parents, one of the fathers mentioned that they sometimes gave small gifts on Mother's Day and Father's Day. The other father said that he did not always regard the small items that his children gave to him throughout the year as gifts. But, when he received more expensive items from his older child on Father's Day and for his birthday, he considered that they were gifts. The following excerpt gives a typical account of the gift-giving interaction between the fathers and their children in the Sino-Vietnamese pluralistic families.

[Gifts to the children.] When I give my kids something, it may not seem all that important and so I sometimes might not think it is a gift. It is just something only. But on birthdays or Christmas, it's a gift. And sometimes my daughter gives us some ideas about gifts. **[Gifts from the children.]** Yes, my daughter is very thoughtful but maybe in an Australian way. You know, she likes to buy things for us that may not be something really useful or it might be quite costly or expensive.

SINO-VIETNAMESE DAUGHTER

The daughters considered gifts were tangible rather than intangible and primarily associated with Western gift-giving rituals. While the daughters in both families were inclined to give gifts on Mother's Day and Father's Day, the daughter in only one family gave gifts to both parents on birthdays. The daughter in the other family did not give birthday gifts because she did not know the birth dates of her parents. When gifts were selected, the daughters indicated that price was not as important as choosing appropriate gifts that their parents would like. When the daughters received gifts from their parents, they were primarily received on their birthdays and sometimes at Christmas. When gifts were purchased, they frequently accompanied one of the parents to the shops to help make their gift selections. Although they mainly went with their mothers to choose their clothes, one daughter also went with her father to help select books and games. When one daughter occasionally received lucky money on Chinese New Year from her parents, she considered that it was more a tradition than a gift. The daughter in the other family said that she no longer received lucky money from her parents on Chinese New Year. The following excerpt gives a typical account of the gift-giving interaction between the daughters and their parents in the Sino-Vietnamese pluralistic families.

[13 year old's account of gifts to the parents.] I get Mum and Dad gifts on birthdays and Mother's Day and Father's Day. I get what they like and what they talk about and the kind of fashion they go for and colours but then I think of a particular thing myself. And no matter how expensive I'd get it for my parents if I can. ... **[19 year old's account of gifts from the parents.]** Usually when I get gifts from my parents, they let me choose because they don't really know exactly what I like. It's a lot different in Australia for my age and so they let me choose because they know I like it so they won't choose alone because it could be a little bit wrong.

SINO-VIETNAMESE SON

The sons said that since their parents did not consider that gift giving was important on special occasions, it was not the usual practice to give gifts to their parents. When they sometimes gave gifts on Mother's Day and Father's Day, it was willingly given rather than out of a sense of obligation. When the sons received gifts from their parents, they indicated that tangible gifts were not necessarily received on special occasions. Instead, the sons mainly received gifts of money for helping in the family business. Even though the sons could spend the money any way that they wanted, they still preferred to discuss what they wanted to buy with their parents before making the purchase decision. The following excerpt gives a typical account of the gift-giving interaction between the sons and their parents in the Sino-Vietnamese pluralistic family.

[17 year old's account of gifts to the parents.] Yeah, I usually give things to Mum and Dad for Mother's Day and Father's Day. I really don't know when their birthdays are. Something I know they'd like, that they maybe have told me. But I don't get anything for Christmas because I know it's not their religion and they don't really care. ... **[15 year old's account of gifts from the parents.]** We're not really a gift-giving family. Mum and Dad usually give me the money so I can buy my own gifts. Or I'll tell them what I like so they'll get an idea of what I want to buy.

DISCUSSION

The most important contribution of this research was in defining the concept of GGFS and identifying it across cultures, using the McLeod and Chaffee (1972) model. As the findings from this research demonstrate, the four family styles of parent-child interaction outlined by McLeod and Chaffee (1972) are indeed reflected in four distinct GGFSs. This finding lends support to the major underlying assumption in the gift-giving literature, i.e. that gifts derive their meaning from their immediate social context.

COLLECTIVISTIC VERSUS INDIVIDUALISTIC CULTURES

Beyond this general assertion, the results from this research have several other important theoretical implications to gift giving research. The first pertains to the distinction between individualistic and collectivistic cultures. The importance of the individualism/collectivism continuum as a dimension that determines gift-giving variations across cultures has been indicated by many researchers (Johnson 1974, Befu 1980, Hofstede 1980, Schieffelin 1980, Belk 1984, Hwang 1987, Green and Alden 1988, Triandis et al 1988, and Yang 1989). The present study lends further support to this assertion, demonstrating that despite some overlap between the two cultures, the distribution of the styles for each culture is indeed different. While the Anglo-Celtic families are distributed between consensual, protective and laissez-faire styles that are mostly high on the socio-oriented dimension, the Sino-Vietnamese are distributed between consensual and pluralistic styles that are high on the concept-oriented dimension. This cultural distinction reflects the much greater emphasis among the traditional Sino-Vietnamese culture on the transmission of values through discussion and debate than is the case among the Anglo-Celtic Australian culture.

Note that according to our findings, the protective style was represented only in the Anglo-Celtic families. This finding may be surprising as we would expect parents in a traditional, collectivistic culture, i.e. Sino-Vietnamese, to be more protective of their children than parents in an individualistic culture, i.e. Anglo-Celtic. So how can we explain this rather intriguing finding? We believe that these results can be explained in the following manner. Because the collectivistic Sino-Vietnamese culture has a hierarchical family structure, the children tend to respect their elders, i.e. their parents. Consequently, the parents do not need to be as directive as they would be if the children were less obedient and respectful. In fact, this harmonious parent-child relationship allows the parents to go one step further and encourage their children to think for themselves, which is the essence of the concept-oriented dimension that the Sino-Vietnamese culture is high on. In the individualistic Anglo-Celtic culture, on the other hand, the family structure is egalitarian. For this reason, the Anglo-Celtic children are sometimes not respectful of their parents, forcing the parents in those cases to be directive, which is the essence of the protective style.

CULTURAL DIFFERENCES WITHIN THE CONSENSUAL GGFS

The second important implication from this research pertains to the interaction **between** culture and GGFSs. As the findings from this investigation show, culture makes a difference even within the same gift-giving family style. Thus, when we compare the consensual families, which constitute the majority in both cultures, we find many differences in the way in which the style expresses itself in each culture. Table 2 presents the gift-giving differences of the consensual families in the two cultures.

As Table 2 indicates, the two cultures differ on each of the four gift-giving elements: (1) motivation, (2) selection, (3) presentation, and (4) reaction.

MOTIVATION

Justification. Gifts in the Anglo-Celtic families are primarily given to achieve short-term goals, i.e. to enhance the self-concept and status of the recipients. In contrast, gifts in the Sino-Vietnamese families are mainly given to achieve long-term goals, i.e. to assist the children's education or to save for the future.

Significance. The Anglo-Celtic families tend to regard prestige gifts, e.g. name brands, as most important. In contrast, the Sino-Vietnamese families tend to regard practical gifts as most important, especially money.

Timing. The Anglo-Celtic families time their gifts mainly to correspond with birthdays, Christmas, Mother's Day and Father's Day. In contrast, the Sino-Vietnamese families rarely time their gifts to coincide with Western gift-giving rituals even though they always observe Chinese New Year.

SELECTION

Involvement. The Anglo-Celtic families tend to regard gift giving as a high-priority activity that involves social and psychological risks. In contrast, the Sino-Vietnamese families tend to regard gift giving as a low-priority activity that mainly involves financial risks.

Family Influences. The Anglo-Celtic families are primarily influenced by the children. In contrast, the Sino-Vietnamese families are mainly influenced by the mothers.

Promotional Influences. The Anglo-Celtic families are particularly susceptible to promotions that emphasis the status value of items. In contrast, the Sino-Vietnamese families are primarily influenced when sale merchandise is promoted.

Gift Attributes. The Anglo-Celtic families regard quality in terms of name brands as the most important gift attribute. In contrast, the Sino-Vietnamese families regard price as the most important gift attribute. Also, while the Anglo-Celtic families do not regard money as a suitable gift because it indicates thoughtlessness, the Sino-Vietnamese families always regard money as a suitable gift because it indicates usefulness.

PRESENTATION

Presentation Messages. The Anglo-Celtic families tend to communicate through their gift-giving behaviour that immediate self-gratification is important. In contrast, the Sino-Vietnamese families tend to communicate through their gift-giving behaviour that delayed self-gratification is preferable to immediate self-gratification.

Allocation Messages. The Anglo-Celtic families give multiple gifts of the same value to each person on special occasions. In contrast, the Sino-Vietnamese families give single gifts of different values as they are required. Also, the Anglo-Celtic families tend to give more gifts to the mothers, whereas the

Sino-Vietnamese families tend to give more gifts to the older children, irrespective of gender.
Understanding of Messages. The members of the Anglo-Celtic families are more certain that their gift-giving messages are generally understood than the members of the Sino-Vietnamese families.

REACTION

Achievement. The members of the Anglo-Celtic families seem to be satisfied that their gift-giving objectives are achieved. In contrast, the members of the Sino-Vietnamese families are sometimes unsure that they have achieved their gift-giving objectives.
Feedback. When gifts are received in the Anglo-Celtic families tend to express, the members tend to express their feelings openly. In contrast, when gifts are received in the Sino-Vietnamese families, the feelings of the members are not expressed as openly.
Usage. The Anglo-Celtic families mainly use their gifts individually. In contrast, the Sino-Vietnamese families often use their gifts collectively by sharing them with one another.

THE EGOISM/ALTRUISM CONTROVERSY

Finally, the findings from this research have implications to one of the most contentious themes in the research on gift giving, namely the egoism/altruism controversy. This controversy has recently been discussed by Belk and Coon (1993) when they pointed out that gift-giving research should go beyond the present paradigms which assume that we give gifts only to get something else in return. Instead, they recommended that other, less egoistic and more altruistic, paradigms should be considered to explain gift-giving behaviour. The findings from our research lend support to this assertion by demonstrating that the egoistic assumption is indeed too simplistic to account for the complexity of processes that are involved in family gift giving. Thus, while the Anglo-Celtic mothers' motivation for gift giving may be their desire to make sure that their children will love them (the egoistic principle), they are also trying to help their children achieve successful social integration with their peers (the altruistic principle). Similarly, while the Sino-Vietnamese parents may be motivated to give gifts that will help secure their own financial future **through** their children (the egoistic principle), these same gifts are being given also to make sure that the children's own future is secured (the altruistic principle).

LIMITATIONS

The exploratory nature of this study and, consequently, its limitations in size and scope restrict the generalisability of the results to populations other than the ones from which the sample was derived. As indicated previously, only sixty-eight individuals from the Australian Anglo-Celtic and Sino-Vietnamese cultures were represented. All individuals were members of nuclear families from a middle-class SES. The study concentrated on gift-giving family styles (GGFSs) which is a small aspect of the behaviours which constitute gift giving within the family. These limitations leave ample scope for extending this research in several directions.
First, further research should go beyond the nuclear, middle-class family to consider other types of families and other social classes. Also, cultures other than the two extremes of individualism and collectivism that were considered here could be explored.
Second, in this study, the family was the unit of analysis rather than the individual. It is quite possible that even within the same gift-giving family style, there would be differences between the roles played by various family members. As our study indicated, gender can be one of the variables affecting individual behaviour during gift-giving. This finding is supported by a recent study by Fischer and Arnold (1990). In their study, they found that gender affected Christmas gift shopping patterns. Differences in family roles can also be affected by the mother's occupation, children's ages, etc. as our study has also indicated. Further extensions of our research should, therefore, consider the contribution that all these individual-level variables make to the overall GGFS.
Third, in a seminal paper, published in 1979, Belk has highlighted the need to link gift giving with the general body of literature in consumer behaviour. In this paper, he indicated that gift giving is one of the most important ways in which parents socialise their children as consumers. Following this line of reasoning, future extensions of our research should look at how gift-giving family styles affect and shape children's consumer behaviour across cultures.
Finally, further exploration of these and other cultures can enrich these findings regarding cultural, family, gender, and age differences.

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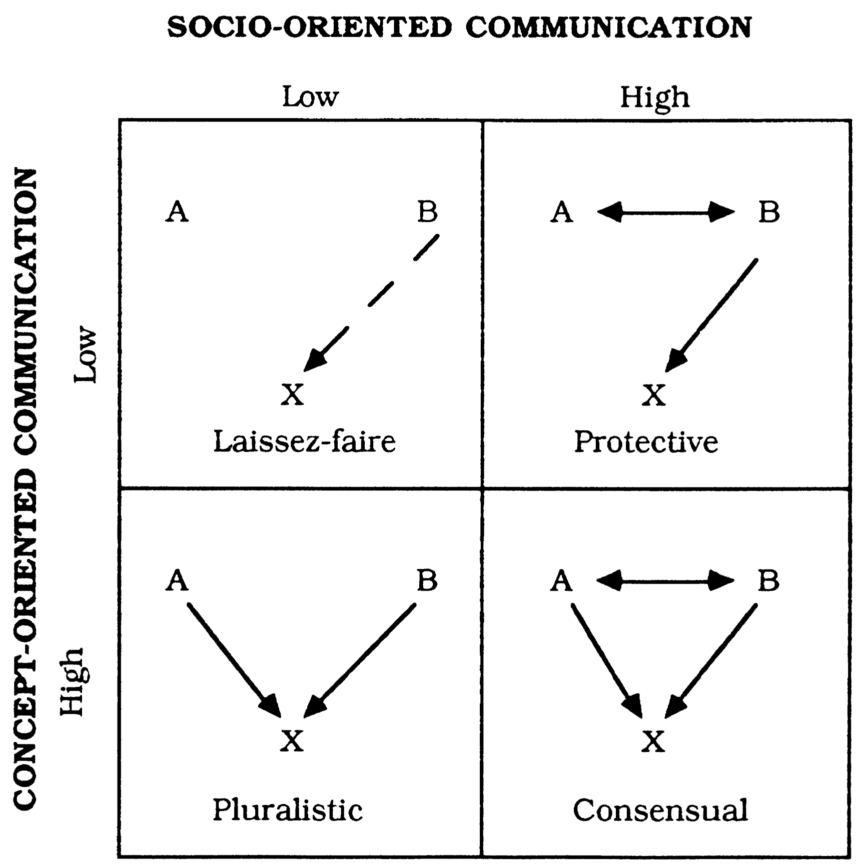
Figure 1: The Model of Family Communication Systems (McLeod and Chaffee 1972)



LEGEND: A = Child; B = The Parent; X = Topic under discussion, e.g. gift; arrows indicate relations in family communication system.

FIGURE 2: Distribution of Gift-Giving Family Styles (GGFSs) in terms of the McLeod and Chaffee (1972) model

		SOCIO-ORIENTED COMMUNICATION	
		Low	High
CONCEPT-ORIENTED COMMUNICATION	Low	1 Anglo-Celtic Family **Laissez-faire**	1 Anglo-Celtic Family **Protective**
	High	2 Sino-Vietnamese Families **Pluralistic**	6 Anglo-Celtic Families 6 Sino-Vietnamese Families **Consensual**

TABLE 1: FAMILY GIFT-GIVING BEHAVIOUR INTERVIEW AGENDA

A. PARENTS' GIFTS TO CHILDREN OR CHILDREN'S GIFTS TO PARENTS

1. GIFT-GIVING MOTIVATION

JUSTIFICATION:
What did you try to achieve by giving the gift?

SIGNIFICANCE:
What do you think makes a gift significant?

TIMING:
Why did you give the gift at that particular time?

2. GIFT-GIVING SELECTION

INVOLVEMENT:
What was your involvement during gift selection?

FAMILY INFLUENCES:
What were the family influences during gift selection?

PROMOTIONAL INFLUENCES:
What were the advertising and point-of-sale influences on you during gift selection?

GIFT ATTRIBUTES:
What do you consider the necessary attributes of gifts?

3. GIFT-GIVING PRESENTATION

PRESENTATION MESSAGES:
What are you trying to say through gift presentation?

ALLOCATION MESSAGES:
What are you trying to say through gift allocation?

UNDERSTANDING OF MESSAGES:
What was the recipient's understanding of what you were trying to say through the allocation and presentation of gifts?

4. GIFT-GIVING REACTION

ACHIEVEMENT:
Did you achieve what you originally intended by giving a gift?

FEEDBACK:
What was the feedback from the recipient about the gift?

USAGE:
What did the recipient do with the gift?

B. CHILDREN'S GIFTS TO PARENTS OR PARENTS' GIFTS TO CHILDREN

Would you discuss some of the gifts that you've received from your children/parents?

TABLE 2: Distinguishing Gift-Giving Characteristics of the Anglo-Celtic and Sino-Vietnamese Families Across Roles

	Anglo-Celtic	Sino-Vietnamese
GIFT-GIVING ELEMENTS:		
1. MOTIVATION		
Justification	Short-term goals	Long-term goals
Significance	Prestige gifts	Practical gifts
	Birthday gifts	Lucky Money
Timing	Special occasions, e.g. birthdays, Christmas	Chinese New Year and Academic reward
2. SELECTION		
Involvement	High-priority	Low-Priority
	Social and psychological risks	Financial risks
Family Influences	Children	Mother
Promotional Influences	Status Symbols	Sale Items
Gift Attributes	Quality	Price
	Money unsuitable	Money suitable
3. PRESENTATION		
Presentation Messages	Immediate self-gratification	Delayed self-gratification
Allocation Messages	Multiple gifts	Single gifts
	Mothers favoured	Eldest child favoured
Understanding of Messages	Always	Not always
4. REACTION		
Achievement	Often	Most of the time
Feedback	More expressive	Less expressive
Usage	Often private	Often shared

CROSS-CULTURAL DIFFERENCES IN CONSUMER RESPONSE TO NUTRITION LABELING

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ABSTRACT

This research project attempts to determine whether empirical results from the U.S. on the utilization of nutritional information by consumers on food products could be of value in Europe as well. With the aid of a research design based on conjoint analysis, an effort has been made to find similarities and differences in consumers' product evaluation in the U.S. and Germany. Evidence was found that the cross-cultural differences regarding the impact of nutritional labeling on product preference seem to be of little importance. Companies in the nutritional sector can assume that U.S. findings in this context will be valid for Germany as well.

INTRODUCTION

Regulations on the nutritional labeling of food packaging were introduced in 1990 in the EC for the first time and in the U.S such rules were amended in 1992. A number of empirical studies of consumer behavior in the U.S. could be used as a point of reference, while in Europe no definite findings were available. It seems as though the U.S. findings were assumed to be valid all over the world and several European regulations were drawn up on their basis.

From the point of view of cross-cultural market research, this approach is questionable, as the varying cultural backgrounds in specific countries influence local consumer behavior and thus shape the purchasing processes significantly (Douglas/Craig 1983, Usunier 1993). In order to gain a better empirical basis of legal regulations on packaging of nutritional products in Europe, investigations should be carried out on location. On hand of comparative studies it should be possible to check to what extent U.S. findings on the utilization of nutritional information on product packages can be transfered to Europe. The following study attempts to provide an explorative contribution to this task by means of conjoint analysis.

CONCEPTUAL FRAMEWORK AND GOALS

In the U.S. research in consumer behavior on the use of food labeling has had a long tradition. As a consequence of the initial FDA regulations concerning nutritional information on product packaging a host of investigations were published (e.g. Asam and Bucklin 1973, Lehnehan et al. 1973, Jacoby et al. 1977, Scammon 1977), showing the tendency for nutritional information to have only a slight impact on purchasing decisions and descriptive product information (adjectives like "light" and "diet,") to be more meaningful as numerical data (e.g. calories per serving). In the years to follow the focus of research was on the communicative effects of nutritional information. In this research the results showed again a tendency for descriptive nutritional labeling to have a stronger effect than does numerical information. These were the results although in direct surveys consumers always showed a preference for numerical labeling (Scammon et al. 1980; Freiden 1981, Brucks et al. 1983).

Recent research has mainly concentrated on the implications of different types of nutritional labeling on the behavior of consumers. In general, on the basis of this research, the effect of nutritional labeling on consumer behavior turned out to be of little importance (Muller 1984; Venkatesan et al. 1985; Russo et al. 1986).

Based on the afore-mentioned studies on this subject it was our objective to find out if similar patterns in the use of nutritional information could be identified in a country with less tradition of nutritional consciousness (Germany). In other words if nutritional markings play only a subordinate role in the general assessment of foodstuffs as well and similarly if adjective descriptors are more important than numerical information for consumers in preference formulation. Up to now comparative studies on information behavior of U.S. and German consumers showed both common and differing behavioral patterns (Raffee et al. 1976; Anderson and Engledow 1977; Jacoby et al. 1981).

METHODOLOGY

Germany was compared to the U.S. It represents an economy that is about as developed as that of the U.S. but its population is not as open to nutritional questions and is not as health conscious as the U.S. population is. This might among other things, still be caused by the discontinuities in societal development that stem from the second world war. 100 subjects were interviewed in supermarkets in San Francisco, California, and the same number was included in a sample in Hamburg, Germany.
To two quota samples of relatively young people whose educations are above average and from a higher social status, salad dressings that had not been previously sold in the respective national market were displayed. On the basis of qualitative preliminary investigations the product features brands, contents, adjective and numerical nutritional labeling were manipulated on real products (multiple factor evaluation, Green and Wind 1975). Figure 1 shows the respective features and categories. Subjects were advised to rank nine products, which were constructed out of the mentioned factors along factorial design principles, according to their overall preference.

FINDINGS

To analyse the obtained ranked data we used LINMAP Version IV (Srinivasan and Shoker 1981) because this program package is well suited to calculate utility scores of features having only slight significance as was expected in the present study. Figure 2 shows the relative importance of factors (part-worths) in the assessment of stimuli according to general preferences. The features brand and content show a large utility contribution, while the adjective and numerical nutritional labelings play, as expected, only an insignificant role (Figure 3).
The findings concerning the calculated utility of factors in the assessment of stimuli according to the calorie content were that the variations of the adjective descriptors and content have a strong influence on product preference (see Figure 4). For Americans as well as for Germans the numerical nutritional information and the brand name were of less significance in this context (Figure 5).
The 'index of fit,' which tells how closely the derived ranking of stimulus profiles matches the original ranking, turned out to be highly acceptable. Kendall's rank correlation coefficient between the empirically determinated data and the preference data calculated from the model lies between 0.57 and 0.60 and thus proved satisfactory (Srinivasan and Shoker 1981).
The cross-cultural analysis showed no differences in regard to the general structure of the results. In the assessment of stimuli according to general preferences no significant deviations with respect to the significance of the nutritional labeling could be found, only according the brand, which was influenced strongly by asthetic features and tastes. In the assessment according to calorie content, the samples differed in two significant ways. The attribute "light" had a stronger impact on the preference of Americans than on Germans. And the factor "content/taste" was assigned differing significance in the two countries.

CONCLUSION

The utilization of nutritional information on food products was basically the same in both markets. No differences according to the perception and assessment between people in the U.S. and Germany could be identified. In both countries nutritional labeling plays only a subordinate role in forming product preference and adjective descriptors are of more importance than numerical information on the nutritional content.
Thus we were able to prove in an exploratory way that the regulations valid in the EU, which only deal with numerical nutritional information, are unsatisfactoy. In a similar way as in the U.S. it would be of value to establish regulations in connection with adjective descriptors (e.g. "light," "diet,"), as this type of information is of much higher relevance for consumer preference than numerical information.

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<table>
<tr><th>Factor</th><th colspan="3">Category</th></tr>
<tr><td>Brand name</td><td>Sainsbury (1)</td><td>St. Michael (2)</td><td>Lesieur (3)</td></tr>
<tr><td>Content</td><td>Italian Dressing (1)</td><td>Thousand Island Dressing (2)</td><td>Creme Fraiche (3)</td></tr>
<tr><td>Verbal nutrition information</td><td colspan="2">Light (1)</td><td>- (2)</td></tr>
<tr><td>Numeric nutrition information</td><td>571 kkal pro 100 ml / 82 Calories per Serving (1)</td><td>360 kkal pro 100 ml / 51 Calories per Serving (2)</td><td>- (3)</td></tr>
</table>

Figure 1: Factors used for product creation

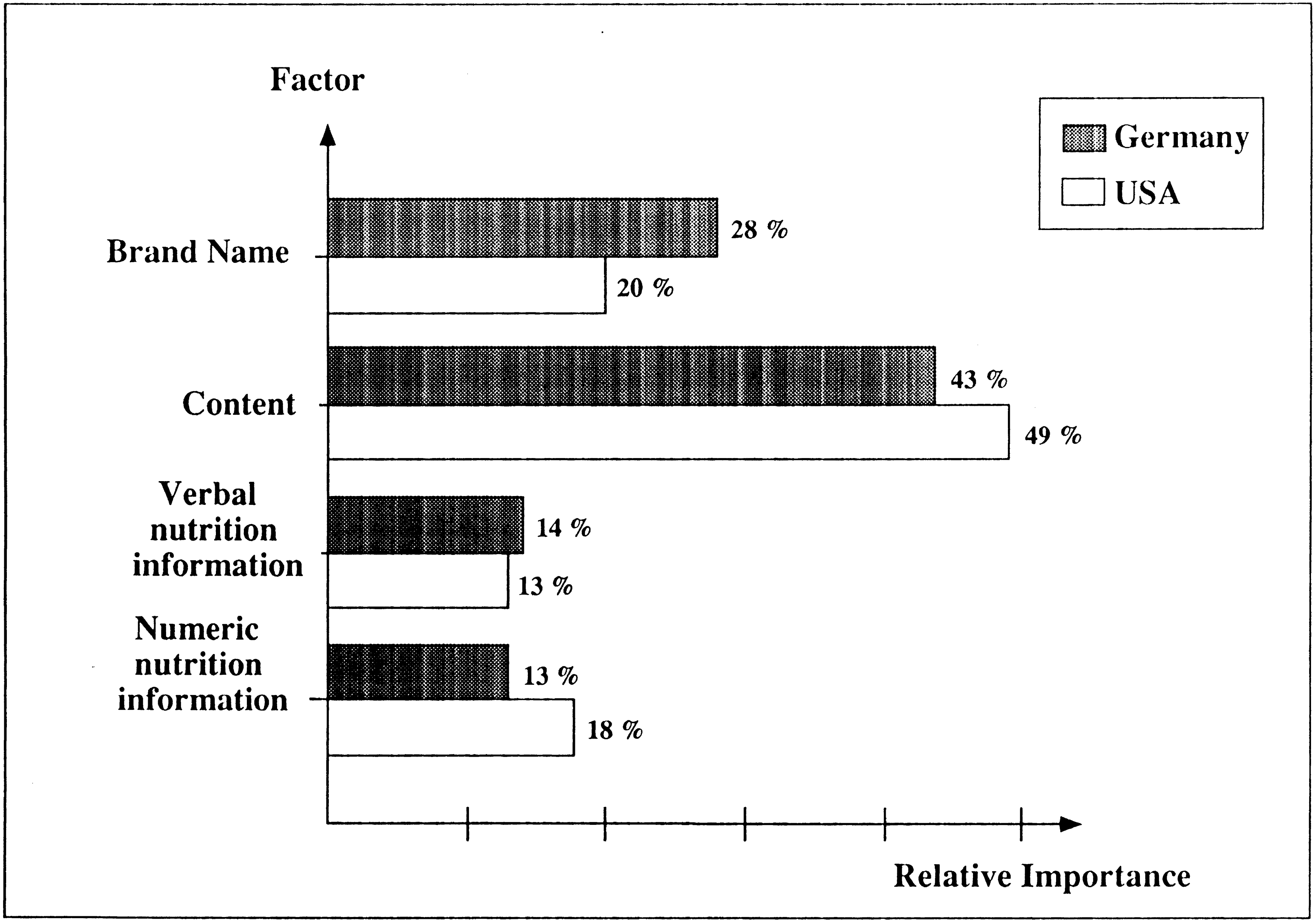

Figure 2: Relative importance of factors

Factor	Brand Name	Content	Verbal nutrition information	Numeric nutrition information
Categories	Lesieur Sainsbury St. Michael	Creme Fraiche Thousand Island Italian Dressing	Light —	high low —

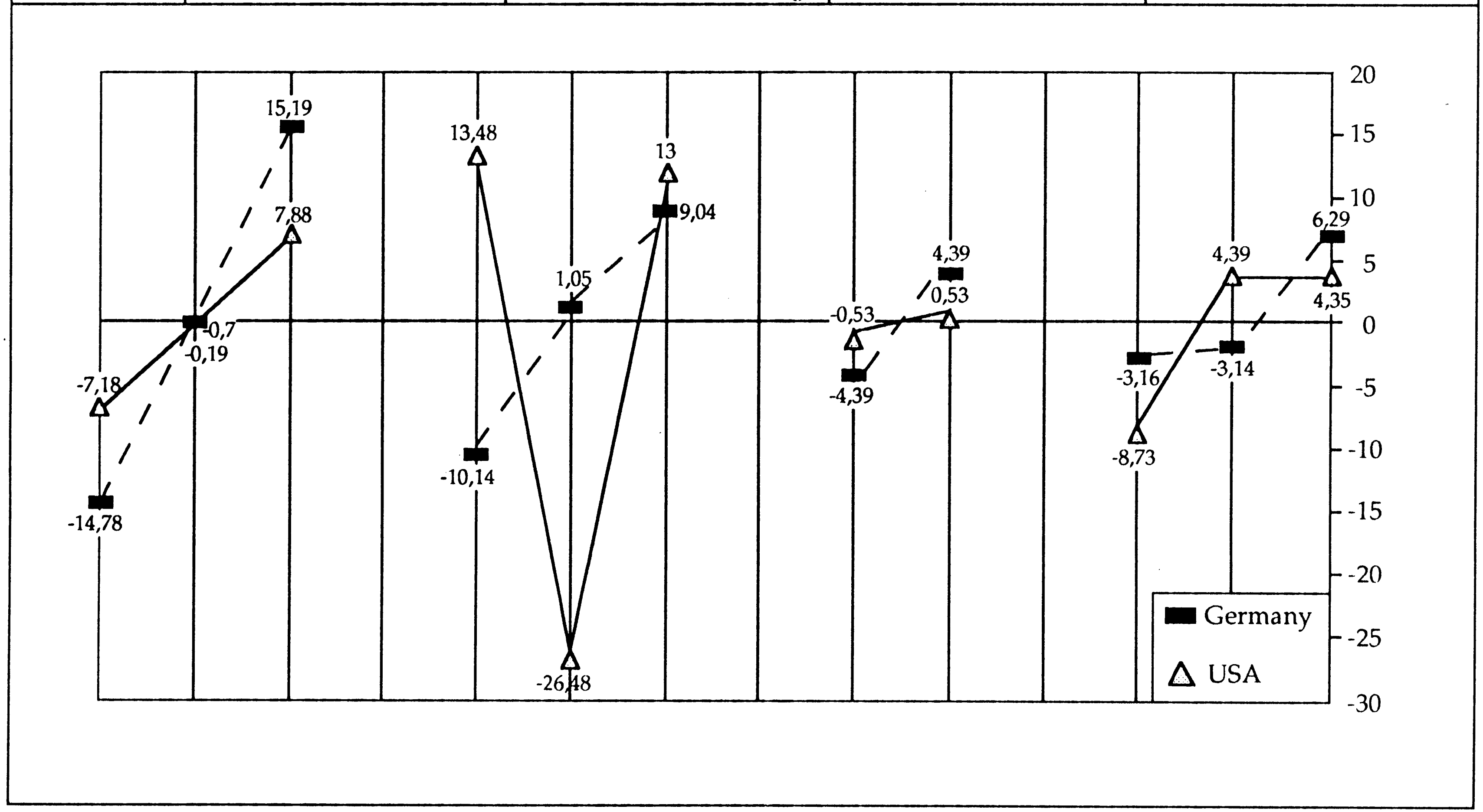

Figure 3: Utility according to general preference

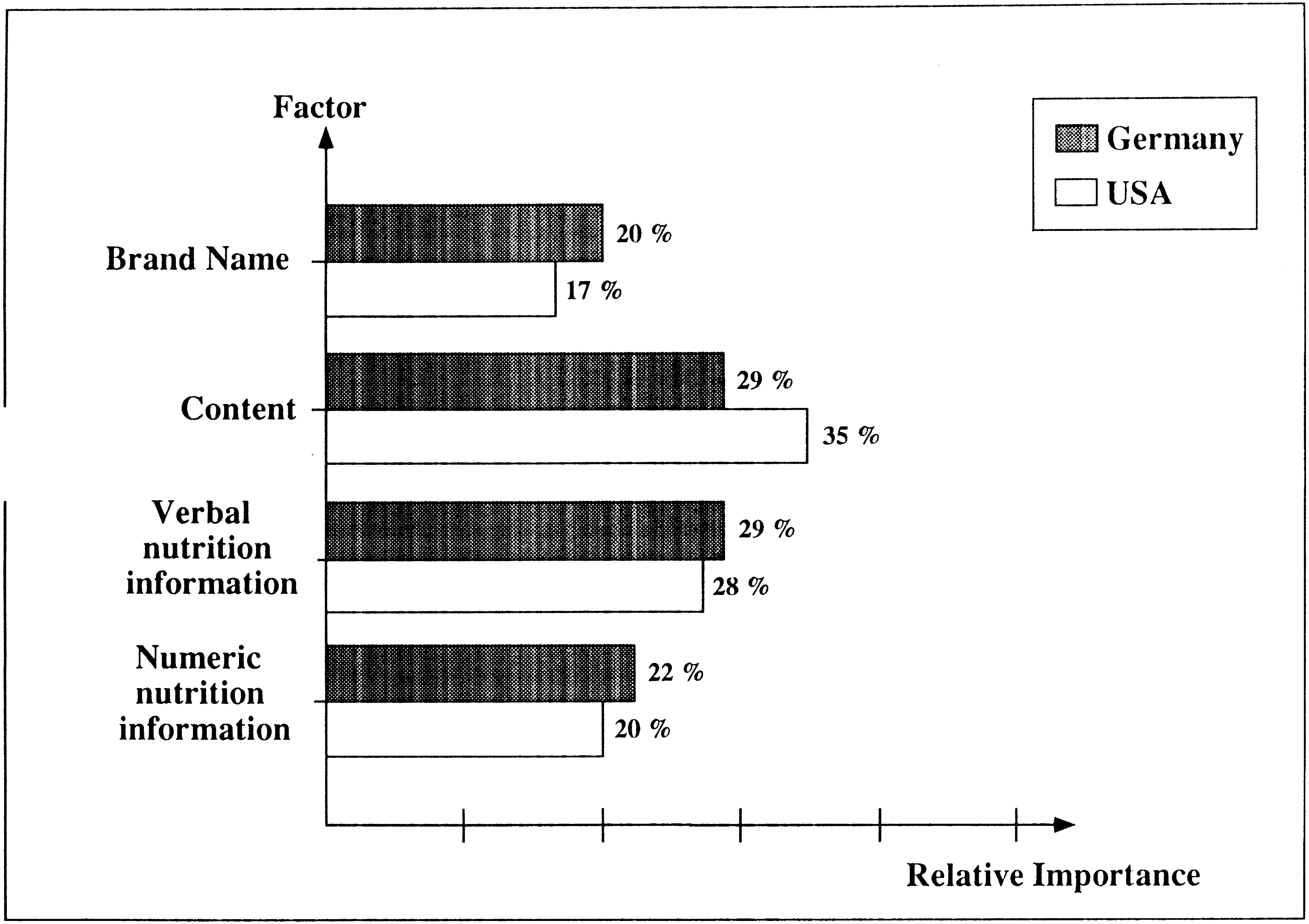

Figure 4: Relative importance of factors

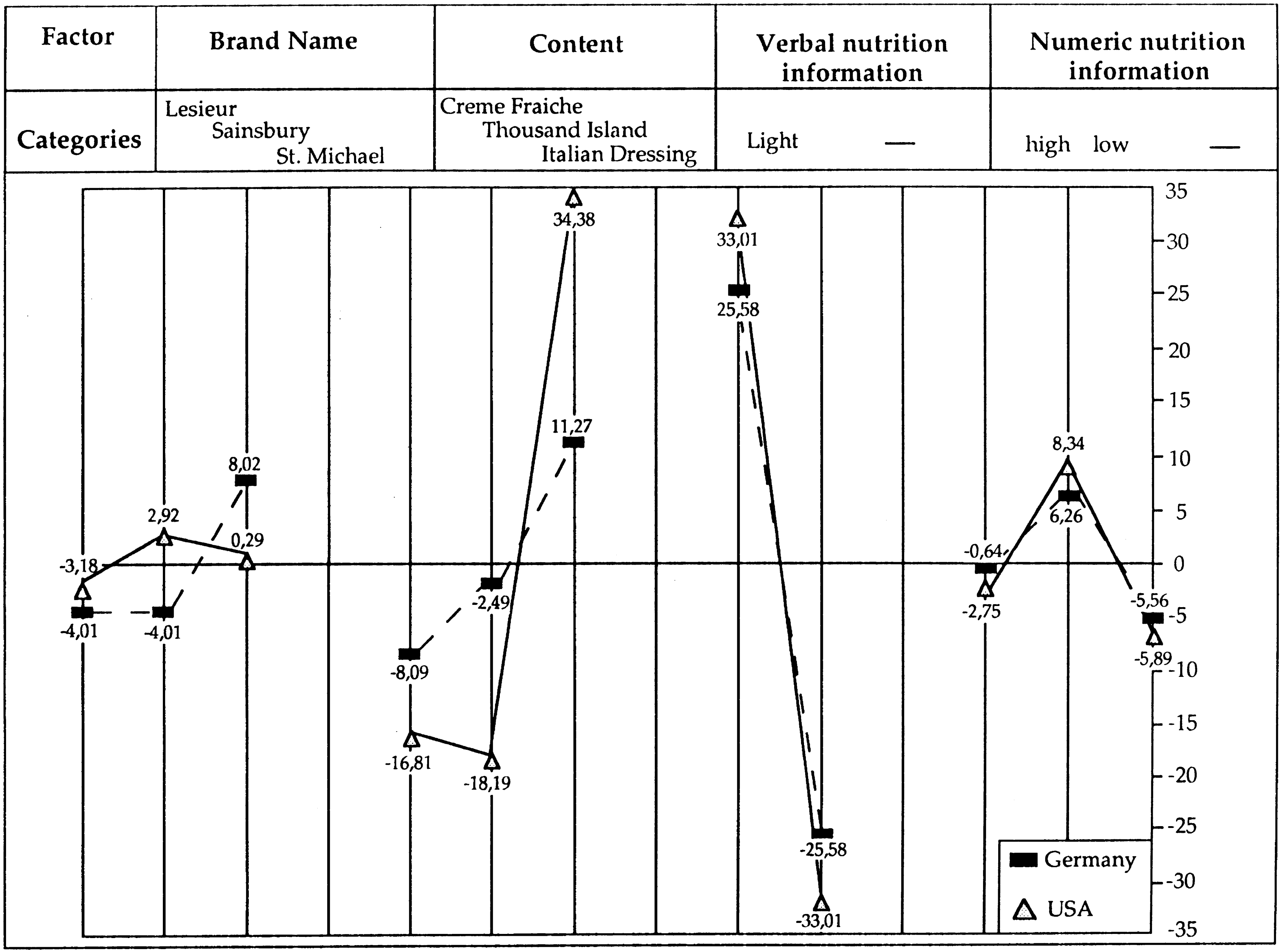

Figure 5: Utility according to calorie content

14.5 DEVELOPMENT IN MARKETING RESEARCH: ANALYTICAL TECHNIQUES: NEW APPLICATIONS

A TEST OF THREE METHODS FOR ESTIMATING LEVELS OF PURCHASE

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The Juster Scale is an eleven-point purchase probability scale that has provided a reasonably accurate method for predicting purchase rates (the proportion of people who will buy). This study examined the accuracy of three methods for using the Juster Scale to predict purchase levels, that is, the quantity of product people will buy. While two methods produced reasonably accurate predictions for most items, they can only be used in a face-to-face situation. A simplified procedure produced even more accurate results, and may be suitable for telephone interviews.

INTRODUCTION

Marketing decisions frequently depend on some estimate of future demand for a product and service. Where historical data exists, particularly for frequently purchased goods or services, predictions may be made using time-series analysis. Often however, previous data is not available for the population under consideration, and this is certainly the case for new goods or services. In such situations, the typical approach has been to employ purchase intention scales.

Although intention scales have proved to be superior to previous methods that made use of consumers' attitudes or demographics (Adams 1964; Tobin 1959), they are still inadequate as a means of forecasting purchases with any real accuracy (Juster 1966; Pickering and Isherwood 1974; Theil and Kosobud 1968). This problem prompted several researchers to experiment with purchase probability scales (Byrnes 1964; Clancy and Garsen 1970; Day et al. 1991; Ferber and Piskie 1965; Gan, Gendall and Esslemont 1986; Juster 1966).

With probability scales, respondents are required to state the probability that they will buy a particular item within a specified period of time. The estimated purchase rate for a product is the mean purchase probability of the sample of respondents. Juster (1966) found that the mean purchase probability explained twice as much of the variance in purchase behaviour as the proportion of intenders used in intention scales. Furthermore, he found only 5% of respondents who gave a zero probability of buying an item actually did buy that item compared to 11% of the 'non-intenders' group. Similarly, Gan *et al.* (1986) found twice as many non-intenders made purchases, in the given period, as those who gave a zero purchase probability.

Of the many forms of purchase probability scales tested, the scale developed by Thomas Juster (see Figure 1) has consistently proven to be the most accurate (Day *et al.* 1991; Gan *et al.* 1986; Juster 1966), and consequently, the most popular.

Figure 1. The Juster Purchase Probability Scale

10	Certain, Practically Certain (99 in 100)
9	Almost Sure (9 in 10)
8	Very Probable (8 in 10)
7	Probable (7 in 10)
6	Good Possibility (6 in 10)
5	Fairly Good Possibility (5 in 10)
4	Fair Possibility (4 in 10)
3	Some Possibility (3 in 10)
2	Slight Possibility (2 in 10)
1	Very Slight Possibility (1 in 10)
0	No Chance, Almost No Chance (1 in 100)

The Juster Scale has been administered in several different ways to predict, quite successfully, the purchase rates of both durable and non-durable goods (Clancy and Garsen 1970; Day *et al.* 1991; Gabor and Granger

1972; Gan *et al.* 1986; Gendall, Esslemont and Day 1988; Juster 1966). These studies all predicted the proportion of individuals, or households, that were likely to purchase a product over a certain period of time; that is, they estimated the purchase ***rate***.

However, for fast moving consumer items, such as toothpaste, eggs and butter, a household is likely to buy several units of the product in a relatively short period of time. In this situation, practitioners are not interested so much in estimating the percentage of households that will buy a frequently purchased item (the purchase rate), they want an estimate of how much of the product will be bought (the purchase level). To date, only three studies have addressed this issue. All have used variations of two methods developed by Hamilton-Gibbs (Hamilton-Gibbs, Esslemont and McGuinness 1992); the Multiple Question Method and the Constant Sum Method.

In the Multiple Question Method, respondents are required to estimate the probability, using the Juster scale, of buying zero units of an item, then one unit, two units and so on until a zero probability value is reached. In the Constant Sum Method, respondents are provided with 10 tokens and a grid, printed on a card on which the tokens can be arranged. The rows of the grid represent different quantities or numbers of items, from 0 to 12. Respondents are required to distribute ten tokens, each representing a probability of 0.1, to show the probability of buying different quantities of an item. For example, if there is an equal probability (0.5) that a respondent will buy three or four units of the product, they would place five counters in the row representing three items, and five counters in the row representing four items.

Each method allows the calculation of the expected number of items to be bought be each respondent as the sum of the probabilities of buying each number, weighted by that number.

$$E = \sum_{1}^{k} p_n n$$

hus where E = expected number of items to be purchased by respondent

$n = 0, 1, 2, \ldots k$

p_n = probability of buying exactly n items

k = largest value of n with non-zero p_n

The mean value of E for the sample is an unbiased estimate of the population mean value.

The studies of both Hamilton-Gibbs et al. (1992) and Brennan, Esslemont and U (1993) suggest that the Constant Sum Method produces more accurate results, on average, than the Multiple Question Method, although the accuracy of the two methods is quite similar. However, different conclusions were drawn regarding the ease of use of the methods. Hamilton-Gibbs et al. suggested that the Constant Sum Method was the easier method to use and understand for both respondents and interviewers. Brennan et al., on the other hand, found that both respondents and interviewers had difficulty with the Constant Sum Method.

A new procedure for using the Multiple Question Method was tested by Seymour et al. (Seymour Brennan & Esslemont, 1994), and found to be an improvement over the previous procedure, but again, the Constant Sum method produced, on average, more accurate predictions, was easier to administer, and was less tiresome for respondents that the Multiple Question Method.

While the results of these previous studies are promising, they only involved small samples. The purpose of the present study was to replicate and extend these studies using a larger sample, and to test alternative procedures for obtaining and analysing the purchase probability data. In particular, the study examines the effects on predictive accuracy of the Constant Sum Method when a row representing "zero items" is used on the grid, compared with when a row for "zero items" is omitted. It has been observed that many people ignore the column for zero items when distributing the tokens on the grid, even though they have reported a probability of purchase of **any** items of less than 1. One procedure examined forces people to account for the probability of not buying any items at all, whilst the other forces them to ignore this possibility, on the assumption that the data can be weighted by the probability of purchasing **any** items. The study also examines the possibility of gathering sufficiently accurate information for estimating purchase levels by a less involved procedure that might be suitable for telephone surveys.

METHOD

Face-to-face interviews were conducted with a sample of 618 people, in their homes, by five trained interviewers. The survey was conducted in Palmerston North, New Zealand, in late January - early February,

1994. Four weeks after the first interview, each respondent was re-interviewed telephone. Each respondent was the main grocery shopper in their household. A final sample of 534 follow-up interviews were achieved, representing a response rate of 86%.
To balance any effects due to interviewer style, or changes in interviewer performance due to fatigue or learning as the survey progressed, the three methods under investigation were used by all five interviewers, and rotated across interviews. The order of presentation of the items was rotated for each method.

PROCEDURE

Each interviewer began their call at a randomly selected starting point, continuing to the next house after an interview or if there was no-one home. The person interviewed was the main grocery shopper in the household. Before obtaining the purchase probability data for the six products, respondents were introduced to the Juster Scale, in the manner used by Juster (1966), using the prospects of purchasing canned soup as a practice exercise. The instructions were as follows:

We would like to know what the chances are of you buying each of six grocery items during the next 4 weeks. The answers you may give are provided on the scale printed on this card (show Juster Scale). The answers are arranged on the scale a bit like a thermometer. If you are certain, or practically certain that you will purchase a product then you would choose the answer "10". If you think there is no chance, or almost no chance of purchasing, the best answer would be "zero". If you are uncertain about the chances, choose another answer as close to "zero" or "10" as you think it should be.
Now, lets say I was to ask you what the chances were of you buying any <cans/packets> of soup in the next four weeks. If you were certain or practically certain that you would buy some, that is, you thought there was a 99 in 100 chance, you would answer 10. If you thought that there was a slight possibility, that is, a 2 in 10 chance that you would buy some, you would answer 2. If you thought that it was very probable that you would buy, that is, that there was an 8 in 10 chance, you would answer 8, and so on.
So, taking everything into account, what are the chances of ***you personally*** *buying* ***any*** *<cans/packets> of soup* ***in the next four weeks?***
SHOW RESPONDENTS THE JUSTER SCALE AND MAKE SURE THEY CHOOSE A NUMBER, BETWEEN ZERO AND 10, OFF THE SCALE.
How many <cans/ packets> of soup are ***you personally most*** *likely to buy* ***over the next four weeks****?*
The respondents were then introduced to one of the three procedures for obtaining purchase level information: the Multiple Question Method, and two Constant Sum methods. The same procedure was then used to obtain information for each of the six products.

MULTIPLE QUESTION METHOD (MQM)

Using this scale again, what are the chances of you buying ***exactly*** *(n) <cans/ packets> of soup in the* ***next four weeks****?*
What would you say the chances were of you buying only (n-1) <cans/ packets> of soup? What about (n-2), (n-3) etc.?
CONTINUE UNTIL YOU GET TO ZERO ITEMS, OR A PURCHASE PROBABILITY OF ZERO
Now, what would be the chances of you buying more than (n) <cans/ packets> in the next four weeks. Say (n+1)? What about (n+2), (n+3) etc.?
CONTINUE UNTIL RESPONDENT GIVES A PURCHASE PROBABILITY OF ZERO.
The next product is .... What size ...... do you usually buy?

CONSTANT SUM METHOD ONE (CSM1)

Here are ten counters. I'm going to get you to use these counters to show the chances of ***you personally*** *buying various numbers of <cans/ packets> of soup. Each counter represents a 1 in 10 chance.*
Now using this scale as a guide (show juster Scale), I will get you to place these counters onto the board (show board) in a way that best represents the chances of ***you personally*** *buying various numbers of <cans/ packets> of soup* ***in the next four weeks.***
You should place at least one counter beside every number you think there is even a 1 in 10 chance of you buying. It is important that you use all 10 counters.

USE THE COUNTERS TO ILLUSTRATE THE EXAMPLES

For example, if you feel that you would buy either 2 or 3 <cans/ packets> of soup, you need to decide, using this scale, what the chances are of you buying exactly 2 <cans/ packets>, and what the chances are of you buying exactly 3.

If you felt that there was an even chance that you would buy 2 or 3 <cans/ packets> of soup within the next four weeks, you would place 5 counters by the number 2 and 5 counters by the number 3, like so.

Alternatively, if you thought that there was a 7 in 10 chance that you would buy 2 <cans/ packets>, you would place 7 counters by the number 2.

And if you thought there was also a 2 in 10 chance you would buy 3 <cans/ packets>, which is a 2 on the scale, you would place 2 counters by the 3.

That leaves 1 counter. So if you thought the chance of buying 4 <cans/ packets> was 1 in 10, which is a 1 on the scale, then you would place the counter by the number 4, like so.

Now, using this scale as a guide, ***POINT TO JUSTER SCALE,*** *please place the counters on this board in a way that best represents the chances of* ***you personally*** *buying each possible number of <cans/ packets> of soup* ***in the next four weeks.***

HELP THE RESPONDENTS PLACE THE COUNTERS IF YOU NEED TO.

The next product is .... What size ...... do you usually buy?

CONSTANT SUM METHOD TWO (CSM2)

Here are ten counters. I'm going to get you to use these counters to show the chances of ***you personally*** *buying various numbers of <cans/ packets> of soup. Each counter represents a 1 in 10 chance.*

Now using this scale as a guide (show Juster Scale), I will get you to place these counters onto the board (show board) in a way that best represents the chances of ***you personally*** *buying various numbers of <cans/ packets> of soup* ***in the next four weeks.***

DEMONSTRATE USING COUNTERS, AS YOU EXPLAIN

Since you said that there was an <n> in 10 chance of you buying this item, then there is an <10 - n> in 10 chance of you not buying any at all, so we need to put <10-n> of the counters on the zero.

PLACE 10-n COUNTERS ON THE ZERO

Now, you should place at least one of the remaining <n> counters beside every number you think there is even a 1 in 10 chance of you buying. It is important that you use all <n> counters.

USE THE COUNTERS TO ILLUSTRATE THE EXAMPLES

For example, if you believed that there was an 8 in 10 chance of buying some soup, then there is a 2 in 10 chance that you won't buy any, so we will put 2 counters by the zero.

Then, if you feel that you would buy either 2 or 3 cans of soup, you need to decide, using this scale, what the chances are of you buying exactly 2 <cans/ packets>, and what the chances are of buying exactly 3.

If you felt that there was an even chance of you buying 2 or 3 <cans/ packets> of soup within the next four weeks, you would place 4 counters by the number 2 and 4 counters by the number 3, like so.

Alternatively, if you thought that there was a 5 in 10 chance that you would buy 2 <cans/ packets>, you would place 5 counters by the number 2.

And if you thought there was also a 2 in 10 chance you would buy 3 <cans/ packets>, which is a 2 on the scale, you would place two counters by the 3.

That leaves 1 counter. So if you thought the chance of buying 4 <cans/ packets> was 1 in 10, then you would place the counter by the number 4, like so.

Now, using this scale as a guide ***POINT TO JUSTER SCALE,*** *please place the counters on this board in a way that best represents the chances of* ***you personally*** *buying each possible number of <cans/ packets> of soup* ***in the next four weeks.***

HELP THE RESPONDENTS PLACE THE COUNTERS IF YOU NEED TO. *The next product is .... What size ...... do you usually buy?*

ANALYSIS

For each method, two procedures for calculating purchase levels are employed. One procedure uses the purchase probability data gathered for a range of purchase quantities, using the formula for computing E (the expected number of items to be bought), reported earlier. The estimate produced by this procedure is referred to as E_m. The second procedure simply uses the purchase probability data for a single quantity; the number

most likely to be bought. The estimate produced by this procedure is referred to as E_s.
In addition, the purchase level estimates derived from both the Multiple Question Method and Constant Sum Method One (which ignores zero item probabilities) are weighted by the probability of purchasing any at all, to account for the possibility of non-zero probabilities of buying zero items. This weighting is not required for Constant Sum Method Two, which by design, takes zero item purchase probabilities into account.
The Multiple Question Method is also weighted so that the sum of the probabilities of buying different numbers of items is equal to 1. While it defies logic, it is typically the case that the sum of the probabilities across a range of purchase quantities is greater than 1. This cannot happen with the Constant Sum Methods (hence the name) because only 10 counters, each representing a probability of .1, can be used.

RESULTS

Predicting the proportion of the sample who will buy

As the data required to estimate purchase rates was collected in the same way from all respondents, regardless of which method was used to obtain purchase level data, their responses have been combined. The predicted and actual purchase rates, and the errors of prediction, are shown in Table 1.
With the exception of butter, for which the purchase rate prediction was very accurate, the predictions over-estimate actual purchases. This result is consistent with the finding of Brennan et al. (1993) and Seymour et al. (1994). Although the predicted purchase rate for toothpaste is not very accurate, the predictions for the other four products are within approximately 10 percent of the actual value.

TABLE 1.
Predicted and Actual Purchase Rates (proportion of people who bought)

Product	Predicted %	Actual %	Difference %	Error[1] %
Toothpaste	69.1	51.2	17.9	35.0
Butter	84.2	86.0	- 1.8	- 2.1
Margarine	80.9	74.0	6.9	9.3
Eggs	87.7	76.3	11.4	15.0
Spaghetti	62.1	52.4	9.7	18.5
Icecream	66.6	55.7	10.9	19.6

Note: 1. Error = ((predicted - actual)/actual) * 100

PREDICTING THE NUMBER OF ITEMS BOUGHT

The predicted and actual purchase levels associated with the three methods are shown in Table 2. One set of predictions uses the probabilities of purchasing various quantities to compute the estimate (E_m), whereas the other set simply uses the probability of purchasing a single quantity; the most likely quantity to be purchased (E_s).
The accuracy of the purchase level estimates varies considerably across both methods and products, but there are some discernable patterns. For the Multiple Question Method, the predictions based on E_m were more accurate than those based on E_s for four of the six products. In contrast, for both of the constant sum methods, the predictions based on E_s were more accurate than those based on E_m for five of the six products. Considering only the E_m based estimates, the constant sum method (CSM2) that included zero purchases consistently produced more accurate predictions than the other constant sum method (CSM1), but it was only more accurate than the Multiple Question Method for three of the six products. However, the results produced by CSM2 appear to be less erratic than those produced by the MQM, in terms of the variation in the magnitude of the errors, and in terms of the direction (under or over-estimation) of the errors.
When the E_s estimates are considered, both constant sum methods consistently produced more accurate

results than the Multiple Question Method. The CSM2 results show less variation than the CSM1 with regard to the magnitude of the errors across products, although both methods produced similar results overall.

TABLE 2.
Actual and predicted Purchase Levels (mean number of items bought)

Product	Actual	Predicted[1] (E_m)	Error[2]	Predicted[3] (E_s)	Error[2]
Multiple Question Method (MQM)					
Toothpaste	.79	.98	24.2	.89	12.1
Butter	2.92	2.70	- 7.4	2.36	-19.0
Margarine	1.96	1.16	-40.8	1.76	-10.2
Eggs	1.82	1.90	4.0	1.70	- 7.0
Spaghetti	2.05	1.84	-10.0	1.60	-21.9
Icecream	1.09	1.13	3.9	1.04	- 5.0
Constant Sum Method One (CSM1)					
Toothpaste	.86	1.20	39.2	1.08	24.8
Butter	3.04	2.97	- 2.2	2.45	-19.3
margarine	1.79	1.21	-32.4	1.80	.8
Eggs	1.55	1.99	28.4	1.70	9.8
Spaghetti	1.69	2.13	26.1	1.75	3.8
Icecream	.95	1.12	18.7	.91	- 3.9
Constant Sum Method Two (CSM2)					
Toothpaste	.80	1.10	37.3	.99	23.6
Butter	2.69	2.67	- 1.0	2.41	-10.7
Margarine	1.82	2.15	18.2	1.85	1.3
Eggs	1.86	2.23	19.7	1.95	4.7
Spaghetti	1.64	1.76	7.3	1.57	- 4.4
Icecream	1.02	1.19	16.2	.98	- 4.4

Note: 1. E_m = predictions based on probabilities of buying a range of quantities.
2. Error = ((predicted - actual)/actual)*100
3. E_s = predictions based solely on probability of buying the quantity most likely to buy.

DISCUSSION

The results of this study indicate that the Juster Scale can be used to make reasonably accurate predictions of purchase rates, at least for food items. With the exception of one product, the predictions were within about 10 percent of the actual purchase rates. Again, with one exception, the predictions were overestimates, which is consistent with previous reports (Brennan, Esslemont and U 1993; Brennan and Esslemont 1994). It is not clear why the estimates are more accurate for some items than others, but a point to note is that the information was obtained for specific sizes of items, so that the purchase of a size other than that for which purchase probabilities were given was counted as a zero purchase. It is likely that more accurate results could have been achieved by simply asking about any purchases of the product, regardless of size.

The results for the purchase level predictions are less clear-cut. Overall, it would seem that the best method to use to predict purchase levels is the constant sum method which forces respondents to take into account the probability of buying zero items (CSM2). The second choice would be the Multiple Question Method, although the results were more erratic.

Of particular interest is the finding that the simpler procedure for estimating purchase rate (E_s), produced more accurate predictions than the more involved procedure (E_m) in five out of six cases for each of the two constant sum methods, and similar results in four out of six cases for the Multiple Question Method. These findings are encouraging and suggest that further investigation of the simpler method is warranted, for if it proves reliable, then estimates of purchase levels could be obtained simply by asking three questions: "What are the chances of you personally buying any .... in the next <timeframe>?" , "What is the most likely number of .... that you would buy?", and "What are the chances of you buying exactly that number?".

A recent study has demonstrated that relatively accurate purchase rate estimates can be obtained via telephone interviews by using an eleven category 0 - 10 verbal probability scale (Brennan, Hini and Esslemont 1994). Taken together, these findings raise the possibility of obtaining estimates of both purchase rates and purchase levels via telephone surveys, which would be a major advantage to survey researchers. Clearly, further work is required to examine the reliability of this approach. For example, it remains to be determined whether the accuracy of E_s achieved with the constant sum methods can be achieved without using counters, perhaps by modifying the preamble and instructions. And the methods also need to be tested on a wider range of products and services. Even so, the results suggest that, at least, the three methods, particularly one of the constant sum methods (CSM2), can produce fairly accurate estimates of purchase levels when used in a face-to-face situation.

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PUTTING CORRESPONDENCE ANALYSIS TO USE WITH CATEGORICAL DATA IN MARKET RESEARCH

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Correspondence analysis is an under-utilised technique that is suited to many of the marketing researcher's requirements for data reduction, analysis and display. This paper discusses two of the major applications of the technique which can be utilised with categorical data; the graphical representation of the data from two-way tables and the rescaling of ordinal data. The technique is seen as being particularly appropriate for perceptual mapping. A very practical focus has been taken with the examples outlined in the paper to provide both academics and practitioners with sufficient information to incorporate correspondence analysis into future research.

INTRODUCTION

Marketers are often faced with the challenge of changing perceptions in the market place or even within their company, for any number of issues including brand or company image. Correspondence analysis is the ideal tool that enables quick representation of current perceptions, providing guidance in strategy development for building a new image or positioning a brand.

Perceptual mapping offers a number of advantages over the more traditional techniques (i.e. factor analysis) in this area and is one of the most common applications of correspondence analysis. It is not, however, the only application of the technique which can be used in a variety of situations.

This paper will begin with an outline of the alternate approaches to analysing the data from two way tables, highlighting the importance of correspondence analysis and the type of data required to implement the technique. The implementation and interpretation of the technique for perceptual mapping and rescaling of ordinal data is then discussed, prior to two worked examples taken from research conducted by the Marketing Science Centre at the University of South Australia.

ALTERNATE APPROACHES TO THE ANALYSIS OF DATA FROM TWO WAY TABLES

The cross-tabulation of frequencies gained from results of a questionnaire may contain multiple rows and columns, resulting in a difficult analysis task. Several methods of analysis are available to ease this process. The simplest of these is analysis of row and column profiles from the table.

A second method is the Chi-square test of independence, used to determine if a statistically significant dependence exists between rows and columns. A limitation of the Chi-square test is that although it may identify a dependence, the nature of the dependence will still be clouded (Hoffman & Franke 1986).

A third technique involves the graphical representation of contingency tables. It can be shown that if there are n rows (or columns) in a contingency table, then perfect graphical representation may be made in $n-1$ dimensions (Greenacre 1984). Immediately apparent is the limitation of this technique for contingency tables with greater than 4 rows (or columns). Even in three dimensional space it is questionable whether graphical interpretation of contingency tables is of higher ease than examination of the basic contingency table.

The fourth technique for the analysis of contingency tables is correspondence analysis. It is an interdependence technique which allows for dimension reduction and provides for perceptual mapping (Hair et al. 1992, Carroll et al. 1987,1986).

Correspondence analysis is very flexible. Not only is it flexible in terms of data requirements, but also allows for incorporation of marketing knowledge. Correspondence analysis is a versatile and easily implemented analytical method that can do much to assist researchers in detecting and explaining relationships among complex marketing phenomena. (Hoffman & Franke 1986 p225-226)

Of key importance is the ability of correspondence analysis to not only identify that relationships exist between variables, but to help identify exactly how the variables are related. Furthermore, the technique allows for the optimal representation of a contingency table in low dimensional space.

The philosophy behind correspondence analysis is to obtain a graphical representation of both the rows and columns of the original data matrix in terms of as few dimensions as possible (Hoffman & Franke 1986

p215).
One of the key benefits of correspondence analysis is its ability to accommodate both non metric data and non-linear relationships (Hair et al. 1992).

CORRESPONDENCE ANALYSIS AS A RESEARCH TECHNIQUE

Correspondence analysis is an exploratory data analysis technique for the graphical display of contingency tables and multi-variance categorical data. As an exploratory technique it is useful for revealing patterns in data; the method and the data do the work and define the nature of the relationships (Hair et al. 1992). It is particularly suited to marketing research and social science data since minimal assumptions about the measurement properties of the data are required, and it works well with small data sets (Hoffman & Franke 1986, Herman 1991). Although the modern application of correspondence analysis originated in France in the early 1960's, researchers around the world have been working on the relevant theory and mathematics in different contexts.
Correspondence analysis has had limited application in marketing research to date. Many studies that could have potentially used correspondence analysis have opted for factor analysis as a data reduction technique. Correspondence analysis, however, offers a number of advantages.
Factor analysis assumes the use of metric data and that the variables are measured in an interval nature (i.e. the Celsius temperature scale). This is a often a reasonable assumption in the physical sciences where factor analysis originated but is not necessarily applicable in marketing science. While the technique can deal with nominal data such as gender, its ability to do so depends on the law of large numbers making it prone to sampling error with small data sets. As a general rule, the number of respondents should be five times the number of variables included in the study. This rule is unfortunately often ignored in marketing research.
Most market research produces either nominal or ordinal data. Bendixen (1994) notes that powerful techniques such as factor analysis should not be used for analysis in this situation. Even when data is intended to be intervally scaled, as with ratings data, it usually falls short of the mark. Therefore, non-metric approaches such as correspondence analysis, have greater relevance for most marketing research data.
Lebart et al (1984) purport three requirements for the effective execution of correspondence analysis. Firstly, the contingency table should be larger than that possible to be analysed via visual inspection. A condition quickly reached in social and marketing research. Secondly, variables must be homogeneous, so that it makes sense to calculate a statistical distance between rows and columns and so that distances can be interpreted meaningfully (i.e. all items in a scale should measure the same construct) (Hoffman & Franke 1986 p218). Thirdly, correspondence analysis is most useful where the structure of data is either unknown or poorly understood. Hence correspondence analysis is beneficial in exploratory studies.
It is possible to map any meaningful data that falls within these criteria. As examples the authors have previously used correspondence analysis for the following mapping;

- pick any data related to the likeability of commercials and storyboards,
- scaled data on the perceptions of competitive brands and companies, and
- frequency tables from a previous study for a comparison of the generic marketing strategies used by firms.

The technique does have its share of limitations. Being designed for categorical data, it requires metric or ordinal data to be divided into discrete categories. More significant is that correspondence analysis does not include complex simultaneous relations among several variables. Rather, it is only concerned with pairwise relations among all variables.
The benefits of the approach do, however, make it a worthwhile tool for the marketer on a practical level.

CGS VS FRENCH SCALING

The graphical plotting of a contingency table is executed by the particular software package used (i.e. Bretton-Clarks' MCA+, Sawtooth Software Co. ACA). The two most common forms of plots are French (symmetric) and CGS plots. French plots are basically an overlay of two plots, one representing rows, and the other, columns of the contingency table. Due to this, row and column points cannot be directly compared as distances between row and column points will not be meaningful (Herman 1991).
In the CGS plot, all interpoint distances are defined, hence normal interpretation is possible. As yet there appears to be little agreement between researchers on which is the most appropriate plotting technique.

Greenacre (1984) sees benefits in both methods.
...the CGS approach is based upon a questionable metric of distance...the resulting two-dimensional plot does not reflect the underlying multidimensional data well. ...the French plot should not be read as an ordinary map... interpoint distances in CGS scaling are comparable... (to French) (Herman 1991)
Bendixen (1991) warns that the French plot may lead to misinterpretation if examined in isolation or only visually. The authors recommend use of the CGS plot to enable interpretation between points from both dimensions for perceptual mapping plots.

PLOT INTERPRETATION

Summarised from Bendixen (1991) there are several factors to be considered when interpreting plot results. The first factor, significance of dependencies, refers to whether there is a significant dependency between rows and columns. This figure is automatically calculated via the software in most packages as the plot is generated. A reasonably strong dependency is required between rows and columns for a plot to be meaningful.
Second and third factors, dimensionality of the solution and quality of representation are again both automatically determined by most software packages. Dimensionality refers to the appropriate number of dimensions to use when plotting the solution. In almost all cases this will be two, however quality of the representation may differ significantly between different sets of data. Quality of representation refers to the degree of retention of the subtlety of results when plotted in two dimensions. A 10x10 contingency table would require 9 (n-1) dimensions to be perfectly represented (Herman 1991). This is clearly impossible. A two dimensional solution will not generally fit the data perfectly (Herman 1991). The software used will provide a calculation for the degree of variance created by the compression of the data into 2 dimensions. For a perfect solution total variance accounted for will be 1.0000. Generally though, results will have a total variance in the range 0.7000 to 0.9000.
...if the two-dimensional model fails to capture much of the original information, the map should be interpreted with a good deal of caution. (Herman 1991 p14)
The following procedure may be used to test the significance of the position of a point on a two dimensional graphical display (Bendixen 1991). The 95% confidence radius of a row or column may be calculated with the following formula.

$$r_i = \sqrt{\frac{5.991}{k f_i}}$$

r_i = 95% confidence radius of row (or column) i;
k = total frequency of all cells in contingency table;
f_i = mass or weight of row (or column) i.
5.991 = Chi-square value for 2 degrees of freedom and p = 0.05
To test significance of the position of a point, a circle (radius = r_i) may be drawn on the plot with the row (or column) being the centrepoint. Any point within the circumference of the circle may not be regarded as statistically different from the row or column. The row (or column) will be statistically different from the average condition if the barycentre (origin) of the plot lies outside the circumference.
Outliers present in a plot may dominate the interpretation of one or both axes. Potential outliers may be detected by seeking rows or columns that have both high absolute co-ordinate values and high contributions (Bendixen 1991). Most correspondence analysis software automatically identifies outliers. Outliers must be viewed as having greater co-ordinates than their actual position on the plot.
On a practical level there are two basic methods to interpreting correspondence plots: the factor analytic approach and the clustering approach. In the factor analytic approach one interprets each dimension or axis of the plot, and then interpret the points with respect to these axes. The clustering approach, however, concentrates directly on the distance between points on the map.
In interpreting correspondence plots it should also be noted that although the X-axis and the Y-axis are statistically independent, they are not necessarily conceptually independent. A horseshoe pattern on the plot will often reflect this.

RE-SCALING OF ORDINAL DATA VIA CORRESPONDENCE ANALYSIS

A further application of correspondence analysis that has relevance to many researchers is the rescaling of ordinal data. Obviously there is a great attraction in interpreting scale results as interval in nature as it permits a host of statistical analyses. Interval scales are unique up to a transformation of the form $y = a + bx;\ b > 0$ (Green et al. 1988). This linear nature of interval data permits statistics such as mean, average deviation, standard deviation, product-moment correlation, t test, and F test.

However, many research studies suffer from the assumption that the data attained from respondents is in interval measurement form. Interval measurement involves a continuum of equally spaced intervals (Dane 1990 p251). The value that any one interval represents is unknown. Only arbitrary values can be assigned to interval data. The difference between slightly agree and agree may be taken as one interval point, but this can only be assumed.

Arbitrary zero points are generally assigned to interval scales, however, they may not represent the complete absence of a particular quality. The zero point on the centigrade temperature scale is the freezing point of water, but does not represent the absence of heat whereas zero metres does mean no distance.

Green et al (1988 p291) provide a short, but comprehensive, summary of the problems associated with assigning values directly to intervals and basing respondents scores upon these values. Firstly, respondents' subjective scale units may differ across each other, across testing occasions or both. Secondly, respondents subjective origins (zero points) may differ across each other, across occasions, or both. And finally, unit and origin may shift over stimulus items within a single occasion.

A relatively simple procedure for overcoming the problem of interpreting ordinal data as interval in nature is proposed by Bendixen (1994). The technique involves correspondence analysis of scale results and rescaling of the Euclidean distance between scale points on the resultant two dimensional plot. Scales, when plotted in two dimensions using correspondence analysis typically map in a U-shape function. Greenacre (1984) provides detailed explanations as to the occurrence of this horseshoe effect.

Bendixen's (1994 p6) proposed rescaling technique involves examination of the distances along a curve formed by connecting the points of the scale by a straight line in a 2-dimensional solution of the correspondence analysis.

Rescaling is thus a three step process. Firstly, calculation of Euclidean distances between scale points, and then secondly, apportionment of these distances along the intended length of the scale. The final step is recalculation of the numerical values of the scale points.

The following formula is used to calculate the Euclidean distance between two points (P & Q) in two dimensional space.

$$d_{PQ} = \sqrt{(X_P - X_Q)^2 + (Y_P - Y_Q)^2}$$

where:

d_{pq} = *distance between points P and Q*

X_P, XQ = *co-ordinates of P and Q on the first axis*

Y_P, Y_Q = *co-ordinates of P and Q on the second axis*

Standard Co-ordinates should be used in the above calculation. The following formula provides for the conversion of principal co-ordinates into standard

$$s_i = \frac{p_i}{\sqrt{\lambda_j}}$$

where:

s_i = standard co-ordinate of row or column i

p_i = principal co-ordinate of row or column i

$_j$ = eigenvalue of axis j

Rescaled distance between the points is calculated using the formula:

$$D_{PQ} = \frac{d_{PQ}\,L}{T}$$

where:
D_{PQ} = rescaled distance between P and Q
d_{PQ} = Euclidean distance between P and Q (calculated above)
L = total length of the new scale (i.e., 4 for a 5 point scale)
T= total of Euclidean distances between all scale points

Few published examples of this technique of rescaling exist. The few that have been (Higgs 1990, Bendixen 1991, Bendixen et al. 1993, 1994, Heimerl 1994, Kennedy 1994, Riquier 1994) warrant it's application. Different applications of scales and different sample groups, including the socio-economic status of respondents have influenced the numerical values assigned to scale points in the above studies.
Several limitations exist in the application of this technique. Firstly, rescaling using this method may only be applied to a single battery of constructs each using the same rating scale. Secondly, the rescaled values are for the full set of observations over the entire battery. Rescaling will thus hide differences that may exist for individual statements. Bendixen (1994) contends that this limitation is outweighed by the simplicity of the approach.
Further research into the stability of the rescaled values is required. In the rescaling procedure sampling error results in some uncertainty as to the precise location of the scale points in the two-dimensional plane (Bendixen & Sandler 1994 p10).

TWO WORKED EXAMPLES

Worked examples of correspondence analysis for perceptual mapping of brand images and rescaling of ordinal data, follow.
Perceptual Mapping of Brand Image
The following example summarises a perceptual mapping study of the images of the various brands in the South Australian Iced Coffee market; Brands AA, BB, CC, DD, EE and FF (names not identified to preserve the confidentiality of commercially funded research results). Iced Coffee flavoured milk is a particularly competitive and well developed product category of a similar dollar value to the cola market in that South Australia.
Initial stages of the study used qualitative techniques such as successive word association and Kelly's Repertory Grids to determine the image attributes of iced coffee.
Attributes were selected according to their frequency of appearance in responses and from researcher interpretation of phrases. The following table outlines the selected image attributes.

ICED COFFEE IMAGE ATTRIBUTES

a good hangover cure	a fattening brand
a low fat/calorie brand	appeals to men
a brand for children	a South Australian brand
a working class brand	a traditional/old fashioned brand
a rich/sweet brand	a premium quality brand
an unpopular brand	a healthy brand
a brand for fat/ugly people	a high caffeine brand
very fresh	a new brand
a brand for yuppies	a brand for attractive people
a nutritious brand	a tough brand
a brand for women	a popular brand
a minor brand	

The attributes revealed by the qualitative research were then used to develop a perceptual mapping questionnaire. All six brands were included in the questionnaire which utilised the pick any method (Holbrook et al. 1982, Levine 1979). For the pick any method, respondents are asked to indicate (via a tick) which of the brands are described by the attributes (Hair et al. 1992). A sample of the questionnaire provided to respondents for the first five attributes follows.

SAMPLE OF PICK ANY QUESTIONNAIRE

	AA	BB	CC	DD	EE	FF
a fattening brand						
appeals to men						
a South Australian brand						
a traditional/old fashioned brand						
a premium quality brand						

Instructions given to respondents were as follows. You will be provided with a questionnaire similar to the demonstration version. Complete the questionnaire by ticking attributes which you believe apply to the particular brands. You may tick as many boxes as you wish for each row, or alternatively you may tick none if you believe that attribute applies to none of the brands. Please complete the whole questionnaire being honest and accurate in your response.

Results of perceptual mapping questionnaires were tabulated by frequency to achieve the following contingency table.

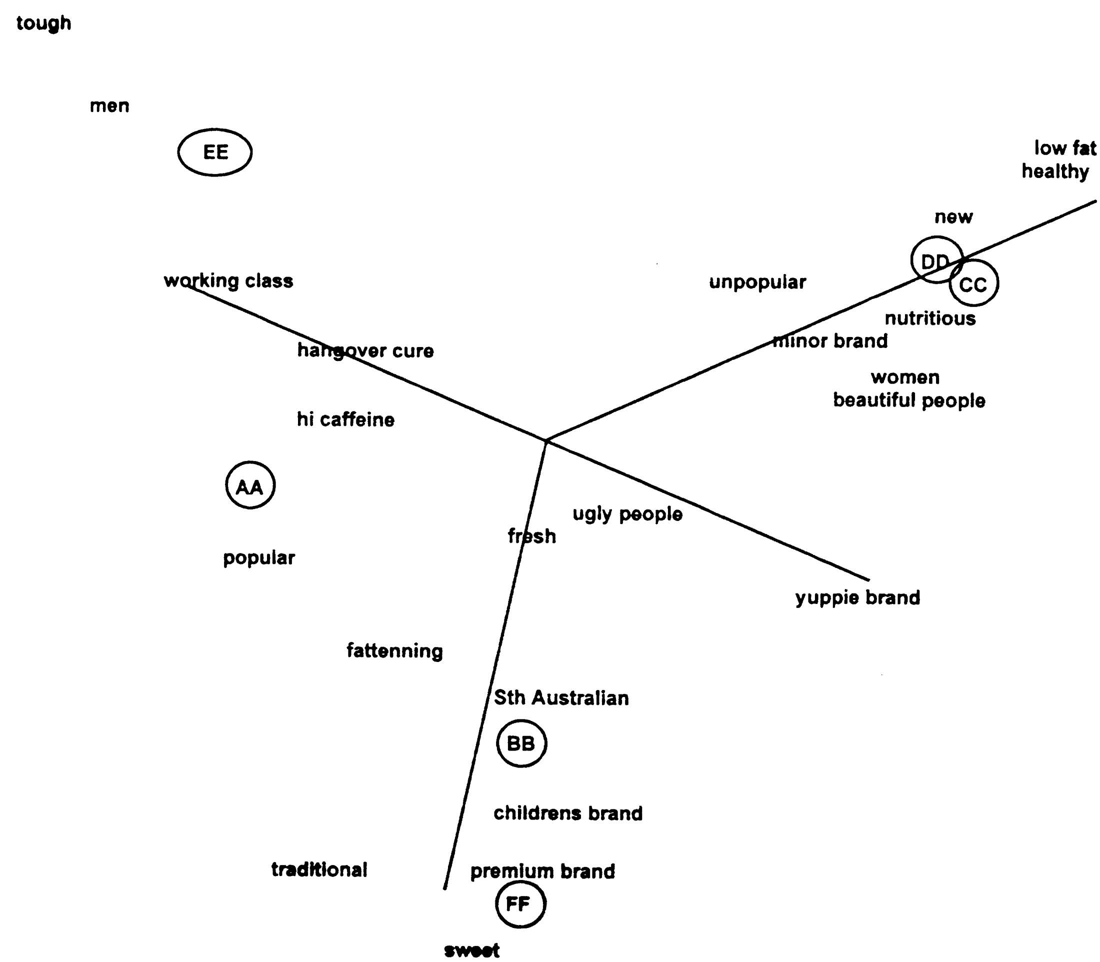
TABULATED RESULTS OF PERCEPTUAL MAPPING QUESTIONNAIRE

	AA	BB	CC	DD	EE	FF
a fattening brand	82	78	12	16	76	110
appeals to men	96	9	0	3	119	11
a South Australian brand	72	111	30	13	20	22
a traditional/old fashioned brand	101	30	1	0	1	53
a premium quality brand	66	24	14	7	9	76
a healthy brand	6	6	137	93	3	4
a high caffeine brand	47	33	14	15	65	43
a new brand	1	11	78	99	15	15
a brand for attractive people	16	9	69	55	10	31
a tough brand	60	7	1	2	107	5
a popular brand	137	35	6	4	47	50
a good hangover cure	49	10	7	17	26	10
a low fat/calorie brand	3	2	144	92	0	1
a brand for children	24	44	9	5	9	23
a working class brand	96	23	2	3	73	12
a rich/sweet brand	27	21	4	4	25	96
an unpopular brand	1	18	32	32	21	8
a brand for fat/ugly people	22	32	24	22	20	20
very fresh	48	26	27	23	18	25
a brand for yuppies	13	14	33	46	8	43

a nutritious brand	23	17	72	56	7	10
a brand for women	19	19	104	73	7	32
a minor brand	3	32	42	73	23	15

These results were input to MCA+ software to achieve the following perceptual map plot.

PERCEPTUAL MAP OF ICED COFFEE IMAGES



The previous display is a correspondence map using a CGS plot after varimax rotation. The analysis did a very good job at capturing what is a large amount of data on a 2-dimensional plot (r^2= 0.8272).

The plot was successful at representing the positioning of the different brands in the market that fitted well with our prior qualitative analysis and general perceptions. As an example, Brand CC and Brand DD are the niche brands which target health and low fat conscious consumers. They plot where one would expect and are highly differentiated from the other brands. Brand EE and FF are perceived to be the most different from each other of all the brands, the distance between them being greater than the distance between any other two brands. Brand AA, the market leader in the Iced Coffee market is clearly the most popular of the brands represented on the map.

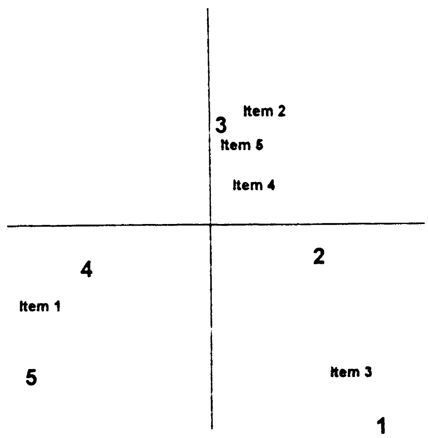
The above map is the ideal tool for the marketers of the various brand to use in guiding their positioning and communication statements.

RESCALING OF ORDINAL DATA

The main purpose of this example is to highlight the simplicity of using correspondence analysis to rescale ordinal data, as discussed earlier.

Rescaled will be a five point, five item attitude reinforcement scale which represents one dimension of a multidimensional copy testing device (Riquier & Sharp 1994). A cross tabulation of item by response category (1 - 5) was created. This was then input into MCA+ software to create a perceptual map. Plotted were items (of the attitude reinforcement scale) and categories of response.

CORRESPONDENCE PLOT OF RESULTS - ATTITUDE REINFORCEMENT



As can be seen in the above plot, the positioning of categories is a good representation of the horseshoe effect. What is of greater concern is the actual co-ordinates of each point. Co-ordinates for the attitude reinforcement plot are illustrated in the following table.

AXIS CO-ORDINATES OF ATTITUDE REINFORCEMENT

Category	Axis 1	Axis 2
1	2.06	-2.51
2	1.10	-0.39
3	0.04	0.97
4	-1.30	-0.37
5	-2.24	-1.71

The above co-ordinates were input to Lotus, a popular spreadsheet package. The table below illustrates use of the spreadsheet. The first section of the spreadsheet represents co-ordinates for the attitude reinforcement scale correspondence plot. Secondly, co-ordinates are subjected to the first rescaling equation to calculate the Euclidean distance between categories. Thirdly, results of the second stage are subject to the second formula to calculate the rescaled distance between categories. The final section illustrates the rescaled values for the attitude reinforcement scale.

SPREADSHEET RESCALING CALCULATIONS

Section 1 - Coordinates for Categories of Attitude Reinforcement										
	X-1	Y-1	X-2	Y-2	X-3	Y-3	X-4	Y-4	X-5	Y-5
Coordinates	2.06	-2.51	1.1	-0.39	0.04	0.97	-1.3	-0.4	-2	-1.7
Section 2 - Formula 1 / Euclidean Distances Between Scale Points										
		1 TO 2	2 TO 3	3 TO 4	4 TO 5		TOTAL			
Euclidean Distance		2.32723	1.7243	1.89505	1.6368		7.5834			
Section 3 - Rescaled Distances Between Categories										
		1 TO 2	2 TO 3	3 TO 4	4 TO 5					
Rescaled Distance		1.22754	0.90951	0.99958	0.8634					
Section 4 - Rescaled Values for Attitude Reinforcement										
	1	**2**	**3**	**4**	**5**					
Rescaled Values	1	2.22754	3.13705	4.13663	5					

As can be seen from the results, values changed significantly for the attitude reinforcement scale.
The example serves to highlight that commonly used scales may not behave in an interval fashion and thus many statistical analyses currently occurring in marketing research may be invalid. As a discipline that needs to build its scientific generalisations (Leone & Schultz 1980), researchers should consider adopting the technique as regular practice in the analysis of research data. Equally importantly, investigation of the problem of the stability of the rescaled values needs to occur (Bendixen & Sandler 1994).

CONCLUSION

The inclusion of two simple examples in this paper serves to highlight that correspondence analysis is a simple to use tool that has much to offer the marketing discipline. Much of the literature on the technique has previously come from statisticians whose focus is the mathematics, as opposed to marketing practitioners who are more interested in the application of the tool and its output.
This paper has outlined two of the uses of the technique that will be of benefit to brand managers, advertisers and other marketers involved in dealing with perceptions and attitudes. More importantly it has been written to highlight the simplicity of implementation and to encourage the discipline to investigate the potential of the technique.

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AN APPLICATION OF ITEM RESPONSE THEORY TO CONSUMER JUDGMENT

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ABSTRACT

A probabilistic approach based on multidimensional item response theory (IRT) is proposed to model consumer judgment. Compared to multidimensional scaling and factor analysis, item response theory requires less input from subjects but provides equal or more information. Therefore, IRT holds great promise in applying to the marketing context. The process underlying consumer evaluation is hypothesized as the comparison between the product value a brand provides and the expectations characterizing a consumer. That is, the more positive the comparison, the higher the probability that the consumer has a favorable attitude toward the brand.

INTRODUCTION

Marketing research often requires input from individual consumers to develop models which describe and predict complex behavior in the marketplace. In particular, a large body of research relies on input from consumers to understand the contributions of attribute perceptions to multiattribute judgments. Some approaches are compositional, in that we predict attitudes toward a brand based on reported attribute perceptions, while other approaches are decompositional, in that we attempt to decompose global judgments such as brand attitudes into the attribute perceptions which are believed to underlie them. In either case, we rely on the outcomes of our research for making crucial decisions about product development and positioning. Insuring the quality of our data and the validity of our model is thus of great importance.

Although little research has specifically examined the kinds of multiattribute judgments that are required by these techniques, we know that, in general, the quality of data is improved when the measurement instrument appears simple and short to the respondent, especially for low salience market research. Therefore, measurement techniques which make fewer demands on respondents, while obtaining sufficient information to estimate the model would seem to have an inherent advantage.

The recent development of Item Response Theory (IRT, also known as Latent Trait Theory) in psychology and education provides a potential avenue to ease the tradeoff between the quality of data and the effort required from respondents. Item response theory was developed for studying the relationship between the response to an item from an individual and characteristics of the item and the individual. For example, whether an examinee answers a test item correctly or incorrectly is largely determined by the difficulty level of the item and the ability of the examinee. If the ability of the examinee exceeds the level required to answer the test item, the probability that the examinee will correctly answer this item will be higher than otherwise. Thereby, from examinees' responses to a test, we make inferences about the characteristics of each item and individual examinees. An item is considered difficult if most examinees answer it incorrectly; an examinee is considered to have high ability if the proportion of correct answers is high.

In marketing, we often study the characteristics of a brand in a product category and individual consumer differences by means of consumers' responses to a measurement instrument. For example, the perceptual space of a product category and segmentation of consumers can be derived from consumer surveys utilizing several multivariate analysis techniques, such as multidimensional scaling, factor analysis, discriminant analysis, etc. Consequently, IRT is applicable to marketing research as well as to testing. For instance, when consumers are asked to indicate their preference for various brands, the brands are analogous to the items of a test, and the consumer is analogous to an examinee. The value provided by the brand is the counterpart of the difficulty of an item, and the reference points or expectations of the consumer are equivalent to the ability of an examinee. Thus, a consumer's attitude toward a brand can be formulated as a response determined by the gap between the value of a brand and the consumer's expectation. If the value is greater than the consumer's expectation, his/her attitude toward this brand should be more favorable. IRT thus has the potential to provide the same information about the relative position of products and the characteristics of consumers as conventional multivariate techniques.

The goal of this research is to examine the potential of applying multidimensional item response theory to product evaluation. First, a brief overview of multidimensional item response theory will be presented. Second, how to adapt item response theory to the marketing context will be proposed. Finally, comparisons of IRT to other commonly used approaches conclude the paper.

AN OVERVIEW OF MULTIDIMENSIONAL ITEM RESPONSE THEORY

In this section, we present a brief review of item response theory. For more detailed general discussions, readers are referred to Hambleton and Swaminathan (1985), Hulin, Drasgow, and Parsons (1983), Lord and Novick (1968), Balasubramanian and Kamakura (1989), Kamakura and Srivastava (1983), and Singh, Howell and Rhoads (1990).

Hulin, Drasgow, and Parsons (1983) described item response theory:

An item response theory includes a set of propositions concerned with individuals' responses to items used for psychological measurement. An essential part of each IRT model ... is a mathematical function that relates the probability of some types of response to an item by an individual to certain characteristics of the individual and the item. At the most abstract level, an IRT provides a probabilistic way of linking individuals' responses -- the observable data -- to theoretical constructs contained in psychological theories (p. 14).

IRT has been used to measure different characteristics of individuals as viewed in a variety of areas, such as ability in educational testing, job satisfaction and attitude in psychological measurement, and social attitudes in marketing. Since such characteristics are not directly observable, they are referred to as latent traits or characteristics. IRT provides a way to make reverse inferences of the individual's latent characteristics from observable responses. That is, "IRT is concerned with the specification of rules for transforming individuals' responses to scales into estimates of the trait assumed to underlie the observable responses" (Hulin, Drasgow, and Parsons 1983).

The mathematical function which relates responses and latent characteristics is the item response function (IRF), which is defined as the regression of item response on the latent characteristics (Lord and Novick 1968, p.360). One of the most widely used response function is Birnbaum's (1968) two-parameter logistic model given by:

$$P(u_i = 1 \mid \theta) = \frac{1}{1 + \exp\left(-1.7a_i(\theta - b_i)\right)}. \tag{2}$$

The item response function, also known as an item characteristic curve (ICC), is the most important component of item response theory. This function provides the connection between a response and the latent characteristics of both an individual and an item. While the latent trait θ characterizes an individual, the difficulty parameter b_i and discrimination parameter a_i characterize an item. The latent trait θ is the underlying force which determines an individual's response to an item. The trait is assumed to be continuous and the function is assumed to be monotonic. That is, the probability of responding to an item correctly or positively increase along the latent trait continuum.

The difficulty parameter b_i is defined as the point on the latent trait continuum at which there is a 50% chance that an individual responds to an item positively or correctly. The position of the difficulty parameter also corresponds to the inflection point of the item characteristic curve. The discrimination parameter a_i for an item is a function of the maximum slope of the ICC at its inflection point. Since a small change of latent trait level around the inflection point results in a great variation in the probability of a positive response, the discrimination parameter indicates the sensitivity of an item to the variation of latent trait levels. Therefore, the difficulty parameter represents the trait level at which an item best differentiates examinees, while the discrimination parameter identifies the extent of the differentiation. The higher the value of the discrimination parameter, the steeper the slope and the better the ability of an item to distinguish individuals with trait levels near the inflection point.

Another important feature of item response theory is that it provides the extent to which an item is able to differentiate subjects at a specific trait level. The amount of item information at a particular trait level is defined as:

$$I(u_i, \theta) = \frac{[P_i'(\theta)]^2}{P_i(\theta)[1 - P_i(\theta)]}, \tag{3}$$

where $I(u_i,\theta)$ is the item information function for item i, $P_i(\theta)$ is the item response function, and $P_i'(\theta)$ is the slope of the ICC at a latent trait value of θ. Since the slope of the ICC is related to the discrimination parameter, the item information is also related to the discriminating power of an item. Therefore, the item information specifies the ability of an item to distinguish individuals at each level of the latent trait. Item information is important because it is related to the asymptotic variance of trait estimates. Therefore, This estimate is normally used as the measure of estimation accuracy for each level of trait for each item in a scale. Furthermore, the total information of a test or a scale is simply the summation of each item information function, i.e., $I(\theta) = \Sigma I(u_i,\theta)$ Thus, the measurement error of a test or a scale for a particular θ is the reciprocal of the scale information, i.e., $SE(\hat{\theta}) = 1/\sqrt{I(\theta)}$ (Hulin, Drasgow, and Parsons 1983, p.54).

Traditionally, item response theory has been developed for unidimensional psychological measurement and

testing. Recent developments have led to the extension of IRT models to accommodate multidimensional traits (e.g., McKinley and Reckase 1982, 1983).
For estimating parameters of IRT models, Maximum likelihood has been the dominant method because its estimators are consistent, efficient, and asymptotically normally distributed. Several computer programs using this general maximum likelihood approach or its modification are now available. For example, LOGIST (Wingersky 1983) is for the estimation of unidimensional IRT models, while MAXLOG (McKinkey and Reckase 1983) is used for multidimensional IRT models. BILOG (Mislevy and Bock 1982) uses marginal maximum likelihood estimation for unidimensional models. On the other hand, NOHARM (Frazer 1986) uses least squares for the estimation of multidimensional normal ogive models.

ADAPTING IRT TO MARKETING

The basic framework of item response theory is that the probability an individual will have a positive attitude or correct answer to an item depends on the gap between the underlying trait(s) of the individual and the threshold value of the item. Three theories of perception and judgment discussed in Gurumurthy and Little (1987) provide a similar analogy for our formulation of consumers' attitude toward a product. First, Helson's adaptation level theory (1964) proposes that learning from prior experience generates an adaptation level or anchor for subsequent evaluations. When stimuli are above the adaptation level, subjects will generate positive gradients of excitation and responses; while, on the other hand, when stimuli are below the adaptation level, the opposite responses will be generated.
Second, assimilation-contrast theory (Sherif and Hovland 1961) suggests that within a certain range around the reference point, there exists a region, the latitude of acceptance, in which subjects can not differentiate among stimuli. Beyond the region of acceptance, there is a contrast effect; that is, the response will be more extreme.
Third, prospect theory (Kanemann and Tversky 1979) is another theoretical framework for our model. According to this theory, the decision maker first identifies a reference point and then codes each alternative as a gain or a loss with respect to that reference point. Second, the decision maker assigns a value to each of the edited alternatives and chooses the one with the highest value. The value assigned reflects the subjective value of the outcome of each alternative; the outcome is defined in relation to the reference point. In particular, the concept of reference point stipulates that the human perceptual mechanism adjusts to certain stimulus levels and evaluates changes or differences rather than absolute magnitudes (Johnson and Puto 1987). Furthermore, the subjective value of an outcome is a concave function for gains and a convex function for losses, i.e., the function is an S-shaped curve in the unidimensional space.
In sum, all the theories are consistent in that judgment or decision making is based on a comparison of the level of product or service performance, or other outcomes perceived by the consumers with an evaluative standard. Furthermore, the more the performance or value of a product exceeds the evaluative standard, the more favorable the judgment or attitude toward the product. Consequently, the consumers' expectations/standards may be inferred from their responses to each brand. In addition, the relative performance of each brand can be identified from the same response information. Therefore, these views are virtually compatible to item response theory as previously presented.
That is, each brand of a product category corresponds to an item in a test or a measurement scale. Attitude toward a brand is assessed by a response from a consumer, equivalent to an answer from an examinee. In addition, parameters of a brand, product value and latitude of acceptance, are counterparts of the item parameters, the difficulty and discriminating parameters, respectively. On the other hand, the complement of the reference points or evaluative standards of a consumer in the marketing context is the ability parameter of an examinee in testing. Therefore, based on item response theory, consumer judgment is determined by the gap between the consumer's expectation and the value a brand provides. That is, consumers are characterized by their expectations, comparable to the latent traits in psychological measurement; while brands are characterized by the value they provide and the latitude of acceptance, which are counterparts of item threshold and item discriminating parameters, respectively. Therefore, IRT is applicable in marketing research.
However, the potential of applying IRT in marketing also depends on its performance compared to that of other commonly used techniques, such as factor analysis and multidimensional scaling. In the following section, we compare item response theory with other commonly used multivariate approaches to evaluate the promise of IRT in marketing.

COMPARISON WITH OTHER COMMONLY USED APPROACHES

IRT methods are most similar in spirit to those of factor analysis and nonmetric multidimensional scaling. They are implicit in attribute formation and are largely applied to reduced space, perception and individual differences. Therefore, the comparison will primarily focus on item response theory with factor analysis and multidimensional scaling, respectively.

Comparison of IRT with Factor Analysis

McDonald (1982) showed that factor analysis and unidimensional IRT are two generalizations of the Spearman single factor model and are all special cases of the multidimensional IRT model, which is more general. In addition, the major advantage of IRT in contrast to factor analysis is that IRT provides more information about consumer judgment. First, IRT affords a probabilistic approach to model consumers' evaluations. This approach enables IRT to predict a consumer's future responses and even subsequent behaviors. For instance, in a strong argument, the item characteristic function $P_i(\Theta)$ can be interpreted as the probability that a consumer with latent trait Θ will favor brand i. In a moderate argument, in a subpopulation with the same latent trait values, the proportion of consumers favoring brand i is referred to as the item characteristic curve, $P_i(\Theta)$. If $P_i(\Theta)$ is aggregated across the population, the ICC may predict the relative market share of brand i in the market.

Second, IRT supplies more information about the properties of each brand. Kamakura and Srivastava (1983) argue that while factor loadings of factor analysis are comparable to discriminating parameters or latitude of acceptance of IRT, the threshold parameters are unique to IRT. Factor analysis assumes that an item discriminates equally along the latent trait continuum, while IRT assumes that the discriminating power of an item is different depending on the level of the latent trait. Thus, both factor analysis and IRT can tell which brand is more sensitive to variation in consumers' expectations, but only IRT can indicate where in the latent trait continuum the brand is most sensitive.

Finally, IRT provides an index of the extent to which an item is able to differentiate consumers at specific trait levels. Knowing the amount of item information at a particular trait level is essential for adaptive designs in that item information is the criterion for selecting a particular sequence of items for estimating an individual's underlying traits. An item will be employed if it provides the most information based on a prior estimate of the individual's trait level. Therefore, only IRT allows adaptive or tailored interviews and may reduce the time and cost of surveys, as Balasubramanian and Kamakura (1989) suggest.

Comparison of IRT with Multidimensional Scaling

A major difference between multidimensional scaling and factor analytical methods is the consumer's task required to make the judgment. Factor analytical methods use direct ratings of each alternative, while MDS is less direct, using similarity judgments. Thereby, MDS demands more effort from subjects in performing their task. For example, consider a ten brand evaluation task. MDS requires 45 evaluation judgments, while IRT only needs 10 evaluations. As the number of alternatives increases, the effort from the subjects under MDS increases dramatically.

In addition, Hauser and Koppelman (1979) theoretically and empirically investigate three perceptual mapping techniques, factor analysis, discriminant analysis, and multidimensional scaling, with respect to predictive ability, managerial interpretability, and ease of use. They found that factor analysis was superior to MDS on all criteria. Thus, if IRT follows exactly the same procedures as factor analysis, it is expected that IRT should outperform MDS.

In terms of measuring individual differences, IRT uses derived estimates of expectations, while MDS uses direct scaling of ideal points. Beckwith and Lehmann (1975) argue that direct scaling of ideal points suffers from potential halo effects because it is not simultaneously scaling all parameters. Second, direct scaling implicitly assumes that consumers make decisions in the same way as the model implies and thus they can validly scale the ideal points. However, empirical evidence has shown that consumers lack enough knowledge of the ideal point construct to scale it reliably (Myers and Chay 1977; Shocker and Srinivasan 1974). Therefore, derived estimates are better than direct scaling.

On the other hand, since many parameters can be estimated but only limited information is required from subjects, IRT demands a large sample size to get reliable results. For instance, suppose N subjects are asked to evaluate n brands and assume p dimensions are used to evaluate the product. Then, the total number of parameters estimated will be $pN + (1+p)n$. In contrast, MDS is fairly robust for sample sizes as small as nine (Büyükkurt and Büyükkurt 1990).

In sum, the factor analytical approach has been proved to be superior to MDS with respect to predictive ability, managerial interpretability, and ease of use. Furthermore, derived estimates of individual characteristics as adopted in IRT are more favorable than direct scaling in MDS. Therefore, if the sample size is reasonably large, then IRT should provide better measures of perception and individual differences than does MDS.

CONCLUSION

The basic conceptual framework of item response theory is comparable to that of many theories of consumer judgment. For example, in testing, whether an examinee answers a test item correctly or incorrectly is largely determined by the difficulty level of the item and the ability of the examinee. If the ability of the examinee exceeds the level required to answer the test item, the probability that the examinee will correctly answer this item will be higher than otherwise. In marketing, similarly, consumer judgment or decision making depends on the comparison between the performance of a product and reference points of the consumer. The more the performance or value of a product surpasses the consumer's expectation, the more favorable the judgment. In addition, the comparison of IRT with factor analysis and multidimensional scaling is encouraging. IRT is a nonlinear model, which is more general than linear models such as factor analysis. In addition, IRT provides more information about item characteristics than factor analysis does. Compared to MDS, IRT demands less effort from subjects but produces equal or more information. Thus, IRT holds great promise in marketing.

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CONSTRUCTING FUZZY CLUSTERS FOR MARKETING RESEARCH

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Using the fuzzy sets theory this study shows how customer subjective preferences for preselected products and their subjective evaluations of attributes can be used to generate market clusters. The findings indicate that if the preferences are quantitatively expressed and treated as membership functions of some fuzzy sets then it is possible to construct purely "objective" (non-dominated) evaluations of the products and the attributes. The evaluations can be combined to form profiles which are then grouped as clusters, depending on what linkage criterion is used (single, complete, average). The considerations are illustrated by a numerical example of a car market represented by four car brands (Ford, Mercedes, Holden, and Toyota) and five types of driver (car buff, young person, wealthy physician, rally enthusiast and amateur racer).

Marketing projects are usually characterised by a large number of complex data which collected are then used to develop an appropriate mathematical market model to analyse and forecast future behaviour of consumers. The complex data are usually multivariate and processed through multivariate analysis . A popular source of market information involves paired comparisons of consumers during their interviews. They are

> *"judgemental tasks that typically involve exposing an individual to pair of stimuli (e.g. brands, attributes, etc.) one at a time and asking for a judgement about which element in the pair is more preferred, or important, or to select one element of the pair according to some other criterion. In comparison with other data collection formats, paired comparisons are easily administered and provide a relatively simple judgemental task for the collection of comparative measurements. Because of its simplicity paired comparisons have been frequently applied in commercial settings. They have been routinely employed in the following four application areas:*
>
> *1.Concept screening studies*
> *2.Choice modelling studies*
> *3.Pre-test-market studies*
> *4.Conjoint analysis studies."(Dillon et al. 1993).*

There are a number of procedures recommended for studying consumer preferences for definite products. It is worthwile to mention here William Dillon et al.(1993) who proposed an extended Bradly-Terry-Luce (BTL) model incorporating descriptor variables to capture individual differences. In 1993 Joel Huber et al. suggested an unrestricting attribute-elicitation mapping (UAM) to evaluate brands with respect to attributes as a set of configuration represented by matrices. Jan Steenkamp et al. developed a conceptual model on the linkages between the attribute based components of equities in the core product category and a related extension product category. Moreover, the approaches made the assumption that market consumers elicit their preferences according to the rationality criteria.

> *"The theory of rational choice assumes that preference between options does depend on the presence or absence of other options. This principle called independence of irrelevant alternatives is essentially equivalent to the assumption that the decision maker has a complete preference order of all options, and that -given and offered set - the decision maker always selects the option that is highest in that order" - Amos Tversky 1993.*

However all the mentioned methods map consumer preferences as a clear cut act of choice, preformed by an individual respondent and in which states of nature, possible actions, results and preferences are well and crisply defined. Although each of the methods are interesting and important *in ipse*, however, the present paper will concentrate only on the cluster analysis due to its importance for marketing research.

CLASSICAL CLUSTER ANALYSIS

Cluster analysis is a technique used to identify different groups (or clusters) of respondents, such that the respondents in any one cluster are all similar to each other but different from the respondent in the other clusters. The technique applies to a large sample of data that includes a number of variables.
Formally,

<u>Definition One</u>
X^k is the k-th cluster which contains u intervals i.e. it is an u-tuple

$$X^k \triangleq \{X_1^k, X_2^k, \ldots, X_u^k\} \quad \text{such that}$$
$$X_l^k \triangleq \{X_{l_{min}}^k, X_{l_{max}}^k\} \quad \text{and} \quad X_{l_{min}}^k < X_{l_{max}}^k \quad \forall l \quad (l=1,\ldots,u)$$

Definition Two

X^k and X^l are said to be clusters iff $\forall$ k $\neq$ l and $\forall$ i (i = 1,..., u) $\exists!$ i that

$$X^k_i \cap X^l_i = \phi.$$

Definition Three

The profile a is said to belong to a cluster k, $a \subset X^k$,

$$\text{if } crd^i a \subseteq X^k_i \text{ for any i and k.}$$

Clustering techniques are regarded as preclassificatory in the sense that no prior information is used to partition the objects (rows in the data matrix). The data, however, are assumed to be partially heterogeneous, i.e. "clusters" exist. The clustering of different profiles is usually based on some measure of interobject similarity (proximity or resemblance) and carried out pairwise.

A relatively large number of proximity methods employ as a clustering criterion a distance in some type of metric space e.g. the Euclidean distance between two points in space in n dimensions:

$$d_{ij} = \sqrt{\sum_{m=1}^{n} (a^i_m - a^j_m)^2}$$

where a^i_m, a^j_m are the m-th standardised coordinates of points a^i and a^j in the space. Due to correlation of variables in most data matrices the above distance is calculated between pairs of points to their scores on component axes.

A technique is needed to categorize respondents int particular clusters. There are a number of rules that might be used for this purpose, however, the most commonly known are the single linkage, the complete linkage and the average linkage rules which result in similar, but not identical clusterings.

All these grouping procedures are based on crisp sets i.e. such that they assume a dichotomous (that is, of the yes-or-no type rather than of the more-or-less type) classification of elements to a given set. They also assume that the set of actions by respondents is precisely defined as the set of possible states (or the state). The utility function is based on a deterministic form.

It seems that the set of well-known and widely used grouping procedures could be extended by operations based on fuzzy set theory and in particular on fuzzy preference relations.

MODELLING PREFERENCES

In many cases the decision-maker encounters situations in which some alternatives are more preferred to others and the he or she needs to work out a way to deal with them. The easiest way is, however, to use preference relations which play an important role in the decision-making process.

A week preference relation R on the set of alternatives A is defined as a binary relation satisfying properties [Ovchinnikov]:

1) $x R y \vee y R x$
2) $(x R y \vee y R z) \rightarrow x R z \qquad \forall x, y, z \in A$

The relation R is complete and transitive.

A given preference relation is associated with the two binary relations:

1) the indifference relation I defined as:

$x I y$ iff $x R y \wedge y R x \qquad \forall x, y \in A$

2) the strict preference relation P:

$x P y$ iff $x R y \wedge \sim y R x \ \forall x, y \in A$.

In some instances, however, the above defined classical binary relations are not adequate models for intuitive concepts of preference and indifference. Especially when an individual wishes to express his/her preference of x to y as a certain degree or as a probability. Then a concept of a valued binary relation is very useful. A valued binary relation R on A is a function $R: A \times A \rightarrow [0, 1]$ and its examples are:fuzzy binary relations and probability relations.

For the purposes of the present paper a fuzzy binary relation R is a fuzzy set defined on the product set $A \times A$, $R = \{[(x,y), \mu_R(x,y)\} \mid (x,y) \subseteq A \times A\}$, of which membership function is denoted by μ_R In order that the fuzzy binary relation reflects a preference it should satisfy some conditions such as an ordinary weak order usually satisfies e.g. reflexity and transitivity.

The conditions are often formulated in the following way:

reciprocity: $\mu_R(x,y) + \mu_R(y,x) = 1 \quad \forall x,y$

max-min transitivity: $\mu_R(x,z) \geq \min[\mu_R(x,y),\mu_R(y,z)] \quad \forall x,y,z$

additive transitivity $\mu_R(x,y) + \mu_R(y,z) - .5 = \mu_R(x,z) \forall x,y,z$

(ir)reflexity: $\mu_R(x,x) = (0)1 \quad \forall x$

symmetry: $\mu_R(x,y) = \mu_R(y,x) \quad \forall x,y$

antysymmetry: $\min[\mu_R(x,y),\mu_R(y,x)] = 0 \quad \forall x,y$

For a given fuzzy preference relation R Orlovsky introduced a strict preference relation R^S:

$$\mu_{\tilde{R}^s}(x,y) = \max[\mu_R(x,y) - \mu_R(y,x),0]$$

which is then used to determine the "non-domination" choice function $\tilde{ND}^{\tilde{R}}(x)$:

$$\tilde{ND}^{\tilde{R}}(x) = \inf_{y \in X}[1 - \mu_{\tilde{R}^s}(y,x)] = 1 - \sup_{y \in X} \mu_{\tilde{R}^s}(y,x)$$

The value of the $\tilde{ND}^{\tilde{R}}(x)$ determines the degree to which the alternative x is dominated by no other alternative in A. In the context of fuzzy sets the non-domination choice function is a fuzzy set of nondominated alternatives (x,y,...). Therefore is seems reasonable to pick up only those alternatives of the set which are relatively near to their extreme values e.g.

$$\max_{x_i \in A} \tilde{ND}^{\tilde{R}}(x_i) = 1 - \min_i \max_j \mu_{\tilde{R}^s}(y_j,x_i)$$

FUZZY CLUSTERING

There are many different clustering methods which have been programmed and are available in computer programs (e.g. BMD P Series, SAS, SPSS) but their full specification might become a very heavy task. However, all of them are based and operate on proximity measures viewed as distances in a sort of metric space. The distances are simply crisp sets.The present paper suggests the use of fuzzy sets as the basis for a procedure which will then form, evaluate and qualify respondent profiles to various clusters.

The problem may be formulated as follows:

let some market be characterised by a set of alternatives $A = \{a_1, a_2, ..., a_p\}$, the set of customers $B = \{b_1, b_2, ..., b_q\}$ and the set of criteria $C = \{c_1, c_2, ..., c_r\}$. Let the set C be represented by outcomes which are contained by set A. The customers assess each alternative with respect to the degree with which the alternative dominates the market. Next the alternatives are combined to form profiles which in turn determine clusters. The evaluation of the alternatives is performed pairwise , thus showing how much each alternative is preferred by customers to some other alternative within a selected group of alternatives. The preference is expressed as a number contained in the interval of [0,1], which is a membership function.

Let $\tilde{R}^k_n$ be the fuzzy preference relation which determines the evaluation of the alternatives made bv the k-th respondent (b_k, k = 1, ..., q) with respect to the criterion c_n

$$\text{e.g} \qquad \tilde{R}^k_n = \{(x_i,x_j)/\mu_{\tilde{R}^k_n}(x_i,x_j)\,|\,x_i,x_j \in A \wedge \mu_{\tilde{R}^k_n}(x_i,x_j) \in [0,1]\}$$

where $\mu_{\tilde{R}_k}(x_i,x_j)$ is a membership function which shows the respondent k's preference of x_i over x_j. Let us assume that the preference relation is reflexive, then by Zadeh's definition $\mu_{\tilde{R}_k}(x_i,x_i) = 1$. Moreover, assume that individual respondent's preferences are aggregated i.e. they may be expressed in the simplest way by the relation:

$$\tilde{R}_n(x_i,x_j) = \frac{1}{q}\sum_{k=1}^{q} \tilde{R}^k_n(x_i,x_j)$$

or using Tanino's relation [1984]:

$$\tilde{R}_n(x_i,x_j) = \begin{cases} \dfrac{1}{2}\dfrac{\sum_{k=1}^{q}[\tilde{R}^k_n(x_i,x_j) - .5]}{\sum_{k=1}^{q}|\tilde{R}^k_n(x_i,x_j) - .5|} & \text{if } x_i \neq x_j \\ .5 & \text{if } x_i = x_j \end{cases}$$

Let the alternative set A be split into mutually exclusive and exhaustive subsets A_i and A_j i.e. $A_i \cap A_j = \phi$ and $\cup A_i = A$ where x^r_i denotes and evaluation of the i-th attribute with respect to the r-th criterion. Each alternative x^r_i is pairwise assessed with another alternative x^r_j by the respondent's membership function $\mu_{\tilde{R}^r}(x^r_i,x^r_j) \in [0,1]$ which denotes the degree to which the alternative x^r_i is preferred to x^r_j with respect to criterion r. Then the so-determined fuzzy preference relation $\tilde{R}^r$ is used to calculate the "nondomination choice" function [Orlovski]:

that: $$\tilde{ND}^{\tilde{R}^r}(x^r_i) = 1 - \max_j \mu_{\tilde{R}^r}(x^r_j,x^r_i) \qquad \forall i$$

which will show how much the alternative x_i^r is regarded nondominated by x_j^r, or simply, the degree to which the respondents subjectively see x_i better than x_j with respect to r.The choice function will determine the fuzzy set of nondominated alternatives such

$$\tilde{X}^{ND^r}(x_i^r) = \sum_{i=1}^{i_r} \frac{1 - \min_i \max_j \mu_{\tilde{R}^r}(x_j^r, x_i^r)}{x_i^r}$$

The above-outlined procedure applies to all of the subsets A_i (i = 1,...,u) ,to obtain fuzzy sets of nondominated alternatives $\tilde{X}_i^{ND}$ (i = 1,2,...,u). As a consequence u fuzzy preference relations will portray the respondent's evaluations by various criteria used.

The fuzzy nondominated cluster is defined through a fuzzy set:

$$\tilde{Y}_v = \{(X_{1,v}^{ND}, X_{2,v}^{nd}, ..., X_{u,v}^{ND})/\mu_v | X_{1,v}^{ND}, X_{2,v}^{ND}, ..., X_{u,v}^{ND} \in A, \mu_v \in [0,1]\}$$

i.e.

$$\text{supp}\,[\tilde{X}_1^{ND}] \times \text{supp}\,[\tilde{X}_2^{ND}] \times ... \times \text{supp}\,[\tilde{X}_u^{ND}] \to [0,1]$$

the membership function $\mu_v(X_{1,v}^{ND}, X_{2,v}^{ND}, ..., X_{u,v}^{ND})$, may be determined :

-by the single-linkage (minimum preference degree provided) rule,

$$\mu_v = \min\,[\mu_{\tilde{R}^1}, \mu_{\tilde{R}^2}, ..., \mu_{\tilde{R}^u}] \quad \text{, or}$$

-the complete-linkage rule

$$\mu_v = \max\,[\mu_{\tilde{R}^1}, \mu_{\tilde{R}^2}, ..., \mu_{\tilde{R}^u}] \quad \text{, either}$$

-the average linkage rule

$$\mu_v = E[E[E[E[...E[E(\mu_{\tilde{R}^k}, \mu_{\tilde{R}^{k+1}}), \mu_{\tilde{R}^u}]]]...]$$

where v is a number of clusters to determine.

The support of the fuzzy set $\tilde{Y}_v$ are v crisp sets - the clusters and any profile P will be said to belong to a specified cluster:

$$P \subset \text{supp}\,[\tilde{Y}_v] \quad \text{if} \quad \mu_p \le \mu_v$$

where μ_p is a profile membership function.

For a given set of profiles $P = [P_1,...,P_k]$ there is a sequence of values of the membership function μ_P which may be arranged in the ascending order:

$$\mu_{P_{k_1}} \le \mu_{P_{k_2}}, ..., \le \mu_{P_{k_k}}$$

The sequence is then used to determine v semi-closed intervals, mutually exclusive and exhaustive such that any profile P_l l = 1, ...,k belongs to

$$\mu_{P_l} \in (\mu_{v,l}^{min}, \mu_{v,l}^{max}>$$

where $\mu_{v,l}^{min}, \mu_{v,l}^{max}$ are endpoints of the i-th interval which is one of v clusters generated by all the profiles available. The cluster intervals may be determined in many ways, however the partitioning (i.e. into a set number of parts u) seems most reasonable since it is optional and simple.

COMPUTATIONAL EXAMPLE

Let us assume we are interested in the segmentation of car market. Let the market be characterised by respondents grouped in profiles which reflect e.g. interest in car brands, types of drivers, technical and economical performance and comfort attributes. Furthermore let some of these attributes be expressed in nominal scales. For simplicity of calculations we consider that it is a pair P=<CB,DR> where CB -means a car brand such as e.g. Ford, Mercedes, Holden, Toyota, briefly F,M,H,T and DR denotes a type of driver e.g. car buff, young person, wealthy physician, rally enthusiast and, finally, amateur racer, shortly CB, YP, WP, RE, AR.

The respondents, randomly picked up, reveal their preferences for the selected car brands and driver types in the form of the fuzzy preference relations $\tilde{R}_{CB}$ and $\tilde{R}_{DR}$ whose values of membership functions are shown as entries of the matrices shown below:

$$\tilde{R}_{CB} = \begin{array}{c} \begin{array}{cccc} F & M & H & T \end{array} \\ \begin{bmatrix} 1.00 & 0.70 & 0.77 & 0.80 \\ 0.62 & 1.00 & 0.65 & 0.88 \\ 0.92 & 0.40 & 1.00 & 0.52 \\ 0.83 & 0.50 & 0.72 & 1.00 \end{bmatrix} \end{array} \begin{array}{c} \\ F \\ M \\ H \\ T \end{array} \qquad \tilde{R}_{DR} = \begin{array}{c} \begin{array}{ccccc} CB & YP & WP & RE & AR \end{array} \\ \begin{bmatrix} 1.00 & 0.75 & 0.62 & 0.85 & 0.53 \\ 0.95 & 1.00 & 0.79 & 0.57 & 0.59 \\ 0.92 & 0.31 & 1.00 & 0.50 & 0.87 \\ 0.74 & 0.98 & 0.77 & 1.00 & 0.54 \\ 0.88 & 0.87 & 0.80 & 0.59 & 1.00 \end{bmatrix} \end{array} \begin{array}{c} \\ CB \\ YP \\ WP \\ RE \\ AR \end{array}$$

Note that the set of alternatives A in this example is A={F,M,H,T,CB,YP,WP,RE,AR} and there are two subsets of A: A_1 = {F,M,H,T} and A_2 = {CB,YP,WP,RE,AR} which correspond to the set of criteria, C, C = {C_1, C_2}. According to Orlovski, the corresponding strict preference relations for the above fuzzy sets are:

$$\tilde{R}^S_{CB} = \begin{bmatrix} 0.00 & 0.08 & 0.00 & 0.00 \\ 0{,}00 & 0.00 & 0.25 & 0.38 \\ 0.15 & 0.00 & 0.20 & 0.00 \\ 0.10 & 0.00 & 0.20 & 0.00 \end{bmatrix} \qquad \tilde{R}^S_{DR} = \begin{bmatrix} 0.00 & 0.00 & 0.00 & 0.11 & 0.00 \\ 0.20 & 0.00 & 0.48 & 0.00 & 0.00 \\ 0.30 & 0.00 & 0.00 & 0.00 & 0.07 \\ 0.00 & 0.41 & 0.27 & 0.00 & 0.00 \\ 0.35 & 0.28 & 0.00 & 0.05 & 0.00 \end{bmatrix}$$

and hence the fuzzy sets of nondominated elements are

$$\tilde{X}^{ND}_{CB} = \frac{0.85}{F} + \frac{0.92}{M} + \frac{0.75}{H} + \frac{0.62}{T}$$

$$\tilde{X}^{ND}_{DR} = \frac{0.65}{CB} + \frac{0.59}{YP} + \frac{0.82}{WP} + \frac{0.89}{RE} + \frac{0.93}{AR}$$

then the supports of there sets are used to generate the set of profiles, P,

$|\mathrm{Supp}\,[\tilde{X}^{ND}_{CB}]| \times |\mathrm{Supp}\,[\tilde{X}^{ND}_{DR}]| = 20$ profiles, which are next grouped into u=2,3,4 clusters derived in accord with

the single, complete and average linkage rules. The final results are presented in the table below. These results point to a high variety in the contents of the clusters determined on the basis of the assumed linkage criteria. The arrangements are strictly and exclusively due to data obtained from the respondents and map their preference relations. By analogy we are able to develop much more complex profiles by increasing a number of attributes evaluated by the respondents, e.g., in our case they could concern such additional attributes as maximum speed, driving comfort,

TABLE

Table of Clusters

	Single Linkage	Complete Linkage	Average Linkage
Two Clusters	(F,CB); (M,CB); (H,CB); (T,CB); (F,YP); (M,YP); (H,YP); (T,YP); (H,WP); (T,WP); (H,RE); (T,RE); (H,AR); (T,AR);	(H,CB); (T,CB); (H,YP); (T,YP); (H,WP); (T,WP);	(F,CB); (H,CB); (T,CB); (F,YP); (M,YP); (H,YP); (T,YP); (T,WP); (T,RE);
	(F,WP); (M,WP); (F,RE); (M,RE); (F,AR); (M,AR);	(F,CB); (M,CB); (F,YP); (M,YP); (F,WP); (M,WP); (F,RE);(M,RE); (H,RE);(T,RE); (F,AR);(M,AR); (H,AR); (T,RE);	(M,CB); (F,WP); (M,WP); (H,WP); (F,RE); (M,RE); (H,RE); (F,AR); (M,AR); (H,AR); (T,RE);
Three Clusters	(F,CB); (M,CB); (H,CB); (T,CB); (F,YP); (M,YP); (H,YP); (T,YP); (T,WP); (T,RE); (T,RE);	(T,CB); (T,YP);	(H,CB); (T,CB); (H,YP); (T,YP);
	(H,WP); (H,RE); (H,AR);	(H,CB); (H,YP);	(F,CB); (M,CB); (F,YP); (M,YP); (H,WP); (T,RE); (T,WP); (T,RE);
	(F,WP); (F,RE); (M,RE); (M,WP); (F,AR); (M,AR);	(F,YP); (M,YP); (F,CB); (M,CB); (F,WP); (M,WP); (H,WP); (T,WP); (F,RE); (M,RE); (H,RE); (T,RE); (F,AR); (M,AR); (H,AR); (T,AR);	(F,WP); (M,WP); (F,RE); (M,RE); (H,RE); (F,AR); (M,AR); (H,AR);
Four Clusters	(F,CB); (M,CB); (H,CB); (T,CB); (F,YP); (M,YP); (H,YP); (T,YP); (T,WP); (T,RE); (T,RE);	(T,CB); (T,YP);	(T,CB); (H,YP); (T,YP);
	(H,WP); (H,RE); (H,AR);	(H,CB); (H,YP);	(F,CB); (F,YP); (M,YP); (H,CB); (T,WP); (T,RE);
	(F,WP); (M,WP);	(F,CB); (F,YP); (F,WP); (H,WP); (T,WP);	(M,CB); (F,WP); (H,WP); (H,RE); (H,AR); (T,RE);
	(F,RE); (M,RE); (F,AR); (M,AR);	(F,RE);(F,AR); (M,CB);(M,YP); (M,WP);(M,RE); (M,AR);(H,RE); (H,AR);(T,RE); (T,AR)	(M,WP); (F,RE); (M,RE); (F,AR); (M,AR);

mileage, body colours, et cetera. Each of them would be assesed by fuzzy preference relations which in turn would underlie fuzzy sets of non-dominated elements. Those sets could then provide a basis for generating multidimensional profiles of the form:

$$P = \langle A_1, A_2, \ , A_n \rangle$$

determined by a definite set of their membership functions derived by set operations (max,min) from their original membership functions.

Thus we have obtained a method for allocating respondents int their respective clusters. And obviously all the clusters constitute a universe whose numbers (profiles) have membership functions covering up the full interval [0,1].

CONCLUSIONS

The suggested fuzzy clustering technique allows us to construct clusters based on membership functions characterising their profiles. It makes use of the concept of a fuzzy preference relation which proved its quality in group decision making with fuzzy evaluations. It is then employed to compute the "nondomination choice" function that makes possible to have evaluations of single attributes on the basis of the individual's preferences. The technique applies relatively simple mathematical operations such as the minimum and maximum operations and therefore it is easy to be algorithmisized to obtain results almost instantly.

It seems a very promising tool that could significantly increase the existent repertoire of crisp distance-based clustering techniques.

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SEX DIFFERENCES IN RELATIONSHIP MANAGEMENT: AN EXPLORATORY ANALYSIS

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The effect of sex on the management and quality of buyer-seller relationships is examined in a financial services context. Sex differences were found in the relationship management aspects of forbearance from opportunism, quality communication and constructive conflict resolution but sex had no direct effect on relationship quality. The results suggest that while men and women may manage relationships differently, they are equally effective.

Relationship management is increasingly recognized as a source of competitive advantage in service intensive industries (Crosby, Evans and Cowles 1990). Although sex differences have been found in the management of interpersonal and work relationships, little research attention has been directed to potential sex differences in external marketing relationships (Schul and Wren 1992). With the increasing number of women in sales and purchasing positions, understanding differences in how men and women develop and maintain working relationships with customers and suppliers is a key management issue with implications for competitive advantage, productivity, employee satisfaction, and training.

This paper begins to address the issue of to what extent male and female sales representatives manage customer relationships differently and whether sex differences impact the quality of the working relationship. Following a brief discussion of sex and gender research, hypotheses are developed linking sex, relational management, and relationship quality. These hypotheses are tested in the context of ongoing financial service relationships.

BACKGROUND

Much of the impetus in research on work relationship gender differences stems from findings in the interpersonal relationship literature that men and women differ, at least in degree, in such relational aspects as: relational orientation (cf., Riger and Gilligan, 1980), values (Feather, 1987), interaction styles (Carli 1989), and nonverbal communication (Henley, 1977). While the interpersonal relationship literature is equivocal and many other studies have found few or no sex differences in interpersonal relationships (e.g., Molm 1985), three theoretical perspectives, the biological, socialization, and structural (Riger and Gilligan 1980), offer rationale for why sex differences in work relationships might be expected. The biological perspective argues that men and women have different relationship orientations based on biology that transcend relationship contexts. Women are thought to have greater innate relational abilities and are "hardwired" towards nurturing and maintenance of relationships (Riger and Gilligan 1980) .

The sex role socialization perspective suggests that men and women develop different traits, values, personality characteristics, and behavior patterns in childhood development which differentially shapes their work-related interests, decisions, and behaviors. North American women learn to value people, relationships, and interaction while men learn to value material success, progress, and emotional control (Gilligan 1982). These differences may hinder the development of shared meaning necessary for effective interaction. As socialization experiences can vary considerably within sex, some researchers have found gender role identity (masculinity, femininity, or androgyny of self concepts, e.g., Bem 1981) to be a better predictor of behavior than biological sex in some contexts (Deaux and Major 1987).

The structural perspective argues that men and women have similar values and traits and will respond similarly in the same work environments. However, men and women performing the same job do not necessarily face the same work environment as discrimination, sexual stereotyping, and external role relationships are key structural factors that differentially effect men and women. Comer and Jolson (1991), for example, found that women still face barriers in gaining entry to some selling jobs, have been subjected to biased treatment based on sales managers' beliefs in gender stereotypes. However, as structural differences are reduced by social and organizational change, some sex differences may be reduced or even eliminated (Schul and Wren 1992).

While theoretical rationale for sex differences has not always been made explicit, organizational researchers have found sex differences in such areas as management styles (Statham 1987); network development (Ibarra 1992), and superior-subordinate relationships (Tsui and O'Reilly 1989). In marketing research, Meyers-Levy and Sternthal (1991) found sex differences in the processing of information for making judgements, but Whipple and Simmons

(1987) found that sex was not a factor in the evaluation of decision criteria. Worth, Smith and Mackie (1992) found preferences for gender-typed products consistent with gender schema but Schmidt, Leclerc and Dube-Rioux (1988) found gender schema did not effect consumer attitudes towards advertising, packaging, or choice.

In sales research, Schul and Wren (1992) found few sex differences in sales representative job attitudes and performance outcomes that had been evident in the 1970's and 1980's. In contrast to earlier studies, Schul, Remington, and Berl (1990) found more similarities than differences among male and female industrial sales-people in terms of how they respond to supervisory reward and punishment behaviors. While sex differences in buyer-seller relationship management remain relatively unexplored, men and women have been found to be perceived by buyers as having different strengths in managing working relationships (Swan et al. 1984). Bejou and Palmer (1994) examined customer perceptions of sales representative empathy, pressure, and ethics and found some, but ambiguous, differences in same-sex and cross-sex dyads.

Disparate results relating to sex differences in the working relationship literature may reflect differences in the types of relationships being studied. Attribution theory suggests that the sex of exchange partners may have a greater impact in transactional exchange or early in on-going exchange relations when participants have no relational experience on which to base expectations. Young and Wilkinson (1989), for example, found such role attributions in customer evaluations of salesperson trustworthiness. The communications literature suggests that differences in communication patterns may be more influential in on-going relationships (cf., MacLeod, Scriven and Wayne 1992; Mohr and Nevin 1990).

Together, the organization, marketing, and sales literatures suggest there may be some sex and gender differences in work relations but these may be less ubiquitous than previously thought and may be manifest differently in transactional and on-going relationships. Combined with the increasing importance of managing buyer-seller relationships, this suggests a need for research on the effects of sex and gender on these relationships. This paper begins to address this gap by examining the extent to which male and female financial service representatives manage on-going customer relationships similarly or differently and whether sex differences impact the quality of the working relationships.

RESEARCH HYPOTHESES

For complex, customized services delivered to relatively unsophisticated buyers in a dynamic and uncertain environment, such as with financial services, effective relationship management is particularly critical (Crosby, Evans and Cowles 1990) as it can provide a source of competitive advantage and profit for the seller and reduced risk, uncertainty and transaction costs for the buyer. While there are many objective and subjective indicators of effectiveness this study focuses on the quality of the salesperson-customer relationship, as perceived by the customer. This subjective indicator of effectiveness is consistent with previous studies of working relationships (e.g., Crosby, Evans and Cowles, 1990) and may better reflect the nature of a relationship than objective measures that can be confounded by competitive and environmental factors (Gladstein 1984). Drawing on the biological and socialization perspective of sex differences, hypotheses are developed linking sex, aspects of relationship management, and relationship quality.

Relationship Quality

Relationship quality is an overall assessment of the strength of a relationship and the extent to which a relationship meets the needs and expectations of the parties based on based on a history of successful or unsuccessful encounters or events (Crosby, Evans and Cowles, 1990). A higher order construct, it is concerned with the extent to which relators trust each other and are satisfied with the relationship. Trust, the confident belief that the salesperson can be relied upon to behave in such a manner that the long-term interest of the customer will be served (e.g., Anderson and Narus 1990), is thought to be a building block or foundation for satisfactory interactions. Satisfaction, the emotional state that occurs in response to an evaluation of interaction experiences in relation to alternatives (Westbrooke 1981), serves to strengthen bonds of trust. Hence trust and satisfaction are intimately entwined in assessments of the quality of a relationship.

Relational Management

Relational management is the extent to which salespeople proactively cultivate and maintain close working relationships. It is a higher-order construct representing the mix of behaviors, approaches, and styles used to manage a relationship. Among many facets of relationship management, six stand out in social exchange theory and the extant literature and are considered in this study: Communication quality is the degree to which salespeople communicate openly, sincerely, and substantively with customers (Crosby and Stephens 1987). Communication style is the nature or approach salespeople take in the delivery of information to customers (Norton 1978).

Forbearance from opportunism is the extent to which salespeople are perceived as acting in the interest of a long term relationship, and not being cheatful, deceitful, or misleading to customers (cf., John 1984). Ethical orientation is the extent to which sales representatives are perceived to adhere to an acceptable moral code of conduct in their interactions with customers. (Whalen, Pitts, and Wong 1991). Selling/customer orientation (SOCO) is the degree to which salespeople practice the marketing concept by trying to help their customers make purchase decisions that will satisfy customer needs (Saxe and Weitz 1982). Finally, constructive conflict resolution is the degree to which salespeople have skill in resolving conflict collaboratively or accommodatively minimizing dysfunctional or destructive feelings (Anderson and Narus 1990)

Exchange theory suggests that these facets of relational management facilitate exchange by removing barriers of risk and uncertainty, signalling commitment to making relationship work, and enhancing norms of reciprocity and fair exchange which facilitate bonds of trust and satisfaction in a working relationship (cf., Blau 1964). Empirically, the importance of relational management for quality relationships is well documented. Crosby, Evans, Cowles (1990), for example, found the selling behaviors of mutual disclosure, perceived cooperative intentions, and contact intensity to be a key determinant of relationship quality with life insurance customers. Other buyer-seller and channel relationship studies have linked trust and satisfaction to aspects of relationship management such as: constructive conflict resolution (Lau 1990); open communication (Anderson and Narus 1990); and forbearance from opportunism (Smith 1993). Consistent with these finding we hypothesize that:

H1 Relationship management in terms of communication quality, communication style, forbearance from opportunism, ethical orientation, selling/customer orientation, and constructive conflict resolution will positively affect relationship quality.

Sex

Biological sex rather than gender role identity was chosen as focal construct because marketing researchers have found sex to be as relevant, and sometimes more relevant, than gender role in understanding a variety of consumer processes and behaviors (Schmidt, LeClarc and Dube-Rioux 1988). Sex is an immediately apparent classification category and sellers and consumers may have well developed sex based schema for exchange (Deaux and Major 1987).

Stereotypes of interpersonal relationship management suggest that through biology or cultural socialization, women tend to be more concerned with relationships, develop closer relationships, and are more concerned than men with helping others achieve their goals (Gilligan 1982). This combined with observed differences in communication and interaction styles (e.g., Carli 1989); management styles (Statham 1987); work and personal values (Feather 1987), and ethical orientation (Betz, O'Connell, and Shepard 1989) suggest saleswomen may manage customer relationships differently then men and may have greater customer relationship management skills.

There is equally compelling evidence, however, to suggest there are no sex differences in customer relationship management. Work role socialization, training, or natural selection may reduce any biological or culturally socialized sex differences. To be successful, saleswomen may adopt more typically masculine traits such aggressiveness and goal orientation while successful salesmen may adopt more typically feminine traits such as a relational orientation. Empirically, recent studies have found more similarities than sex differences in salespeople attitudes, motivation, and outcomes and evidence against stereotypical weaknesses of saleswomen (Schul and Wren 1992).

As the relationship between sex and relationship management is equivocal and the type one error of falsely concluding support for a difference where none exists has important implications for recruiting, training, and directing salespeople we hypothesize:

H2 Sex of the sales representative does not affect relationship management in terms of communication quality, communication style, forbearance from opportunism, ethical orientation, selling/customer orientation, and constructive conflict resolution .

In addition to indirect effects through relational management, sex may also have a direct bearing on relationship quality. Interaction theories, for example, suggest that characteristics of relators can impact the nature and quality of the interaction. Differences between men and women in beliefs, attitudes, and values (e.g., Feather 1987) may impact customer interactions. From a role theory perspective, customers may have different role expectations for male and female sales representatives which could influence their evaluation of a relationship. Hall (1993), for example, found that sex of the service provider influenced customer perceptions of good service in restaurants. On the other hand, salespeople are trained to be adaptive to the selling context and men and women have been found equally effective in performing the selling role (e.g., Kanuk 1978). Putting the onus on demonstrating a sex difference, we hypothesize:

H3 Sex of sales representative does not affect relationship quality.

METHOD

Study hypotheses were tested using regression and discriminant analysis on data collected from participants of the Arkansas Household Research Panel. A total of 416 questionnaires were mailed by the panel administrator to the panel members and 300 usable questionnaires were returned (72% response rate). Non-response bias was considered not to be an issue due to the high response rate, which likely reflects study relevance and financial incentives for panel participation. The 300 respondents reported on relationships with 135 saleswomen and 165 salesmen. Reports on saleswomen came from 23 female customers, 62 male customers, and 50 customers who did not give their sex. Reports on salesmen came from 85 female customers, 78 male customers, and 2 customers who did not give their sex. While the sex of the customer might be expected to affect the relationship management behaviors of sales representatives, this analysis was beyond the scope of the research and thus all reports were examined in the study. Finally, the relationships varied considerably in length and in contact frequency, suggesting that stronger nd weaker relationships were represented in the sample.

Constructs were operationalized using summed scales adapted to this research context from existing scales in the literature. The trust component of relationship quality was measured with an eight item scale adapted from Swan et al.'s (1988) scale. Satisfaction was measured with a four item scale adapted from Rusbult (1983). Communication quality was measured with ten items based on Crosby and Stephens' (1987) scale. Communication style was measured with eleven items adapted from Norton (1978). Forbearance from opportunism was measured with two items modified from John (1984). Ethical orientation, was measured using Whalen, Pitts, and Wong's (1991) seven item scale. Selling/customer orientation was measured with twenty-four items adapted from Saxe and Weitz (1982). Constructive conflict resolution was measured with four items adapted from Anderson and Narus (1990). Finally, sales person expertise (3 items) and relationship duration (1 item) were measured for control purposes to minimize confounding structural differences in relationship contexts (e.g., Schul and Wren 1992). Most items were specified as 7 point Likert scales and some were reversed scaled to reduce bias.

ANALYSIS AND RESULTS

Stepwise regression analysis was used to assess the extent to which sex and the relational management constructs communication style, communication quality, forbearance from opportunism, ethical orientation, selling/customer orientation, and constructive conflict resolution explained variance in the relationship quality facets of trust and satisfaction beyond that explained by expertise and relationship duration. Standardized beta coefficients (Table 1, combined) found that constructive conflict resolution and expertise were key predictors of both customer trust and satisfaction. Ethical orientation, forbearance from opportunism and to a lesser extent selling/customer orientation were important predictors of customer satisfaction but not trust. Communication style, communication quality, relationship duration, and salesperson's sex were not significant predictors of trust or satisfaction. Thus partial, but not overwhelming support was found for hypothesis 1.

While salesperson's sex was not a predictor of relationship quality, some sex differences were found in determinants of customer trust and satisfaction (Table 1). For male but not female sales representatives, expertise, communication style, and ethical orientation were key predictors of customer trust and forbearance from opportunism and expertise were predictors of customer satisfaction. For both male and female sales representatives, constructive conflict resolution was important for customer trust and satisfaction, while ethical orientation was important for customer satisfaction. Variance explained by predictors of customer satisfaction and predictors of customer trust was significantly different for male and female sales representatives ($p < .05$).

Finally, discriminant analysis was used to assess the extent to which men and women manage relationships differently. Relational management and control constructs were entered in a stepwise fashion using an eigenvalue of 1 as the cut-off criterion and minimization of Wilks' Lambda as the function objective. In order of importance, the relational management constructs forbearance from opportunism, communication quality, and constructive conflict were found to discriminate male and female salespeople beyond differences expertise and relationship duration.

The overall results of discriminant analysis are shown in Table 2. Different sample sizes (male=165, female=135) with equal prior probabilities resulted in significant classification accuracy for the two groups. One canonical discriminant function was estimated with canonical correlations of .5138 and 5 degrees of freedom. The function as indicated by Wilks' lambda of .7360, was statistically significant at the .0001 level. The results were validated using a holdout procedure. Half the sample was used to develop the function and 83% of these cases were classified correctly. In the hold-out sample, 75% of the cases were classified correctly. Examination of the standardized discriminant function coefficients (see Table 2) suggests that the salesmen are perceived to be slightly more opportunistic and engage in higher quality communication than saleswomen, but resolve conflict less constructively.

Males were also perceived to have slightly greater expertise and were involved in longer relationships with customers. Thus there is evidence to suggest men and women differ in at least some aspects of relational management, partially refuting hypothesis 2, although these differences are in a matter of degree and there was no discriminating power in an equal number of relational constructs.

DISCUSSION

The finding that some aspects of relational management positively affect relationship quality adds further empirical support to the findings of Crosby, Evans, and Cowles (1990) that support the importance of conflict resolution and other relational skills in sales training. However, the finding that other aspects of relational management, including selling/customer orientation, had no impact on relationship quality, suggests there may be some limits on the benefits of relational management and indicates a need for further investigation on the construct. The finding that sales representative sex had no direct effect on customer perceptions of relationship quality but had some indirect effect through the differential importance of aspects of relational management provides further support for Kanuk's (1978) premise that men and women are equally effective in sales roles but may go about the job differently. Our results suggest that to foster quality relationships, saleswomen need to demonstrate ethics and constructive conflict resolution while salesmen need to focus on these and perceived communication style, opportunism, and expertise. This implies that different sales training may be required for men and women.

Although sales men and women were perceived to differ in opportunism, conflict resolution, and communication quality other aspects of relational management were not useful in discriminating male and female sales representatives. This is consistent with the more recent studies of men and women in sales that have found more similarities than differences (cf., Schul and Wren 1992; Schul, Remington, and Berl 1990). While sex differences in relational management may not be ubiquitous, some differences seem evident. Future research is required to assess the extent of these differences in different sales contexts and determine whether sex differences are meaningful from a performance perspective. In particular future research needs to address the key limitation of this study and examine differences in same sex and cross sex dyads.

TABLE 1 Regression Results
Beta

	Combined	Male Reps Trust	Female Reps
Expert	.281	.282	.--
Conflict	.345	.261	.457
Comm Style	.--	.225	.--
Ethic	.--	.184	.--
SOCO	.--	.--	.--
Opport	.--	.--	.--
CommQual	.--	.--	.--
Rel Dur	.--	.--	.--
Sex	.--		
R Square	.30	.40	.21

	Beta		
	Combined	Male Reps	Female Reps
Satisfaction			
Ethic	.380	.301	625
Conflict	.321	.365	409
Expert	.193	.289	n.s.
Opport	.210	.165	n.s.
SOCO	.093	.--	.--
Comm Style	.--	.--	.--
CommQual	.-- .--	.--	
Rel Dur	.--	.--	.--
Sex	.--		
R Square	.77	.82	.63

TABLE 2
Discriminant Results

Step*	Variable	Wilk's Lambda	Signif.	Coefficients Male	Coefficients Female
1.	Forbearance from Opportunism	.950	.03	2.74	2.43
2.	Communication Quality	.883	.00	.89	.13
3.	Constructive Conflict Resolution	.849	.00	.73	1.04
4.	Expertise	.801	.00	1.98	1.70
5.	Relationship Duration	.788	.00	.70	.46
	(Constant)			32.05	29.67

* Step Entered

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A TEST OF FOUR SERVICE QUALITY MEASUREMENT SCALES: THE CASE OF THE AUSTRALIAN ADVERTISING INDUSTRY

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Abstract

To establish enduring and profitable relationships with their client base, service firms generally aim to differentiate their offering on the basis of service quality, a rather elusive concept. As a result of an active stream of research in the area of service and relationship marketing, the issue of measuring Service Quality has been widely debated in the literature. Two main scales have been developed and critisised in the last few years, SERVQUAL and SERVPERF. Two weighted versions of these two scales have also been used. This study attempts to identify which one of these four alternatives would be best suited for the purpose of Australian Advertising agencies. The weighted SERVPERF was found to be the best overall predictor of service Quality. Limitations and suggestions for further research are presented in the conclusion of the paper.

1-Introduction

As the service sector continues to grow, many service businesses are faced with the dual challenges of intensifying competition, due to deregulation, and declining profitability, due to the recession (Bitner, 1990). In an effort to profitably differentiate themselves, the most successful service companies compete on the basis of high service quality (Berry and Parasuraman, 1993). The benefits of this strategy, apart from competitive differentiation, include enduring customer relationships, favourable customer word-of-mouth advertising, higher employee moral and greater productivity (Berry and Parasuraman, 1993).

Enduring customer relationships, and thus customer retention, are critical for the survival of any firm (Davidow,1986). Ensuring customer service, therefore, must become a central part of any firms marketing strategy, as it results in greater customer satisfaction and hence loyalty according to Christopher, Payne and Ballantyne (1991). They further suggest that Relationship Marketing, which aims to make customer repeat buyers, can be best described as a concept integrating customer service, quality and marketing (Christopher, Payne and Ballantyne, 1991).

So intricately linked are those concepts that it has been argued that the quality of the buyer-seller relationship, once established, could well supersede any other components of what a service firm offers, becoming the single determinant of perceived quality from the customers point of view (Lewis, 1989).

The particular case of the Australian advertising agencies illustrates the circumstances of a service industry under increasing pressure (Fox, 1994; Shoebridge, 1993). Most advertising budgets were cut or frozen during the recession, leading to more than 100 advertising agencies closing or merging since 1989. A survey by the Advertising Federation of Australia (Shoebridge, 1993) found that agencies' billings - the money spent through an agency by its clients - grew 4.7% during 1992. But agencies' revenue - their commissions and fees - increased just 1.1%. For the same year, agencies' average profit after tax, expressed as a percentage of billings, was a miserable 1.4%.

The result of poor service quality for advertising agencies can be ultimately measured in terms of terminations of agency-client relationships. An Advertising Agency Image study conducted in 1993 revealed a total of 68% of marketers (clients) had changed agencies in the last 2-3 years or had seriously considered it, compared to 62% in 1991(AMR:Quantum, 1993). This suggests that there is an opportunity for agencies to improve their relationships with clients and therefore their financial standing, by focussing on service quality.

Service quality is an elusive and abstract construct that is both difficult to define and measure (Brown and Swartz, 1989; Carman, 1990; Parasuraman, Zeithaml, and Berry, 1985, 1988; Rathmell, 1966). Unlike goods, whose quality can be measured objectively by such indicators as durability and number of defects (Parasuraman, Zeithaml, and Berry 1988), services have unique features such as intangibility, heterogeneity, and inseparability of production and consumption (Parasuraman, Zeithaml, and Berry 1985). In the absence of objective measures of service quality, a more subjective approach, measuring consumers' perceptions and expectations of quality, is appropriate (Parasuraman, Zeithaml, and Berry, 1988).

The specification and measurement of service quality have received a lot of attention in recent marketing literature. The debate has centred around the SERVQUAL measure of service quality, which was developed by Parasuraman, Zeithaml, and Berry (1985 and 1988). However, the basis of their model, which measures the difference between consumers' perceptions and expectations of a particular service, has been called into question. Cronin and Taylor (1992) argue there is little theoretical or empirical evidence to support the relevance of the expectations-perceptions gap as a basis for measuring service quality (Cronin and Taylor, 1992; Carman, 1990). Based on what they perceive are conceptual and definitional problems, they suggest a simple performance-based measure of service quality, named SERVPERF, is more appropriate. Their measure is essentially based on consumers perceptions of actual performance.

2- Aim of the study

The ultimate objective of this study is to ascertain which measurement scale (SERVQUAL, SERVPERF, weighted SERVQUAL or weighted SERVPERF) advertising agencies should use to best measure service quality as perceived by their clients.
While the practical applications of this study to the advertising industry are obvious, the results of this study will also build onto the limited empirical evidence that currently exists in the literature. Only one published study directly compares the SERVQUAL, SERVPERF, weighted SERVQUAL and weighted SERVPERF measurement scales and no such study has analysed Australian data. No previously published service quality studies have analysed empirical evidence from professional service providers such as advertising agencies.
The paper will present the data and methodology of a survey of major advertisers, the results of which are used to compare Cronin and Taylor's (1992) alternative measurement scales with the original SERVQUAL measure. The paper will conclude by providing some of the implications of the study for advertising agencies and future research.

3- Perceived Service Quality

The most popular and consistent definition of perceived service quality in the literature is one that likens the concept to that of an attitude. For example, Parasuraman, Zeithaml and Berry (1988) define perceived service quality as "a global judgement, or attitude, relating to the superiority of the service" and Castleberry and McIntyre (1993) define perceived service quality as "a belief (or attitude) about the degree of excellence of a service.....".
Parasuraman, Zeithaml and Berry (1988) emphasise that the term "expectations" is used differently in the service quality literature where it represents what customers feel the service provider **should** offer than it is in the consumer satisfaction literature where it represents the customers beliefs about what the service provider **would** offer (Teas, 1993; Oliver, 1981). Recently, a number of researchers examining service quality issues have adopted the former conceptualisation of expectations (Brown and Swartz 1989; Carman 1990) despite some arguments opposing this view (Cronin and Taylor, 1992).
In the case of advertising agencies, service quality as perceived by advertisers may be defined as "an attitude of advertisers relating to the superiority of agencies' services" or, "the discrepancy between advertisers' perceptions and expectations of agencies' services".
Oliver (1981) defines satisfaction as follows: "(satisfaction is a) summary psychological state resulting when the emotion surrounding disconfirmed expectations, is coupled with the consumers' prior feelings about consumption experience". He goes on to summarise the nature of satisfaction, and differentiates it from attitude, as follows: "attitude is the consumer's relatively enduring affective orientation for a product, store, or process while satisfaction is the emotional reaction following a disconfirmation experience which acts on the base attitude level and is transaction-specific" (Oliver, 1981).
Since perceived service quality is defined as an attitude, the distinction between attitude and satisfaction is argued to be the same as the distinction between perceived service quality and satisfaction (Parasuraman, Berry and Zeithaml 1988). Bitner (1990) sums up this conceptualisation of satisfaction and quality as follows: "....(customer satisfaction with) individual (service) encounters are nested within broader....customer perceptions of service quality" (Parasuraman, Zeithaml and Berry 1988).
In relation to advertising agencies' services, perceived service quality and advertiser's satisfaction can be conceptualised by the following: "perceived advertising agency service quality is the advertiser's relatively enduring affective orientation for agency services, while satisfaction is the emotional reaction following a disconfirmation experience which acts on perceived service quality and is transaction-specific".
Carman (1990) was the first to criticise the perceptions-minus-expectations operationalisation of SERVQUAL. His criticisms were based on theoretical rather than empirical evidence, which supported the SERVQUAL measure. He attempted to answer these criticisms within the framework of the original service quality model with important extensions to the SERVQUAL measure.
Cronin and Taylor (1992) also criticise the perceptions-minus-expectations operationalisation of SERVQUAL. They argue that the theoretical evidence suggests that the underlying service quality model developed by Parasuraman, Zeithaml and Berry (1985) is flawed. Therefore, based on their own service quality model, they

develop alternative measurement scales which are based on service performance (or perceptions) rather than perceptions minus expectations. They empirically test these alternative scales along with the SERVQUAL scale in four previously untested service settings. They argue the results of their tests prove that their performance-based measures of service quality are superior to the SERVQUAL measurement scale. Table 1 below summarises the main similarities and differences between the two approaches.

Table 1- Similarities and Differences between SERVQUAL and SERVPERF

	SERVQUAL (Parasuraman et al, 1988)	SERVPERF (Cronin and Taylor, 1992)
Aim	Measures Service Quality	Ditto
Basis for Service Quality	Performance-Expectation	Perceived Performance
Methodology used	Structured Questionnaire	Ditto
Questionnaire design	Statements with 7-point scale	Ditto
Sample size	200	183

Cronin and Taylor (1992) tested the ability of their performance-only measurement scale, SERVPERF (equation 1) compared to three alternatives, SERVQUAL (equation 3), weighted SERVQUAL (equation 4) and a weighted SERVPERF (equation 2) measurement scale.

$$\text{Service Quality} = (\text{Perceptions}) \quad (1)$$
$$\text{Service Quality} = \text{Importance} * (\text{Perceptions}) \quad (2)$$
$$\text{Service Quality} = (\text{Perceptions} - \text{Expectations}) \quad (3)$$
$$\text{Service Quality} = \text{Importance} * (\text{Perceptions} - \text{Expectations}) \quad (4)$$

The addition of measurement scales with importance weights followed Carman's (1990) criticism that each of the items in the SERVQUAL scale should be weighted according to their relative importance in achieving overall service quality. Based on their interpretation of the attitude and satisfaction literatures, Cronin and Taylor (1992) hypothesised the addition of importance weights would not improve either the SERVPERF or SERVQUAL scales.
The proposition behind their investigation was as follows: An unweighted performance-based measure of service quality (SERVPERF) is a more appropriate basis for measuring service quality than SERVQUAL, weighted SERVQUAL, or weighted SERVPERF.
Cronin and Taylor (1992) is the only study to compare the four service quality models and an opportunity exists to re-test these models in the context of a previously untested service setting, such as advertising services. In such a test the limiting assumption of unidimensionality can be lifted and meaningful conclusions can be drawn with respect to the four measurement scales.

4- The study

From a theoretical standpoint it is perhaps easier to defend SERVQUAL as a superior measure of perceived service quality compared to SERVPERF. The SERVQUAL measurement scale followed a more scientific approach to scale development and is more firmly based on the literature than the SERVPERF scale.
If SERVQUAL appears conceptually more apt to measure perceived service quality, one would expect that it could do so empirically also. Therefore, the hypothesis tested in the following research is as follows:
The SERVQUAL measurement scale is the better predictor of overall perceived service quality of Australian advertising agencies than the alternative three measurement scales used in the Cronin and Taylor's study, as measured by the adjusted goodness of fit (R^2).
To evaluate the above hypothesis, the study examined 182 responses from a sample of major Australian advertisers. A further 49 responses were received but could not be used. Of these, 29 were refusals or incorrectly filled responses and 20 were replies from companies not presently using the services of an advertising agency. The total number of surveys posted was 350, therefore, after adjusting the sample size for advertisers not using agencies, the response rate was 55%. This sample size compares well with the studies conducted by Cronin and Taylor (1992) and Parasuraman, Zeithaml and Berry (1988), where the size of the samples analysed were 183 and 200 respectively.
The sampling frame was selected from the "B & T Advertising, Marketing and Media Year Book, 1993" (Thomson Business Publishing). This publication profiles major advertisers in Australia and includes

information on the marketing and management personnel of each company. This information was used to target directly those people most likely to be in direct contact with an advertising agency.
Cronin and Taylor's (1992) questionnaire proforma was used to enable direct comparison with the study. Minor wording adjustments were necessary to customise the survey for the new service setting of advertising (Carman, 1990). The data collected for the study included, expectations of service quality, perceptions of performance, and importance measures. These were used to construct the four alternative measures of service quality. A measure of consumer satisfaction, a direct measure of service quality, and a measure of future purchase intentions were also collected. The first 22 expectation and performance items were derived directly from the SERVQUAL scale (Parasuraman, Zeithaml and Berry, 1988). The importance measures were adapted from the wording of the expectation and performance items included in the original SERVQUAL scale (Cronin and Taylor, 1992). The addition of items 23 and 24 was made to further customise the survey, in line with recommendations by Parasuraman, Zeithaml and Berry (1988) and Carman (1990). The direct measure of service quality was based on responses to a 7-point semantic differential question. Self-report measures of consumer satisfaction and purchase intentions were constructed similarly (Cronin and Taylor, 1990).
A mail survey, including a prepaid return envelope, was used. The personal interview method of data collection has been predominantly used in previous studies because the sampling frame has been in a localised area. In the case of a national survey, such as the one conducted in this study, this was not practical. The sample size is comparable to previous studies, therefore there should be no resulting biases from using this method.
The analysis of data was conducted in two stages. The first stage determined the dimensionality of the four service quality models tested, following the procedure outlined by Parasuraman, Zeithaml and Berry (1988). The second stage involved regressing these four structural models against the overall service quality variable to determine which scale is the best predictor of perceived service quality, in the case of advertising services.
Following the analysis procedure detailed by Parasuraman, Zeithaml and Berry (1988), each scale was factor analysed using the principal axis factoring procedure (Harmon, 1976). The analysis was constrained a priori to ten factors and each scale was rotated orthogonally (using the VARIMAX procedure in FASTAT). The number of factors retained were those with eigenvalues greater than one. Factors below this number could not be interpreted (Carman, 1990).
In contrast to the Parasuraman, Zeithaml and Berry (1988) study, the orthogonal rotations yielded factor-loading matrices that could be interpreted. Parasuraman, Zeithaml and Berry (1988) found it difficult to interpret their orthogonally rotated factor patterns, so they proceeded using an oblique rotation procedure to allow for intercorrelations among the dimensions and easier interpretation. The ease of interpretation of the orthogonal rotations in this study suggests that intercorrelations among remaining dimensions, in each of the scales, are negligible in the context of advertising services.
Several items in the factor-loading matrices had high loadings on more than one factor. When such items were removed from the factor-loading matrices, several factors themselves became meaningless because they had near-zero correlations with the remaining items, thereby suggesting a reduction in the presumed dimensionality of the service quality domain (Parasuraman, Zeithaml and Berry, 1988). The resultant deletion of certain items necessitated the recomputation of the factor structures of the reduced item pools. This iterative sequence of analysis was repeated a few times on each of the scales examined and resulted in a final pool of items representing distinct dimensions (Parasuraman, Zeithaml and Berry, 1988). Each scale produced differing factor-loading matrices and therefore each has unique dimension and item constructions.
In a similar approach to Cronin and Taylor (1992), structural models representing the four measurement scales were correlated with the variables, overall service quality, satisfaction and future purchase intentions, to assess the convergent and discriminant validity of each construct.
On determining their dimensionality and validity, each of the alternative measurement scales were compared by following the procedure employed by Cronin and Taylor (1992). That is, the ability of each of the four scales to explain the variation in service quality was assessed, by regressing the individual items, comprising each of the alternative scales, against a measure of advertisers' perceptions of the overall service quality of their agency and comparing the adjusted goodness of fit.

5- Empirical results

5-1 Dimensionality

The original service quality dimensions, as presented in Parasuraman, Zeithaml and Berry (1988), are tangibility, reliability, responsiveness, assurance (includes communication, credibility, security, competence and courtesy) and empathy (includes understanding and access). Carman (1990) found that when dimensions of service quality are particularly important to customers, they are likely to break that dimension into subdimensions. In the study reported here, this occurred across all the measurement scales. The items included for customisation purposes (Q23 and Q24) loaded onto a unique factor in each case. These two items relate to agency production or output and so the dimension is henceforth named, "output".

In the case of SERVQUAL, four iterations resulted in five final dimensions (Tangibility, Output, reliability, Assurance and empathy) explaining some 71.922% of the total variance. The weighted SERVQUAL, also resulted in the same 5 dimensions this time explaining 76.687% of the Total Variance. Four iterations were also necessary in the case of SERVPERF, with a final five dimensions (Tangibility, Output, Reliability, Assurance and Empathy/Responsiveness) explaining some 76.645 % of the Total variance. Finally the same five dimensions were found to explain 81.978% of the Total variance when the Weighted SERVPERF was used. Results of the final iteration for each scale are provided in Table 2.

Table 2- Dimentionality of Alternative Measurement scales

SERVQUAL			Weighted SERVQUAL			SERVPERF			Weighted SERVPERF		
Dimension	Items	Loadings	Dimension	Items	Loadings	Dimension	Items	Loadings	Dimension	Items	Loadings
Tangibility	Q3	0.845	Tangibility	Q2	0.867	Tangibility	Q1	0.613	Tangibility	Q2	0.888
	Q4	0.804		Q3	0.734		Q2	0.833		Q3	0.873
				Q4	0.807		Q3	0.699		Q4	0.901
							Q4	0.807			
Output	Q23	0.869	Output	Q23	0.873	Output	Q23	0.913	Output	Q23	0.897
	Q24	0.851		Q24	0.860		Q24	0.908		Q24	0.898
Reliability	Q5	0.879	Reliability	Q5	0.888	Reliability	Q5	0.882	Reliability	Q5	0.874
	Q7	0.846		Q7	0.853		Q7	0.852		Q7	0.837
	Q8	0.881		Q8	0.889		Q8	0.906		Q8	0.900
Assurance	Q14	0.884	Assurance	Q14	0.902	Assurance	Q14	0.903	Assurance	Q14	0.813
	Q15	0.878		Q15	0.848		Q15	0.776		Q15	0.803
										Q16	0.698
Empathy	Q18	-0.850	Empathy	Q19	-0.830	Empathy	Q18	-0.889	Empathy	Q18	-0.911
	Q19	-0.821		Q21	-0.801		Q19	-0.868		Q19	-0.902
							Q13	-0.719		Q2Q	-0.742
% of total variance explained		78.922			76.787			76.645			81.978

This result provides strong validation for the empirical method used in the analysis. The weighted SERVPERF scale explained more of the total variance than any other measure. However, the alternative scales were also quite high compared to previous studies (Carman, 1990). Overall, the differences between the scales can at best be described as trivial and the results do not suggest that any one of the four scales performs better with respect to explaining service quality variations.

5-2 Validity

Validity was assessed by generating a correlation matrix (refer to Table 3) of the four service quality scales, overall service quality, satisfaction and future purchase intentions. While always subject to interpretation, the relatively high correlation between SERVQUAL and weighted SERVQUAL and overall service quality, as well as SERVPERF and weighted SERVPERF and overall service quality, suggests each has a degree of convergent validity (Cronin and Taylor, 1992).

Discriminant validity involves the extent to which a measure is novel and does not simply reflect some other variable. Churchill (1979) suggests assessing discriminant validity by determining whether the correlation of a measurement construct is higher with another variable than the one it was intended to measure. Discriminant validity can be assessed by comparing the correlations of each of the measurement scales to both overall service quality and satisfaction. It can be concluded, according to Churchill (1979), if a service quality scale correlates more with satisfaction than service quality it lacks discriminant validity. Using this rule, the results of this study found the SERVPERF, SERVQUAL and weighted SERVPERF measurement scales to have discriminant validity. The weighted SERVQUAL measure did not have discriminant validity in this study. (refer Table 3 below)

Table 3- Pearson Correlation Matrix

	Overall Service Quality	SERVPERF	SERVQUAL	Satisfaction	Purchase Intentions	Weighted SERVPERF	Weighted SERVQUAL
Overall Service Quality	1.000						
SERVPERF	0.508	1.000					
SERQUAL	0.552	0.736	1.000				
Satisfaction	0.839	0.501	0.541	1.000			
Purchase Intentions	0.247	0.089	0.094	0.249	1.000		
Weighted SERVPERF	0.426	0.783	0.491	0.416	0.132	1.000	
Weighted SERVQUAL	0.563	0.724	0.911	0.582	0.059	0.524	1.000

The literature suggests that the SERVQUAL measurement scale should be the best predictor of overall service quality. To test th:s hypothesis the structural models of the alternative measurement scales, determined in the first section of this chapter, were regressed with the dependent variable, overall service quality and the adjusted R^2's compared.
The use of the adjusted R^2 measure to determine which of the four measurement scales best predicts overall perceived service quality, is accepted in the literature (Cronin and Taylor, 1992; Parasuraman, Zeithaml and Berry, 1994). By definition, R^2 measures the proportion of the variation in the dependent variable (overall perceived service quality) accounted for by the explanatory variables (the service quality model, SERVQUAL, SERVPERF, weighted SERVQUAL or weighted SERVPERF) (Gujarati, 1988). An important property of R^2 is that it is a nondecreasing function of the number of explanatory variables present in the model. That is, as the number of regressors increases, R^2 almost invariably increases and never decreases. To compare the four R^2's, the number of explanatory variables in each model must be taken into account. The adjusted R^2 measure is adjusted for the number of degrees of freedom and parameters associated with each model. It is good practice to use adjusted R^2 rather than R^2 because R^2 tends to give an overly optimistic picture of the fit of the regression (Theil,1978).
In this study, the adjusted R^2 for each model was as follows,

SERVQUAL	0.49
WEIGHTED SERVQUAL	0.494
SERVPERF	0.504
WEIGHTED SERVPERF	0.511

This result rejects the hypothesis that SERVQUAL is the best predictor of overall service quality, because the weighted SERVPERF scale has the highest adjusted R^2. In this study, the SERVQUAL measurement scale has the lowest adjusted R^2 and is therefore the worst predictor of overall service quality. However, differences between the four scale could be characterised as trivial and do not suggest that any one of the scale is more suited than any of the four for measuring service quality.
An analysis of variance was further undertaken on each of the regression model to assess their significance. The F-Test showed that in all four cases, the regression models were significant at a confidence level superior to 99%, a result expected as factor analysis was used to boost the explanatory power of each of the models. Table 4 summarises the analysis of variance procedure undertaken.

Table 4 - Analysis of Variance of regression models

	F-Ratio	Degrees of Freedom Regression	Residual	P Value
SERVQUAL	15.872	11	159	.0000
SERVPERF	13.545	14	159	.0000
WEIGHTED SERVQUAL	14.693	12	156	.0000
WEIGHTED SERVPERF	13.781	14	157	.0000

6- Conclusions

The empirical research conducted in this study found the performance-based, weighted SERVPERF measure outperforms the SERVQUAL measurement scale. This suggests there are problems in the perceptions-minus-expectations operationalisation of SERVQUAL. Indeed, Teas (1993) argues that if perceived quality can be conceptualise as an attitude, the ideal standard of expectations could be interpreted to be similar to the ideal point specified in classic ideal point attitudinal models. However, the Performance-Expectation measurement specification suggests perceived service quality increases as Performance exceeds Expectations. In contrast, ideal point attitudinal models suggest that perceived quality might decrease as Performance exceeds the ideal point. Clearly then, the SERVQUAL Performance-Expectation measurement specification is not compatible with the classic ideal point interpretation (Teas, 1993).

A second interpretation of the SERVQUAL ideal standard of expectations is that it represents a feasible level of performance under ideal circumstances, i.e., the best level of performance by the highest-quality provider under perfect circumstances. Under this interpretation, it could be argued that the service provider's performance might exceed this standard and that perceived quality increases accordingly. However depending on whether the attributes are vector attributes or finite ideal point attributes, this feasible ideal point interpretation may not be justified.

Teas (1993) also argues that empirical research has identified important problems concerning the operationalisation of the service expectation concept. Firstly, the word "should" in expectation survey items may cause respondents to assign unrealistically high ratings to the expectation response scales. Secondly, on the basis of empirical results, Carman (1990) questions the validity of the expectations measure when consumers do not have well formed expectations. Thirdly, exploratory research by Teas (1993) suggests a considerable portion of the variance in responses to the SERVQUAL expectations scale is because of variance in respondents' interpretations of the question being asked rather than to variance in respondents attitudes.

In summary, there are a number of complex theoretical and definitional problems associated with the SERVQUAL perceptions-minus-expectations model. Therefore, removing the problematic expectations measure from the equation and measuring merely perceptions of performance (as SERVPERF does) may be more valid in measuring service quality.

The conclusions above present a dilemma. Expectations are important in determining service quality, yet it is operationally difficult to follow the SERVQUAL procedure. Carman (1990) offer two suggestions for resolving this dilemma.

The first is to collect the data in terms of the perception-expectation difference directly rather than ask questions about each separately. This technique is likely to be most useful in the advertising context where norms for expectations are likely to be well formulated in the respondent's mind from past experience. Each item in the perceptions battery could be answered on a five point scale as a comparison to expectations (Carman, 1990). For example, one question would read The visual appeal of the agencys physical facilities are (much better, better, about the same, worse, much worse) than I expected.

The second suggestion concerns how much experience the client should have with the agency before answering the expectations battery (Carman, 1990). It is reasonable to assume that the important decision-makers of major advertisers would have developed realistic expectations of advertising service quality from years of experience. Also, because advertising services are delivered within an enduring agency-client relationship the opportunity exists to establish realistic expectations upfront and review them as infrequently as yearly. Within this framework perceptions could be administered regularly and factor analysis conducted on the perceptions adjusted for the constant expectations.

Within the advertising industry, the next research step would be to investigate the relation between the perceived quality as measured by all four scales and subsequent actual advertiser behaviour. In other words, it would be useful to study whether the scales, by providing some indication as to perceived service quality, would also allow some predicability in terms of repeat business. As stated above, service quality is often an integral part of a customer retention strategy for service firms and assessing which scale predicts best the strength and the durability of the relationship may be more relevant to advertising agencies than predicting the abstract concept of perceived quality.

Finally, it may be desirable to test again the four measurement scales in a variety of service industries in order to assess whether there is consistency in terms of the best performing scale.

Should SERVPERF remain consistently superior in predicting Overall Service Quality, then the conceptual approach advocated by Parasuraman et al. would have to be fundamentally questioned and revisited.

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FROM TRANSACTION MARKETING TO RELATIONSHIP MARKETING: PROFILING ACTIVITIES THROUGHOUT THE CUSTOMER RELATIONSHIP LIFE CYCLE OF TOP ADVERTISING AGENCIES IN MALAYSIA

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ABSTRACT

Relationship Marketing Versus Transaction Marketing

Conventional empirical research in marketing have largely been based on manufactured products' context. On the other hand, in services, the marketing function is not confined to the domain of marketing specialists; it is extensively performed throughout the organisation, where the number of "part-time marketers" often exceeds the number of market researchers, sales personnel and communication experts. Gronroos (1994) asserted that should marketing be defined from the activity perspective, that is, merely based on the "Four P" model and the marketing mix paradigm, then this will surely constrict the growth of marketing knowledge.

A shift has occured from transaction marketing to relationship marketing (Christopher, Payne & Ballantyne 1991, Gronroos 1994). More applicable for consumer packaged products and consumer durables, transaction marketing focuses more on short-term sales, market share objectives and large, price-sensitive retail markets, with an emphasis on efficient orchestration of marketing mix tactics.

On the other hand, relationship marketing, deemed more relevant for services and industrial products, focuses more on long-term customer welfare and the use of interactive marketing supported by the marketing mix. Here, the more select, identifiable market comprises customers who are less price-sensitive but are more discerning about the quality of interactions. For companies in these industries, interface among marketing, operations and personnel exert

(Berry 1983, Gummesson 1987, Peters 1988). Thus, the following research questions are investigated: (1) How do advertising agencies seek new clients /accounts and develop agency-client relationships? and (2) what factors hinder the progression of agency-client relations, throughout the customer relationship life cycle of these agencies?

Ten senior account managers/executives from the five largest international Malaysian advertising companies were personally interviewed in-depth to profile "the best practices" in servicing clients. This method is preferred in view of the exploratory and descriptive nature of this study. These agencies have more than seven years' track record in industry, thereby experienced in handling long-term customer relationships and offering more comprehensive agency services. Two senior executives were interviewed from each agency to assure both content validity and criterion validity.

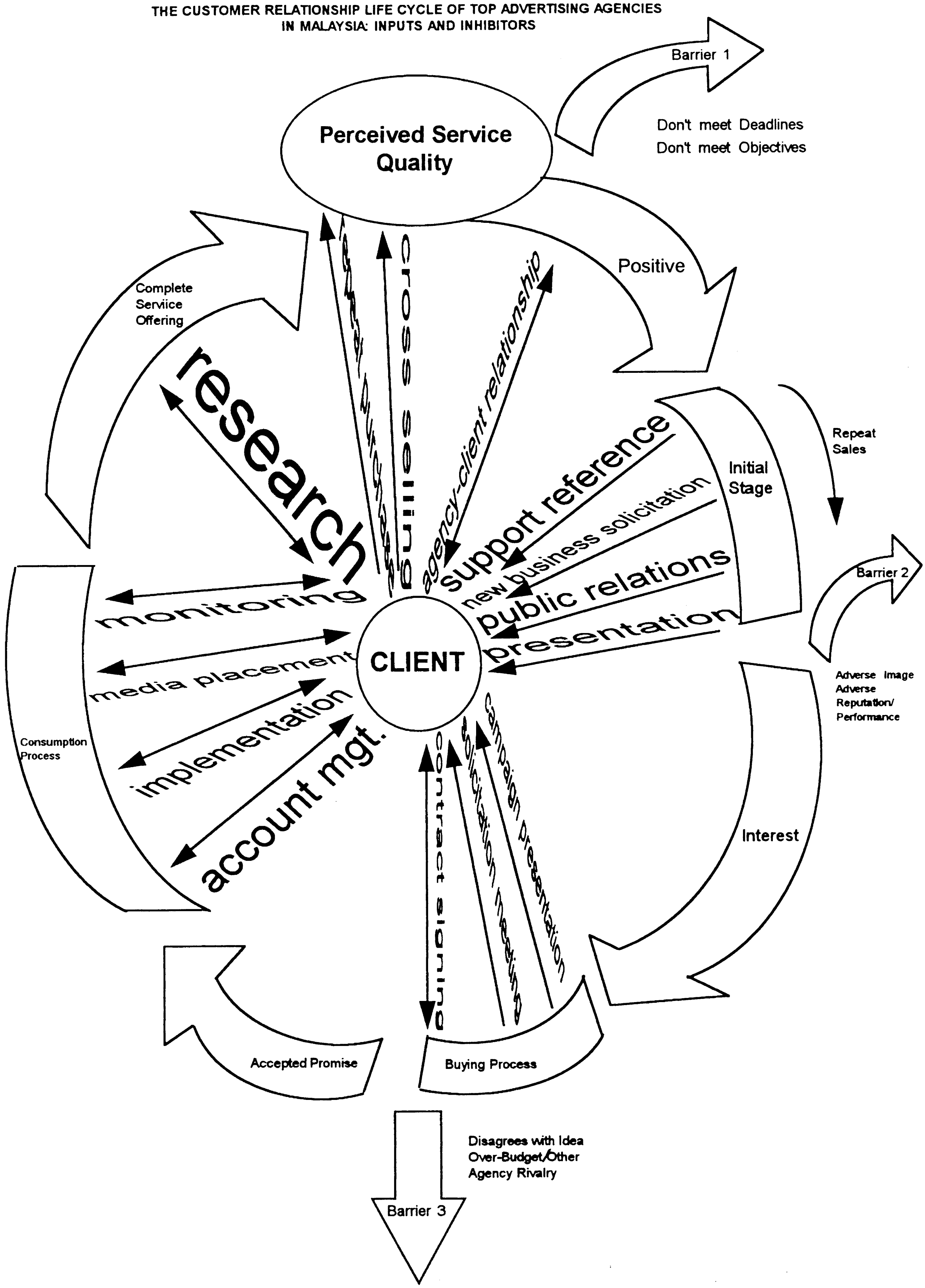
The executives were requested to describe the activities they actually undertook throughout the process of servicing their clients' needs, from the initial act of acquiring a new account until generation of repeat and cross-sales. Factors that hinder the process at each stage were then probed. Any differences in the type or range of services extended which might vary from account to account were also explored. A content analysis of the interview transcripts was made.

FINDINGS

The factors emerging as inputs and inhibitors in the perpetuation of this cycle are depicted in Figure 1.

Figure 1

THE CUSTOMER RELATIONSHIP LIFE CYCLE OF TOP ADVERTISING AGENCIES IN MALAYSIA: INPUTS AND INHIBITORS



Source: Based on Gronroos (1990)'s model (p. 130).

From the content analysis, some inhibiting factors or barriers towards services marketing in advertising agencies are found and these contribute towards developing a conceptual model of customer relationship life cycle in the advertising agency context. These are stated in the form of five propositions as suggested future research directions. These are: The nature of the service process of advertising agencies exerts influence on (1) the range and depth of services required by their client organisations, (2) the expenditure of their client on the advertising campaign, (3) agency-client relations thus developed, (4) the personnel factors involved in agency-client relationships and (5) the staff's professionalism involved in the advertising delivery, and vice versa.

Basically, service marketing activities of the advertising agencies studied are found to conform to Gronroos (1983)'s customer relationship life cycle model. This finding has thus implied a rich agenda for future research. In sum, the Malaysian advertising agency sector provides a good illustration of the need for a paradigm shift towards relationship marketing as a strategic marketing strategy, especially pertinent for services.

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CUSTOMER SATISFACTION IN TOURIST SERVICE ENCOUNTERS

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ABSTRACT

Relationship marketing which involves establishing, developing and maintaining success relational exchanges, constitutes a major shift in marketing thought. Commitment and trust between providers and recipients of services which are the key to understanding the relationship development process are also the focus of services marketing. One of the neglected areas of service marketing is tourism which is by far the largest service industry in most western nations. Operations are commonly focused on practical and tangible aspects of the service delivered. As a whole, the service industry delivers complex service experiences in the form of many subsequent service encounters like lodging, transport and sight seeing. We know little of how extended and complex tourist encounters affect the customer relationship. To fill this gap in the service literature this study sets out to explore how different qualities embedded in four distinct service settings (eating out, accommodation, renting a car and a sightseeing tour), referred to as *scapes*, impact on their respective global satisfaction scores. Applying a novel approach, respondents rated the service scape by proxy when evaluating a picture in which certain quality variables had been manipulated. Findings show that distinct quality variables were significant for different scapes and for respondents from different cultures. Managerial implications for the customer relationship are also discussed.

Session 15

Monday July 10, 1995

11.45 - 1.00 pm

15.1 CHALLENGES OF MARKETING AND ECONOMIC DEVELOPMENT : CONTEMPORARY ISSUES

ALTERNATIVE TRADE ORGANIZATIONS: AN EMERGING DISTRIBUTION SYSTEM FOR LESS DEVELOPED COUNTRIES

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ABSTRACT

Alternative trade, fair trade, and cooperative trade are all terms for an exchange of goods based on principles of economic justice, especially for the poor and powerless in the less developed countries. Numerous organizations, called alternative trade organizations, import farm products and handcrafts from these Third World nations and market them in the (over) developed countries.

This paper explores the nature of Alternative Trade Organizations (ATOs) , how and where they developed, and how they operate as a viable global distribution system.

THE WORLD TRADE SETTING

Marketing has played an important role in the development of industrialized countries. Until recently, however, its potential as a source of development in less developed countries (LDCs) has been largely ignored. The more recent discussion of this subject is driven by the notion that marketing has a potential to stimulate social as well as economic development, and that the economic and social roles of marketing need to be combined and adapted to the local environments of an international transaction (Hosley and Chow, 1988; Reddy , 1992; and Rao, 1992). As a response to this challenge, this paper explores the nature of Alternative Trade Organizations and their role in marketing products of less developed countries..

Beneath the din of battling rhetoric over new free trade agreements is a growing whisper that trade should be fair as well as free (Brown, Goold, and Cavanagh, 1992; Burkalter, 1992). What is fair trade? Too often "fair trade" has meant protected trade that favors a specific company, industry, or country. The act of trading implies an equal exchange between buyer and seller. But in today's world of transnational corporations (TNCs) , some argue that exchanges with Third World nations are anything but equal. The largest one hundred corporations in the world are all transnationals whose annual earnings each exceed the annual GDP of many developing nations (Dobson, 1993). Such size confers tremendous market power. TNCs control eighty percent of the world's land cultivated for export-oriented crops. Eighty to ninety percent of the trade in tea, coffee, cocoa, cotton, forest products, tobacco, jute, copper, iron-ore and bauxite is controlled by no more than six TNCs for each commodity (Dobson, 1992).

Some observers of international trade note that the growth of the transnationals during the last fifty years has come through exploitation of the natural and human resources of the less developed countries. Searching relentlessly for the cheapest sources of labor and raw materials, TNCs naturally migrate to small or weak nations where the corporation has the power advantage. Recently, Mexican Senator Sergio Quiros Miranda warned groups of small businessmen in his country, "Whenever you join in partnership with a business that is ten, fifty or 100 times larger and richer than you, you cannot expect to have equal say. What is sure to result is a subordinate relationship!" (Torres, 1992) For most of this century, TNCs have influenced governments (particularly the U.S.) to act in the world to protect the interests of business. If "the business of America is business", then protecting business interests was in the "national interest".

Now however, the interests of TNCs have grown beyond those of any one country. Corporations have replaced nations as the driving force behind efforts to manage the international trade system. Increasingly, international trade is occurring between subsidiaries and affiliates of the transnational corporations (Phillips, 1992; Kumcu and Vann, 1991). It is now the TNCs that benefit from less restrictive trade policies, not the trading nations as traditional economic policy suggests. A vertically integrated TNC trades not with other TNCs or countries, but between subsidiaries, within itself, across national boundaries. As nations compete for jobs by offering tax and financial incentives to TNCs, corporations simply shift their production and profits to more accommodating countries, leaving the former host countries in a financial and economic bind. Nations lose not only individual jobs but whole industries and often suffer severe environmental damage through this powerful corporate mercantilism (Phillips, 1992).

THE HISTORY OF ATOs

Is there an alternative to such unbalanced and seemingly exploitative trade? YES, say those in the alternative trade movement. Alternative trade directly connects consumers of certain products in the developed nations to thousands of individual producers in Latin America, Asia and Africa and the rest of the world. Alternative trade organizations (ATOs), many of them non-profit, specifically aim to 1) pay fair prices for the goods they import, 2) encourage sustainable development in the Third World, 3) successfully market goods to consumers in the "first world", and 4) educate those consumers about the injustices suffered by the poor around the world. Alternative traders offer socially and environmentally concerned consumers a chance to vote with their dollars for organizations that place people before profit (Benjamin, 1988). Underlying the growth of the ATO movement is the growing recognition that the citizens of the "world neighborhood" overall, prefer a different kind of future. In the words of Morris, this hoped-for future is one that ensures "An environmentally sustainable economy characterized by shorter lines of distribution and locally owned and humanly scaled production units, where much of the authority and responsibility for decisions are shifted toward the people most affected by these decisions" (Morris, 1993, P. 103).

More than 200 alternative trade organizations operate around the world. Some of them operate hundreds of retail outlets. Over one hundred ATOs are based in the United States and an equal or greater number are based outside the U.S., mostly in Europe. ATOs also exist in Japan and Australia. These organizations range in size and scope from small and targeted to large and comprehensive. Po Polsku (Lake Placid, NY), for example, works only with artisans in Poland and currently has about one hundred Polish folkcraft items in its mail order catalog. World Neighbors (Oklahoma City, OK), on the other hand, works in twenty-one countries of Asia, Africa and Latin America doing community development work which includes provision of health services, and farming and environmental conservation efforts, in addition to importing items from small handcraft cooperatives. ATOs also range in age from those just begun to the oldest, SERRV Self-Help Handcrafts (New Windsor, MD), which began after World War II to provide income to needy refugees. SERRV, a program of the Church of the Brethren, has grown to be one of the largest ATOs in the United States, marketing about 2300 quality handcrafts from 180 artisan groups in over forty countries. SERRV uses multiple marketing strategies to sell its products--retail gift shops, catalogs, and wholesale and consignment arrangements with church and civic groups (Elkin, 1992).

Alternative Trade Organizations market everything from silk scarves and jewelry to honey and cashews, but handcrafts and textiles are the most common items, as they represent the traditional culture of peasant communities. With few raw materials available to them, simple artisans invest their time and talents to create products of utility and beauty. Color photographs in ATO catalogs show simple musical instruments, wooden puzzles, alpaca sweaters, woven rugs, carved figurines, palm leaf hats, earrings, placemats and napkins, dolls, Christmas ornaments and hand-blown mugs made in Guatemala of recycled Coca Cola bottles (Elkin, 1992).

Benjamin and Freedman (1989) characterize the ATO movement as being the result of three distinct social trends. One is church related, another is an outgrowth of economic development efforts, and the third is based on political criteria. In the United States, the church-related groups are the oldest and largest. Two of the major groups are SERRV and SELFHELP Crafts (Akron, PA) which is run by the Mennonite Central Committee. SELFHELP also dates its beginnings to helping World War II victims and operates today on the same global scale as does SERRV. SELFHELP depends on volunteer staffing to keep costs low and to enable a high percentage of sales proceeds to be returned to Third World producers.

ATOs with an economic development focus began in Europe in the 1960s. The first Third World shops--stores selling goods produced by Third World cooperatives--were started by the Dutch branch of the development group Oxfam. They eventually spread successfully throughout Europe, Australia and New Zealand. By 1987, Oxfam-UK was selling $14 million worth of Third World products in 500 retail stores. The concept was brought to the United States by Jim Goetsch who, in 1970, founded Friends of the Third World (Fort Wayne, IN) and then helped start Third World shops in the U.S. (Benjamin and Freedman, 1989).

The third trend in ATOs, the political support groups, also have strong roots in Europe. One of the main groups in this category is Stichting Ideele in Holland. Stichting differs from both the development and church groups in that it does not work directly with producers but with governments. It looks carefully at government policies to see if they are aimed at lessening inequalities within their societies and providing their citizens with decent education, health care and jobs. Based on these criteria, Stichting worked through the 1980s in the countries of Zimbabwe, Mozambique, Angola, Cuba, Nicaragua, and Vietnam (Benjamin, 1988).

Not all ATO's though can be neatly categorized as using only one of the three themes. Pueblo to People (Houston, TX), a fast-growing ATO selling food and crafts from Central America, focuses on both development and politics. It works with cooperatives to help them develop technical skills, but it also sees itself as part of a broader movement for social change. Jubilee Crafts (Philadelphia, PA) combines both a religious and a political emphasis. Though firmly faith-based, it is one of the most politically outspoken trade groups in the United States. It also "trades" in goods produced domestically by the poor in the U.S., motivated by the premise that powerlessness and injustice are characteristics of poverty anywhere in the world.

In spite of the fact that SERRV and SELFHELP have a longer history, the development and politically oriented ATOs in Europe have grown much faster and achieved a significant market share of the Third World import market. Switzerland, for example, with only six million people has more than 500 Third World shops. In the Netherlands, a fair trade mark is used to distinguish coffee grown by democratically run cooperatives of small-scale producers who receive a fair price for their coffee. Despite a premium selling price, this coffee is distributed not only through alternative networks, but also is available in ninety percent of supermarkets in the Netherlands (Elkin, 1992). Europe's tradition of social democratic politics has enabled ATOs to receive official support from unions and governments as well as strong consumer support.

The European ATO movement has been strong and successful. Oxfam Trading in the United Kingdom and GEPA-Aktion Dritte Welt Hadel (GEPA) in Germany are each larger than all North American ATOs combined. Oxfam Trading operates 625 retail shops, making it the sixth largest retailer in Great Britain; GEPA has operating revenues in excess of $17 million annually. Yet compared to Pier One Imports, America's largest commercial retailer of Third World crafts, even these organizations seem small. Pier One had sales of $680 million in 1991, compared with an estimated $200 million world total for alternative trade organizations (Elkin, 1992).

ATO DISTINCTIVE CHARACTERISTICS

What distinguishes ATOs from commercial importers like Pier One Imports? One persistent theme among alternative traders is to reduce the power and profits normally accrued by middlemen bringing goods to market. MacDonald describes the typical import process for a finely woven basket selling for $14.95 at Pier One. No more than $1 goes to the Filipino woman who spends a whole day making it. The basket may pass through the hands of half a dozen middlemen and be marked up 300 percent before it even leaves the Philippines. After Pier One pays $3 to an exporter and as much as $9 for import duties, distribution, shipping, handling, and advertising, it is left with a profit of $2. In contrast, says MacDonald, when the same basket is purchased for $14.95 from Bridgehead Trading's (an Ottowa, Canada ATO) catalog, $7 goes to the Filipino basket maker. Bridgehead keeps its overhead low and buys directly from the Bohol Basket Weavers Cooperative in the Philippines (Elkin, 1992).

Alternative traders don't eliminate middlemen to maximize their own profits. Their goal is to bring benefits to the poor producers. ATOs not only pay fair prices, often many times what commercial traders pay, they pay up front and establish long term contracts that a village cooperative can depend on. ATOs also provide free services--such as instruction in packaging, shipping, or bookkeeping, or advice on product design and marketing--that traditional commercial traders have neither the interest nor the time to offer. Alternative traders even help producers take over aspects of production and marketing that are traditionally controlled by middlemen and commercial traders. Processing and packaging raw agricultural products such as coffee, tea, fruits and nuts significantly increases profits on these commodities. With training, organizational assistance and small capital investments, small village cooperatives can take over these activities usually performed by members of the distribution system in the importing country.

ATOs also tend to be more sensitive than commercial traders to the needs and problems of producer groups. Working across national boundaries and cultural barriers with the poorest, the least educated, the least skilled in things like keeping books and quality control, it is not surprising that problems develop. But most ATOs take a long range development view and work with producers to iron out their problems rather than cutting them off if they make mistakes.

Although fair trade is a worthy goal in itself, there are tremendous ripple effects from organizing for the cooperative effort needed for production. ATOs prefer to deal with small producer co-ops that have demonstrated a commitment to social and economic justice within their own organizations and communities. With good leadership and democratic participation, each member becomes empowered. Women, usually the poorest and weakest, benefit the most. Renno (1992) writes of visiting a weaving co-op in Guatemala. The Mayan women work at home producing a high quality traditional craft. They earn $20 per month for eight days work, compared to $1-2 for a 12-hour day in terrible sweat shop conditions. Profits from the group have built a co-op building, purchased thread, and provided building materials for a clinic and communal kitchen. Their income has resulted in improvements to the road and water supply and built a small new school. The women, making their own membership and financial decisions, have been a catalyst for their community's development. According to Renno, "Fair Trade is an organizing tool, not only economically, but socially and culturally."

A second ripple effect comes from the higher prices ATOs pay directly to artisans and farmers. When an increased value is placed on village products, the local middlemen often are pressured to pay higher prices (Benjamin, 1988).

Another distinctive characteristic of ATOs is their commitment to educate the consumers who purchase products. Organizations which sell through mail order use their catalogs to explain where and under what conditions the products are made. Pueblo- to- People explains the social and economic conditions of the artisan groups from which it buys. The catalog also includes for sale books and resource materials about the Latin American countries where Pueblo to People works. Some distributors attach tags to the products they sell which explain where and how the products are made. Many ATOs sell at county and city fairs, churches, and schools and use that opportunity to do educational work. With every sale comes a chance to deepen the customer's understanding of poverty in less developed countries, and to provide a mechanism for responding constructively.

The paradigm of strategic cooperation is another distinctive characteristic of ATOS. Instead of the spirit of competition that marks commercial distribution channels, the overall goal of ATOs is to strengthen the movement, with each group supporting the others. For example, SERRV and SELFHELP share information on the producer cooperatives they buy from. Friends of the Third World (FTW) provides technical assistance to other ATOs while Jubilee Crafts encourages other groups in their educational efforts (Benjamin and Freedman, 1989).

As a way of facilitating this strategic cooperation, an annual conference for ATOs was begun so that fair traders could share information and resources with each other. An outgrowth of the annual conferences was the formation of the North American Alternative Trade Organization (NAATO). This organization has continued to evolve as conference participants realized how mutual cooperation and further promotion of the alternative trade message could work to their benefit.

Recognizing the need for a more formal organization (NAATO has functioned as an unincorporated association), representatives attending the 1994 North American Alternative Trade Conference examined several possible organizational formats and discussed key issues before making decisions for the future. The central issues, as presented by the organizing committee were:

"1) Should the mission statement emphasize NAATO's role as part of a political movement promoting an agenda of fair trade, or 2) Identify the group primarily as a trade organization dedicated to strengthening member producers and retailers and facilitating alternative trade? Moreover, should NAATO include disadvantaged producers in the industrialized world or exclusively represent organizations involved in trade between Southern producers and Northern sellers (Freitas, 1993)?"

The third question addressed the inclusion of organizations such as Watermark (Camden, NC), a rapidly growing domestic artisans cooperative with an aggressive marketing strategy and a strong training component. The answers to these questions would determine whether North American ATOs would continue cooperating under one umbrella or split into subgroups.

Resisting the temptation to narrowly define fair and alternative trade and the organizations which promote and transact it, the decisions made at the June 1994 conference emphasized inclusiveness. A new stronger national organization was desired, one with the flexibility to respectfully accommodate various viewpoints and agendas. While the specifics are not yet defined, it seems likely there will be multiple categories of membership in the new organization, with room for importers, producers and trade facilitators.

NAATO will be re-born as the Fair Trade Federation which will incorporate and file for status as a 501 (c) (3) nonprofit trade association. The newly elected Board of Directors will seek to create an alternative trade network whose primary focus, according to the mission statement, is to "empower groups of the disadvantaged by marketing their products and raising consumer awareness in North America (NAATO, 1994).

There is another ATO association, the International Federation for Alternative Trade (IFAT), headquartered in Amsterdam, Holland, which is quite restrictive in its membership requirements. IFAT has been effective in Europe, using its collective voice to increase the flow of alternative trade information, to speak out against specific injustices, to improve market access, and to facilitate international partnerships (Lucas, 1992). It is clear that cooperation has paid dividends for the European alternative traders who are considered to be about ten years ahead of those in the United States.

SUMMARY AND FUTURE DIRECTIONS

American ATOs know they have some catching up to do, especially if they want to compete successfully in mainstream commercial markets as the Europeans have done. Operating as small businesses while shunning "normal" business principles has given some ATOs an identity crisis. Juggling multiple goals (personal dignity, environmental sustainability, cultural preservation, and community development) is more difficult than simply focusing on sales and profits. Relying on affluent consumers to pay premium prices for hand produced goods has been challenged as paternalistic and somewhat unrealistic. ATOs in the U.S. recognize their need to become more professional and aggressive as well as increasingly creative in their marketing and financing efforts. Product innovation and design are key areas where ATOs can provide expertise which allows the poor to break their historical cycle of dependency on a few unstable products (Benjamin and Freedman, 1989; Renno, 1992). Through its willingness to work with progressive governments, Stichting Ideele operates with a wider vision than do U.S. ATOs. Stichting wants to take the place of normally exploitative transnational corporations in joint ventures with Third World governments who need access to new technologies and markets. Stichting has begun a tuna fishing business in Cape Verde in West Africa, an island with no fishing industry. Ownership is 51 percent government and 49 percent Stichting, with Stichting looking out for the best interests of the country. Profits will be reinvested and eventually Stichting will sell its interest back to the government. It is truly a unique experiment that may open up an entirely new role for ATOs (Benjamin and Freedman, 1989).

A growing public interest in environmental issues may bring an expanding market to alternative trade, believes Paul Freundlich, founder of Co-op America and a national leader in the fair trade movement (Lucas, 1992). "Green" concerns have certainly played a part in the growth of ATO sales in Europe. When that occurs also in North America, it will open up the larger market necessary for ATOs to have an increasing impact on the overwhelming poverty of the Third World.

No commercial traders or marketers need fear that Alternative Trading Organizations will, any where in the near future, take over as the global channels of distribution. Their numbers and influence will expand, however. As activists and even some public policy makers around the world call for more equitable, less exploitative conditions of world trade, marketers in commercial trade may find themselves needing a new image, one reflecting social and economic justice. They may well turn to fair trade as a model for a gentler and kinder form of international trade.

This paper explored the purpose and origin of alternative trade organizations. Further study of this emerging channel of international trade is warranted as time goes by. Of interest to marketers would be the effect of the changing world economies on the alternative trade movement. Another possible area of future research could focus on issues of power and control in this non traditional and cause-oriented channel of international trade.

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INTER-GROUP CONFLICT IN THE ORGANIZATIONAL NEW TASK BUYING DECISION-MAKING PROCESS - AN EMPIRICAL STUDY IN THE INDIAN ENVIRONMENT

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ABSTRACT

A field investigation of 20 organizations which had completed the purchase of CNC (Computer Numercial Control) machines recently suggests that the direction and intensity of conflict ranges from low to moderate in the three stages viz. need-to-buy, product specification and supplier selection of the buying decision-making process. ANOVA results indicate that there is significant correlation between the adequacy of information and perceived conflict in the buying decision-making. However, it is found that the association between the social power and perceived conflict is not significant.

Theories and Models of Organizational Buying Behaviour (Webster and Wind 1973, Zaltman and Bonoma 1977, J N Sheth 1973, Anderson and Chambers 1985) emphasize that the industrial buying is a complex group decision-making process and the attendant notion of a "buying centre" as being the relevant unit of analysis in any organizational buying behaviour study. Of course, but not all the buying decisions are accomplished by group decision-making process. For instance, it may be reasonably assumed that most straight rebuys and a fair number of modified rebuys (some low cost/risk new task buying situations) are handled autonomously. In these cases, the decision process ends when the decision-maker indicates his/her choice. However, there are many instances of group decision-making in the organizational purchasing, particularly in the case of a high cost new task buying situation. In such a group decision-making process, conflict becomes inevitable because of the roles and influences of the participants on the one hand and the multiple goals and potentially conflicting criteria adepted by the members on the other. Obviously, conflict has pervasive effect both on the purchasing outcome and the efficiency of the organization as a whole. Hence, interest in the studies of conflict and conflict management in the organizational buying behaviour literature has been growing over the past two decades (e.g. Rozenberg and Stern (1971), Walker (1972), Stern, Sternthal and Craig (1973), Lusch (1976a), Lusch (1976b), Kiserge and C P Rao (1977), Brown and Frasier (1978), Cochran and White (1981), Ryen and Holbrook (1982), and Barclay (1991).

The present study, therefore, addresses itself specifically to inter-group conflict in a high cost new task buying situation. First an attempt has been made to shed light on the direction and intensity of conflict in the purchasing decision-making process and then the role of information, and social power in the inter-group conflict of the buying decision-making process has been examined.

METHOD OF STUDY:

PHASE I:DIRECTION AND INTENSITY OF CONFLICT IN THE GROUP DECISION-MAKING PROCESS

The interaction between the individual participants in the purchasing decision-making process leads to differences of opinion or disagreement between them due to goal incongruence, ambitions, values and frame of reference. This is referred to as conflict. In order to measure the direction and intensity of conflict in the purchasing decision-making process, three distinct decision stages viz need-to-buy, product specification and supplier selection (Hill and Hiller 1977) were thought to be relevant for empirical examination in this study. The buying situation selected for this purpose is the purchase of CNC (Computer Numerical Control) machines which fulfills all the requirements of a new task buying situation in the Indian Environment.

In the effort to meet this purpose, a sample of twenty organizations which had completed the purchasing of CNC machines in the recent time was selected for investigation. These organizations are under the ownership of public and private sectors. Each organization's buying centre was considered as the unit of analysis and the average size of the buying centre was 3.5 members. Thus, a total of 70 executives were identified in these twenty organizations as participants in the CNC machine purchase decision-making process and they were interviewed personally with a structured questionnaire.

The direction and intensity of conflict in the three distinct decision stages was measured by employing a five key conflict co-operation polar adjectives taken from the study of Stern, et al (1973). Then, the respondents were asked to indicate their position on a seven-point Likert-type scale representing the five conflict co-operation adjectives separately for each decision area. In line with Stephen Robbins' (1974) conceptualization of conflict intensity continuum, mean conflict scores for each decision area and for each buying group were computed by dividing the actual group scores by maximum possible scores in the group (Table - 1 and Table - 2).

TABLE - 1 MEAN SCORES OF CONFLICT INTENSITY IN THE PURCHASING DECISION-MAKING PROCESS (PUBLIC SECTOR BUYING GROUPS)

- Sr.No.	Group size GS	Need-to-buy D_1	Product specifi-cation D_2	Supplier selection D_3	$D_1 + D_2 + D_3/3$
1	3	0.000	0.152	0.228	0.127
2	4	0.214	0.428	0.500	0.381
3	3	0.000	0.171	0.238	0.137
4	3	0.000	0.152	0.286	0.146
5	4	0.286	0.371	0.414	0.357
6	4	0.286	0.393	0.536	0.405
7	3	0.000	0.181	0.286	0.381
8	4	0.243	0.386	0.514	0.381
9	3	0.190	0.286	0.305	0.260
10	4	0.250	0.464	0.500	0.405

Higher mean values indicate greater conflict intensity.

TABLE - 2 MEAN SCORES OF CONFLICT INTENSITY IN THE PURCHASING DECISION-MAKING PROCESS (PRIVATE SECTOR BUYING GROUPS)

--- Sr.No.	Group size GS	Need-to-buy D_1	Product specifi-cation D_2	Supplier selection D_3	$D_1 + D_2 + D_3/3$
1	4	0.214	0.321	0.393	0.309
2	5	0.228	0.485	0.514	0.409
3	3	0.000	0.238	0.190	0.143
4	3	0.190	0.276	0.343	0.270
5	3	0.000	0.152	0.324	0.159
6	3	0.200	0.238	0.324	0.254
7	3	0.000	0.190	0.190	0.127
8	3	0.000	0.238	0.238	0.159
9	4	0.250	0.343	0.407	0.333
10	4	0.286	0.429	0.464	0.393

Higher mean values indicate greater conflict intensity.

According to Stephen Robbins, the level or intensity of conflict can be reviewed as a continuum ranging from no conflict (complete agreement) to total conflict (complete disagreement) between members in a group. Although, there are no explicit definitions of what the points on continuum scale represent, Robbins has generalized that "the lower range might include situations where uncertainty exists over whether there is agreement among parties, the middle range could comprise tense and anxious activity, open debate and conscious and deliberate blocking of another goal, and the higher range would comprise openly aggressive acts, physical force where permanent harm is incurred or intended and ultimately annihilatory behaviour that aims to eliminate the opposition".

PHASE II : INFORMATION AND SOCIAL POWER IN THE INTER-GROUP CONFLICT

A review of relevant literature in the field of organizational buying behaviour and organizational behaviour reveals that there are several specific variables that are most likely to cause inter-personal conflict within the organization. Most important of them are information, and perceived social power. Hence, the role and impact of these two variables were specifically considered in the purchasing decision-making process.

INFORMATION:

In fact, effective decision-making depends upon the receipt of adequate, accurate and timely information by the decision- makers. In the context of organizational needs, information is defined as identifiable contributions of facts and ideas provided for the solution of a given problem. Hence, the buying centre members require information concerning the nature of the buying situation, criteria for evaluating alternative products, and suppliers etc. For example, more information may be sought in a high cost/risk buying situations. The information input includes the quality of information with which decisions are made, the timeliness of information with which to make decisions, and the adequacy and timeliness of feedback information of decision results (Stom 1973). Hence, the hypothesis has been proposed as follows:

H1 "GREATER THE AVAILABILITY OF ADEQUATE AND TIMELYINFORMATION BETWEEN BUYING CENTRE MEMBERS, THE LESS WILL BE THE PERCEIVED CONFLICT". The result of the correlation co-efficient between group information scores and group conflict scores shows a relationship that is moderately significant and negative (r=-0.339). The ANOVA result is provided in Table - 3.

TABLE - 3

ANOVA TABLE - INFORMATION VARIABLE

Source of variation	Sum of squares	Degree of Freedom	Mean sum of squares	Variance Ratio
Between rows	22.40	19	1.79	5.353
Errors	4.40	20	0.22	--
Total	26.80	--	--	--

(r = -0.439, F(19,20) = 5.359 p < 0.5]

To bring out further insight into the relationship between information and conflict, the sample firms was divided into high conflict groups and low conflict groups on the basis of the mean conflict scores. The average conflict score for the ten firms in the high conflict groups is 0.343 compared to 0.196 for the low conflict groups. Moreover, the number and percentage of individual respondents who were in agreement (From Moderately to strongly Agree) with the five statements of information for the high conflict groups and low conflict groups are given below (Table - 4).

SOCIAL POWER:

Bonoma (1982) agrees that buying centres and individual- managers tend to display one dominant power base in the purchase decisions, and he believes that the expert and status power bases are often employed by their holders to veto decisions with which they do not agree. In other words, individuals in the buying centre can be conceived as attempting to affect their opinion of others by using the power base.

The major theoretical foundation for the hypotheses on social power is the work of French and Raven's (1959) bases of social power. They define a power base as the source of influence in a relationship and they classify bases of social power as reward, coercion, legitimate, referent and expert power. Bonoma (1982) provides evidence that the power of purchasing process participants is a function of the member as well as the type of social power that they exhibit. For example, in a joint decision-making process, one member may exert influence on others by his specialised knowledge and skills or expertise. In this context, we assume that the other members will not subscribe to conflict in the decision process if they perceive that the one has expertise or skill regarding a particular type of buying. Therefore, the present study takes the two power bases viz expert power and referent power as they seem to be more relevant in a group decision-making, process and they have been formulated as hypotheses given below:

TABLE - 4 ADEQUACY AND TIMELY INFORMATION (MODERATELY TO STRONGLY AGREE) HIGH CONFLICT GROUPS VS LOW CONFLICT GROUPS

Statement	High conflict Groups No. of persons	%	Low conflict Groups No. of persons	%
1. I received too much of information of the right kind	22	62.85	26	74.18
2. I received too much of information of the wrong kind	12	34.28	7	20.00
3. The information I required was not available	9	25.71	6	17.14
4. I could not get information at the right time	8	22.85	4	11.42
5. The information I got was not accurate	6	17.14	3	8.57

H2 "THE LESS THE MEMBERS PERCEIVE EXPERTISE AND SPECIALISED SKILLS IN THE BUYING CENTRE, THE GREATER WILL BE THE CONFLICT IN THE DECISION PROCESS".
H3 "THE LESS THE MEMBERS PERCEIVE STATUS OR ATTRACTION POWER IN THE BUYING CENTRE, THE GREATER WILL BE THE CONFLICT IN THE DECISION PROCESS".

H2 is not supported by the findings of the study. Thus while the direction of the result of the correlation co-efficient between the perception scores on expertise and specialised skills and conflict is positive, it is weak and not significant [r = 0.121]. The result of the ANOVA is provided in the table below(table - 5).

The responses have been broken out to compare the high conflict groups with the low conflict groups on the basis of mean conflict scores(Table - 6). The average conflict scores for the ten firms in the high conflict

TABLE - 5 -ANOVA TABLE - SOCIAL POWER - I

Source of variation	Sum of squares	Degree of Freedom	Mean sum of squares	Variance Ratio
Between rows	14.96	19	0.787	0.851
Errors	18.50	20	0.925	--
Total	15.98	39	--	--

[$r = 0.121$, $F(19,20) = 0.851$]

groups is 0.206 compared to 0.125 in the low conflict groups. The reason for the lack of correleation is evident in that the majority of respondents both in the high conflict groups and low conflict groups have been perceived the need of expertise and experience in the new task buying.

TABLE - 6 SOCIAL POWER-PERCEPTION OF EXPERTISE/SPECIALISED SKILLS MODERATELY TO STRONGLY AGREE) HIGH CONFLICT GROUPS VS LOW CONFLICT GROUPS

Statement	High conflict Groups No.of Respondents	%	Low conflict Groups No. of Respondents	%
--				
1. Members tended to agree with expertise/ valuable skills	25	71.42	29	82.85
2. Members tended to agree with experience	23	65.71	30	85.71

H3 is also not supported by the findings of the study. The correlation coefficient between the perception of status power and the conflict is not significant [$r = 0.154$]. The ANOVA result is provided below(Table - 7).

TABLE - 7 ANOVA TABLE - SOCIAL POWER - II

Source of variation	Sum of squares	Degree of Freedom	Mean sum of squares	Variance Ratio
Between rows	18.28	19	0.962	0.986
Errors	19.50	20	0.975	--
Total	37.78	39	--	--

[$r = 0.154$, $F(19, 20) = 0.986$]

The firms have been further divided into high conflict groups and low conflict groups on the basis of the mean conflict scores of the groups. The average conflict score in the high conflict group is 0.279 compared to 0.156 in the low conflict groups. As in the previous case, the lack of correlation is evident in that the majority of respondents both in the high conflict groups and low conflict groups have perceived the presence of status power in buying decision process (Table-8)

DISCUSSION:

Cardozo and Cagley (1971) found that the percentage of bids solicited from "high information" firms was greater when industrial buyers lacked information. Pettigrew's (1975) case study demonstrated the possession, control and use of information during an industrial purchasing decision process. In their study, Moriarty and Spekman (1984) found that information such as direct mail, catalogues etc. was very much sought by the decision participants. Krapfel's (1985) study provided evidence for "information diffusion" as important for influencing group discussion. Particularly, Krapfel's study emphasized that when a BRP(Boundary Role person) is aimed with more relevant information than other buying group members, he may disproportionately influence the group choice.

TABLE - 8 SOCIAL POWER-STATUS AND ATTRACTION (MODERATELY TO STRONGLY AGREE) HIGH CONFLICT GROUPS VS LOW CONFLICT GROUPS

Statement	High conflict Groups No. of Respondents	%	Low conflict Groups No. of Respondents	%
1. Members tended to yield positional status	23	65.71	28	80.00
2. Members were friendly and had similarities in personal goals and common interest	25	71.42	29	82.85

The results of the present study indicate the importance of information and the role of the gatekeepers in the group decision-making process. Information may be concealed intentionally, either by the gatekeeper, or other members of the buying centre to increase power to influence within the group. On the other hand, too much of information may choke up the channels of information flow so that it becomes difficult to determine which factors are important and which are superflous. The result is confusion, ambiguity, and an increased tendency for conflict. Therefore, it is not clear to what extent respondents who participated in the CNC machine purchasing decision-making were truly evaluating their superiors and colleagues. However, the findings of this study show that the majority of buying group members have been exposed to sources of information and this undoubtedly accounts for the good feelings of the members about the supply of information.

Cochran and White (1981) found that administrators perceived a greater frequency of conflict than purchasing managers, and these administrators were found playing a greater part (in terms of authority and influence) in non-routine purchasing situations. In a study Jackson, et al (1984) found purchasing, engineering and manufacturing personnel were perceived as more influential (powerful) members of the buying centre. They also found that the perceived influence structure of the buying centre as varying across relatively identifiable factors such as products and decision types. Ajay Kohli (1989) found expert power is the most important influence determinant followed by reinforcement power. His study indicated that the effectiveness of individual power base is bound to vary with buying centre size.

In the present investigation, the results of social power variable indicate that buying centre members have perceived the influence of expertise or specialized skills and of status or attraction power in the purchasing of CNC machine.

SUMMARY AND RECOMMENDATIONS

The direction and intensity of conflict in the CNC machine buying decision-making process was considered as a continuum ranging from no conflict to total conflict. The findings of the study indicated that the intensity of conflict in the 20 buying centres was ranging from low to moderate reflecting some areas of disagreement between buying centre members. However, conflict did not appear intense or destructive. Conflict was found to be generally lower regarding the "need-to- buy". However, it was found that there is a trend toward greater degree of confrontation between buying centre members as the decision process was shifting from "need-tobuy" to product specification and finally to the supplier selection decision.

With regard to the associaiton between the adequacy of information and perceived conflict, it was found to be negatively correlated. The relationship was significant at $p < 0.05$, and the direction of the relationship was negative. Particularly, the conflict level increases between buying centre members as the more that the information relevant to the purchasing decision making obtained and shared is perceived to be inadequate.

The second and third hypotheses regarding the social power, relationship between perception of social power and conflict in the CNC machine purchasing decision-making process was found to be weak and not significant. However, it is believed that the perception of social power need to be explored under a variety of purchasing situations. Increased specialization within the company generally is accompanied by a greater number of specialized engineers and production personnel staff. Strong and special interest groups (staff and production engineers) may exert significant pressure on the purchasing decision-making process of a high cost new task buying such as the one being considered in this study. The results of the study indicates the perceived influence structure being operative in the CNC machine purchasing process.

On the whole, the findings of the study are consistent with the theories of organization and organizational buying behaviour in the patterns of conflict associated with buying related decisions may be traced to categorical variables viz. information and social power. Strategies that can be adopted for coping with conflict may vary from one organization to another. However, recognising the potential for conflict within an organizational buying decision process based on observed combination of variables should enable chief decision-makers to control and manage conflict proactively rather than reactively. The leadership style also should be consistent with the organizations values and norms of behaviour.

The major limitation of this study is that it presents the results of information obtained from a sample of 20 organizations involved in the purchasing of CNC machines recently and it is related to a single specific buying situations viz new task buying. Therefore, generalization to either a larger population or different purchasing situations needs caution. However, what is evident from this study is that the high cost new task buying is subject to influences of many factors.

Two major directions for future research are apparent as a result of this study. First, additional research on an expanded sample size is needed to examine the direction and intensity of conflict in line with Robbinson, Farris and Wind's (1967) buy class framework taking into account both the three buying situations and the eight sequential steps instead of three considered in this study. More specifically, studies of this type may be conducted taking into account other types of variables viz group structure, perceived risk, effect of environmental factors treating the three purchasing situations as variables of interest. Secondly, a contingency model of manage or resolve conflict may be developed and tested so that it can be successfully used by industrial buyers.

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CONSUMER PRODUCTIVITY FRAMING ISSUES FOR SOCIO-ECONOMIC DEVELOPMENT

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ABSTRACT

While there is some debate concerning the nature of marketing's developmental role, many view marketing as an agent for change. As a change agent, marketing can be a tool for economic development and may also be a means for furthering societal goals. Finding ways in which to make consumers of a region more productive has been suggested as one approach for achieving socio-economic development. The consumer productivity focus provides many options for organizations to enhance consumer well being. The notion of using improved productivity of consumers as a means to development is compatible with the theory of competitive rationality and appears to be a way in which to improve the demand force as identified by Michael Porter.

INTRODUCTION

The role of marketing in the socio-economic development of countries has been discussed by several authors (Drucker, 1958, Rostow 1960 and 1965; Duhaime, McTavish, and Ross 1985; Shipchandler 1991). While there is some debate concerning the nature of marketing's developmental role, many view marketing as an agent for change. As a change agent, marketing can be a tool for economic development and may also be a means for furthering societal goals. McIntyre and Kale (1988) suggest a generic approach for socio-economic development in LDC's that involves improving consumer productivity. These authors suggest that strategies should be designed that will help consumers improve the efficiency of how they use their limited resources. Strategies that have the goal of making both individual consumers and the macro system more productive are seen as being instrumental in the socio-economic development of a region.

Concept of Consumer Productivity

Consumers who use their resources wisely and without waste in satisfying their wants and needs reduce the non-productive use of a society's consumer resources. Productivity defined in conventional terms is the ratio of output to input in relation to a defined process. The process consumers use to satisfy wants and needs is the consuming process. Jacoby (1976) identified the consuming process as consisting of "the acquisition, consumption [use], and disposition of goods, services, time and ideas by decision making units." The acquisition function of the process may be further separated in to pre-purchase and purchase activities.

The consuming process involves consumers in an exchange relationship. Individual consumers exchange their scarce resources for a bundle of benefits. The exchange process of value given for value received provides a conceptual base for defining the inputs and outputs in the model. Consumer productivity is, therefore, more specifically, the ratio of total utility (satisfactions) obtained to total resources (sacrifices) expended. Improvement in the consumer productivity ratio can be achieved by i) increasing output and holding inputs constant; ii) holding output constant and reducing inputs; iii) increasing output more than the increase in input; or iv) decrease inputs more than the decrease in output (Shipchandler 1991). The benefits of increased consumer productivity can be evaluated from both the macro (societal) level and micro (individual or household) consumer level. Both the macro and micro benefits include tangible and intangible properties. The cultural meaning of consumption, (Anderson & Wadkins 1991, Dawson, 1990; Rudmin 1990; Dawson & Bamossy 1990; Ger & Belk 1990) which defines the intrinsic value, may be viewed as moving from culture to consumer goods and then to the individual consumer (McCracken, 1981). On the consumer level, benefits of improved productivity will result in more choice and greater opportunity for the individual to improve one's quality of life.

The benefits that accrue to the individual consumer, improved quality of life, must also be examined with respect to the improvements in overall society. For example, in Sweden there is an effort underway to measure consumer satisfaction on a national scale (Fornell 1992). As the ratio of output to input becomes more favorable, fewer resources will be required to satisfy individual and family wants and needs. This should result in increased benefits to society.

The Consuming Process

The goal of the consuming process is usually thought of in terms of the satisfactions and rewards associated with the present or future well-being of one's self or one's household (van Raaig, 1981). Consumers make decisions as to how they will use their basic resources, [economic, temporal, physical, and mental] in the acquisition of products, services, work, and leisure, which they anticipate will contribute to an improved quality of life for themselves and/or others. The process consists of more than just buying goods and services. The consuming process involves pre-purchase activities; the actual exchange or acquisition; consuming; and finally, disposing of the residual.

Pre-purchase Activities. Prior to the actual purchase, consumers engage in a pre-purchase decision process. The decision process involves need recognition, search for information, alternative evaluation, and choice [intentions] (Engel, Blackwell, and Miniard, 1990).

From the first notion that one may improve one's quality of life through an exchange, until the actual transaction takes place, consumers engage in many and varied activities. Information is the corner stone of the decision process. Engel and Blackwell state, ". . . greater information leads to increased consumer efficiency. . . in terms of forming preferences and making purchases." (p. 327) Therefore, it would appear that the more information one has, the more productive the process. Unfortunately, the acquisition of information also requires an expenditure of consumer resources. In acquiring information the consumer may be required to expend time and money; there may be psychological costs of frustration, tension, or annoyance; there may be a delay in receiving the benefits while one searches; and finally, one may acquire so much information that information overload becomes a problem. The value of the information received (output) must be balanced against the value of the resources used (inputs) in the exchange. The productivity ratio for pre-purchase activities may be determined by examining these inputs and outputs.

Purchase. The purchase process itself may have hedonic and/or utilitarian value according to Babin, Darden and Griffin (1994). Most frequently in the consumer productivity framework, one would treat the purchasing process as utilitarian - as a means to an end, with the end being the possession of the good or service. However, it is noteworthy that the "shopping experience" may be its own reward, which would lead to the desire of creating more pleasure or fun in the purchase process.

From the utilitarian focus, which has received the majority of attention from previous research, shopping reflects a "work mentality." The purchasing act may take place in a variety of locations and spheres. The increase in nonstore buying means that more and more consumer transactions take place through the mails, vending machines, and other spheres. Once the purchase decision has been made, the consumer must expend some resources to execute the decision choice. How and where the purchase will be made are part of the purchase process. For example, consumers may choose to make their purchase from a retail store. In this case, store choice will likely be based on the location and a variety of related store attributes. Or the consumer may choose to order from a catalog, or use the telephone or computer to place an order. Regardless the choice, consumers will use some combination of resources (inputs) in exchange for obtaining possession of the product (output). If multiple outlets have identical goods at the same price, the consumer will be most likely to choose the outlet which requires her to use the fewest of her valued resources.

Consumption (usage). The actual usage of the good or service must be viewed within a set of situational factors. "Where, when, and how the product will be consumed are . . .situational variables." that are part of the context. (Harrell, p. 505). For example, Belk found that variations in snack preferences depended upon the situation; which would logically lead to the notion that satisfaction of consuming a particular snack will be influenced by the situation. Products may be classed on different dimensions, such as "time using goods" and "time saving goods." They may also be classified as bringing pleasure or as reducing discomfort. A time saving product is, generally, one where the consumer desires to minimize time and effort in the "using" part of the consuming process. On the other hand "time using goods" are more likely to be goods that bring pleasure, so the consumer may wish to maximize rather than minimize the "using" part of the consuming process for these products. On the pain/pleasure dimensions, a product such as a headache remedy is used to reduce pain, which, generally, leads to the consumer wanting to minimize the using experience. Pleasure giving products, such as Rocky Road ice cream bring the consumer much pleasure during the using, so the consumer may wish to maximize the experience.

Disposition. The consuming of goods and services may be a destructive process in which using completely consumes the product and any packaging, leaving no residual. However, there are many consumer purchases that are not completely consumed during use and must be either stored or disposed of in some manner. Relatively little appears to have been written on the disposition of goods. Young (1991);

McAlexander (1991) have written about the disposition of goods during life changes and there have been a few referenced writings on recycling and an occasional writing on swap meets and/or garage sales. For some products there is a large used product market such as exits for used cars, cash registers, and American styled blue jeans.

When it comes time to dispose of things, it appears that consumers, generally, desire to expend minimum time and efforts. However, for some individuals, holding a garage sale or attending a swap meet/flea market to dispose of items may be viewed as "fun." But the majority of consumers want to expend little effort disposing of their "after use" products. For example recycling programs are successful only when they require no or merely minor modifications in daily habits. At one University, a recycling container which attaches to the waste basket, is given to each employee. There are also recycling containers located by copying machines in each workroom - and no longer do different types of the paper need to be separated and placed in different containers.

Consumer Resources as Inputs

Economic. Consumers' economic resources consist of current income, accumulated wealth, and credit. The real (adjusted for inflation) disposable (after tax) income of consumers is the most important economic resource for many consumers. It is from current income that the majority of consumers' purchases are made. If there is an increase in real disposable income, meaning that the consumers have more money to save and/or spend, then the proportion of income required to purchase the same level of goods/services declines. From an individual consumer's perspective, increasing one's income has the same effect as lowering the price of goods/services.

Accumulated wealth is another source of funds that one may use for exchange in the market place. It is usually the older individuals in a society who have accumulated wealth. In LDCs a very small number of individuals have substantial wealth. But the greater the wealth of the consumers, the smaller will be the share of total economic assets that will be required in exchange for goods and services.

Credit is an economic resource that has gained in prominence and usage. According to a Bloom & Steen (1987) study, most American consumers are willing to borrow for autos, expenses due to illness, and education. But as Engel, Blackwell and Minard (1990) point out, the use of credit reduces one's ability to buy goods/services in the long run; therefore, the cost of credit must be subtracted from consumers' total resource availability.

Credit allows one to receive immediate benefits or outputs with future inputs; unless one considers the future obligation (debt) to be an immediate input. The time value of money cannot be ignored in credit valuation. Users of credit see the cost of credit (input) as a fair exchange for the rewards that accrue from immediate availability for use/consumption.

Temporal. Benjamin Franklin is quoted as saying ". . .time is money. . .do not squander." One view of time is that each individual has a finite amount of time (168 hours per week, 24 hours per day), which may be expended or used in various pursuits. Most people try to use their time in ways which they believe will bring them the greatest satisfactions and rewards. The total temporal resources of consumers, unlike economic resources, cannot be expanded. Some consumers have been heard to voice a desire for a 36 hour day, or an extra day in the week, but mechanical time does not expand. One may reallocate time devoted to various activities and shift sequence, but so long as one is earth bound, the amount of time one has is fixed. Therefore, the less time one expends as inputs in exchange for desired outputs, the more productive the consuming process.

Physical and Mental. Consumers have both physical and mental resources, which are labeled by van Raaig and others as "effort" inputs. Individuals are limited in their mental capacity to process and evaluate complex data. They are also limited in physical endurance and strength. They can lift only so much, carry only a given amount, or stand in line just so long before fatigue takes over. One's ability to concentrate, or engage in any activity is limited by the physical and mental resources of the individual.

In all exchanges, some mental effort is required and some physical effort will most likely be involved. The level of effort required in the consuming process will directly affect consumer productivity.

Consumer Satisfaction as Outputs.

Consumer satisfaction is usually seen as a post purchase evaluation of one's degree of satisfaction/dissatisfaction with the outcome of the purchase process. Most researchers see the consumer as evaluating the outcome(s) against some set of expectations. Therefore, we find satisfaction related to confirmed expectations and dissatisfaction to disconfirmed expectations.

The type of expectation most frequently used in consumer satisfaction/dissatisfaction (CS/D) studies is

"**Expected performance** --what the performance probably will be" (Engel, et. al. p.545). Engel et. al., cite the reason for this as being that expected performance is the logical outcome of the alternative evaluation process. However, expected performance measures have been criticized because they rely soley on cognitive (belief) measures.

Two alternative types of expectations may be better suited to the consumer productivity process; these are "**equitable performance** - a normative judgment reflecting the performance one ought to receive given the costs and efforts devoted to purchase and use." and "**ideal performance** -- the optimum or hoped-for 'ideal' performance level." (Engel et. al., p. 545).

The former is consistent with the input/output nature of the productivity model; however, the ideal performance may be more closely related to quality of life.

With equitable performance, increases in consumer productivity would be that one receives more than expected given the costs and efforts one expended. The ideal performance, however, would be more likely to be treated as an absolute against which current levels of satisfaction could be measured.

Transition to Development.

Socio-economic development consists of both micro and macro aspects. In the micro realm, organizations that focus on ways to improve consumer productivity will experiment with new innovative ways to serve the customers. Other firms who also supply this market will observe the innovations and will begin to imitate. They may also start to find more ways to help consumers become more productive. As consumer productivity is increased, consumers will have more flexibility and increase their demands for more/better goods and services, which, in turn, will be a driving force in firms' improving their offerings. More demanding customers, according to Michael Porter (1990) are a major force for a nation [or region] becoming more competitive.

Dickson's micro theory of competitive rationality (Dickson 1994) postulates that this focus and approach will trigger three drives: the customer satisfaction drive, the cost reduction drive and the improved decision-making drive. All of which will lead to more efficient and effective markets. The dynamic process of market evolution will lead to economic and social development.

Dickson believes that a competitive rationality focus will force firms to place greater emphasis on creating more satisfied consumers "through higher quality and more services [outputs], and lower prices [inputs]" (Dickson, p. 15). Competitive rationality, as described by Dickson, is compatible and consistent with an approach that encourages firms to look for ways in which to improve consumer productivity as part of a strategic planning process.

Policy Implications.

The concept of consumer productivity as a strategy for socio-economic development has definite policy implications. The approach offers policy makers the opportunity to experiment with incentives whereby organizations can be encouraged to reduce consumers' inputs or increase satisfactions through the different phases of the consuming process. The result will be a competitive advantage for the nation's firms and if the theory of competitive rationality is correct, will ultimately result in improvements in the overall socio-economic environment of a region.

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IMPLICATIONS OF PUBLIC POLICY ON MARKETING ACTIVITIES IN SUB-SAHARA AFRICAN REGION

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ABSTRACT

This study attempts to evaluate the role of marketing in the development process of LDCs, especially the Sub Sahara African Region. Using Nigeria, the largest economy in the region as an example, the study examines how government policy affects marketing activities and efficiency in the region.

INTRODUCTION

Marketing is relevant to all nations. It plays a critical role in economic development process. Although its contribution to economic development was neglected for a long time. The relationship between marketing especially the macromarketing and economic development continue to attract attention from both marketing and economic development scholars.

Economic development is defined by many authors to include: Improvement in material welfare, eradication of mass poverty, and shift in the underlying structure of production away from agricultural toward industrial activities. Herrick and Kindleberger (1977) added that economic development also entails organizing the economy so that productive employment is widespread among the working-age population, who in turn have a high degree of participation in decisions concerning improvements in their economic welfare.

In the same token, macromarketing is defined by many as a social process that directs an economy's flow of goods and services from producers to consumers in a way that effectively matches supply and demand, and accomplishes the objectives of the society.

Drucker (1958, 1971) concluded in his study that marketing activities make possible economic integration and full use of the productive capacity of nations by lifting the entrepreneurial spirit of the people. He added that marketing, more than overt economic activities of manufacturing or construction, offered the greatest challenge and potential payback to the developing societies.

Abegglen(1967) and Preston(1967), using examples of Japan and the Arab countries respectively, pointed out how close cooperation between government and business leads to economic development and profit gains. Yoshino (1971, 1984) followed these earlier studies, traced the development of the Japanese system through the period of post war economic growth and social change. His work discusses the behavior of small Japanese retailers, wholesalers and trading companies, and the marketing efficiencies that led to one of the world's highest standards of living.

Hunt and Burnett (1982) argued that marketing technology can enhance the living standards of the less and developing nations' consumers, just as economic development itself. Fiske (1982), Kotler (1984) agreed with Hunt and Burnett that both marketing and economic developments seek a similar goal: The fulfillment of human needs.

Goetke (1987) summarized his finding that macromarketing pertains to marketing programs undertaken with the view to achieving societal goals or influencing society as a whole. Without macromarketing system, he added, LDCs cannot escape the `vicious circle' of poverty. It is through effective macromarketing system that people can leave their substance way of life.

Cundiff and Higer (1979) emphasized marketing innovations by individual entrepreneurs as a means to increase the level of economic development. Cundiff (1982), Aiyeku (1989) reemphasized this position, stating that micro level improvements are the most effective means of encouraging economic development.

Aiyeku (1993) also concluded in a study of distributive trade sector in Nigeria, that effectiveness of marketing activities in any country depends on government policy in that country.

GOVERNMENT ROLE IN MARKETING

In the Sub-Sahara Region, the role of government in marketing covers three major areas: Regulatory, Facilitative and Entrepreneurial.

Regulatory Role - The purpose of this role was to establish and maintain an orderly framework for economic activities and growth. Protect the nation's economic resources against wastage and for public interest. **Facilitative Role** - This role seeks or promotes more direct government involvement in the economic activities of the country. It involves government establishing organizations to provide basic services, infrastructure, and other assistance needed by private sector.

Entrepreneurial Role - This involves active participation of government in ownership and operation of certain companies to provide goods and services that would not have been made available by private sector.

All these roles have been criticized by many for creating inefficiency or harm than good in the economy. Peterson (1981), Levi and Dexter (1983) argued that government involvement in economic activity through regulation is not in the public interest because it creates obstacle to the economy. The Facilitative and entrepreneurial roles have also been critized for setting priorities based on politics rather than needs.

Inspite of all this criticism, government involvement in economic activities of any nation entails all these three or sometimes one or two of the three depending on the circumstances prevailing in that country. Such as the stages of development, economic and political ideology, needs, resources, size and competencies.

The best way to adequately examine the implications of public policy on marketing activities in the Sub-Sahara Region is to examine the development planning of the region. Since Nigeria is the largest economy in the region, this article will focus attention on the country's development planning. Since independence in 1960, Nigeria has witnessed three major development strategies: The economic growth strategy of the post-independence era, industrialization strategies of the oil boom era, and the structural adjustment policy era.

Government Policy and Marketing Before the Oil Boom era.

Agricultural products have accounted for some 84% of the value of Nigerian exports. It brought in some 12% of the country's total foreign exchange earnings.

The post WW11 period of Nigerian economic history was characterized as the beginning of national development planning by colonial government. Because of the impetus to attempt to negotiate price and trade during the war, the British enacted the Colonial Development and Welfare Act of 1945. This act set up a system of marketing boards to control the fluctuation of export prices.

The political purpose of the Colonial Development and Welfare Act and the marketing board is difficult to ascertain. It is certain, however, that they were the instruments used by Britain to direct and develop the infrastructure of the Nigerian economy.

Before independence, the Nigerian economy was dominated by two activities. The first was the export of primary agricultural products and the import of manufactured goods from Britain, a trade largely controlled by British and other European trading items in the country.

The second major economic activity is agricultural production. Nigeria was, and still is, an agricultural country, with 65% of its population depending on agricultural activities for their livelihood. Prior to oil boom, Nigeria was a major exporter of agricultural products such as cocoa, cotton, groundnut, rubber and palm kernel. All marketing activities during this period were controlled and carried out by the monopoly Marketing Board parastatals - The establishments created by the colonial government to buy and sell agricultural products. These trading enterprises were inherited by the post independence governments in the Sub-Sahara Region. Between 1958 and 1984, the Nigerian marketing Board was handling over 2.0 million tons of agricultural products with over $200 million turnover annually.

Justification of the Monopoly Marketing Board Parastatals

Initially, the originators of this establishment based their argument on two assumptions:

1. The African farmers were small and uneducated. If left alone to negotiate the sale of their products with foreign traders, who were usually large and more educated, they would be at great bargaining disadvantages. Since the large international firms were always after a big profit margin, they were capable of colluding with their competitors to corrupt government officials. The presence of marketing boards would help to reduce dishonesty and unfair competition.
2. The second justification was based on the notion that the internal marketing in Nigeria, like most of the countries in Sub - Sahara Africa, was inefficient because of inadequate physical processes. The countries lacked good transportation, communication, storage and processing facilities. The only way to improve market efficiency was through public monopoly marketing boards.

The post colonial government in Nigeria added the third justifications. That the marketing and storing of agricultural produce represented a technically complicated business that required a highly qualified and technically well-equipped agency to avoid waste. The economic of scale in transportation and storing could only be realized by a sole buyer and seller. The private-sector marketing involved many greedy and inefficient intermediaries who usually paid lower prices to farmers and charged higher prices to consumers. Because of all these, official marketing channels were necessary to prevent smuggling and limit price fluctuations.

Marketing and Industrialization Policy During the Oil Boom Era

Between 1972 and 1981, Nigeria underwent extensive economic changes wrought by the sudden increase in the price of oil that brought into the country, unprecedented revenues (Table .1).

As the economy benefitted from the enormous wealth from the oil, the government adopted a development strategy aimed at diversifying the economy through ambitious and often costly investment in economic, social and infrastructure projects and programs.

Significant amounts of the oil revenues were injected into the economy. This resulted in visible development in diversified areas such as transportation infrastructures - roads, ports, airport, power generation capacity, petroleum refineries, and manufacturing. Industrialization strategy at this time continued to be based on import substitution.

The new wealth from oil intensified the country's commercial development patterns and led to the neglect of agriculture. During the period 1973 to 1983, there were no programs adopted to stimulate either agriculture or aggro-industry, and agriculture remained virtually stagnant. Because of this, the share of the agricultural sector's contribution to the GDP declined from 63% in 1960/61, to only 22% in 1979/80, only rose again to 41% in 1990/91(Table.2).

While export increased during this period, the export of traditional agricultural export commodities declined. Table 3 shows the relationship between oil and traditional export commodities in Nigeria from 1958 to 1981. Besides its impact on the GNP, petroleum exports also provided the revenue needed to complete many government projects. As a result, the development of petroleum industries took priority over the development of the traditional export commodities (Table.4).

Structural Adjustment Policy

The oil boom ended abruptly in the early 1980s, as Nigeria felt the effects of the slump in the international petroleum market. Export volumes declined precipitously in response to diversified global supplies, moderated demand and more stringent OPEC quotas; prices followed a similar downward trend. Petroleum revenues that peaked at nearly $25 billion in 1980, was down by half in 1982 and in 1986, petroleum netted the country less than $7 billion.

A fiscal crisis followed as the external payment's situation deteriorated and petroleum earnings, constituting 70-75% of government revenues, declined. Foreign reserves plummeted, while balance of payment deficits spiraled. External obligations totaled $6.5 billion in 1980 increased to $30 billion in 1993 (African Business, 1993)

Foreign reserves and domestic inventories were drawn down in the early 1980s and stalemated debt negotiations resulted in a virtual cessation of external credits and capital inflows, creating a rapid decline in the manufacturing and mining sectors. Agriculture, an early and enduring casualty of the oil boom, could not provide a safety valve. The GDP declined by an average of 3.4% per annum between 1980 and 1985 and 3.3% in 1986 (African Business, 1988)

To cope with the problems of the economy, Nigeria government embarked on a structural adjustment program (SAP) in July 1986. The major features of SAP were to: 1) reduce the role of the state and increase reliance on market forces. 2) Increase import liberalization and easier access to the foreign exchange market. 3) Devaluate the currency to encourage domestic production and reduce reliance on imports. Others include privatization of many of the public enterprises, deregulation of the financial systems, and liberalized policies on foreign investment.

One of the goals of SAP was to restructure the manufacturing sector. It also enables the government to reexamine the regulatory environment in the country, the structure of protection for local industries and the package of incentives available. For the private sector, SAP's goal was to increase efforts to control costs, increase production efficiency and stay competitive.

Under structural adjustment program, several new programs were introduced to alter and realign total domestic expenditure and production patterns to reduce dependence on imports and enhance the non-oil export base. Import licenses were issued to industries based on specific priority areas. Such as:

1. Agricultural chemicals and spare parts for farm machinery to aid food production.
2. Raw materials and spare parts for the manufacturing industries so the factories could use at least over half of their installed capacities to generate more employment.
3. New machinery for processing local farm produce or minerals and acceptable raw materials.
4. General merchandise of essential items such as drugs and medicines, books and certain foods of which the country is short and of which there are no alternatives.

Besides these, there was a ban on importation of all agricultural products, while production of the same was encouraged. The distribution of major non-oil export commodities was liberalized and the Colonial Marketing Board System was abolished (Nigerian Gazette, 1987, P.123).

Privatization

In 1986, Nigeria government announced its privatization policy. The intention was to divest government holdings in most of non-strategic enterprises. The process however was not made clear until 1992.
Privatization in Nigeria started as a mere export expansion and liberalization program. This was a deviation from import substitution strategy of the country for decades. Under this policy, government first devoted its energy to increased export of manufactured goods. To this end government readjust its regulatory environment, introduced export free zones, liberalized access to foreign exchange to also attract foreign investors, introduced a market-determined exchange rate for its currency. Government also introduced financial incentives to induce domestic manufacturers to produce for export. A Nigerian Export Promotion Council was created to administer the incentive schemes and measures aimed at encouraging exports. This process led to liberalization of all marketing board parastatals. With this, and encouragement given to small businesses to export, the farmers no longer dealt with the long distribution channels of their product and are now able to deal with overseas merchants directly.
This policy coupled with the float exchange rate dramatically increases the purchase prices offered to producers of agricultural commodities. For example, the grade one cocoa purchased at N1,600 per ton in 1985/86 season, became N4,000 per ton in 1986/87 season a result of shift to free market. Aiyeku (1993), in his study of the distributive trade sector of the Nigerian economy, also concluded that the high prices offered by the private traders in contrast to low prices paid in the past by the marketing boards boasted output and provided major incentive to increase production in the agricultural sector. For example, Nigeria produced and exported 65,000 tons of cocoa beans in 1984/85; 95,000 tons in 1986/87; and 130,000 tons in 1987/88.

In 1992, the government spelled out its 1988 policy that it would privatize 67 enterprises 100%. Eleven enterprises would be fully commercialized while 14 others would be partly commercialized depending on the strategic importance of the enterprises to the nation (table 5).

CONCLUSION AND SUGGESTION

It is clear from the experience of Nigeria that the Sub Sahara region has not realized the benefit that effective and efficient marketing system can provide. This problem, coupled with high corruption and public debts have been the primary reasons for lack of economic progress in the region. Structural Adjustment Program that was supposed to rejuvenise the economy is faced with many problems because of the political and economic instability in the whole region. Policy makers in the region need to be aware of the link between economic development and the marketing system.
Economic planners need to help in eliminating barriers to international trade, sponsoring modern education and training programs, constructing new market areas and modernizing existing ones, using such means as government management or financial subsidies to private sector (Olsen and Granzin, 1988).
Changes in public policy alone cannot be the sole determinants of further growth and development. The integration of national and regional markets entails continued development of infrastructure in the region. The development of rural transportation and communication systems linking the national, and regional markets with urban centers, can facilitate the rationalization of marketing activities and a more efficient distributive network (Aiyeku,1993).
Redistribution of income is an issue that must be faced. The Socioeconomic structure in the region has proven to be a limiting factor in the growth of aggregate demand and consumption. The formation of the

regional market, the economy Community of West African States (ECOWAS) does not appear to have expanded markets significantly since the same limiting conditions exist in all the countries of the Sub Sahara African region. Development strategies in the region, still need to be reoriented in order to meet the majority of the population.

Government should ensure equal distribution of public infrastructure within the regions to ensure political and economic stability in the region.

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Table 1 Nigeria Revenue from Oil

Year	millions
1958	0.2
1959	3.4
1960	2.4
1961	17.0
1962	17.0
1963	10.0
1964	16.0
1965	29.2
1966	45.0
1967	41.8
1968	29.6
1969	75.4
1970	176.4
1971	603.0
1972	735.0
1973	1,368.6
1974	4,184.0
1975	4,568.0
1976	4,834.0
1977	6,299.0
1978	9,600.0
1979	15,900.0
1980	20,000.0

Source: OPEC Annual Statistical Bulltin 1980

Table 2 Agricultural Sector's Contribution to GDP

Activity as % of GDP	1960/61	1979/80	1990/91
Agricultural	63.00	22.00	41.00
Manufacturing	4.48	5.00	8.30
Industry	11.00	45.00	N/A
Mining and Querry (including oil)	1.80	37.50	N/A
Construction	3.95	9.00	2.2
Commerce and Distribution	11.82	7.30	N/A
Transportation/Communication	N/A	3.20	N/A
General Government	N/A	9.10	N/A
Other Services	26.00	33.00	32.00

Table 3 Nigeria's Crude Oil Exports & Traditional Export commodities

Year	Traditional Eport Com.	Growth Rate %	Crude Oil Exports	Growth Rate %	Total Export	Growth Rate %
1958	263.6	-	1.8		-	265.4

1959	315.6	19.7	5.2	188.9	321.0	20.9
1960	322.4	2.2	8.4	61.5	330.8	3.1
1961	317.2	-1.6	22.6	161.4	339.8	2.7
1962	294.6	-1.7	34.4	45.2	320.0	-3.6
1963	329.3	11.7	40.4	21.0	369.6	12.7
1964	356.6	8.2	64.0	58.9	420.6	13.4
1965	390.4	9.5	136.2	112.2	526.6	25.2
1966	372.4	4.4	184.0	35.1	556.4	5.7
1967	324.2	10.5	142.4	22.8	466.2	-16.2
1968	332.2	-0.4	77.6	45.5	410.4	-12.0
1969	367.2	10.3	301.6	288.7	668.8	63.0
1970	367.8	0.2	509.6	94.5	877.4	31.2
1971	340.4	-7.5	1053.0	87.0	1393.4	58.8
1972	172.0	-49.4	1176.2	0.1	1348.2	-3.2
1973	320.9	45.4	1893.5	61.0	2143.6	59.0
1974	279.0	10.4	5365.7	183.4	5641.7	163.2
1975	230.9	45.4	4565.1	-15.0	4793.7	-16.2
1976	274.1	18.9	6301.7	38.5	6595.8	37.6
1977	375.7	37.1	7072.8	11.9	7448.5	12.9
1978	412.8	9.9	5401.6	-23.6	5814.4	21.9
1979	468.0	13.4	10166.8	88.2	10634.5	82.9
1980	340.0	27.3	13523.0	33.0	13863.1	30.4
1981	139.8	13.2	10280.3	-24.0	10470.1	-25.0

Sources: CBN - annual Report, Econ. & Finance Review FOS - Annual
Abstract of Statistics. Trade Summary Econ. Indicators.

Table 4 Crude Oil Revenue as Percentage of GDP, Total Export Earnings, and Total Revenues (1960-83)

Year	Oil Revenue Millions		As % Export	of Earnings	As % of	As % of Total Revenue	
1960	2.4	0.1		2.7		1.0	
1965`	29.2		3.4		25.4		9.1
1970	176.4	9.4		57.5		26.3	
1971	603.0		14.4		73.7		43.6
1972	735.0		15.9		81.6		54.4
1973	1,368.0	17.2		83.1		59.9	
1974	4,814.0	29.3		92.6		82.1	
1975	4,814.0	21.7		94.0		77.5	
1976	4,568.0	23.7		93.6		79.3	
1977	6,187.9	22.5		92.8		75.2	
1978	5,017.5	16.3		90.0		63.1	
1979	9,583.5		25.5		95.2		81.4
1980	12,791.7		28.7		96.1		69.5
1981	10,258.4		22.2		96.9		62.4
1982	8,809.7	21.8		98.5		66.5	
1983	7,508.3	19.7		96.4		62.0	

Source: R.A. Akindele, "Nigeria's External Economic Relations, 1960-1975", African Spectrum 8611, P.17

Table 5 Enterprises in Which 100% Equity Held By The Federal Military Government Shall Be Fully Privatised

1. Nigeria Hotels Limited
2. Durbar Hotel Ltd
3. Aba Textile Mills
4. Central Water Transp. Co
5. National Cargo Handling
6. All Nigerian Dairies Co.
7. National Fish Co. Ltd
8. Nigerian Food Co. Ltd
9. National Grains Prod. Ltd
10. National Poultry Prod.Ltd
11. National Root Crops Co.
12. National Shrimps Co. Ltd
13. New Nigerian Salt Co. Ltd
14. NationaL Fruit Co. Ltd
15. National Salt Co. Ltd
16. Specomill Nigeria Ltd
17. Romanian Wood Industry
18. Nigerian Yeast & Alcohol
19. Nigerian Film Corporation
20. National Freight Co. Ltd
21. National Animal food Co.
22. Opobo Boat Yard
23. National Livestock Prod.
24. Road Construction Co. Ltd
25. Impressit Bakolori Nig. Ltd
26. Nigerian Breverages Prod.
27. North Breweries Ltd, Kano
28. Nigeria Engineering Construction Co.
29. Tourist Company of Nigeria Ltd
30. electricity Meters Company Ltd, Zaria
31. American Int. Insurance Company Ltd
32. Guinea Insurance Company Ltd
33. Sun Insurance Co. Ltd
34. United Nigeria Insurance Co. Ltd
35. United Nigerian Life Insurance Ltd
36. Niger Insurance Co. Ltd
37. Mercury Assurance Co. Ltd
38. Crusader Insurance Co. Ltd
39. Royal Exchange Co. Ltd
40. NEM Insurance Co. Ltd
41. Law Union & Rock Insurance Co.
42. Prestige Assurance Co. Ltd
43. British American Insurance Co.Ltd
44. West African Insurance Provincial Co.
45. Manchok Cattle Ranch
46. Mokwa Cattle Ranch
47. All Meat Factories
48. All Pig Farms
49. All Oil Palm Co. Ltd
50. Motor Engineering Services Co. Ltd
51. Flour Mills of Nigeria Ltd
52. Nichentex Industries Ltd
53.Gaint Cold Store, Kano
54. West African Distilleries Ltd

Full Commercialization

1. Nig. National Petrolium Co.
2. Nig. telecommunication Ltd
3. Associated Ores Mining Co
4. Nigerian Mining Co
5. Nigerian Coal Corporation
6. National Insurance Co.
7. Nigeria Re-Insurance Co.
8. National Properties Ltd
9. Tafawa Balew Sq. Mgmt.
10. Nigerian Ports Authority
11. African Re-Insurance Co.

Partial Commercialization

1. Nigerian Railway Co.
2. Nigerian airports Authority
3. National Electric Power Authority
4. Nigerian Security Printing & Mining Co.
5. All the River Basin Dev. Authorities
6. National provident Fund
7. Ajaokuta steel Co. Ltd
8. Delta Steel Co. Ltd
9. Nigerian Machine Tools Ltd
10. Federal Housing Authority
11. Kainji Lake National Park
12. Federal Radio corporation
13. Nigerian Television authority
14. News Agency of Nigeria

15.2 CHANNELS OF DISTRIBUTION, STRATEGIC ALLIANCES, AND DIRECT MKT : BUILDING STRATEGIC ALLIANCES

SPECULATION ON STRATEGIC ALLIANCE FAILURES: GENDER AND FAMILY ORIENTATION IN STRATEGIC BRIDGING

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ABSTRACT

This paper examines the notion that many strategic alliances may fail because organizations possess different gender and family orientations in business interactions. Toward this end, organizational characteristics are explored as potential moderators of a channel member's proclivity toward alliance formation and sustenance. A cross-classification of gender and family orientations yield several testable propositions for future cooperative theory-based research.

In 1934, G.F. Gause conducted a prophetic experiment in his University of Moscow laboratory. When two protozoans of the same species were cultured together, one survived and the other did not. Actually, they were doomed from the start. As Gause's principle of competitive exclusion dictates, no two species vying for the same limited resources can survive in the long-run (Keeton 1972). When resources are abundant in any system, species can survive and prosper. However, when similar species compete for scarce resources, a natural interaction emanates. This natural interaction between such organisms embodies a predator-prey system. Gause's seemingly simple experiment has far-reaching implications in the dynamic marketplace. Bruce Henderson, founder of the Boston Consulting Group, likens Gause's principle to a type of industrial Darwinism which has significantly impacted marketing channels strategy (Henderson 1989).

While a channel member's strategic objectives may be attainable through an independent course of action, this isolationist perspective might forbode extinction. Lorenzo Necci, president of Italy's EniChem, warns that "companies that cling to a 'go-it-alone mentality' are in danger of going the way of the dinosaur" (Revesz and De La Sierra 1987, p. 57). The go-it-alone mentality suggests that a channel member's commitment is solely confined to its internal needs (Stern and El-Ansary 1992). In a transactional sense, the isolationist method represents the self-serving needs of an organization bent on the short-term rewards of exchange interactions. The channels environment may be an impetus for organizations to concurrently relinquish some degree of control and increase dependency on other channel members. Channel members often encounter a variety of challenges in meeting their strategic aims. As the costs associated with new market entry, resource procurement and developing technologies intensify, self-reliance is becoming a channels management artifact. In lieu of an isolationist perspective, organizations are embracing strategic alliances with other channel members to seize market opportunities and contend with market challenges (Gates 1993). Once haughty isolationists such as AT&T, Boeing and IBM are at the forefront of these strategic alliances. In short, attempts to build a sustainable competitive advantage increasingly transcend an organization's internal capabilities (Parkhe 1991). During the preceding decade, there was an unprecedented escalation in the nature and scope of strategic alliances (Main 1990). Once fierce competitors have made for strange bedfellows in the global marketplace. In the automobile industry, the connubial registry includes Ford and Mazda, Toyota and General Motors, Volvo and Renault, Nissan and Volkswagen, among others. Strategic alliances are not limited to the automobile industry. IBM, Apple and Motorola; Texas and Hitachi; and Whirlpool and Philips are just a few examples of strategic alliances. A sense of "sharing markets" is becoming the cornerstone of industry market share among channel members. Perhaps the most manifest example of the "partnership" approach is the General Magic, Inc., a communications software consortium which links companies such as AT&T, Apple, Matsushita Electric, Motorola, Nippon Telegraph & Telephone, Philips Electronics and Sony.

In spite of the widespread approbation of cooperative channel strategies, historical evidence suggests that strategic alliances are no panacea for marketplace success. Many alliances "tend to be unstable and fail more often than they are a success" (Gates 1993, p.9). Academicians stipulate that alliance failure is attributed to various causes such as (1) contributions that leave expectations unfulfilled, (2) different or conflicting strategic objectives, (3) the merging of separate corporate cultures, (4) slower, more complex decision making, (5) lack of trust, and (6) incompatible personal chemistry (Lorange and Roos 1991; Lynch 1990; Spekman and Sawhney 1990). Exchange partners may actually steal ideas, technologies or entire entities (via acquisition) (Main 1990). However, these situations may well be characterized as symptoms of a problem rather than root causes.

Interdependence rather than independence is an underlying principle of strategic alliance relationships (Spekman and Sawhney 1990). Yet, interdependence is not a societal norm used to characterize the cultures of the foremost industrialized nations in the world (i.e., Germany, Japan, and the United States) (Hofstede 1984). Indeed, Harrigan (1988) hints that national origin may well play a part in alliance formation. However, if cultural differences are foregone sociological phenomenon, then culture (in and of itself) yields limited prescriptive value for channels management. In fact, the Volvo-Renault alliance seemingly rebuts such a conclusion. History might suggest that such exchange partners' countries-of-origin would be more prone to war than peace. Accordingly, the present effort attempts to extend upon the cultural perspective and address organization-specific characteristics.

The primary objective of this manuscript is to introduce a conceptual nexus between a channel members's *gender orientation* and *family orientation* in strategic alliance formation. While each of these terms will be explained in further detail, a brief explanation is warranted. The *gender orientation* is used to denote a channel member's gender orientation ranging on a continuum from highly masculine to highly feminine (see Gilligan 1982). The gender demarcation has been used in a variety of studies at the organizational level (see Hofstede 1984). Thus, the inclusion of gender orientation is not new. In fact, many strategic alliances may fail because organizations possess a masculine orientation rather than a feminine orientation in business interactions (White 1992).

The *family orientation* is a typology of expected utilities derived from the interaction process itself. In this way, it can be viewed as a cognitive style employed by channel members to maximize strategic performance. The notion of family orientation is adapted from Axelrod's (1980) computer experiments for the iterated prisoner's dilemma. The premise of these experiments was to examine the interface between populations of strategic options in a largely unregulated environment. Simply put, family orientation delineates strategic categories of "players" in the channels environment.

While these orientations have been widely applied to independent firms, there has been no effort to extend such applications to the interdependency between firms. The contextual setting for such interdependency is the strategic alliance. The strategic alliance was used because it implicitly suggests that such interdependency between channel members is not a product of coercion. Each channel member -- or "player" -- has the freedom to enter or exit the channel relationship.

STRATEGIC ALLIANCES: INTERDEPENDENCY WITH A PURPOSE

The strategic alliance designation first appeared in the marketing literature in the late 1980s when James (1985) introduced it to the business disciplines. The alliance concept is an extension of previous research over the last decade that portrayed marketing competition as analogous to military warfare (Cohen 1986; Kotler and Singh 1981; Reis and Trout 1986). Borrowing from military strategy based on the European model of warfare (Karl Von Clausewitz 1832/1989), these researchers attack and defend strategies that firms may use to influence the marketplace.

The development of allies is identified as a common military strategy based on the principle of force (Reis and Trout 1986). Since collaboration between firms is less likely to raise concerns of anti-trust violations in today's legal environment (Jorde and Teece 1989), strategic alliances are viewed as the *competitive weapon* of the 1990s (Lewis 1990). In the past, an alliance typically described an agreement by which one channel member provided information, financial or technological resources in exchange for new or improved market position (held by the exchange partner). Today, strategic alliances emphasize a more synergistic perspective -- an integration of channel members' capabilities to achieve improved performance (Roberts 1992).

So, what is a strategic alliance? Though a concise definition of "strategic alliance" is illusive (Heide and John 1990), there is common ground among the various definitions. For example, collaboration, risk-sharing, resource commitment, interdependency, and longevity are frequently mentioned dimensions (Culpan 1993; Forrest 1992; James and Weidenbaum 1993; Jorde and Teece 1989; Ohmae 1989; Spekman and Sawhney 1990). One of the most comprehensive and descriptive definitions, however, is Parkhe's (1993, p. 794): "strategic alliances are relatively enduring interfirm cooperative arrangements, involving flows and linkages that utilize resources and/or governance structures from autonomous organizations, for the joint accomplishment of individual goals linked to the corporate mission of each sponsoring firm." As Parkhe's (1993) definition elucidates, strategic alliances represent interdependent channel members who share a sense of purpose.

A concrete definition of the strategic alliance extends beyond the scope of the present effort. However, the term is used here to encompass any type of interorganizational relationship framed by Parkhe's definition. That is, the strategic alliance may take the form of a licensing agreement, joint venture or consortia (for a detailed description of these strategic alliances, see Lei and Slocum 1991). The form of the strategic alliance essentially takes a *back seat* to the interdependency relationship itself (see Gray and Wood 1991).

Interorganizational relationships are characterized by systems engaged in strategic bridging (Westley and Vrendenburg 1991). One facet of this strategic bridging is the attempt to blend channel member characteristics in relationship formation. In Gause's experiment, two *similar* species were cultured together. However, more often than not, channel members possess unique organizational characteristics. Following Gause's cue, the goal of strategic bridging is to form symbiotic relationships.

In biology, symbiosis describes how two dissimilar organisms live together in close association because it is mutually advantageous. It stands to reason that strategic alliance formation undergoes a similar process. It is a coalescence of organizational characteristics for the mutual advantage of exchange partners. Our attention now turns to two organizational charactistics which may foster symbiotic relationships.

Gender Orientation: Separate vs. Connected Selves

This symbiotic process acknowledges the interaction of social systems with strategic incentives. These social systems, by definition, possess value structures which underlie channel behaviors. In fact, some have argued that moral stricture is fundamental to any exchange relationship (Houston and Gassenheimer 1987). One avenue for explaining value structures in interorganizational relationships is gender orientation. Gender orientation is a dispositional characteristic which typifies an organization's value structure.

If the failure rate of strategic alliances is related to interorganizational values, an understanding of gender differences is extremely important. Lyons (1988) describes a study designed by renowned psychologist Carol Gilligan in which men and women are hypothesized to think differently about themselves in relation to others. This fundamental difference has been empirically supported across a number of sample frames. Gilligan suggests that the distinction can be conceptualized as two different methods by which individuals relate to others in their lives. Men are described as "separate selves" who are autonomous in relation to others. Women are designated as "connected selves" who are interdependent in relation to others. Gilligan (1982) entitles the female alternative as a "different voice."

The separate selves perspective is grounded in the concept of equality. "For the separated self, safety comes from the ordered movement of people on the hierarchy and from having a protected zone that keeps us separated from one another. This argues for an impartial, objective, rule-based ethical outlook that denies the importance of the emotional content of relationships between individuals unless they are codified according to this rule-based morality" (White 1992, p. 52). Thus, the separate selves perspective assumes that the individual will view others as the same as himself.

The connected selves perspective assumes interdependence and concern for the well-being of others. "For the connected self, by contrast, safety comes from our connections in a network of caring, protecting, nourishing relationships. This argues for an outlook steeped in the emotional dynamics of personal relationships and in a realistic assessment of harm" (White 1992, p. 52). Relationships are maintained by considering individuals in their specific contexts by viewing others in their own terms rather than through a strict sense of equality (Lyons 1988). Thus, the connected selves perspective assumes that the individual will view others as different from herself.

Currently, one of the top selling books in the United States is *Men Are From Mars, Women Are From Venus* by John Gray. Though the book is self-help psychology, the author offers additional insight into the theory that men and women inherently have different basic values. Unlike Gilligan (1982), Gray (1992) searches for a middle ground represented by a win/win philosophy of life that describes a world where everyone cares for themselves as well as for others. Individuals, whether male or female, should learn how to both give and receive. Yet differences do exist.

Much like Gilligan (1982), Gray (1992) believes that men engender a win/lose philosophy of life that can be stated as "I want to win, and I don't care if you lose." Men value power, competency, efficiency, and achievement. Men seek to prove themselves, and ultimately, a man's sense of self is defined through his ability to achieve results. Symbolizing these attributes is the overriding need for autonomy.

On the other hand, women engender a lose/win philosophy of life that can be stated as "I lose so that you can win." Women value love, communication, beauty, and relationships. Women focus on supporting, helping, and nurturing each other. A woman's sense of self is defined through her feelings and the quality of her relationships. Symbolizing these attributes is the overriding need for cooperation.

While gender orientation holds promise in the realm of cooperative relationships, Gilligan's work is largely applied at the individual unit level. Can gender orientation be applied at an organizational level? On one hand, channel members are essentially represented through designates that represent organizational interests. Furthermore, there is evidence that organizations espouse dispositional factors that form an organizational identity.

This perspective is supported by Hofstede's work in cultural diversity. Hofstede's (1984) across sixty different countries uncovered a similar dichotomous dimension that describes work-related values: masculinity versus femininity. Masculine societies "emphasize assertiveness and the acquisition of money and material things, while deemphasizing caring for others. In contrast, feminine societies emphasize relationships, concern for others, and the overall quality of life" (Robbins 1991, p. 67). Channel members, like countries, are social systems with a proclivity toward masculine or feminine alignment.

Given that organizations historically are dominated by men, masculine values permeate business. White (1992, p. 58) describes the traditional organization as "a hierarchical, quasi-military model of dealing with colleagues, employees, and competitors." Yet, organizational settings are increasingly described in connected selves language: "a web of relationships, where trust, reputation, dependability, honesty, and respect for human dignity are critical (White 1992, p.57). Thus, the seemingly relational nature of channel interactions suggest that "a different voice" may articulate better alliances.

Because gender orientation is a dispositional characteristic, it is essentially a fixed element. There has been no evidence to date that suggests an organization may use its gender orientation as a mechanism for ameliorating alliance formation. Yet, it is a promising device for evaluating potential exchange partners. A channel member's gender orientation is disengaged from its utility function.

Conversely, *family orientation* describes a cognitive style which is interactive -- it is a calculated action predicated on the exchange partner's "next move." Adapted from the prisoner's dilemma computer gaming experiment, family orientation has revealed in/salient criteria of dyadic performance (Axelrod 1980). As such, it renders a family of strategies which purportedly describe a channel member's propensity toward un/cooperative interdependency.

FAMILY ORIENTATION: UN/COOPERATIVE COGNITIVE STYLES

The properties of any organism must, at some point, propitiate the competitive forces which vie for scarce resources. Gause's experiment yielded three potential outcomes of evolutionary biology. These outcomes are analogous to the strategic outcomes for channel members competing in a competitive marketplace. They echo the promotional sentiments of former Chrysler Chairman Lee Iacocca: to lead, follow or get out of the way.

- The first outcome may be described as *survival of the fittest.* The survival of the fittest approach suggests the dominant channel member will survive by outflanking its competitors. It is based on superiority, and it precipitates the extinction of channel member rivals. It is a head-on warfare strategy where, as the label implies, the winner takes all.
- The second potential outcome can be viewed as *range restrictive.* It dictates that some species will prosper in one place while others may prosper in others. It is a form of detached coexistence in which each channel member conquers a niche in the marketplace.
- The last possible outcome is *character displacement.* It suggests that each channel member adapt to changes in the marketplace. One character displacement option is cooperative. A channel member changes via collaborative arrangements in with other channel members. The ensuing symbiotic relationships aim to preserve collective performance outcomes.

Obviously, the survival of the fittest is a go-it-alone strategy which counters the basic tenets of alliance formation. Range restrictive behaviors is another isolationist perspective in which channel members agree to share the market -- but stay out of each other's way.

Character displacement is the most collaborative of the family orientations. It suggests that channel members adopt flexible strategies which make them attractive exchange partners. There are four basic families of strategies in the prisoner's dilemma experiment. The relative advantage of the family orientation is that it affords contingency options under various market conditions (see Marinoff 1992).

The first family of strategies is the *Probabilistic Family*. In the probabilistic family, channel members possess similar utility criteria. They will cooperate or defect from an alliance based on individual probabilistic weightings. There is no middle ground -- they will either cooperate or defect. There is no mechanism for modifying behavior. Probabilities are generated from the channel member without concern for the other "player" in the environment. This is essentially detached coexistence.

The *Tit-for-Tat Family* involve channel members possessing integrated strategies. This strategic scenario suggests that each channel member's "next move" is predicated on the exchange partner's move. In essence, it is a cooperative strategy which attempts to maximize individual utility functions. Therefore, preservation of the alliance is based on individual performance outcomes rather than collective outcomes. Each channel member is using the exchange partner to further its market position. Yet, exchange partners are willing to preserve the interdependency because there is an acknowledgment that utility expectations are jointly derived.

All channel members attempt to maximize utilities using probabilistic weightings in the *Maximizing Family*. However, the probabilistic weightings are based on collective performance rather than *a priori* perceptions of exchange partners. The "moves" in the marketplace are evaluated and monitored on an on-going basis by all exchange partners, and the decision rule is to maximize long-range utility. It involves a *post hoc* assessment of performance at predetermined intervals. If the achieved utilities meet expectations, then the alliance is preserved. If the utilities fall short of expectations, the alliance is dissolved. This might describe an exchange partner like General Motors. GM has a history of enter and exit patterns based on periodic assessments of performance outcomes (e.g., Toyota and the Daewoo group).

The most relational of strategic families is the *Optimization Family*. This family of strategies is certainly the most flexible. There is a pervasive willingness to adapt to changing market conditions. The attribute shared by these "players" is that they have a track record of success in other competitions. Their strategic options are experiential. If they have had positive outcomes from alliances to date, they will try to emulate that strategy with other exchange partners.

This family orientation is most prone to long-term, cooperative strategies. For example, while the Ford-Mazda alliance has experienced its ups-and-downs, Ford has called this alliance -- one of the longest in history -- a successful one. It has repeatedly voiced its penchant toward similar alliance formation. It has formed an alliance with Volkswagen based on its experience with Mazda.

PREDICTING STRATEGIC ALLIANCE FAILURE

If the traditional values of channel members is to " go against the grain of the essentially `connected' nature of business, it is likely that they produce significant inefficiencies" (White 1992, p. 58). Strategic alliances may be one such example since their failure rate is reported to be as high as 50% or more (Delvin and Bleackley 1988). Though the concept of alliances is many centuries old, strategic alliances between channel members are relatively new phenomena. The premise of the current effort is that channel members possess unique gender and family orientations which may indicate their predilection toward entering cooperative agreements.

The advantage of exploring organizational characteristics is to provide a potential framework for empirically assessing the predictive value of each orientation in strategic alliance failures. Toward this end, a cross-classification of the two orientations is provided in Table 1. As the table illustrates, channel members positioned in the masculine/probabilistic cell probably have the lowest proclivity toward alliance formation. Conversely, those channel members in the feminine/optimization cell are most prone to alliance formation.

From this table, several questions emerge. Do channel members truly comprehend the corresponding value assumptions, such as trust, empathy, and cooperation in their alliance consideration which are aligned with gender and family orientations? Over a quarter-century has passed since Rotter (1967) noted that, "The efficiency, adjustment, and even survival of any social group depends upon the presence or absence of trust" (p. 651). The masculine/probabilistic cell describes channel members who, because of their isolationist perspective, may be less prone to trusting other channel members.

On the other hand, channel members with a detached, probabilistic view of exchange may actually fare well. For example, the optimization family may yield alliances such as the Volvo-Renault marriage. The alliance boasts a declaration that there is a mutual commitment to long-term success. Rick Dowden, president and CEO of Volvo North America, states "There is no provisions in our agreement for dissolving this relationship. It is intended to be a marriage" (Mason 1993, p. 12). The question arises, Will it be a happy marriage? By framing alliances solely on the basis of gender orientation, utility expectancies are disregarded.

Strategic alliances may, in fact, be governed by more traditional masculine values. Alliance formation is commonly viewed in the domain of military strategy, and probabilistic weightings play a key role in war simulations. While gender and family orientations may be important considerations in strategic alliance formation, the overriding question involves the likelihood that such alliances will survive and prosper. In other words, perhaps some alliances are like Gause's *paramecium* organisms -- destined for failure.

The nexus between gender and family orientation provide a framework for assessing performance outcomes of strategic alliances. This framework is unique in that it focuses on organizational characteristics rather than environmental stimuli. From Table 1, several postulates are forwarded which invite empirical assessment:

P_1: Strategic alliance relationships are characterized by connected selves gender orientation.

P_2: Strategic alliance formation is most likely between channels members espousing a feminine gender orientation.

P_{3a}: Strategic alliance relationships will demonstrate higher individual utilities under the tit-for-tat family orientation

P_{3b}: Strategic alliance relationships will demonstrate lower individual utilities under the maximization family orientation.

P_4: Strategic alliance relationships will demonstrate higher collective utilities under the optimization family orientation.

P_5: Strategic alliance failure will be most likely among exchange partners espousing both a masculine gender orientation and a probabilistic family orientation.

DISCUSSION

There has been a paucity of attention afforded to the antecedents of strategic alliance formation in channel settings despite the unprecedented emergence of such interdependent relationships in the marketplace. This may be attributable to the general lack of a conceptual foundation for assessing organizational-based characteristics. While this study is in its embryonic stage, it purports to provide such a framework via the introduction of gender and family orientations to alliance formation. It suggests that each orientation is a measurable organizational characteristic which may hold prescriptive value with respect to alliance formation and performance outcomes.

As the discipline embarks on a "fundamental reshaping of the field," (Webster 1992, p.1) researchers may be humbled by the sheer neglect afforded to cooperative theory -- the formation and preservation of interdependent relationships. This initial step serves as a call for increased attention to this timely issue.

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FIGURE 1
CHANNEL MEMBER DISPOSITION:
GENDER-FAMILY ORIENTATION NEXUS

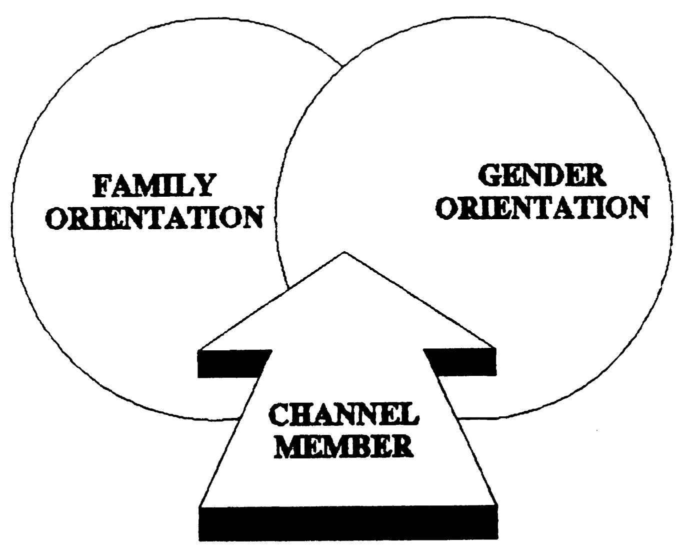

TABLE 1
CROSS-CLASSIFICATION OF GENDER AND FAMILY ORIENTATION

Family Orientation	**Masculine Gender Orientation**		**Feminine Gender Orientation**	
Probabilistic	No Propensity Toward Alliance Formation	No Propensity Toward Alliance Sustenance	Low Propensity Toward Alliance Formation	Low Propensity Toward Alliance Sustenance
Tit-for-Tat	Low Propensity Toward Alliance Formation	Low Propensity Toward Alliance Sustenance	Moderate Propensity Toward Alliance Formation	Moderate Propensity Toward Alliance Sustenance
Maximixing	Moderate Propensity Toward Alliance Formation	Low Propensity Toward Alliance Sustenance	High Propensity Toward Alliance Formation	High Propensity Toward Alliance Sustenance
Optimization	Moderate Propensity Toward Alliance Formation	Moderate Propensity Toward Alliance Sustenance	High Propensity Toward Alliance Formation	High Propensity Toward Alliance Sustenance

INTERNATIONAL CORPORATE ALLIANCES: HOW STRATEGIC ARE THEY?

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ABSTRACT

Most of the time international corporate alliances are referred to as strategic alliances. This paper attempts to distinguish *convenience* versus *strategic* alliances. It maintains that although all international corporate alliances provide learning, this learning does not necessarily always lead to strategic learning. This is the preliminary version of a forthcoming paper. It emphasizes the need for exploring strategic aspects of international corporate alliances.

INTRODUCTION

If the 1980s stand as the decade of the merger and acquisitions, the 1990s looks as the era of the corporate alliance, particularly in the world of research and development. Once viewed primarily as a strategy for entering foreign markets, corporate alliances are becoming an effective way to speed technological development, boost productivity, and lower investment risks, thereby compensating for the eroding strength of the U.S. management skills in true global marketplace (Taylor 1989).

As competition increases, companies with technological expertise are looking for partners that might provide access to new markets, especially overseas. Even large multinationals want allies who will share risk and research and development costs of launching new products more frequently. Strategic corporate alliances are more than a way of achieving such goals as conquering a market or creating a new product. They are also a way of finding out important information about one's partner. For instance, Japanese company NEC has spent less money on research than its competitors, but through strategic corporate alliances, it has become the only firm to rank among the ten biggest competitors in all three sectors of electronics namely computers, telecommunication and semi-conductors (Anonymous, 1988).

There are many reasons why corporate alliances are formed. Considering, however, that there are many failures among international corporate alliances it is important to understand under what circumstances they are successful and under what circumstances they are rather unsuccessful. Harrington (1989) who studied U.S. corporate tie ups at home and abroad for a ten year period found that 57 percent of such alliances did not work. Thus, it is critical to understand what makes these alliances work.

This paper explores two key areas. First, why international firms are attracted to each other; and second, what are their most serious problems so that these problems can be eliminated.

THE DICHOTOMY OF TWO CORPORATE ALLIANCES

The corporate alliances range from limited agreements on joint product development, research, and distribution to full-blown mergers. There are also technical reasons for corporate alliances. This kind of a technological shift requires vendors to enhance their existing product portfolios with new technology products. One of the biggest alliances forged was between Siemens and the U.K.'s General Electric Company (GEC) and The Plessey Co. Ltd. (Lamb, 1990).

International alliances much of the time are formed for the wrong reasons. Lorange, Roos and Bronn (1992) discuss four generic motives: to defend, to remain, to catch up and to restructure. Somehow none of these appear to be quite strategic in the sense that they all try to bridge a gap rather than establishing a competitive edge. Thus, the distinction between filling a gap versus adding onto the competitive strength need to be understood. There are basically two extreme types of alliances, namely strategic versus convenience. Although all of the alliances are named strategic, the authors believe that many international alliances are not quite strategic. U.S. corporations have formed over 2, 000 alliances in the 1980's with European companies alone. In some cases these alliances have turned even bitter rivals into partners. For example, Texas Instrument, Inc. has teamed up with its old enemy Hitachi of Japan to develop the next generation of memory chips (Kraar, 1989).

Corporate alliances take many shapes, from straightforward marketing agreements to joint ownership of world-scale operations. Lowering the costs and risks of high technology product development is only one of the desired gains. As more and more U.S. firms need global markets to create maximum economies of scales in manufacturing, international alliances offer a cheaper and faster way to achieve the needed volume than building plants or making acquisitions. Many corporate alliances are not for winning markets overseas, but for defending them at home (Kraar, 1989).

If we were to take the Lei-Slocum (1992) definition of alliances and dissect it, the dichotomy can be better understood. In their words (p. 82) ". . . alliances are co-alignments between two or more firms in which the partners hope to learn and acquire from each other technologies, products, skills, and knowledge that are not otherwise available to their competitors." As the definition specifies learning and acquiring are the key concepts here. First, let us take a look at learning. Obviously, the firms can learn more and faster as they become part of alliances. However, what they learn and how this information is used are two different questions, the answers to which would identify the direction of the alliance.

The knowledge and experience of the international partner is often used to enter new markets. This information along with the partner's capability to market in the desired markets provides the incentive to form an alliance. Is this necessarily strategic? The authors think not. Developing an alliance to enter new markets is a convenience activity. Similarly cost cutting information is also considered here more of a convenience rather than strategic activity. We take the position of stating that in order to be strategic, international alliances must have a clear-cut enhancement of the firm's competitive edge. Perhaps there is only a fine line between these two alternatives of strategic versus convenience, in reality not distinguishing between the two could be quite costly. Lei and Slocum (1992) p. 81, state very aptly:

To sustain competitive advantage, companies must learn and assimilate new sources of manufacturing technologies, skills, and core competencies. Many firms do not understand the inherent complexities involved in formulating and implementing a strategic alliance and simply seek to cut costs and thereby reduce their commitment to investing in new product development and manufacturing techniques.

Thus these firms are using international alliances for convenience in the short run. But in the long run they are becoming "deskilled" and "hollowed out" (Lei and Slocum 1992). Samli, Still and Hill (1993) indicate that international alliances are mainly based on internationalization, cost cutting, and entering international markets. All of these are related more to convenience than to strategy.

It is obvious that international corporate alliances can take place for the wrong reasons. Similarly they could backfire if not planned and organized properly and carefully. There are many specific costs and risks involved in international corporate alliances which stem from lack of planning and an over emphasis on convenience. Exhibit 1 presents a list of nine specific factors and to what extent they are caused by lack of planning or by too much emphasis on convenience. If too much emphasis on convenience is present, it indicates an acute lack of strategic orientation. The following section presents a brief discussion of these nine factors and how they may inhibit international corporate alliances from being *strategic*.

DIVISION OF AUTHORITY AND RESPONSIBILITY

A successful corporate alliance is dependent on the ability of the partners to divide authority and establish a chain of responsibility as well as sharing control. These

EXHIBIT 1

COSTS AND RISKS OF INTERNATIONAL CORPORATE ALLIANCES

PROBLEMS	CAUSES
Division of authority and responsibility	Lack of planning
Mutual dependence	Convenience orientation
Uncertain outcome	Convenience plus externalities
Heavy investment of time and energy	Lack of planning
Imbalance in benefits, commitment and motivation	Lack of planning
Difficulty in arriving at an agreement	Convenience orientation
Communication problems	Convenience orientation
Conflict between partners	Convenience and lack of planning
Partnerships do not work effectively	Structured incorrectly

functions are difficult for managers, who were taught to equate management with total control. They are most likely to create conflicts as well as differences of opinions, requiring compromises by all partners (Ohmae 1989).

Mutual Dependence

When two or more parties share authority and responsibility, they are interwoven and dependent on the others. This inter-dependence can be rather costly for all parties in question. If the commitment of one of the partners is insufficient, the alliance is likely to dysfunctional with substantial financial losses for everybody. This may jeopardize the alliance itself.

Uncertain Outcome

Clash of cultures, management styles, differences in expectations of others, and misunderstanding can all contribute to uncertainty of international strategic alliances (Ohmae 1989). There are additional factors that further contribute to the uncertainty of the outcome. Among these are difficulties in anticipating the outcomes or not knowing how to share the authority properly.

Heavy Investment of Time and Energy by Top Management

Major issues concerning strategic alliances are handled by top executives who spend a significant amount of time and energy making decisions. Moreover, alliances require coordination of efforts on all areas of operations, which translate to heavy investment by partners.

Imbalance in Benefits, Commitment and Motivation

Alliances can create situations which may lead to conflicts or tensions among partners. These situations are caused by a lack of balance in benefits, commitments and motivation. When Japanese obtain expertise and information from American-Japanese partnerships, they are not typically motivated to guide Americans through their complicated Japanese market. A research on cooperative ventures between competitors from the

United States and Japan, Europe and Japan, and the United States and Europe revealed that each Japanese company emerged stronger from its alliances due to their greater effort to learn (Hamel et al 1989).

Difficulty in Arriving at an Agreement

The joint venture between General Motors and Toyota illustrates the complex process that is often required in international business negotiation. The participants in the negotiation describe it as a "long," and "frustrating" process, which was further due to "culturally based factors" in addition to the usual negotiation factors in arriving at an agreement. The difficulty in arriving at an agreement in alliances can be traced to first, the possibility of potential competitors having easy access to home markets and second, the need for control on the part of Americans and Europeans.

Communication Problems

Because international alliances are comprised of companies from different countries with different cultures, communication may be difficult due to differences in languages, norms and values. These differences can easily create misunderstandings which may reduce the effectiveness of the alliance and conflict between partners.

Conflict Between Partners

There are many ways conflict can arise between partners. Among these are: the presence of nationalism, racism and stereotypes that contribute to conflicts or when two partners are equally determined on internationalizing the other's skills, distrust and conflict may spoil the alliance and threaten its survival (Jain

Ineffective Working Relationships

For many U.S. firms, partnering with Japanese companies can be ineffective or even harmful. One of the main reasons why partnerships do not work is that they are structured incorrectly. Another reason for failure is the very nature of teaming up with the competition. Unequal partnering, where two very different companies join forces could be a solution. One of the best examples of this new type of partnering model is the relationship between LSI Logic Corp. and Kawasaki Steel of Japan (Rice 1991).

LEARNING THROUGH INTERNATIONAL CORPORATE ALLIANCES

It is obvious that international corporate alliances lead primarily to learning. As the alliance is formed, partners learn from each other. The learning that takes place, however, can lead the partners either in the convenience direction or in the strategic advantage direction. Exhibit 2 illustrates this situation. Convenience learning leads to defend retain catch-up or entry (Exhibit 2). In all of these cases the alliance fills in a gap rather than being taken to a higher competitive level. Such alliances are quite likely to end up creating special problems as discussed earlier. On the other hand, strategic learning leads to restructuring the company to facilitate new strategies, revising overall corporate strategy or, in other ways, developing a competitive edge for the company by creating a new position not to catch up or follow but primarily to lead and to become more competitive. It is conceived that convenience learning is simply grafting such as taking partners' knowledge and using it or simply complementing each other's weaknesses. Strategic learning, on the other hand, reflects interconnectedness, synergism and active cooperation. This means the alliance as a whole is greater than its partners put together and hence there is newly acquired competitive power.

CONCLUSIONS

In alliance building, although the term "strategic" is almost always used, it is maintained in this paper that international corporate alliances are not always strategic in nature. These alliances always lead to learning for both parties. However this learning can be in terms of learning how to do certain things conveniently versus developing international strategy dimensions. Developing a strategy, above all, means that the international corporate alliance has created such a synergism based on productive cooperation and interconnectedness that it can compete better in the international arena.

U.S. companies trying to form international corporate alliances and make them strategic should consider the following during the planning stages (Anonymous 1988).

Monitor the partnership carefully; pay attention to the questions as well as the answers; make sure that communication leading to strategic learning is taking place; develop feedback; arrange long term and stable financing; capitalize on technological strengths; and do not be afraid of long term investments.

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THE IMPACT OF STRATEGIC ALLIANCES ON REGIONAL BUSINESS

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ABSTRACT

While strategic alliances have been relatively common in manufacturing industries, there has been little attention paid to the association of strategic alliances and marketing strategy. In marketing strategy today, specific attention is paid to the development of competitive advantage as an integral part of strategy formation and decision making. Some firms are recognising advantages in developing both horizontal and vertical linkages to assist in maximising their performance in the marketplace. The Retail Traders Association actively encourages firms to develop associations that will facilitate business growth and improve financial performance. The concept of associations between organisations is not only applicable to large corporations but has major significance in small and regional business where many do not have the resources individually to develop and grow.

The major emphasis of this research centres around the 'looser' types of agreements, between businesses, particularly, co-market agreements, buying groups and loose affiliations. Managers/owners of three companies were interviewed using a 'laddering' technique, and an open-ended interview guide developed. Thirty five businesses in both Bathurst and Albury, matched in terms of their business type were interviewed in the survey. 'Loose' strategic alliances form a valuable tool for regional business to compete effectively in the market place. This exploratory study has identified the reasons for businesses initiating strategic alliances, expected outcomes of the alliances, the process of selecting a strategic alliance partner, approaches used to evaluate the success of the alliance and the impact of the alliance on marketing strategy. The information provided through this study will have value to regional businesses looking to improve their market exposure and financial performance.

15.3 CROSS CULTURAL ISSUES IN CONSUMER BEHAVIOR : REGIONAL COMPARISONS IN CONSUMER BEHAVIOR

CHASING RESEARCH ACROSS CULTURES: DO ADS LOOK DIFFERENT DOWN UNDER?

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ABSTRACT

As part of a program of ongoing research, a set of 180 international print ads in eleven product categories was assessed by two groups of trained judges (n=5 each), one from the USA and the other from Australia. Across three classes of measures, the Americans' assessments were not substantially different from those of their Australian counterparts. Such differences as did emerge are due as much to the judges' gender as their nationality, suggesting that it is possible to conduct cross-cultural advertising research--at least among Western societies--from a single geographic venue, so long as its resident judges are given sufficient training.

Recent years have witnessed the emergence of a burgeoning interest in international marketing and its concomitant, cross-cultural consumer behavior. Both the reasons for and arguments about global marketing are familiar (e.g., Hassan and Kaynak 1994), so they need not be recited here. Our interest in this topic proceeds from the perspective of advertising, specifically how it is interpreted (or "read") around the world. For instance, how much "cultural baggage" does a target consumer bring to the reception of an advertisement? Does this inevitably lead to substantially different interpretations across the geographic venues in which an ad is run or do people look beyond their differences such that the ad functions as an invariant stimulus regardless of the cultural backdrop in which it is interpreted?

We have studied this problem for a number of years (Domzal and Kernan 1990, 1992, 1993, 1994, 1995), but not from the usual perspective of consumers' reactions to advertisements run in various international markets. Such assessments are important, but they are premature in the sense that, although they reveal differences, they tell us nothing about the reasons behind them. We have approached this cross-cultural phenomenon in a more fundamental way, beginning with the semiotic notion that an ad is, first and foremost, a set of signs to be interpreted. We take a stimulus-side tack, focusing on advertisements as "texts" that target consumers read. We examine ads much the way a literary critic considers a book or as an art critic looks at a painting. The purpose is to discern what there is in the advertisement (its signs) that *can* be interpreted by consumers. The analysis tells us how messages have been encoded--the ideas advertisers are trying to convey--but it does not reveal how consumers actually perceive ads. (That is a matter for later consideration.) Our focus on advertisements is prompted by a concern that too often these are assumed to be fixed, immutable stimuli--that the only sources of response variation reside in the target consumer and the reception context. We do not deny that characteristics such as demographics, lifestyle, mood, and involvement affect consumer reaction, but it seems important first to understand (rather than just assume) *what* people are responding to. Just as beauty is in the eye of the beholder, it is necessary to know what signs an advertisement contains and that these are "seen" by consumers, regardless of their resident culture. Otherwise, we have no reliable way to trace variations in response to their source. As an example, consider the case of an international ad. When it elicits varying responses around the world, it is tempting to attribute these to contextual or "people" differences. Such a conclusion is not warranted, however, unless we also establish that the ad represents a semiotically-equivalent stimulus to those people.

PROBLEM

Stimulus-side analysis in a cross-cultural context poses a number of research problems, but one of the first of them--and the focus of this paper--is the surrogate interpretation of international advertisements. If ads represent semiotic bundles of signs, it is necessary to portray those bundles in order to understand them as stimuli. Moreover, we must do this in an "expert" way. It is not sufficient to use samples of target consumers (however representative), because their responses to ads reflect what Heidegger (see Packer 1985) called the "ready-to-hand" mode of engagement--they are the gestalt of stimulus, receiver, and context factors. We need such responses eventually, of course, but first it is necessary to partition-out the stimulus factor. And that requires the use of judges, trained in the hermeneutic tradition of inquiry, to do semiotic content analysis. Such experts read ads "for" target consumers--as though they *are* those consumers, but sensitized to and focused on semiotic content only. Finally, judges' assessments must transcend cultures. If they do not, we have no way of knowing "what" ads represent beyond the venue in which they were initially read.

Because there is evidence that judges can be trained to do reliable cross-cultural readings, we have used USA-resident people in our work thus far (Domzal and Kernan 1990, 1992, 1993, 1994). But we are in the midst of a systematic program to verify this universality assumption empirically. In this paper, we report a comparison of assessments made on an identical set of 180 international print ads by American and Australian judges. Our research agenda includes future comparisons, using judges from selected countries around the world.

METHOD

The stimuli for the study consisted of 180 print ads, representing eleven product categories, which were produced in five geographic regions of the globe between 1984 and 1992 (Table 1). We selected these stimuli from our collection of ads (currently numbering some 3,500), which are obtained from L rzer's International Archive, a service headquartered in Frankfurt, Germany. This set is not proffered as a representative sample of international print advertising and the reader should not draw the usual inferences from it. (Our purpose is not to portray the universe of international advertising.) Instead, these 180 reflect a typical array of such ads--much the way the Museum of Modern Art's collection reflects 20th Century art. (We were concerned only that the set did not represent a distorted picture of international advertising.) Table I makes clear that the distribution of ads--across product categories and geographic origins--is anything but even, but that skewness reflects the international advertising picture. The data set does contain cross-cultural variety, and for stimulus-side analysis that is all that is necessary. Similarly, one could argue that more (or fewer) than 180 ads might have been included in the study, but that number represents the outside limit for the labor-intensive task judges were asked to complete.

Each ad was assessed by two groups of judges--five Americans and five Australians--who received identical training and followed identical procedures. Among the Americans, three are female and two are male. Among the Australians, two are female and three are male. Otherwise, the two groups are equivalent demographically--college-educated professionals ranging in age from their early twenties to their early forties. Both groups include equivalent proportions of members who have travelled or lived abroad.

As part of a larger study, the judges content analyzed the ads according to three sets of measures, each of which is informed by the work of Dyer (1982), Leymore (1975), and Williamson (1978). This background material was the focus of the judges' training (during which they were *not* made privy to the study's objective). The ads were categorized according to one of nine presentation formats (comedy, lifestyle, etc.), for their communications style (four 4-point scales, reflecting the extent to which their representations are abstract or concrete, their allusions metaphoric or integrative, their appeals to thinking or feeling, and their executions verbal or visual), and for probable reaction (three 4-point scales, reflecting the extent to which consumers would like them, be influenced by them, and regard them as "universal"--culture-free--or culture-bound) For an elaboration of the procedure and its supporting rationale, see Domzal and Kernan (1993, 1994). Judges' instructions differed intentionally from those associated with traditional content analysis because their task (and our interest) was not to quantify the dimensions of the ads (how much copy, the size of the illustration, etc.), but instead to portray their latent content and structure. We are not concerned here with the physical properties of the ads so much as with their semiotic potential. What can they "say" to target consumers? How might such people interpret the ads' signs? And do Australian judges answer these questions differently from Americans?

RESULTS

The results of the judges' assessments appear in Table 2. As regards the ads' format, both the American and Australian groups reached sufficient agreement--far beyond the PRL reliability criteria set forth in

Rust and Cooil (1994). Moreover, the groups read the ads in similar ways--that is, the American format distribution is close to the Australian one. Such differences as did occur are confined to four categories. Whereas the American judges saw more humor and nature in the ads, the Australians read more fantasy and lifestyle into them. Otherwise, the combined distribution reflects the variety of presentation formats commonly observed for these categories of products in their advertising.

A similar pattern is reflected in the judges' assessments of the communication-style measures, or how the ads seek to convey their messages. Overall, the ads were judged to be more abstract than concrete in their representations, more metaphoric than integrative in their allusions, about equal in their use of thinking versus feeling appeals, and slightly more visual than verbal in their executions. As the mean values in Table 2 indicate, the Australians thought the ads were a bit more abstract and the Americans judged them to be slightly more metaphoric, but there are no large intergroup differences on any of the four measures. Indeed, there is a remarkable degree of consistency between the Americans' and Australians' readings.

Not surprisingly, that consistency is reflected in the judges' reactions to the ads. Overall, they liked them, thought they would influence target consumers favorably, and assessed them to be relatively culture-free--that is, understandable by residents beyond the locale in which the ads were produced. (Correlationally speaking, judges' liking of ads and their assessments of ability to influence consumers were found to be independent.) The Australian judges liked the ads slightly more and the Americans thought them to have marginally greater capacity to influence, but these differences are not substantial. This agreement--and in particular that on the ads' "universality"--is curious in the light of some prior work of ours (Domzal and Kernan 1994), in which we established that concrete (rather than abstract) representations, integrative (rather than metaphoric) allusions, and feeling (rather than thinking) appeals make an ad easier to understand across cultures. The reason for these relationships is straightforward. Concrete representations (e.g., icons) need not be deciphered; abstract ones (e.g., symbols) must. Integrative allusions (where all the parts to an ad's story are self-contained) need only be put together; metaphoric ones (where some parts of the story must be supplied by the audience) must be "figured out." And feeling appeals depend only on universal human emotions, whereas thinking ones may be tied to a particular language. Thus, in each of these cases (concrete, integrative, feeling), the audience must exert less cognitive effort in order to achieve the advertiser's intended understanding--whether the communication occurs within the confines of a single culture or, particularly, when it must transcend cultural boundaries. The findings of this study do not contradict our previous work and, in some ways, they reinforce it. These judges did not rate the ads as absolutely universal (i.e., 4.0) and their assessments were "barely" into the abstract, metaphoric, and thinking ranges (2.6, 2.8, and 2.1, respectively, on 4-point scales). However, the ads were judged to be visual (another feature commonly recognized as fostering cross-cultural understanding) by a similarly slight margin (1.7 on a 4-point scale). So these findings encourage us that our sense of what makes an advertising execution "travel well" is correct, but they also punctuate the lesson that this is no simple phenomenon.

In order to examine the possible effect of product category on the judges' assessments we partitioned the results, but found nothing unexpected. As an example, a comparison of the corporate identity, fashion/accessories, and sports/travel/leisure categories revealed no substantial differences from the total of 180 ads or between the American judges' assessments and those of their Australian counterparts. A comparison that did reveal some interesting findings, however, was between female and male judges. Whether we compare in total or by product category, differences in judges' assessments appear to depend as much on their gender as on their nationality. For example, the Americans' higher readings of comedy as a format for the ads is clearly due to the fact that three of these judges are female. Similarly, when Australians saw more fantasy and lifestyle, it was the three male judges who were responsible. On the other hand, the two Australian women are the statistical source of that group's higher score on the abstractness of the ads' communication style. Finally, the Australian judges' greater statistical liking for the ads was really greater liking by the males among them. While this is not the place to explore gender differences in interpretive capacity, inclination, or style, it seems clear that men and women look at ads from perspectives that are sufficiently different as to warrant the explicit consideration of this factor in any research which purports to represent "consumer" response.

DISCUSSION

As part of an ongoing program of research on advertising semiotics, this study sought to establish whether judges, who live in a particular venue, can be expected to interpret advertisements reliably--whether they can act as surrogates not only for target consumers living in that venue, but also for those living beyond its cultural borders. Based on a comparison of American and Australian judges' readings of 180 international print ads, it appears that it *is* possible to train people as semiotic "experts," to sensitize them to think beyond their own culture. The two groups of judges did not assess the portfolio of ads identically, but the differences were comparatively small . Moreover, these can as easily be explained by gender as by nationality distinctions. This overall similarity in assessments--both within the groups and between them--suggests that the judges were able to "step back," reflect, and engage in logical analysis in their interpretations of the ads. In the jargon of hermeneutics, they engaged a "present-at-hand" mode of inquiry (Packer 1985), which is to say that their readings were detached, circumspect, context- and culture-independent.

That is no small accomplishment, because Americans and Australians have different national characters (Sommers and Kernan 1967). The two countries have some things in common, such as great land masses and natural resources. Both were colonized by distant immigrants, and the inevitable struggle with aboriginal populations ensued. Each has a democratic heritage and they "share" a common language. But Americans are more individualistic, materialistic, and particularistic than Australians (Taft and Walker 1958). Americans are inclined to think of the world more in terms of "I" than of "we," to assess their well-being according to physical possessions rather than by social position, and to perceive distinctions, more than commonalities, among people and things. It is difficult for Americans to understand the egalitarian depth of Australian "mateship" and how this value permeates life "down under." Americans can't comprehend the idea of "leaving some for the next person" because they are so accustomed to striving, to achieving, to "getting ahead." They have a sense of urgency about life that other societies find bewildering. These value differences, of course, are reflected in each society's advertising--how products are presented and what passes as plausible proof for the claims made about them. As just one example, consider what constitutes source credibility. Australians are likely to accept the endorsement of someone by force of that person's positional standing or authority (e.g., a famous chef), but Americans are more persuaded by endorsers who have risen from society's depths to achieve great fortune (e. g., professional athletes or entertainers). Curiously, however, some USA ads can be run virtually unaltered in Australia, because there is a certain respect there for "things American" (Sommers and Kernan 1967). In any event, both sets of judges appear to have read the ads without flagrant cultural bias and this outcome suggests that their training was effective.

The foregoing matters of consistency nevertheless deal only with issues of reliability. One still might question whether judges can act *validly* as surrogate advertising targets. Never mind how uniformly judges might perform their readings; do they have any business attempting such a task in the first place? Aren't people by nature, and cultures by definition, different? While we do not propose to deny the canon of the behavioral sciences, our position is that these palpable differences are surface ones and that if we drop below the manifest to the latent level of humankind we will observe a core of immutable similarity. It is that immutable core to which our training of judges--based on Dyer (1982), Leymore (1975), and Williamson (1978)--is directed and on which its success ultimately depends.

Although cultural anthropology (particularly since the era of Margaret Mead) correctly emphasizes how societies differ, there is a considerable body of evidence--commonly ignored by most of us--that testifies to societal commonalities. We seldom consider how peoples are alike because, compared to how they differ, such similarities seem obvious, even trivial. Nevertheless, all known cultures have a "common denominator" (Murdock 1945); all of them are driven by "human universals" (Brown 1991); each of them is subject to the same "human nature" (Wilson 1978). For example, people everywhere have the same basic hopes and fears. We all want a sense of belonging and dignity. All societies communicate in essentially the same ways and for the same purposes. The list goes on and on. While the cultural trappings of all these things may differ, their cores are the same. And that is what judges need to discern when they interpret international advertisements. They must be trained to look beyond the ad's manifest signs for what these represent--just as members of the target audience do when they read advertisements. Judges need to distinguish important differences from unimportant ones (e. g., whether the vehicle is called a truck or a lorry) in deciding whether an ad can be understood beyond the culture in which it was produced. (It goes without saying in our work that foreign language constitutes an unimportant difference, inasmuch as any international advertiser will assure that ads appear in the local language of every coveted market.) As surrogates for target-consumer audiences, judges must assess the *meaning* advertisements convey. Admittedly, that is not an easy task or one that can be accomplished without a good deal of care and judgment. Nevertheless, the results of this small study encourage us to believe that motivated people can be trained as competent judges. It helps, of course, if such people are intelligent and reasonably "worldly"--that is, if they reflect upper-middle-class backgrounds. (Such a characteristic introduces a bias, to be sure, but it's the same one which is widely manifest in advertising research.)

More comparisons than this one are needed, but these findings suggest that the study of cross-cultural advertising need not be the cumbersome task everyone has imagined it to be historically. We say that in full recognition of the fact that the real test of these propositions must await a comparison of judges' performance when their backgrounds do not reflect Western society's mode of reading advertisements, particularly as these constitute a form of visual rhetoric (see Scott 1994). Only a series of *those* comparisons can reveal how uniform, universal, or "small" the consumer world has become.

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Table 1

Distribution of Advertisements Analyzed

Product Category (% of Total)	Geographic Origin of Ad					Total
	Asia	Europe	North America	South America	United Kingdom	
Alcoholic Beverages (15%)		7	4		16	27
Audio-Video (6%)	1	7			3	11
Automotive (7%)	2	5	1	1	3	12
Cigarettes (8%)		7	4		3	14
Corporate Identity (19%)	2	6	11		14	33
Cosmetics (3%)	1	2	1		2	6
Fashion/Accessories (13%)	2	14	4		4	24
Food/Drink (17%)	2	15	8		6	31
Retailing (3%)	2	2			2	6
Social/Environmental (1%)				1		1
Sports/Travel/Leisure (8%)	2	4	2		7	15
Total	14	69	35	2	60	180
(% of Total)	(8%)	(38%)	(20%)	(1%)	(33%)	(100%)

Table 2

American Judges' Versus Australian Judges' Assessments of Advertisements (n=180)

Assessment Feature	Americans (n=5)	Australians (n=5)	Total (n=10)
Ad's Format (% Distribution)			
Art, Culture, History	11%	7%	9%
Comedy, Humor	33	13	23
Experts, Celebrities	2	2	2
Fantasy, Surrealism	13	22	18
Glamorous Places	1	5	3
Lifestyle	6	26	16
Natural World	15	8	11
Nostalgia	2	3	3
Self-Importance, Pride	17	14	15
Communication Style (Means)			
Abstract(4)/Concrete(1)	2.4	2.7	2.6
Metaphoric(4)/Integrative(1)	3.0	2.7	2.8
Thinking(4)/Feeling(1)	2.2	2.0	2.1
Verbal(4)/Visual(1)	1.7	1.8	1.7
Reaction (Means)			
Like It(4)/Don't(1)	2.6	2.8	2.7
Influence(4)/Wouldn't(1)	2.5	2.2	2.4
Universal(4)/Cultural(1)	3.1	3.2	3.1

THE EFFECTS OF INTRINSIC AND EXTRINSIC CUES AND CONSUMER CHARACTERISTICS ON PRODUCT EVALUATIONS AND CHOICE: AUSTRALIAN CONSUMERS[1]

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An experiment involving manipulation of intrinsic and extrinsic cues and measurement of subjects' personal characteristics was conducted to study decision making of Australian consumers. Two types of dependent variable measures were used: product choice, and ratings of product quality & value. Results of the Australian experiment were briefly compared to replications conducted in New Zealand and Canada. Extrinsic and intrinsic cues and consumers' personal characteristics were found to impact differentially on the dependent measures among the consumers of the different countries suggesting the need for care in research design and attention of marketers to both intrinsic and extrinsic cues and to cultural differences.

INTRODUCTION

Much of the early research on consumer decision making was limited to experimental manipulation of extrinsic cues such as price and brand or the use of surveys. Renewed interest in the issue of size of effects of various information cues in consumer judgements and choice combined with new research techniques now permit new perspectives on the processes of consumer information search. As well, increased competitiveness and growing consumer interest in getting quality and value for money (Rahal 1993), have made it imperative that marketers understand far more about the impact of how and where products are made, priced, branded, sold; how this information is communicated to customers and the effects of these factors on consumer choice. Consumers are facing increasing time pressures and often seek simplified systems to make purchase decisions, especially when products are complex and difficult to assess. Using quality and value cues encapsulated in product intrinsic characteristics of appearance, design, colour, etc., and extrinsic factors such as brand name, price, country-of-manufacture, guarantees and store reputation is often seen by consumers as a way to overcome the pressures on time, money and cognitive resources.

OVERVIEW OF PAST RESEARCH

In the past two decades, as international trade and globalization have grown in importance, many surveys and experiments have been focused on product/country/image (PCI) (see reviews by Baughn and Yaprak 1993; Liefeld 1993). However, many of these studies have been limited to measuring perceptions and attitudes about products from different countries rather than the relative strength of PCI on actual consumer choice relative to other intrinsic and extrinsic information. A small number of experimental studies and research projects involving causal modelling have begun to address the size of the PCI effect but rarely has product choice or the likelihood of choice been used as a dependent measure. More commonly, perceptions of quality, value and riskiness of purchase have been used as dependent measures (Liefeld 1993). One of the controversial aspects of the design of such experiments is the nature of the stimulus environment and the type of experiment design. The best experimental designs use between-subject treatments and multiple cues, so that more relevance is obtained and the researcher's intent is less obvious, thereby reducing demand artifacts (Carlopio et al. 1983).In recent experiments, the relative role of intrinsic cues versus extrinsic cues has become a factor of concern in consumer decision making. While not a new topic of study (Szibillo and

Jacoby 1974), it has received renewed attention (for an excellent general review see Zeithaml 1988; for recent studies of the country-of-origin cue see Hong and Wyer 1989, Tse and Gorn 1993). It would be helpful to know which information cues consumers attend to and access in arriving at their product evaluations. To address this question it is necessary to have consumers report what they are thinking about as they make choices, as in a profile analysis method, or by restricting consumer access to information and having them request the cues that are desired as they work their way through the decisions, as in an information display board (IDB) method.

The study reported herein combined an experimental design, which contained multiple stimuli varying on both intrinsic and extrinsic cues, and a computer administered IDB format for accessing the extrinsic information. With this combination, it was possible to study the relative impact of intrinsic and extrinsic cues, as well as the order of information acquisition for the extrinsic cues in the decision process.

The primary objective of the portion of the study reported in this paper was to determine the relative effects of intrinsic versus extrinsic product cues, product category and personal characteristics of the subjects when Australian consumers a) decided which product they would buy from among those presented in an experimental setting, b) evaluated product quality, and c) evaluated product value. The Australian study was part of a series of cross-national experiments on intrinsic and extrinsic cue use carried out by the authors (Heslop et al. 1993; Liefeld and Wall 1993; Liefeld et al. 1993, 1994). Hence, a secondary objective was to compare the Australian findings to those of the Canadian and New Zealand studies. Repetition of studies in different countries expands on the cross-national knowledge of consumer cue use. As well, it is an aid to determining the applicability of the study methodology across different national populations (Liefeld et al. 1993).

METHOD

The experimental design employed in this study possessed several unique characteristics compared to prior research in this area. It utilized: (1) subjects comprised of consumers (not students) obtained via shopping mall intercept; (2) real physical product samples; (3) multiple independent variables of both extrinsic and intrinsic product cues; (4) multiple dependent measures (product choice and ratings of quality and value); and, (5) real time choice process tracing (not reported in this paper). Information processing theory as described in Engel, Blackwell and Miniard (1990) formed the theoretical basis for the study.

SUBJECTS

Respondents were recruited from a shopping mall in Adelaide Australia. Shoppers were approached throughout the operating hours of the mall in order to gain as wide a cross section of shoppers as possible. Shoppers were asked to participate on the basis of quotas for age (21-35, 36-55), gender, and their responses to screening questions regarding use or ownership of the products used in the study (men's shirts, smoke detectors, and pickles). Those agreeing to participate and meeting the demographic and screening requirements were randomly assigned on the basis of sex and age quotas to one of eight treatment conditions (described below). Of 596 shoppers approached, 130 refused to be screened, 191 did not meet the screening requirements, and 172 who met the screening requirements, refused to participate in the study; seven participated but did not provide useable data. This left 96 respondent completions, a response rate of 28.6% of those agreeing to be screened and who met the screening criteria.

PRODUCT STIMULI

The three product categories chosen for study were varied on a range of characteristics including economic, social and physical risk, the importance of styling, the ability to assess the product before use. Previous research indicated that these factors could affect cue use and information processing. Pickles represented a low economic and social risk product with no style component, and assessment made mainly after use. Men's dress shirts possessed moderate economic and social risk, with a relatively high styling component and assessment made both before and after use. Smoke detectors presented moderate economic but high physical risk, a low level of style importance and difficulty in assessing effectiveness before and during use. Four samples of each product category, varying in appearance and features, were selected as stimuli.

EXTRINSIC AND INTRINSIC CUE INFORMATION - INDEPENDENT VARIABLES

The computer IDB contained information on the country, brand, price and certain intrinsic information about each product. The countries chosen included two industrialized, developed countries (Australia and Canada), and two other countries of medium level industrial development but that have been found in other PCI studies to rate lower in consumer evaluations as producers of consumer products. For shirts the foreign producing countries were Taiwan and China; for smoke detectors, Ireland and Mexico; for pickles Hungary and Czechoslovakia. Price levels for each product category were chosen to be at the high and low end of the range as established by local market survey. Likewise, suitable brands were identified in each market studied.

EXPERIMENTAL PROCEDURE - DEPENDENT VARIABLES

Respondents were first seated in front of a computer screen to begin an orientation session to familiarize them with the experimental tasks and the mode of response. They were then asked to imagine they were shopping for the first of the three product categories under study. Four unlabelled samples of the product, varying in appearance, were available for examination. In addition, the respondent could access, on the computer screen, information normally found on the labels -- price, country, and relevant intrinsic information (as described below). They did this by moving a pointer on the screen with a mouse and clicking the mouse button when the pointer on the screen was over the box containing the category of information they wished to read; the box opened and remained so until they moved the pointer onto another area of the screen; in this manner the type and amount of information was recorded by the computer IDB program, along with the actual time each information box was open. When the respondents decided they had sufficient information they indicated (on the screen) which product sample they would buy. After a choice was made, they were given the additional tasks of assessing both the quality and value of each of the four product samples. They had access to the same product information which was again made available in the same manner on the IDB computer screen. The entire process was repeated twice - for four samples of each of the other two product categories. Finally, the respondents completed questionnaires concerning their perceptions of their ability to judge the quality of each product category.

EXPERIMENT DESIGN

For each product category the experiment was a three factor design. The intrinsic cue factor was 'within-subjects' (four different product samples, all viewed by each subject). The two manipulated extrinsic cue factors were; country-of-origin (four levels) and Price (high/low). This combination provided a `between-subjects' design with eight treatment conditions, and four samples 'within-subjects'. To increase realism, several other information cues were provided for each product category, but were not experimentally manipulated. These included brand name and other product attributes which were held constant. The brand names were selected on the basis of local market survey. For men's shirts information was provided on the fibre composition (one shirt was 100% cotton; two were cotton/polyester blends and one was 100% polyester). For smoke detectors information on features such as escape light, alarm pause, test button, and low battery warning were provided. For pickles the names of the types, - polskie ogorki, small dill, sweet gherkin, and large dill, were available.

ANALYSIS

The focus of the analysis reported herein is on the variance in the dependent variable measures explained by the intrinsic and extrinsic cues, product category, and the personal characteristics of respondents. The dependent measures were product choice (a discrete measure) and product quality and value ratings (continuous measures). Age, gender, and perceived ability to judge product quality were the personal factors used in the analysis as they have been identified in earlier research as important determinants of response to product cues (Han 1988).

For the product choice dependent variables, multi-way frequency and chi square analysis were used (Kotze 1982; Tabachnik and Fidell 1989). Chi square analysis tested the distribution of choices of the products against the null hypothesis of equal probability of selection of each product sample. To ensure adequate cell sizes for multi-way frequency analyses, a series of bivariate relationships were examined to identify significant variables and determine if compound variables could be constructed. The log-linear multi-way frequency analyses were executed using the SAS Catmod program ANOVA procedure, and maximum likelihood estimation.

For analysis of product quality and value ratings, repeated measures analysis of covariance (ANCOVA) was used. Age was grouped into two categories (21-34 and 35-55) and perceived ability to judge product quality was divided into a higher and a lower ability group at the median.

RESULTS

Intrinsic Effects Alone

Chi Square results indicated that the product stimuli differences (intrinsic cues) were statistically significant for the choice dependent variable; for shirts ($X^2 = 18.1$, $p \leq 0.03$), detectors ($X^2 = 62.2$, $p \leq 0.00$), and pickles ($X^2 = 18.2$, $p \leq 0.03$). These results indicate that for all three products respondents differentiated their choice on the basis of the product's appearance and its intrinsic characteristics.

Maximum Likelihood ANOVA models

Initial Maximum Likelihood ANOVA analysis indicated that the extrinsic variable of price was not a significant predictor of choice ($p < .05$). Therefore the treatment conditions of price and country-of-origin were combined into one extrinsic variable that varied by country, in order to increase cell sizes in each model when testing for the significance of extrinsic cues versus personal characteristics of the respondents. Further to this, the first run of the Maximum Likelihood ANOVA for smoke detectors produced an error message for the country variable. Observation of the data revealed that the two countries, Mexico and Ireland, were rarely preferred particularly for two of the detectors, resulting in redundant parameters which violated the requirements for the analysis. The data for these two countries were combined to permit further analysis.

The ANOVA results are reported in Table 1. The high model Chi Square value for the shirts indicated that the model was a poor fit to the data, while the lower Chi Square values for detectors and pickles indicated a better fit. However, of the predictor variables, only one was significant for the detector model (country - Australia and Canada were favoured over the other two countries), and none were significant for the pickle model; however, each of these models achieved an overall better fit than the shirt model. The extrinsic cue of country and the personal characteristic of gender were statistically significant ($p < .05$) for shirts, despite the poor fit of the overall shirt choice model. Shirts made in Australia and Canada were chosen more often than those made in Taiwan or China. Men consistently favoured certain shirts styles and women others. The personal characteristics of age and perceived ability to judge the quality of the product were not significant predictors of choice for any of the product categories.

Quality and Value Assessments

Repeated measures ANCOVA was conducted for each of the product experiments with the respondent's ratings of each sample's quality and value as the dependent variables. The results for the three products are shown in Table 2. Because this was a repeated measures design, the total degrees of freedom were four times higher, increasing the chances that small differences would be significant.

Five of the six models (3 products x 2 measures) were found to be significant. Shirt value was not. The intrinsic (sample) and the extrinsic country-of-origin factors presented mixed results. The intrinsic cues were significant for quality ratings for two of the three products and approached significance for the third. Country-of-origin was significant for the quality ratings of all products but only for the value rating of detectors. The extrinsic factor of price was not significant for any of the quality or value ratings. Therefore, extrinsic cues were sometimes significant predictors of evaluative beliefs even when the intrinsic product cues were also significantly affecting judgements.

Table 3 indicates which countries were rated significantly differently on quality and value for each product. In nearly all cases, when the sample was identified as being from Australia or Canada it received significantly higher ratings than products from other countries. For value ratings of shirts, Taiwan was also perceived as similar to Australia and Canada. For ratings of pickle value, all countries were perceived as equal. These findings differ from the results found in replications of this study in Canada. North American consumers consistently rated North American-made products higher than products from any of the developing countries (Taiwan, China, Mexico) (Heslop et al, 1993; Liefeld et al, 1994).

For the personal characteristics of the respondents, Table 2 shows that age and gender were not significant factors except for pickle quality where men rated quality higher than women. Self perception of ability to judge product quality was a significant predictor for detector quality and pickle quality and value. In all cases self perception of ability to judge product quality was positively related to ratings of quality and value.

DISCUSSION

This research is unique in that it assessed the effects of extrinsic and intrinsic cues plus personal factors.It provided choice between actual products that were varied on intrinsic and extrinsic cues, the ability to track information acquisition patterns, and multiple dependent measures. Consumers in the marketplace were employed as respondents. Therefore a great deal of information about the consumer decision process can be obtained.

In this paper only one type of the information provided by the research design, for one of five countries was explored in depth. Interesting comparisons and contrasts drawn between the findings for the Australian consumers and those of two other countries in which the study was replicated, - Canada and New Zealand, are summarized in Table 4. In both the New Zealand and Canadian studies (Liefeld & Wall 1992; Liefeld et al. 1993; Heslop et al. 1993), across the three products tested, both the intrinsic and extrinsic cues were found to be significant predictors of choice, while the personal characteristics of the respondents were not consistently significant. This general conclusion is similar for the Australian consumer sample. Canadian respondents differentiated their choices on the basis of appearance of the products for the two durable goods which had some styling elements, but not for the non-durable food product which likely is assessed in use rather than at purchase. Background screening data showed that Canadians were much heavier users of the various pickle types used in the study than were Australians or New Zealanders.

As shown in Table 4 there were some interesting variations across products in the quality and value ratings. Australians used intrinsic cues to evaluate the quality of two product categories but not value for any of the three product categories while New Zealanders used these cues more extensively for both quality and value evaluations. The higher priced product samples were always rated more highly on quality and value assessments by the Canadian sample but price cues had no effect on Australians' ratings of quality or value and only a few effects on New Zealanders' ratings. Country had an effect on Australians' ratings of quality but not on value. New Zealanders used country to evaluate shirt quality and detector and pickle value. Canadians used country the most, - all ratings of quality and value for all products. Whenever country was significant, respondents of all three countries generally rated their home country and the other developed country's products significantly higher than products from elsewhere. These findings suggest that domestic products probably do not have preferential advantage over those from other developed countries, at least they did not for the product categories and countries which we studied. Such findings have important implications for trade policies and marketing strategies aimed at increasing either domestic product consumption or export sales.

In terms of the effects of the personal characteristics of the respondents, the results were similar in both the Australian and New Zealand studies for gender (few effects) while Canadians differed significantly on nearly all ratings of quality and value by gender with women generally rating the products under study more highly than men. Age was significantly related to ratings in only a few cases for the consumers of New Zealand and Canada, with the general trend that older consumers rated the products higher in quality and value than did younger ones. Perceived ability to judge quality was related to the quality and value assessments of the three products in very similar ways - higher ratings were given by those who perceived themselves as good judges.

In summary, the dependent variables employed in this research, choice versus ratings of quality and value, do not appear to be substitutes. Consumers appear to use different processes in arriving at decisions about quality and value levels, and thus product judgements may not always be determinant of choice. Consumers from different countries and cultural backgrounds do not appear to approach information search and decision making in the same way. In our study, considerable differences were found among the consumers from three English speaking, Commonwealth countries that could be considered to be substantially more alike than different given their common British heritage. However, each of these countries' consumers are affected by growing trends toward a global marketplace. The effects of internationally distributed media, travel, immigration and other socio-demographic changes in populations can lead to shifts over time in consumer awareness, knowledge and attitudes toward products. Canadian consumers are certainly subject to all of these influences, including the strong, sometimes overpowering, influence of American media and marketing. Australian and New Zealand consumers are geographically isolated as countries but receive international media influences and probably have closer relations with developing countries in the Pacific Rim than does Canada.

Marketing activities, such as redesigning the product, changing the source country, the price or the brand name, may impact on assessments of product quality and value or directly affect choice. Ultimately marketers are interested in choice, but it would be short-sighted to insist that every marketing action be measured in terms of immediate sales response only. It is a combination of all of the elements of the marketing mix, not any single price, sourcing or advertising decision, which will ultimately determine success in the marketplace.

Marketers and consumer researchers must ensure that their thinking is clear concerning the impacts they wish to achieve in developing and studying extrinsic cue sets. The results of this study cannot be generalized broadly across all products and consumer nationalities. However, enough product variation and consumer diversity were captured in the design and methodology to suggest that the effects of extrinsic cues are influenced to varying degrees by intrinsic cues in affecting consumer judgements and choices, depending on the purchase situation and consumer characteristics, including nationality. The development and testing of models proposing the nature of causality would be helpful in directing further research and marketing decisions.

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Table 1
Maximum Likelihood ANOVA of Product Choice

Product		Chi Square (Probability)			
	Model likelihood ratio	Extrinsic Cue Country	Gender	Age	Perceived Ability to Judge Qual.
Shirts	92.9 **(.05)**	17.4 **(.05)**	11.2 **(.02)**	7.4 (.06)	1.5 (.69)
Smoke Detectors	47.9 (.71)	33.4 **(.00)**	0.7 (.88)	3.4 (.33)	6.7 (.08)
Pickles	58.2 (.23)	15.7 (.07)	1.26 (.74)	3.0 (.39)	1.23 (.74)

Table 2
ANCOVA of Quality and Value Judgments

	Shirt		Detector		Pickle	
	Qual.	Value	Qual.	Value	Qual.	Value
Model F	3.81	1.38	3.38	2.00	6.43	2.01
(Prob.)	**(0.00)**	(0.19)	**(0.00)**	**(0.03)**	**(0.00)**	**(0.03)**
R-Square	0.09	0.04	0.08	0.05	0.15	0.05
INDEPENDENT VARIABLES						
Sample	6.03	1.07	5.33	1.74	2.44	1.14
	(0.00)	(0.36)	**(0.00)**	(0.16)	(0.06)	(0.33)
Country	4.80	1.90	3.96	4.43	4.16	1.38
	(0.00)	(0.13)	**(0.01)**	**(0.00)**	**(0.01)**	(0.25)
Price	2.58	0.37	0.41	0.64	0.04	1.69
	(0.11)	(0.54)	(0.52)	(0.43)	(0.84)	(0.19)
Gender	0.01	0.46	0.22	0.52	7.59	0.34
	(0.92)	(0.50)	(0.64)	(0.47)	**(0.01)**	(0.56)
Age	1.67	3.29	0.01	0.14	1.21	1.33
	(0.20)	(0.07)	(0.92)	(0.71)	(0.27)	(0.25)
Ability	1.47	0.64	5.30	0.53	35.66	5.65
to Judge	(0.23)	(0.42)	**(0.02)**	(0.47)	**(0.00)**	**(0.02)**

Table 3
Significant Country of Origin Differences
Duncan's Range Test

Product	Quality Assessments	Value Assessments
	(Countries on different lines were rated as significantly different)	
Shirt	Australia, Canada	Australia, Canada, Taiwan
	China, Taiwan	China
Detector	Australia, Canada	Australia, Canada
	Ireland, Mexico	Ireland, Mexico
Pickles	Australia, Canada	Australia, Canada, Hungary,
Czech.	Hungary, Czechoslovakia	

Table 4
Summary of Significant Findings ($p \leq .05$) for Australian, New Zealand and Canadian Studies

Dependant Variables	Independent Variable Type	Country of Respondents: Australia	New Zealand	Canada
Choice	Intrinsic	All products	All Products	Shirt,detector
	Extrinsic	Country - shirt, detector Price - N.S.	Country - All Products Price - N.S.	Country - All Products Price - N.S.
	Personal Characteristics	Gender - shirt Age - N.S. Judgement - N.S.	Gender - N.S. Age - shirt, detector Judgement - shirt	Gender - pickles Age - shirts Judgement - detector, pickles
Quality	Intrinsic	shirt, detector	All Products	Shirts, Detectors
	Extrinsic	Country - All Products Price - N.S.	Country - All Products Price - shirt	Country - All Products Price - shirt, detector
	Personal Characteristics	Gender - pickles Age - N.S. Judgement - detector, pickles	Gender - N.S. Age - shirt, detector Judgement - detector, pickles	Gender - All Products Age - N.S. Judgement - detector, pickles
Value	Intrinsic	N.S.	Shirt, Pickles	Shirt, detector
	Extrinsic	Country - detector Price - N.S.	Country - All Products Price - pickles	Country - All Products Price - All Products
	Personal Characteristics	Gender - N.S. Age - N.S> Judgement - pickles	Gender - N.S. Age - N.S. Judgement - detector, pickles	Gender - detector, pickles Age - N.S. Judgement - All Products

A COMPARISON OF AUSTRALIAN AND CANADIAN CONSUMER EVALUATIONS OF THE PRODUCTS AND COUNTRIES OF EASTERN EUROPE

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ABSTRACT

This study reports on a comparison of Australian and Canadian consumer evaluations of the products and countries of Eastern Europe. Few studies in the country-of-origin literature have compared emerging nations from the perspective of developed nations. The findings suggest that there are strong differences in how two developed nations perceive emerging countries themselves but not necessarily perceptions of their products.

INTRODUCTION

Since the 1960's well over 300 studies on country image and the effect of perceptions of products made in different countries on buyer behaviour have been published. Yet, there have only been a small number of cross-national studies conducted on consumer's attitudes towards different countries and their products. Such studies have primarily concentrated on perceptions of developed countries by those in developed countries. A gap currently exists in the analysis of the country-of-origin cue as it pertains to countries with emerging free market economies by those in developed nations.

This paper reports on research carried out in Australia and Canada as part of a larger series of studies aimed at studying the country-of-origin effect from a transnational perspective. The countries of Eastern Europe (including the countries of the Commonwealth of Independent States, Poland, Hungary, Romania, Bulgaria, and the former countries of Czechoslovakia and Yugoslavia) represent emerging economies that are in a state of transition within the global marketplace. Evolution on this scale is historic in its magnitude, with the important elements for success guided by foreign direct investment in manufacturing facilities for export. The majority of development activities in Eastern Europe will be based on new product development, production and export. As Eastern Europe emerges from the political and economic veil of communism, the views of those in industrialized nations toward these countries are likely to change as differences between "east" and "west" become less pronounced.

Unlike industrialized nations, the countries of Eastern Europe cannot rely solely on the strengths of their domestic consumer markets. Moreover, other less developed and newly industrialized countries do not have the financial capacity to absorb products produced in these countries. It is therefore imperative that Eastern Europe seek to export to industrialized countries. Consequently, it is important to study how developed countries perceive Eastern Europe because for the near future developed countries will be the main consumers of their exports.

REVIEW OF PAST RESEARCH

Product-Country Image (PCI) deals with the images a consumer evokes when presented with information such as where a product was made, assembled, designed or conceived. This information can be found embedded in a brand name, a manufacturer's name, product advertising or packaging, and on the "made-in" label that often is physically affixed on various products. Johansson and Nebenzahl (1986), Han and Terpstra (1988), Samiee (1994), and Bilkey and Nes (1982) in their review of the literature provide evidence regarding the existence and nature of the effect of the country-of-origin cue. According to Newman and Staelin (1972) consumers may use origin to infer quality and make purchase decisions when intrinsic cues are unavailable or difficult to ascertain. Not only does country information have a direct effect on product evaluation, but it has also been judged to affect the evaluation of other product attributes including workmanship and reliability, according to Erickson, Johansson and Chao (1984).

Researchers such as Lim and Kim (1992), Liefield and Wall (1992), and Chao (1993) have studied various combinations of decision making cues in an attempt to understand behaviour and uncover the methodology behind cue utilization and its function and importance. Wall, Liefield, and Heslop (1991) attempted to broaden the knowledge of the impact of country-of-origin by presenting research respondents with both intrinsic and extrinsic cues to evaluate in experimental purchasing situations. The country-of-origin cue was found to be an attribute used in the formation of product purchase intentions and evaluations. Morello (1993) stresses that in constructing marketing strategies in the 1990's, both countries and companies need to better understand their strengths and weaknesses in different markets in order to properly assess their opportunities and threats based on macro-economic, competitiveness and 'made-in' image factors.

When consumers are unfamiliar with a country's products, the 'made-in' concept has been found to serve as a 'halo' from which consumers infer product attributes helping to explain consumer preferences toward products from specific countries. The halo effect concept contends that consumers often know little about the product but a lot about the country in which it was made. They then infer product characteristics based on country knowledge only. According to Han (1989) there is a strong halo effect in product attribute ratings associated with developing countries. Wang and Lamb (1980) concluded that a direct relationship exists between the willingness to buy from a foreign country and that country's economic development and political freedom; nations viewed positively are believed by consumers to produce good products. Kaynak (1989) established that attitudes relate to historic, proximity, political and other environmental factors that do not relate directly to the products from these nations. This helps explain why goods from less preferred nations have a difficult time being considered in the evoked set. In contrast to the halo effect, the summary construct contends that when consumers know a lot about products from various countries but little about the countries themselves they use their product knowledge to infer characteristics about the country and thereby about other products from the country. Han (1989) contended that country image may become a summary construct that summarizes consumer beliefs about product attributes and can directly affect attitudes toward a brand. As a consumer becomes familiar with a country's products, country image may summarize beliefs about product attributes thereby directly affecting attitudes toward the brand. In this case knowledge of products transposes itself to knowledge of countries.

NATIONAL IMAGE

As multinational production becomes more the norm than the exception and developing nations become key players in the global marketplace, PCI will play an even larger role in market strategy and planning. Bilkey and Nes (1982) found the influences of stereotyping present in both industrial and consumer purchasing decisions. Tajfel and Forgas (1981) conclude that stereotype perceptions are formed from interactions with people of different nations which in turn influence perceptions toward those nations. Doyle, Beaudet and Aboud (1988) established that biases change relative to respondent age and are related to increased flexibility in understanding ethnic traits. According to Pool (1965), some travel is undertaken to acquire information and hence images are formed from those objects about which information is sought. Consumers have been exposed to products, services and people from around the world, thereby broadening their knowledge base but not necessarily easing preconceived stereotypes.

Han and Terpstra (1988) contradicted the widely held belief of the predominance of brand name in consumer evaluations of product quality. They found that the source country had a greater effect than brand name on evaluations of bi-national products. Researchers have shown that consumers have significantly different global perceptions about products made in different countries. One of the most comprehensive evaluations of national stereotypes was conducted by Papadopoulos and Heslop (1993) in which eight countries were studied. This research showed a degree of consistency in the underlying dimensions consumers use in assessing a product (product integrity, price/value, market presence and, to a lesser extent, response) and its origin country-people (belief, affect and link). However, published research on developing nations and the country-of-origin effect has been minimal.

EASTERN EUROPE

According to Han (1990) country image may play a greater role in consumer attitudes toward products from a developed country than from a developing country provided consumers are more familiar with the country's products. Multinationals see Eastern Europe as the next business frontier but must be aware of the attitudes of consumers to their ventures and their production output. Negative attitudes toward Eastern Europe are long entrenched. Terms like the "iron curtain" and "cold war" have come to symbolize this region and its insistence on the benefits of communist principles. The business opportunities in Eastern Europe are immense but long term planning is critical. Steps must be taken to evaluate the strengths and weaknesses of each East European country's product offerings for export. According to McMillan (1992), foreign direct investment in Eastern Europe will bring with it technical, managerial and marketing skills and should eventually improve export competitiveness. This will place Eastern Europe in direct competition not only with traditional exporting countries but also with other developing nations and Third World exporting countries that have been provided with advanced production facilities by multinationals seeking lower labour cost advantages.

The U.N. (1992) reports that, since 1989, industrialized countries have pledged nearly $45 billion to help speed economic recovery in Eastern Europe with only 20% disbursed thus far. Government subsidies which have been extended to foreign investors to undertake low cost, production seeking, and export oriented strategies have increased foreign direct investment (FDI) flows. Investment in Eastern Europe has propelled countries such as Hungary towards economic autonomy and onto the global stage as a competitive threat.

In spite of these changes, consumers are very much aware of the positive and negative events that have occurred and this knowledge will in turn affect beliefs about these countries. Therefore, impressions regarding products from these countries will be formed. There are perception difficulties from within Eastern Europe that infer a negative halo associated with the region. Stewart (1992) explains that Hungary no longer wishes to be associated with Eastern Europe and instead refers to itself as belonging to Central Europe. Countries such as Hungary are attempting to join the European Union as a means of distancing themselves from Eastern Europe as well as reaping the economic benefits of association.

With the emergence of Eastern Europe as a potential economic power, researchers have begun exploring the potential success of these countries and their products. One of the original attitude studies on Eastern Europe was completed by Chasin and Jaffe (1979). At the time they found a very poor image of East European products compared to those of the U.S. As well as reporting a negative halo effect they suggested that, in order to succeed, a transformation of the image of these countries and a shift in perception of product attributes would have to occur before any possible chances for export success could occur.

Recently there has been a growing interest in the emergence of Eastern Europe and its potential economic breakthrough into the global marketplace by researchers. Lumpkin, Madden, True and Rajaratnam (1992) tested attitudes toward buying products from Eastern Europe and found consumers were more willing to buy products from these nations compared to a similar study by Lumpkin, Crawford and Kim (1985). Papadopoulos, Heslop and Bennett (1993) suggested that attitudes toward products from Eastern Europe were related to views of these nations (i.e.: a halo effect). With the increase in cultural, business and academic exchanges with Eastern Europe, it is likely that perceptions toward the countries and products of Eastern Europe might be expected to be changing and are most probably improving.

METHODOLOGY

The study involved consumer surveys in Australia and Canada using a self-administered questionnaire which was distributed to households by a drop-off / pick-up technique. Households were selected by area probability sampling. The East European countries studied include: Czechoslovakia (Czech Republic), Hungary, Yugoslavia, Poland, and Russia/U.S.S.R., with France utilized as a "Western" reference country. Attitudes toward these more advanced Eastern European countries are of great interest due to the dramatic geographic boundary and political changes that occurred within the region [i.e.: U.S.S.R. split into the Commonwealth of Independent States (C.I.S.); breakup and resulting war in Yugoslavia; breakup of Czechoslovakia].

The questionnaire included sections to measure: a) attitudes toward countries, b) attitudes towards products from these nations, c) specific product evaluations and d) basic demographic information. Scales for the evaluation of *country* image were developed from similar scales utilized in the areas of marketing and social psychology. A list of 100 semantic differential (SD) scales were compiled and 20 were selected from this group on the basis of the following criteria: unambiguous meaning; relevance to the marketing objectives of the research; extensive use in previous studies to ensure validity and the ability to replicate the study; consistent and high loadings on principal evaluation dimensions; and adequate representation of the cognitive, affective, and conative components of attitude. Scales for measuring *product* images were comprised of 16 SD items determined from past research conducted by Papadopoulos, Heslop and Bamossy (1990). Questionnaires also included respondent perceptions of the general quality of German products before and after reunification, a comparison of views towards Russia versus the U.S.S.R. as well as the new Yugoslavia, and a section asking subjects to identify some of the factors which may have played a role in their target country assessment.

Two versions of the questionnaire were utilized in the Australian study to reduce response burden (i.e., to keep the countries and products being evaluated to a maximum of five). In both versions, subjects rated both France (for comparison purposes) and Russia/U.S.S.R. (due to its greater relative importance) while one version included Poland and Yugoslavia and the other only Czechoslovakia and Hungary. In the Canadian study, Yugoslavia was dropped due to its high level of instability at the time of the survey and the remaining five countries were included on one version of the questionnaire. The fieldwork in Australia was carried out in 1992 in the Brisbane / Gold Coast metropolitan area. A total of 291 usable questionnaires were obtained. The demographic profiles from the two versions administered were comparable. The fieldwork in Canada was carried out in 1992 in metropolitan Ottawa. A total of 244 usable questionnaires were obtained.

RESULTS AND DISCUSSION

National Image

Table 1 and Table 2 show the mean scores (Table 5 summarizes the grand means and ranks) for both Australia and Canada and compares France (reference country) to the Eastern European countries. As might be expected, France ranked first in both respondent countries on most scales (18 out of 20). Respondents in both Australia and Canada ranked the French as the least "hardworking" nation while differing on the rankings for "trustworthiness" and "investment". Russia received 12 last place scores from Australians while the Canadians, despite having a higher overall rating for Russia, ranked them last 17 out of 20 times. Czechoslovakia and Poland were ranked closely by both respondent countries. Overall, Canadians rated all origin countries higher than did Australians and were significantly more positive toward "immigration", "alignment" and "investment" with Eastern Europe. This could possibly be due to the fact that, as has been shown in earlier research, Canada generally has a more favourable response to foreigners and its diverse immigrant population contains a significant proportion of people of East European descent.

Principal component factor analysis using varimax rotation and a loading of .40 or above showed a similarity in underlying constructs between Australia and Canada across all the origin countries evaluated. The common summary variables included: Affiliation (closer ties, immigration, trustworthiness, investment and liking), Technical Advancement (industrialized and educated), Security (stable and rich). A fourth variable emerged for Canada termed Political Ideology (rights and autocratic) but not for Australia. This suggests that Canadians may be more sensitive to evaluating this aspect of a country, possibly due to the foreign policy influences of their neighbour, the U.S., which is highly affected by political and ideological matters.

Group T-Tests were run across the scales (differences summarized Table 6). Except for the scale of industrialization in Russia, all the significant differences showed Canada with a higher mean score. ANOVA analysis based on respondent country across composite predictor variables showed that the Affiliation variable was significant across all countries with Technical Advancement and Security significant for Hungary and Czechoslovakia and Technical Advancement for France ($P<.05$).

PRODUCT IMAGE

Tables 3 and 4 identify the mean ratings for each country's products (Table 5 summarizes mean scores and ranks). As with the country scales, Australians and Canadian rated products from France best and those from Russia worst. Hungarian products again placed fourth with Poland and Czechoslovakia alternating between second and third. Czechoslovakian products were ranked first by Australians on 15 scales while

Canadians did so on 11 scales with Hungary receiving the balance.
Principal component factor analysis using varimax rotation and a loading of .40 or above showed a moderate degree of association in underlying constructs between Australia and Canada across all subject countries. A Market Presence factor (brand, knowledge and find) was found in both respondent countries. In Canada, the factor of Overall Experience (workmanship, overall, satisfaction, reliability, proud, quality, attractive, value and buy) was found whereas in Australia the Evaluation (attractive, value, overall, quality) and Purchase Outcome (buy, service, proud, satisfaction) factors emerged. Canadians appear to combine more variables into overall product assessment, whereas Australian separated evaluation and purchase outcome factors in different elements.
Group T-Tests were again run across the scales (differences summarized in Table 6). There were few significant differences between products from the respondent countries. Australian and Canadian consumers held relatively similar views about the products from Eastern Europe. In the case of Poland, there were no differences while Hungary had three differences, and Russia and Czechoslovakia each had two. The two differences for France were the lower rating on the "willing to buy" and "good value" scales by the Australians. This may be due to a negative attitude held of the French following the bombing of the Rainbow Warrior and the political repercussions that followed. Yet, it is interesting to note that, not withstanding this lower rating on purchase intentions, the overall evaluation of French products is similar to that of Canadians.

CONCLUSIONS AND IMPLICATIONS

As expected, France, as a developed European country, was rated much higher than all of the developing East European countries. Russia was viewed as lagging far behind its former Communist country neighbours despite both Australians and Canadians indicating they knew more about Russia than any of the other East European countries. This can be explained by the media attention Russia received (and continues to receive) during the political upheaval and turmoil that plagued this country between the regime change and the time of the study.
On the country scales, Canadians rated all the subject countries more positively than did the Australians. This could possibly be explained by Canada's greater ethnic diversity and closer geographic proximity to Eastern Europe. Canada's more positive feelings toward the countries of Eastern Europe are consistent with its political and economic determination in helping during the transition towards market economies. On the product scales, Australians and Canadians rated the test countries more similarly. Czechoslovakia was rated as producing the best products in Eastern Europe, with Poland and Hungary ranked second or third. The scores indicate that Canadians would be more positive in accepting exports from the subject countries given their proximity and familiarity with new imports from Eastern Europe despite rating them similarly to Australians.
Marketers in Eastern Europe examining Australia and Canada as export markets must be sensitive to the differences in attitudes held toward their countries. Significant differences are held in the level of affiliation felt in Australia and Canada towards all the countries tested and towards different specific countries when technical advancement and security are considered. East European marketers seeking foreign direct investment or other investment opportunities, will want to pay particular attention to origin country affiliation perception differences. On the product side evaluation differences are few. Exporters have fewer differences to consider in targeting Australia or Canada but must be aware of the their own country influences on the product itself. Failure to evaluate PCI would be equivalent to discounting any of the other identified intrinsic or extrinsic cues Australian or Canadian consumers use in their purchasing decision process. The consequences include opportunities lost or even marketing disasters for not addressing such consumer views.
In times of economic restraint and little hard capital, East European governments interested in promoting domestic industries, production, or possible joint venture and licensing opportunities, need to know how their countries and products are perceived. This research can assist these countries in building upon their perceived strengths and down-playing or actively altering perceived weaknesses. Such information can aid in long term industrial and strategic planning. It also adds to the small number of country-of-origin studies that provide transnational analysis and also adds to the even fewer studies that have been conducted on Eastern Europe. Longitudinal research is required to trace consumer reaction to the changes that are still occurring in Eastern Europe.

The country-of-origin cue is a powerful tool within the marketing mix and is essential to the global economic make-up of tomorrow. A marketer's failure to recognize the potential advantages, or the negative side effects, of where a product is manufactured, amounts to poor strategic planning. Globalization is a double edged sword and business must make knowledgeable, informed decisions based on all information available, including knowledge of potential product-country image effects through research of the type reported in this paper.

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TABLE 1: MEANS FOR COUNTRY ITEMS: AUSTRALIA

VARIABLE*	F	R	H	C	P
Industrialized	5.48+	4.71	**4.06**	4.60	4.80
Educated	5.85	3.99	**3.92**	4.33	4.13
Western Culture	5.15	**3.06**	3.45	3.67	3.51
Know A Lot About	3.32	2.89	**2.17**	2.42	2.29
Stable	5.22	**2.12**	3.35	3.26	3.37
Rich	5.37	**2.17**	2.71	2.97	2.68
Democratic	4.83	**2.99**	3.51	3.49	3.63
An Ideal Country	4.54	**2.12**	2.80	2.88	2.88
Safe	5.01	**2.83**	3.60	3.60	4.10
Active	5.13	**4.20**	**4.20**	4.33	4.51
Welcome Immigration From	4.06	3.67	**3.36**	3.48	3.91
Many Rights	5.36	**2.28**	2.87	3.10	3.08
I Like	5.07	**3.92**	4.07	4.05	4.35
Peaceful	4.23	**3.27**	3.92	3.84	4.18
Aligned With "Australia"	3.97	**2.81**	3.49	3.28	3.17
Should Have Closer Ties With	4.63	4.43	4.00	**3.89**	4.53
Trustworthy	4.37	4.07	**4.05**	4.19	4.63
Hardworking	**4.47**	4.92	4.74	4.85	4.58
Individualistic	4.93	**2.79**	3.42	3.51	3.37
Favour Investment In	4.20	3.71	3.76	3.70	**3.67**

TABLE 2: MEANS FOR COUNTRY ITEMS: CANADA

VARIABLE*	F	R	H	C	P
Industrialized	5.99+	**3.92**	4.03	4.60	4.55
Educated	5.98	**4.34**	4.37	4.81	4.49
Western Culture	5.30	**2.79**	3.60	3.76	3.88
Know A Lot About	4.41	3.36	2.40	**2.81**	3.18
Stable	5.52	**2.13**	3.75	3.86	3.58
Rich	5.33	**2.32**	3.01	3.25	2.85
Democratic	5.36	**2.99**	3.75	3.76	4.02
An Ideal Country	4.78	**2.39**	3.19	3.39	3.30
Safe	5.20	**3.35**	3.95	4.16	4.20
Active	5.11	**3.89**	4.33	4.48	4.59
Welcome Immigration From	5.19	**4.93**	5.00	5.17	5.10
Many Rights	5.45	**2.75**	3.55	3.57	3.51
I Like	5.57	**4.76**	4.82	5.13	5.07
Peaceful	4.79	**3.59**	4.48	4.55	4.56
Aligned With "Canada"	4.98	**3.40**	3.52	3.78	3.81
Should Have Closer Ties With	5.20	5.14	5.12	5.16	**5.11**
Trustworthy	5.27	**4.67**	4.89	5.02	5.07
Hardworking	**4.66**	4.74	4.82	4.88	4.85
Individualistic	4.95	**3.17**	3.78	3.84	3.68
Favour Investment In	4.99	5.00	**4.83**	4.95	5.03

Notes to Tables 1, 2, 3 and 4

F = France, R = U.S.S.R/Russia, H = Hungary, C = Czechoslovakia, P = Poland

* Variable name given is the positive end of the scale + Range of Scores: 1 (low) to 7 (high)

Underline = highest score of all the countries **Bold** = lowest score of all the countries

TABLE 3: MEANS FOR PRODUCT ITEMS: AUSTRALIA

VARIABLE*	F	R	H	C	P
Attractive Products	5.54+	**2.86**	3.56	3.91	3.79
Good Value	4.12	**3.62**	3.93	4.02	3.99
Willing to Buy	4.21	**2.91**	3.42	3.72	3.57
Innovative	5.16	**3.20**	3.47	3.78	3.45
Good Quality	5.29	**3.20**	3.78	3.83	3.82
Recognizable Brands	4.93	**2.57**	2.83	3.15	2.93
Expensive	5.71	3.83	4.00	4.01	**3.75**
Know A Lot About	3.69	2.48	**2.30**	2.54	2.38
Reliable	4.86	**3.48**	3.85	3.98	3.88
Proud to Own	4.62	**3.23**	3.61	3.77	3.62
Technically Advanced	5.27	3.45	**3.38**	3.57	3.37
Good Service	4.08	**3.31**	3.53	3.65	3.71
Easy to Find	4.30	**2.58**	2.74	3.06	2.85
Good Workmanship	5.25	**3.41**	3.81	3.94	3.77
Satisfied With	4.96	**3.44**	3.83	3.97	3.82
Good Overall Products	5.31	**3.30**	3.70	3.84	3.64

TABLE 4: MEANS FOR PRODUCTEMS: CANADA

VARIABLE*	F	R	H	C	P
Attractive Products	5.76+	**2.80**	4.06	4.05	3.57
Good Value	4.52	**3.43**	4.14	4.11	4.02
Willing to Buy	5.16	**3.31**	4.30	4.37	3.83
Innovative	5.10	**2.90**	3.79	3.68	3.39
Good Quality	5.19	**3.09**	4.00	4.14	3.85
Recognizable Brands	4.86	**2.58**	2.86	3.00	2.83
Expensive	5.46	3.46	3.76	**2.90**	3.69
Know A Lot About	3.58	2.51	**2.33**	2.56	2.47
Reliable	4.90	**3.22**	3.92	4.05	3.90
Proud to Own	4.69	**3.35**	3.94	4.05	3.81
Technically Advanced	5.05	**3.48**	3.52	3.70	3.46
Good Service	4.12	**3.11**	3.63	3.56	3.50
Easy to Find	4.20	**2.54**	2.87	3.07	3.00
Good Workmanship	5.03	**3.30**	3.92	4.19	3.90
Satisfied With	4.99	**3.43**	3.99	4.17	3.93
Good Overall Products	5.25	**3.08**	3.89	4.11	3.80

TABLE 5: SUMMARY OF AVERAGE SCORES

Means and Ranks

	Country Scales		Product Scales	
	Australia	Canada	Australia	Canada
France	4.76 (1)	5.20 (1)	4.83 (1)	4.87 (1)
Poland	3.77 (2)	4.22 (3)	3.52 (3)	3.56 (4)
Czechoslovakia	3.67 (3)	4.25 (2)	3.67 (2)	3.73 (2)
Hungary	3.57 (4)	4.06 (4)	3.48 (4)	3.68 (3)
Russia	3.35 (5)	3.68 (5)	3.18 (5)	3.10 (5)

Number of Highest or Lowest Scores
(East European Countries Only)

	Country Scales				Product Scales			
	Australia		Canada		Australia		Canada	
	Hi	Lo	Hi	Lo	Hi	Lo	Hi	Lo
Poland	11	2	8	1	1	1	0	0
Czechoslovakia	6	1	11	1	15	0	11	1
Hungary	2	6	--	1	--	2	5	1
Russia	2	12	1	17	--	13	0	14

TABLE 6: AUSTRALIA COMPARED TO CANADA

T-Tests

	Country Scales Number of significant differences (max 20)	P	Product Scales Number of Significant differences (max 16)	P
France	10	.008	2	.010
Poland	10	.008	0	.010
Czechoslovakia	12	.008	2	.010
Hungary	9	.008	3	.010
Russia	11	.008	2	.010

ANOVA's With Summary Variables:
Country Images (P<.05)*

	Affiliation	Tech Advanc.	Security
France	.000	.002	n/s
Russia	.000	n/s	n/s
Hungary	.000	.014	.018
Czechoslovakia	.000	.044	.002
Poland	.000	n/s	n/s

* ANOVA's for product summary variables are not shown due to the small number identified.

PERCEIVED ATTRIBUTE IMPORTANCE IN CHINA: AN EMPIRICAL INVESTIGATION OF CONSUMPTION-ORIENTED PERSONAL VALUES

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ABSTRACT

This study investigated Chinese consumption-oriented personal values using a new measure, consumers' Perceived Attribute Importance (PAI), along four product categories: clothing, household appliances, household supplies, and food. Results suggested that Chinese consumption values, using the PAI, displayed differences along the four product categories studied. The findings also showed that, in general, the PAI displayed validity in predicting consumer shopping and consumption behavior. The predictive power of the PAI, however, did seem to vary across the four product categories. Specifically, consumption values measured by the PAI for household appliances, clothing, and supplies appeared to have greater predictive power than those for food.

INTRODUCTION

In recent years, one of the most dynamic areas of research in social science disciplines including consumer behavior, has been the measurement and functions of personal values (Kamakura et al.; Pitts et al. 1984). The pervasive role of values in all aspects of human life (Rokeach 1973) has motivated myriads of empirical investigations of personal values in the disciplines of psychology, sociology, cultural anthropology, and consumer behavior.

Past research has shown that personal values could be both a powerful explanation of and influence on a variety of individual and collective behaviors, including consumer consumption behavior (Henry 1976; Pitts et al. 1983; Schopphoven 1991; Vinson et al. 1976), political attitude and behavior (Baum 1968; Levine 1960; Tetlock 1986), gift-giving behavior (Beatty et al. 1991) and cross-cultural differences (Munson et al. 1978, 1979; Schwartz et al. 1987, Grunert et al. 1990).

Several ways are currently available to measure personal values. Among the most frequently used instruments for measuring values are the Rokeach Value Survey (RVS) (Rokeach 1973), the Values and Lifestyles (VALS) methodology developed at SRI International (Mitchell 1983), and the List of Values (LOV) developed at the University of Michigan Survey Research Center (Kahle 1983; Veroff et al. 1981).

There has been an on-going debate over the predictive utility associated with each of the value instruments (Beatty et al. 1985; Kahle et al. 1986; Munson et al. 1988; Novak et al. 1990). So far, no conclusive empirical evidence has yet been reached.

Values provide clues about how a society operates because values are individual's representation of a society's goals (Beatty et al. 1988). Values should thus be a central topic for cross-cultural research (Berrien 1966; Zavaloni 1980). Unfortunately, most previous attempts to develop cross-cultural value measures relevant to consumption have not been particularly productive due to conceptual differences between personal values and consumer consumption behavior (Munson 1984).

In order to fill this void, a Perceived Attribute Importance (PAI) measure has been developed and is the focus of this study. This new tool attempts to measure consumer consumption behavior in a personal values context. Chinese consumers are investigated in this study and used as a baseline for testing the validity of the PAI instrument.

BACKGROUND

Rokeach (1973, p.5) defined a personal value as an enduring belief that a specific mode of conduct or end-state of existence is personally or socially preferable to its opposite. A value system is an enduring organization of beliefs concerning preferred modes of conduct or end-states along an importance continuum. Two kinds of values - instrumental and terminal - were defined as a person's beliefs concerning desirable modes of conduct and desirable end-states of existence respectively (Rokeach 1973, p.7).

The conceptualization of personal values in terms of social adaptation theory (Kahle et al. 1980; Kahle 1983, 1984; Kahle et al. 1983; Piner et al. 1984) posed that personal values are the most abstract type of social cognitions that function to facilitate adaptation to one's environment. The concept of regarding personal values as mediators in the social adaptation process implies that value differences between cultures can be traced back to different ethnic background and the social, economic, political, and technological environments.

A considerable amount of consumer value literature deals with the so-called "means-end chain", linking values with behavior (Vinson et al. 1977; Gutman 1982, 1990, 1991; Reynolds et al. 1984, 1988; Prakash et al. 1985; Homer et al. 1988). Values are regarded as desired ends of consumption, and products and/or product attributes are perceived to be the means to realizing those values.

When discussing the relationship between values and attitudes, Rokeach (1973, p.18) stated that "whereas a value is a single belief, an attitude refers to an organization of several beliefs that are all focused on a given object or situation ... values occupy a more central position than attitudes within one's personality makeup and cognitive system, and they are therefore determinants of attitudes as well as of behavior." Rokeach's view of greater centrality of values has also been echoed by other researchers: "attitudes themselves depend on pre-existing social values" (Allport 1961, pp.802-803); "attitudes express values" (Watson 1966, p.215); "attitudes are functions of values" (Woodruff 1942, p.33).

Carman (1977) developed a model proposing a causal relationship between terminal and instrumental values and consumption behaviors. He states that values influence behaviors, such as shopping and media exposure patterns, both directly and indirectly through intervening attitudinal variables.

Due in part to the growing importance of the emerging global economy, cross-cultural value research has received greater attention during the last decade. International research on values can provide needed cross-cultural understanding of consumers. However, since values are culturally derived and determined, value instruments such as the RVS have not been consistent measures cross-culturally and tend to exhibit heterogeneity across different cultures and subcultures (Munson et al. 1988).

In order for values to accurately predict consumer shopping and consumption behavior, it is obviously necessary for values to be linked to product attributes. Such values should not necessarily be global human values such as those identified by Rokeach (1973), but can be less general, less abstract, and more consumption oriented. In this study, we label the special portion of the human values and value system that is relevant to and reflected by consumers' consumption behavior as consumption values.

As a matter of fact, researchers have already noted that many of the individual value items in the existing measures of personal values including the RVS and VALS appeared to be largely irrelevant to consumer consumption behavior (Beatty et al. 1985, 1988; McQuarrie et al. 1985; Munson et al. 1988; Prakash et al. 1985; Vinson et al. 1976, 1977). As a consequence, values perceived to be unrelated to consumption may increase the likelihood of respondent fatigue and error and thus obscure those true relationships that are present between values and consumption (Beatty et al. 1985; Munson et al. 1988).

Moreover, most value items of existing instruments of values are viewed positively by most people, thus leading to positive bias. As Beatty et al. (1988) pointed out that "irrelevant needs, salience, superordination, impression management, social change, excessive abstractness, and ambiguity of meaning may all distort self-reports of values."

Finally, the problem of value measurement is further complicated by cultural differences when one attempts to conduct international value research.

THE CONCEPT OF PERCEIVED ATTRIBUTE IMPORTANCE

Because of the myriad of potential problems associated with the existing value instruments, we propose that consumers' Perceived Attribute Importance (PAI) be an alternative measure of cross-cultural consumption values.

There are a number of reasons for this proposition. First, PAI is an important component of a number of multi-attribute attitude models (see Lutz and Bettman 1977 for a review). In the value-attitude-behavior hierarchy, PAI reflects a lower level of abstraction than global human values such as those identified by Rokeach (1973). It is thus more likely to have higher predictive power to behavior. Its role in attitudinal models (Rosenberg 1956; Fishbein et al. 1975), involvement model (Ostrom et al. 1968), and ideal-point models of consumer preference (Lehmann 1971; Ginter 1974) reflects its importance. Second, a consumer's PAI measures his or her motivation behind the product choice and hence may reflect the cultural value he or she subscribes to. Third, most systematic models of consumer behavior (Engel et al. 1968; Howard et al. 1969) suggest that a consumer's attitude, in which PAI is a component, is affected by his or her social and cultural environments. This suggests that the construct of PAI may reflect the societal norms to which a consumer subscribes. Finally, the construct of PAI is conceptually simpler and more concrete than traditional measures of values. It may thus be less prone to individual interpretation, which can be a considerable problem in cross-cultural research.

Thus, the major objective of this study was to demonstrate the use of the PAI as a measure of consumption values and assess its power to predict consumer shopping and consumption behavior.

HYPOTHESES

To guide the research design and data analyses of the present study, the following research hypotheses were derived from the preceding theoretical discussions and empirical findings.

Sheth, Newman and Gross (1991a, 1991b) proposed a theory of consumption values in which five values were identified. They include 1) functional, 2) social, 3) emotional, 4) epistemic, and 5) conditional values. One of the central propositions of the theory is that different consumption values make differential contributions in any given choice situation.

In the current study, consumers' consumption values along four product categories: 1) clothing, 2) household appliances, 3) household supplies, and 4) food were surveyed in China. Thus, our first hypothesis was formulated as follows:

H1: Consumption values measured by the PAI differ across the four product categories.

As was stated previously, personal values have a causal effect upon subsequent behavior in the value-attitude-behavior hierarchy (Carman 1977; Homer et al. 1988). A basic problem with measures of global, transcendental Rokeach-type values has been their lack of correspondence with consumer consumption behaviors (Munson et al. 1988). Since the PAI strives to measure the less global and more consumption relevant values, it was hypothesized that the PAI has a higher degree of predictive power than the earlier instruments utilized.

Consumer level of involvement - the degree of perceived relevance and personal importance accompanying the product and brand choice within a specific situation - has long been recognized as a crucial determinant of the type of decision process a consumer will undertake (Antil 1984; Krugman 1965; Ostrom et al. 1968). High involvement suggests that the order of consumer decision making will follow the hierarchy of effects model - values and beliefs will be formed, attitudes will develop, and purchase and consumption behaviors will follow. With low involvement, on the other hand, consumers may behave impulsively without a priori formation of values, beliefs, and attitudes.

For highly involving choices, such as automobiles, household appliances, or expensive clothing, the role of values may be more obvious. But for less involving consumer purchases, such as household supplies and food, the predictive power of values as measured by the PAI may be less apparent (Bloch et al. 1983). Hence, our second hypothesis states:

H2: The power of the PAI will vary across the four product categories. The PAIs associated with household appliances and clothing will have greater predictive power than those with household supplies and food.

METHODOLOGY

The Research Instrument and Fielding Activities

The data used to test the research hypotheses resulted from personal interviews with pre-designed questionnaires. Data collection was undertaken concurrently in two major Chinese cities: Beijing and Shanghai. Because of the difficulties in executing a random sampling methodology in China, a judgement sampling technique was used. Although not a probability type of sample, care was exercised in collecting a representative cross-section of the wide spectrum of the target population.

The questionnaire had three sections. The first section contained 23 Likert scales, measuring respondents' agreement to different dimensions of the respondents' shopping and consumption behavior. The second section contained perceived attribute importance (ranging from 23 to 30 attributes) in four product categories. These product categories included clothing, household appliances, household supplies, and food (fresh and unprepared). Respondents were asked to indicate on a 7-point rating scale the importance they attached to each of the product attributes, with 7 being most important and 1 being least important. The last section contained questions on respondents' gender, age, education level and occupation.

The product attributes measured were obtained from focus group discussions by housewives of different nationalities (including Chinese) who had lived in the United States less than one year. These product attributes were then modified by professional marketing researchers in designing the descriptive study instrument.

The questionnaire was translated into Chinese by a doctoral student from China who was studying business administration at a Western university. The translated questionnaire was then reviewed by a panel consisting of another Chinese doctoral students and one of the authors whose mother tongue is Chinese. Both the English and Chinese versions of the questionnaire were pre-tested on convenience samples.

A total of 196 usable questionnaires were obtained: 101 originated from Beijing and 95 were obtained from Shanghai. Since interviews were generally conducted during tea breaks or leisure time, respondents had sufficient time to thoughtfully complete the survey. As a result, the response rate was quite high, approximately 85 percent.

Analysis Procedures

To test the first hypothesis, which states that consumption values measured by the PAI differ across the four product categories, separate principal components factor analysis with varimax rotation using Kaiser's criterion was run for each product category. The resulting factor structures were then compared and contrasted.

As a first step to test the second hypothesis, hierarchical cluster analysis using minimum variance or Ward's clustering method with squared Euclidean distance (Johnson 1967; Punj et al. 1983) was conducted to group the 196 Chinese consumers based on the raw scores of the 23 Likert scales measuring consumers' shopping and consumption behavior. Unstandardized data (the unadjusted, mean responses to each of the 23 scale items) were used, consistent with the recommendations of Funkhouser (1983) and Haley (1985), rather than factor scores or normalizing the data, which has been reported to have few effects on cluster results (Punj et al. 1983).

Four separate MANOVA tests based on the factor scores of the PAI for each product category were employed to assess their predictive power. Additionally, Chi-square analysis was performed to see whether distinct consumer shopping and consumption groups produced by cluster analysis were dependent upon demographic variables.

RESULTS AND DISCUSSION

Comparison of Factor Analysis Results of the PAI

o test the first hypothesis that consumption values measured by the PAI differ across the four product categories, separate principal components factor analysis with varimax rotation using Kaiser's criterion was run for each product category.

Tables 1 through 4 display the factor analysis results of the PAI respectively for clothing, household appliances, household supplies, and food.

A comparison of these results seems to confirm our first hypothesis that consumption values as measured by the PAI are not the same across the four product categories. Due to its highly visible nature, clothing was associated with more social values than the other categories. Both home appliances and clothing tend to be regarded as status-symbols in China. Their importance was reflected by the more sophisticated emotional values to which the respondents attached. Food and supplies, on the other hand, appeared to be associated mostly with functional values.

Cluster Analysis Results of Shopping & Consumption Behavior

As a first step to test our second hypothesis, we conducted a hierarchical cluster analysis using Ward's clustering method with squared Euclidean distance to group the 196 Chinese consumers based on the raw scores of the 23 Likert scales measuring consumers' shopping and consumption behavior. The Cronbach coefficient alpha estimate of reliability for the 23 shopping and consumption behavior scale items was 0.70.

An examination of the dendrogram produced by the hierarchical clustering method suggests that three distinct clusters should be extracted. Cluster 1 contained 107 respondents (55%). Cluster 2 included 59 respondents (30%) while cluster 3 consisted of 30 respondents, accounting for 15% of the sample.

MANOVA was used to assess the adequacy of the clustering results. Table 5 presents both the MANOVA and univariate ANOVA test results with respect to the three clusters.

MANOVA results shown in Table 5 indicate that an overall group difference over the entire set of 23 shopping and consumption behavior items was present ($p < 0.01$). Among the 23 univariate ANOVA tests, 19 were statistically significant at 0.05 level. These results suggest that distinct clusters had been found.

Tables 6 and 7 show respectively the cluster means and multiple pairwise comparison results using Bonferroni t tests. Respondents in cluster 1 can be labeled "average shoppers" since they not only represent the largest segment of the sample (55%), but also seem to take a "middle ground" position between clusters 2 and 3 in terms of their shopping and consumption behavior.

Respondents in cluster 2 represented 30 percent of the sample. They might be characterized as "enthusiastic shoppers." They enjoy shopping and like to bargain for most of the things they buy. These respondents are meticulous shoppers and always consult with friends and/or experts before making a major purchase. They check the price on an item and prepare a complete shopping list before going shopping. The "enthusiastic shoppers" tend to be innovators and/or early adopters (Rogers 1983) in terms of their consumption behavior. They are among the first batch of consumers to try new products. Additionally, they have a good knowledge of products and/or brands and often serve as opinion leaders for their friends and neighbors.

Respondents in cluster 3, on the other hand, represent the opposite type of consumers to those in cluster 2. They account for 15 percent of the sample and can be called "passive shoppers." They consider shopping to be a necessary burden -- it is a chore they do not enjoy. They are casual shoppers in that they do not spend time preparing the shopping list and bargaining over price. From a diffusion of innovation perspective (Rogers 1983), this group tends to fall into the categories of late majority and laggards tending to be conservative in their orientation towards and adaptation of new products. Because of their genuine disinterest in shopping, they tend to be ignorant of brand names and, thus, not in a position to offer advice to others regarding purchase decisions.

Assessing the Predictive Power of the Four PAIs

To test the second hypothesis, four separate MANOVA analyses based on the factor scores of the PAI for each product category were conducted to assess the predictive power associated with each of the PAIs.

Tables 8 through 11 summarize respectively the results of the MANOVA tests. An examination of the overall MANOVA test results (namely, the p-values associated with respective Wilks' lambda) shows that all the PAIs except that for food were able to discriminate the three clusters at the 0.05 level.

Consistent with the second hypothesis, the predictive power of the PAI did seem to vary across the four product categories. The PAIs associated with clothing and household appliances appeared to have greater predictive power than that with food.

An unexpected finding, however, was the significant results with household supplies. The unanticipated predictive power associated with household supplies is an interesting phenomenon which warrants further research. One possible explanation may have something to do with the fact that China today is still a developing economic entity. Chinese consumers may still regard purchase of household supplies such as detergent and shampoo as having high personal importance or relevance. Consequently, the high level of involvement that Chinese consumers associate with household supplies may have caused their PAI to have an unexpectedly high predictive power.

In order to see whether demographic variables have any relationship with the three clusters of consumers with different shopping and consumption behavior, chi-square analysis was performed for each of the demographic variables. The chi-square values for gender, age, education, occupation, and area were 0.096 ($p = 0.95$), 7.136 ($p = 0.308$), 4.838 ($p = 0.57$), 6.126 ($p = 0.41$), and 5.748 ($p = 0.06$) respectively. None of the demographic variables was statistically significantly related to shopping behavior cluster membership.

In order to further assess the predictive power of the four PAIs, a nonparametric procedure, Classification and Regression Tree (CART) was utilized. As shown in Figure 1, CART used 2 variables, DF2 (factor two:

emotional value for appliances) and DF6 (factor six: functional value for appliances) to classify the respondents into the three clusters of average shoppers, enthusiastic shoppers, and passive shoppers.

Table 12 lists the variable importance index for the predictor variables. It is very useful in finding important variables which remain hidden when one simply examines the classification tree diagram.

It can be seen from this table that most of the important predictor variables were those associated with household appliances and clothing. For example, if one selected 70 as a cut-point, no demographic variables would be considered important. Among the 14 PAI values considered important, 5 belong to appliances, 4 to clothing, 3 to suppliers, and 2 to food. These findings tend to further support our final hypothesis. It appears that the PAI does have predictive power but that this predictive power PAI varies according to the type of products examined.

LIMITATIONS OF THE STUDY

Several limitations that could be explored in future studies are worth noting. First, the present study's results are based on a relatively small and by no means representative sample of the general population in China. Hence, caution must be exercised in generalizing the findings of this study beyond the sample used, which was drawn from people living in two large Chinese cities, Beijing and Shanghai.

Secondly, the current study relies on general consumer perception data to define consumer shopping and consumption behavior. Future studies using more specific and objective data based on consumers' actual shopping and consumption behavior are certainly more desirable to assess the predictive utility of personal value measures.

Finally, the PAIs were tested in only one country, China. The cross-cultural aspect of this instrument is still untested. In order to make the Perceived Attribute Importance a cross-cultural measure, the measurement needs to be administered in other cultures and subsequently calibrated for cross-cultural equivalence.

CONCLUSIONS

Past research has shown that personal values could be a powerful explanation of a variety of individual and collective behaviors. Yet most previous attempts to relate the global construct of personal values, as measured by existing value measures such as the RVS, to consumer choice behavior have produced less than satisfactory results.

This paper proposes another perspective. We hypothesized and used consumers' Perceived Attribute Importance (PAI) as an alternative measure of consumption values. Consumers' consumption values along four product categories: clothing, household appliances, household supplies, and food were surveyed in China. The results in this study seem to suggest that the PAI is an appropriate consumption value measure.

Factor analysis results showed that the PAI was able to capture the differences of the underlying consumption values along the four product categories. CART results also suggested that the PAI in general had predictive utility in assessing consumer shopping and consumption behavior. The predictive power of the PAI does, however, seem to vary across the four product categories. Consumption values measured by the PAI for household appliances, clothing, and supplies appeared to have greater predictive power than those for food. The high level of involvement that Chinese consumers are likely to attach to the purchase of appliances, clothing, and supplies may be one reason for such findings. Future research is needed to further explicate the relationships involved.

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TABLE 1
FACTOR ANALYSIS RESULTS FOR THE PAI OF CLOTHING

Underlying Factor	Factor Loading	% of Variance Explained	Cronbach Alpha
Factor 1: Emotional		0.191	0.81
Luxury	0.73027		
Reflects status	0.69507		
Unique	0.65536		
Romantic	0.62987		
Self-pride	0.59810		
Glamorous	0.57925		
Having face	0.46611		
Modern	0.43476		
Factor 2: Functional/Social		0.349	0.75
Popular	0.66826		
Durable	0.66293		
Modest	0.65091		
Practical	0.63352		
Traditional	0.58669		
Mature	0.52790		
Factor 3: Emotional		0.410	0.72
Respectful	0.63465		
Fun/enjoyment	0.61150		
Neat/tidy	0.55717		
Youthful	0.55553		
Tasteful/elegant	0.50766		
Pretty	0.47387		
Factor 4: Social		0.460	0.59
Simple	0.67709		
Good value	0.65109		
Socially accepted	0.51324		
Factor 5: Functional		0.505	0.55
Convenient	0.71816		
Comfortable	0.63270		
Passionate/love	0.45252		
Factor 6: Functional		0.544	0.49
Inexpensive	0.71111		
Quality	0.63854		
Factor 7: Social		0.579	-0.41
Sexy	0.72584		
Moral	-0.39292		

TABLE 2
FACTOR ANALYSIS RESULTS FOR THE PAI OF APPLIANCES

Underlying Factor	Factor Loading	% of Variance Explained	Cronbach Alpha
Factor 1: Social		0.209	0.78
Popular	0.75346		
Modest	0.72795		
Simple	0.68484		
Socially accepted	0.67663		
Traditional	0.61740		
Having face	0.51351		
Factor 2: Emotional		0.354	0.79
Luxurious	0.80358		
Unique	0.77985		
Reflects status	0.64480		
Decorative	0.60110		
Elegant	0.58658		
Self-pride	0.54613		
Factor 3: Functional		0.452	0.65
Inexpensive	0.78940		
Convenient	0.60460		
Quality	0.60053		
Good value	0.56101		
Factor 4: Functional		0.506	0.68
Practical	0.78735		
Durable	0.78246		
Safe	0.54183		
Factor 5: Functional/Emotional		0.553	0.67
High-tech	0.69591		
Modern	0.69313		
Factor 6: Functional		0.598	0.37
Family-oriented	0.70291		
Neat/tidy	0.48173		

TABLE 3
FACTOR ANALYSIS RESULTS FOR THE PAI OF SUPPLIES

Underlying Factor	Factor Loading	% of Variance Explained	Cronbach Alpha
Factor 1: Emotional		0.226	0.84
Luxurious	0.81776		
Unique	0.80438		
Self-pride	0.73285		
Youthful	0.72987		
Tasteful	0.65569		
Glamorous	0.59971		
Modern	0.48953		
Factor 2: Functional		0.374	0.74
Safe	0.73425		
Healthy	0.73402		
Family-oriented	0.66533		
Neat/tidy	0.60708		
Ornamental/pretty	0.42619		
Factor 3: Functional		0.467	0.74
Practical	0.82506		
Durable	0.73091		
Convenient	0.72217		
Quality	0.54439		
Factor 4: Functional		0.531	0.65
Good value	0.78228		
Simple	0.74991		
Having fun	0.53665		
Inexpensive	0.45808		
Factor 5: Social		0.581	0.70
Socially accepted	0.72860		
Popular	0.71053		
Factor 6: Natural		0.629	n.a.*
Natural/purity	0.69332		

* For single item scales, Cronbach alpha cannot be calculated.

TABLE 4
FACTOR ANALYSIS RESULTS FOR THE PAI OF FOOD

Underlying Factor	Factor Loading	% of Variance Explained	Cronbach Alpha
Factor 1: Emotional		0.253	0.86
Luxurious	0.85144		
Unique	0.79535		
Self-pride	0.74790		
Glamorous	0.71346		
Elegant	0.70148		
Ornamental	0.58138		
Factor 2: Social		0.363	0.75
Socially accepted	0.71404		
Popular	0.69740		
Modest	0.66271		
Simple	0.56696		
Natural/purity	0.48263		
Neat	0.46287		
Enjoyment/fun	-0.49355		
Factor 3: Functional		0.445	0.61
Nutritious	0.73887		
Quality	0.69628		
Healthy	0.60833		
Safe	0.56037		
Factor 4: Functional		0.506	0.67
Inexpensive	0.81730		
Good value	0.79366		
Factor 5: Functional		0.557	0.38
Convenient	0.76985		
Family-oriented	0.54337		
Factor 6: Functional		0.603	0.37
Fresh	0.72979		
Appetizing	0.65518		

TABLE 5
MANOVA RESULTS FOR THREE CLUSTERS

Shopping & Consumption Behavior	F-Ratio	P-Value
Overall MANOVA Test		
Wilks' Lambda = 0.1886	9.6840	0.0001
Univariate ANOVA Tests		
I enjoy shopping in my leisure time	30.57	0.0001
I like to bargain for most of what I buy	11.00	0.0001
I always buy my favorite brand	9.41	0.0001
I prepare a complete list before shopping	10.32	0.0001
I try to stick to well-known brand names	15.06	0.0001
I always check the price on a item	25.98	0.0001
I consider myself a materialistic person	5.19	0.0064
I consult with friends/experts for major buy	3.52	0.0316
I usually buy the product of a free sample	2.48	0.0865
Advertising does help me in shopping	1.46	0.2357
A popularly advertised brand is a better buy	9.64	0.0001
My friends & neighbors seek me for advice	12.99	0.0001
Info. from ads help me make better decisions	13.53	0.0001
I like to buy new and different things	16.61	0.0001
I am an impulse buyer	20.06	0.0001
I shop a lot for specials	8.81	0.0002
A store's own brand is usually a better buy	1.61	0.2019
Shopping is fun	44.04	0.0001
Quality is far more important than price	1.08	0.3412
I am usually among the first to try new products	9.65	0.0001
I have good knowledge of famous brands	22.35	0.0001
A foreign brand better than the local brand	12.15	0.0001
I am a meticulous shopper	36.92	0.0001

TABLE 6 MEANS FOR EACH OF THE THREE CLUSTERS

Shopping & Consumption Behavior	Mean for Each Cluster 1 (107)	2 (59)	3 (30)
Enjoy shopping in my leisure time	3.74	4.80	1.87
Like to bargain for things I buy	3.50	3.63	1.93
I always buy my favorite brand	5.00	6.02	6.27
I prepare a complete shopping list	4.53	5.34	3.27
I try to stick to well-known brands	4.76	6.05	4.33
I always check the price on a item	4.98	5.47	2.73
Consider myself materialistic	4.28	4.90	3.60
Consult with friends/experts	5.55	6.03	4.97
I usually buy free sample product	3.74	4.08	3.30
Advertising does help me in shopping	3.36	3.81	3.30
An advertised brand is a better buy	2.66	3.83	3.00
Friends & neighbors seek me for advice	3.88	5.03	3.40
Ads Info. help make better decisions	4.60	5.42	3.60
Like to buy new and different things	3.93	5.32	4.23
I am an impulse buyer	2.18	3.73	4.03
I shop a lot for specials	3.85	3.59	2.37
A store's own brand is a better buy	4.22	4.51	3.83
Shopping is fun	3.30	5.08	1.53
Quality is more important than price	6.48	6.71	6.67
I am among the first to try new pdts.	2.67	3.69	2.57
I have good knowledge of famous brands	4.29	5.51	3.27
Foreign brand better than local brand	4.24	5.64	4.73
I am a meticulous shopper	4.36	5.12	2.33

TABLE 7 BONFERRONI T TESTS FOR THE THREE CLUSTERS

Shopping & Consumption Behavior	Bonferroni t Tests *
Enjoy shopping in my leisure time	2 > 1 > 3
Like to bargain for things I buy	2, 1 > 3
I always buy my favorite brand	2, 3 > 1
I prepare a complete shopping list	2 > 1 > 3
I try to stick to well-known brands	2 > 1, 3
I always check the price on a item	2, 1 > 3
Consider myself materialistic	2 > 3
Consult with friends/experts	2 > 3
I usually buy free sample product	not significant
Advertising does help me in shopping	not significant
An advertised brand is a better buy	2 > 1
Friends & neighbors seek me for advice	2 > 1, 3
Ads Info. help make better decisions	2 > 1 > 3
Like to buy new and different things	2 > 1, 3
I am an impulse buyer	2, 3 > 1
I shop a lot for specials	2, 1 > 3
A store's own brand is a better buy	not significant
Shopping is fun	2 > 1 > 3
Quality is more important than price	not significant
I am among the first to try new pdts.	2 > 1, 3
I have good knowledge of famous brands	2 > 1 > 3
Foreign brand better than local brand	2 > 1
I am a meticulous shopper	2 > 1 > 3

* Groups are significantly different ($p < 0.05$) for Bonferroni t tests in multiple comparisons of means.

TABLE 8 MANOVA RESULTS: PAI FOR CLOTHING

Product Attribute	F-Ratio	P-Value	Mean for Each Cluster 1	2	3
Overall MANOVA Test					
Wilks' Lambda = 0.8146	2.8845	0.0004			
Univariate ANOVA Tests					
CF1	8.59	0.00	-0.19	0.43	-0.16
CF2	2.93	0.06	0.12	-0.04	-0.37
CF3	0.86	0.42	-0.08	0.12	0.07
CF4	0.07	0.93	0.02	0.00	-0.06
CF5	0.19	0.83	-0.04	0.04	0.07
CF6	6.16	0.00	0.10	0.10	-0.57
CF7	1.19	0.31	0.01	0.10	-0.24

Note: CF1 = Factor 1: Emotional
CF2 = Factor 2: Functional/Social
CF3 = Factor 3: Emotional
CF4 = Factor 4: Social
CF5 = Factor 5: Functional
CF6 = Factor 6: Functional
CF7 = Factor 7: Social

TABLE 9 MANOVA RESULTS: PAI FOR HOUSEHOLD APPLIANCES

Product Attribute	F-Ratio	P-Value	Mean for Each Cluster 1	2	3
Overall MANOVA Test					
Wilks' Lambda = 0.8796	2.0760	0.0177			
Univariate ANOVA Tests					
DF1	1.84	0.16	0.02	0.12	-0.30
DF2	5.17	0.01	-0.19	0.32	0.03
DF3	0.70	0.50	0.06	-0.03	-0.17
DF4	0.45	0.64	0.05	-0.01	-0.15
DF5	3.18	0.04	0.02	0.16	-0.39
DF6	1.06	0.35	-0.05	-0.04	0.24

Note: DF1 = Factor 1: Social
DF2 = Factor 2: Emotional
DF3 = Factor 3: Functional
DF4 = Factor 4: Functional
DF5 = Factor 5: Functional/Emotional
DF6 = Factor 6: Functional

TABLE 10 MANOVA RESULTS: PAI FOR HOUSEHOLD SUPPLIES

Product Attribute	F-Ratio	P-Value	Mean for Each Cluster 1	2	3
Overall MANOVA Test					
Wilks' Lambda = 0.8523	2.6058	0.0024			
Univariate ANOVA Tests					
EF1	4.10	0.02	-0.13	0.31	-0.15
EF2	0.21	0.81	-0.03	0.00	0.11
EF3	1.64	0.20	0.12	-0.13	-0.17
EF4	5.71	0.00	0.01	0.24	-0.50
EF5	0.08	0.92	0.00	0.03	-0.06
EF6	3.72	0.03	-0.16	0.12	0.35

Note: EF1 = Factor 1: Emotional
EF2 = Factor 2: Functional
EF3 = Factor 3: Functional
EF4 = Factor 4: Functional
EF5 = Factor 5: Social
EF6 = Factor 6: Natural

TABLE 11 MANOVA RESULTS: PAI FOR FOOD

Product Attribute	F-Ratio	P-Value	Mean for Each Cluster 1	2	3
Overall MANOVA Test					
Wilks' Lambda = 0.9110	1.4940	0.1237			
Univariate ANOVA Tests					
FF1	3.14	0.05	-0.06	0.25	-0.26
FF2	0.29	0.75	0.04	0.00	-0.12
FF3	0.70	0.50	0.00	0.10	-0.17
FF4	3.38	0.04	0.03	0.16	-0.41
FF5	0.64	0.53	-0.06	0.03	0.17
FF6	0.79	0.46	-0.07	0.04	0.18

Note: FF1 = Factor 1: Emotional
FF2 = Factor 2: Social
FF3 = Factor 3: Functional
FF4 = Factor 4: Functional
FF5 = Factor 5: Functional
FF6 = Factor 6: Functional

FIGURE 1

CART CLASSIFICATION TREE DIAGRAM

```
              I
+------------------A------------------+
1                          I

            +---------------B---------------+
               2                          3
```

Legend: 1 -- Cluster 1
2 -- Cluster 2
3 -- Cluster 3

NODE INFORMATION

Node A was split on variable DF2: Emotional for Appliances.
A case went left if variable DF2 was less than or equal to 0.0305.

Node B was split on variable DF6: Functional for Appliances.
A case went left if variable DF6 was less than or equal to 0.034.

TABLE 12 VARIABLE IMPORTANCE INDEX PROVIDED BY THE CART PROGRAM

Variable Name	Relative Importance Index
DF5: emotional value for appliances	100
EF4: functional value for supplies	82
DF1: social value for appliances	79
CF6: functional value for clothing	78
DF6: functional value for appliances	76
CF7: social value for clothing	74
DF2: emotional value for appliances	74
FF1: emotional value for food	73
FF4: functional value for food	73
EF5: social value for supplies	73
EF6: natural value for supplies	72
CF1: emotional value for clothing	72
DF3: functional value for appliances	70
CF2: functional/social value for clothing	70
CF3: emotional value for clothing	65
CF4: social value for clothing	60
FF2: social value for food	60
EF1: emotional value for supplies	58
FF5: functional value for food	58
B17: responsible	55
DF4: functional value for appliances	54
FF3: functional value for food	50
EF3: functional value for supplies	50
CF5: functional value for clothing	50
EF2: functional value for supplies	44
Age: age of the respondent	33
B11: independent	31
FF6: functional value of food	29
EDU: education level of the respondent	27
Job: occupation of the respondent	22
Area: area in which the respondent lived	3
Sex: gender of the respondent	0

THE NEXUS BETWEEN MARKETING STRATEGY AND ORGANIZATIONAL CAPABILITY: AN EXPLORATORY ANALYSIS OF APPAREL RETAILING

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ABSTRACT

This paper reports on the empirical testing of a fundamental tenet of marketing theory, namely that different marketing strategies require different organizational capabilities. That nexus is explored using a study of apparel retailers in Eastern Australia. The key contributions of the research include the identification of four main components of retail marketing strategy using factor analysis and the identification of organizational capabilities used in the apparel industry. The final contribution is the exploration of managerial implications. The findings suggest that there is scope to test the same nexus in other industries and in other countries.

INTRODUCTION

Most marketing concept or strategy writers such as Kotler (1994) essentially define marketing as identifying customer needs and matching the organization's capabilities to meeting those needs. In other words, marketing is defined as the fit between customer needs and an organization's capabilities. There seem to be very few studies which have empirically tested the relationship between marketing strategy and organizational capabilities - which is the primary aim of this paper.

The detailed study of organizational capability has only been seriously investigated in recent years, following the seminal work by Ulrich and Lake (1990). They highlight the potential importance of human resources, especially recruitment and selection, training, recognition of staff and remuneration as the most important types of organizational capability. Internal communications and organizational flexibility are also significant. Another related work is that by Johnson and Scholes (1993) who suggest a staged model for understanding strategic capability through resource analysis - it begins with the resource audit, followed by value chain analysis, comparative analysis (including best practice analysis), assessment of the balance of resources and an assessment of key issues. The resource audit encompasses physical resources, human resources, financial resources and intangibles. Yet another recent development is the emphasis on core competencies by Prahalad and Hamel (1990).

There seem to be two separate literatures. On one hand we have the marketing strategy literature, such as Kotler (1994) and Aaker (1992), which focuses on the external marketing environment and strategies, with a veiled reference to internal analysis and which only occasionally seems to influence the choice of strategy. On the other hand we have the organizational capability literature, with capabilities examined in great detail, but which only occasionally is seen to actually influence the choice of marketing strategy. Our aim is to more explicitly bring these two literatures together in a direct test of a fundamental tenet of marketing theory, namely that different marketing strategies require different organizational capabilities.

We have chosen to test the nexus between marketing strategies and organizational capabilities using the apparel retailing industry in an Eastern region of Australia. There is considerable scope for other researchers to test the same nexus in other industries and other countries.

RESEARCH DESIGN

We have sampled a total of one hundred and twenty seven (127) specialist apparel retailing stores in a non-capital city in Eastern Australia, with a population of 300,000. The sample was representative of that area. It was not necessarily statistically representative of apparel retailing stores in Australia overall. Compared to the Australian population our sample employed a slightly lower average number of persons per outlet and the outlets were considerably smaller in terms of average floor space. Nonetheless, the sample contains a good cross section of national chains and small independent retailers across diverse sub-categories of apparel retailing.

The survey instrument was designed to collect information on store demographics; customer demographics; respondent characteristics; marketing strategies; and capability characteristics. The questions on marketing strategies essentially elicited the managers' perceptions of the importance of marketing strategies, each measured on a seven point Likert scale.

The organizational capability literature noted in the introduction (Johnson and Scholes, 1993; Prahalad and Hamel, 1990; and Ulrich and Lake, 1990) has helped us to formulate key organizational capability variables, which we have categorised as human resources, technological, marketing systems, financial, and organizational flexibility. The specific variables used are:

Human Resources

. Management Training and Development

. Systematic Employee Training and Development

. Systematic Recruitment and Selection.

Technological:

. Computerised Transaction Technology such as EFTPOS.

Marketing Systems:

. Customer Focused Database Marketing Systems.

Financial:

. Approximated by Store Size broken into small (less than four persons employed), medium (4-19 persons employed) and large (20 or more persons employed).

Organizational Flexibility:

. Measured by the retailer's willingness and capacity to adapt merchandise and services in response to competitive pressures.

The specific variables used for store demographics and customer demographics are:

Store Demographics:

. Retail sub-category denoted by a dummy variable of one for menswear, zero otherwise.

Customer Demographics:

. Market divided into three income segments - low, medium or high.

Note that all of the organizational variables are measured as categorical (that is a value of either one or zero) dummy variables.

The survey instrument was used to collect data by personal interview, with a response rate of seventy (70) percent. The researchers believe that the quality of the organizational capability data is enhanced through the personal interview method.

FACTOR ANALYSIS TO SIMPLIFY DATA

Seventeen (17) questions were asked of the store managers about their perceived importance of various marketing strategies, such as newspaper advertising, low every-day prices and window displays. Our approach is to use exploratory factor analysis to simplify these seventeen retail marketing strategies to a smaller, more manageable group of components of retail marketing strategy. Other researchers, such as McKee, Varadarjan and Pride (1989) have also used factor analysis as a means of clustering the marketing strategies into specified groups.

The result of the factor loadings are shown in Table I. The method used was exploratory factor analysis utilizing the principal components (eigenvalue greater than 1.0) procedure, followed by varimax rotation. Four factors were loaded using this criterion which also corresponds to the visual criteria (scree plots) that the eigenvalues started to reduce very rapidly after four factors.

The four factors were named:

** *Interior Atmosphere/Display Retail Marketing Strategy*

** *Advertising Retail Marketing Strategy*

** *Discount Price Retail Marketing Strategy*

** *Customer Service Retail Marketing Strategy.*

Our reference to four retail marketing strategies is best interpreted as four major components of retail marketing strategy. Some writers refer to each of our seventeen sub-components as tactics rather than strategies. There is also scope to more fully specify a retailer's marketing strategy in terms of target market and positioning, though positioning can also be seen in terms of different configurations of our four components of retail marketing strategy.

The naming process is of course always somewhat at the discretion of the researcher. However in this case it was not a difficult process. For the first two components of strategy there was almost no choice what to call the factors, as the nature of the items were extremely homogeneous within each group respectively. The Advertising Factor essentially comprises four different types of advertising. The Discount Price Factor comprises three different types of price as a strategy plus another item relating to speedy transactions. The Interior Atmosphere Factor readily depicts store decor, store appearance, store layout and window displays. Finally, the Customer Service Factor was perhaps superficially the most heterogeneous component, but all items - including customer parking, layby service, special orders, wide product range and fitting room service - can be readily related to customer service.

A number of **reliability** tests were used. The main test was Cronbach's Alpha Coefficient shown in Table 2. All four factors are reasonably reliable (0.70 is one standard to use in this respect) by this criterion. We also checked for variations of key item scores across the four factors.

Validity was checked in two ways. Firstly we employed content validity by using expert opinion in comparing the retail marketing strategy ratings of particular stores with the researchers' observation and knowledge of that firm. For example, upmarket boutiques, lingerie and bridal stores tended to rate very highly on the Internal Atmosphere component of strategy which seems plausible. As expected, small independent retailers focusing on recycled clothing tended to rate very highly on the Discount Price component of strategy. Secondly, criterion validity is used later in this paper through statistical associations of organizational capabilities and the four components of retail marketing strategy.

EMPIRICAL FINDINGS

Having simplified the seventeen retail tactics to four main components of retail marketing strategy (each component was measured as a factor analysis weighted sum of the relevant items), namely Advertising, Discount Prices, Customer Service and Interior Atmosphere, we are now in a position to identify the key capabilities relevant to each component. Our methodology for this is multiple regression. Stepwise regression was applied to each of the four components of retail marketing strategy. The results are summarised in Table 3. Only the significant independent variables are reported here.

In relation to the *Advertising component of retail marketing strategy*, the overall model shown in Table 3 has the highest explanatory power of the four groups. Four variables were significant in explaining retailers' perceived importance (on a one to seven scale) of Advertising as a component of retail marketing strategy. The perceived importance of Advertising is increased by a customer focused database marketing capacity, by an EFTPOS or related computerised transaction technology capacity, by management training and by being focused on markets with medium to high income segments.

In relation to the *Interior Atmosphere* component of retail marketing strategy, the explanatory power of the model is the second highest, but only half that of Advertising. The F-ratio is significant at the 0.01 level. Only one variable is significant. The importance rating of Interior Atmosphere increases if the retailer is focused on a market with medium to high income segments.

In relation to the *Customer Service* component of retail marketing strategy, the adjusted R-square is 0.084 and the F-ratio is significant at the 0.01 level. Only two variables are significant. The most important influence on the rating of Customer Service is organizational flexibility as defined by a willingness and capacity of a retailer to alter their service and merchandise in response to competitive pressures. Also relevant for Customer Service is a positive relationship with being focused on markets with medium to high income segments.

Finally, in relation to the *Discount Prices* component of retail marketing strategy, the explanatory power of the model is weakest, with the F-ratio significant only at the 0.05 level. We therefore have less confidence in understanding the underlying capabilities of those retailers who give a high rating to Discount Prices.

The only significant influence on a high rating for the importance of Discount Prices is an inverse relationship with a customer focused database marketing capacity. Two other influences which were not quite significant were inverse relationships with training and development and a medium number of persons employed (that is, 4-19 persons employed).

DISCUSSION

A salient feature of our results is the small number of measured key organizational capabilities relevant to each of the four components. Usually only one or two capabilities were found to be relevant. We have not of course tested for all capabilities, so other studies may identify additional relevant capabilities.

Most of the results accord with our a priori expectations except for the Customer Service component where we had expected a greater relevance for human resource capabilities and for the Advertising component where we had expected a greater relevance of being a larger store. We will discuss each of the four components of retail marketing strategy separately.

The capabilities leading to a higher rating for Advertising seem rational. The emphasis given to medium and high income segments of the market makes sense given that much of advertising is geared to branded merchandise, often in the middle price range. The emphasis given to management training may indicate that the skills needed for this component of retail marketing strategy are more complex than for the other components. As expected, having a customer focused database marketing capacity led to a higher Advertising importance rating. Additionally, having an EFTPOS or related computerised transaction technology also increased the Advertising importance rating. This capacity undoubtedly helps keep transactions turning over quickly and therefore supports spreading advertising overheads. However the new technology also acts as a catalyst for market research generating invaluable information to help target merchandise selection, to target promotions and to control inventory.

The results for the Interior Atmosphere component are simpler than those for the Advertising component. It would seem that a high rating for Internal Atmosphere is mainly driven by "image factors", notably a focus on average to high income customer segments of the market. Another possible image factor, though not statistically significant, is recruitment and selection. This is consistent with retailers who aim for a high Interior Atmosphere, emphasising the selection on staff on the basis of grooming, presentation skills and customer relations skills.

The results for the Customer Service component are also rational. Those customers who are more willing and able to pay for greater customer services are likely to be in the medium and high income segments of the market, which is confirmed by our findings. More importantly, the type of skills needed to support special orders for customers, offering a wide range of merchandise, offering layby and parking service and a fitting room service, require a versatility best summarised as organizational flexibility. This is confirmed by our findings.

The results for the Discount Price component were the least robust. Generally those retailers perceiving a high importance for price discounting were characterised by what they did not do - they did not spend a lot of money on marketing (statistically significant) and on training and development (marginally significant). This makes sense in that a low price strategy is supported by low cost capabilities. Retailers who were more likely to emphasise low prices were either large (more than twenty persons employed) or very small (less than four persons employed). The link of low prices with high volume, large retailers is conventional. However the link of low prices to the very small retailers indicates that many small retailers are building a niche based on low price.

THEORETICAL IMPLICATIONS

The main contribution of the paper is that it explicitly tests and supports a fundamental *theoretical proposition* in marketing strategy, namely that marketing strategies should be developed to meet customer needs on the basis that there is a close fit between the marketing strategy and an organization's capabilities. Our test is confined to one region of one industry in one country, though the approach can readily be applied to other areas.

Another contribution of the paper to marketing theory is the need to emphasise that in some categories of retailing, such as apparel, the low price option is often favoured by small retailers as part of a focus (narrow market coverage) strategy. Porter's generic marketing matrix does allow for a low price and narrow market coverage, but the texts generally overshadow this with a low price and wide market coverage emphasis. The latter is still appropriate for most of manufacturing and some of retailing - such as supermarkets. We would like to see future marketing concept and strategy textbooks present the Porter generic marketing strategy matrix in a more comprehensive way.

MANAGERIAL IMPLICATIONS

The findings of the paper are relevant not simply to the development of marketing theory, but they are potentially useful to marketing practice in apparel retailing. Apparel retailing managers can use the findings of this study to sharpen their marketing initiatives. The main advice that we would give any of the respondents in our sample is to firstly appreciate and be aware of their overall marketing strategy. Secondly, having at least a broad understanding of their marketing strategy emphasis would enable retailers to develop those organizational capabilities which are germane to their retail marketing strategy. For instance, retailers emphasising *Internal Atmosphere* as a component of their retail marketing strategy would need to give more attention to visual merchandising including merchandise arrangement, window displays, signage, colour and lighting. Careful employee selection and recruitment could also help this group. As another example, if retailers are emphasising Advertising as a component of their retail marketing strategy, they could benefit by reviewing their technological, human resource and marketing management information system capabilities.

CONCLUSION

Using exploratory factor analysis we have identified four major components of retail marketing strategy, which are labelled Advertising, Interior Atmosphere, Customer Service and Discount Prices. In turn we have regressed each of these components of retail marketing strategy against a number of organizational capabilities to identify which capabilities drive which component of retail marketing strategy.

Our key finding is that each component of the retail marketing strategy is driven by a small number of organizational capabilities. Customer Service is driven by organizational flexibility; Interior Atmosphere is driven by image factors; Discount Prices is driven by minimizing marketing and training expenditures; and Advertising is driven by targeting medium and high income segments, and having capabilities in computerised transaction technology, customer focused database marketing systems and management training.

There is ample scope to replicate this study. It would be worthwhile to see if the results of exploratory factor analysis can be confirmed elsewhere, though different retail categories may have slightly different factors. The paper has provided evidence which should encourage firms to be more aware of, and to better understand, the core competencies which underpin their retail marketing strategies. There may be scope to develop these capabilities in order to implement more effective retail marketing strategies.

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Table 1: Item Loadings on Factors

Marketing Strategy	Factor 1: Internal Atmosphere	Factor 2: Advertising	Factor 3: Discount Prices	Factor 4: Customer Service
Store Appearance	**0.8693**	0.0796	0.0722	-0.0403
Store Layout	**0.8446**	0.0184	-0.0071	0.0708
Window Display	**0.4719**	0.1588	0.0888	0.1304
Store Decor	**0.4006**	0.0630	-0.0898	0.2973
Advertise A Lot To Attract Customers	0.0403	**0.8023**	0.0325	0.0835
Newspaper Promotion	0.1489	**0.6485**	0.0432	0.1696
Direct Marketing	-0.0007	**0.3987**	-0.0047	-0.0138
Radio/TV Promotion	0.1019	**0.6094**	-0.0115	0.0899
Lower Prices Than Competitors	-0.0566	0.0181	**0.5069**	-0.1011
Price Markdowns	0.1538	0.0499	**0.5241**	0.1286
Every Day Low Prices	-0.0510	-0.0240	**0.6504**	-0.0937
Speedy Service	0.0579	0.0113	**0.4314**	0.2403
Wide Range of Merchandise	0.2011	-0.0465	0.2500	**0.4847**
Layby Service	-0.0310	0.0732	-0.0093	**0.5427**
Special Orders for Customers	0.0310	0.0324	0.0112	**0.5036**
Fitting Room Service	0.2934	0.0367	0.0193	**0.5319**
Nearby Parking for Customers	0.0297	0.1841	-0.0345	**0.4768**

Table 2: Eigenvalues and Alpha Coefficients

Eigenvalues:	Alpha Coefficients:	
2.7448	**Internal Atmosphere**	0.81
1.4413	**High Advertising**	0.79
1.2197	**Low Prices**	0.70
1.0928	**Customer Service**	0.79
0.4666		
0.3892		

TABLE 3: Regression of Retail Marketing Strategy Components Against Different Organizational Capabilities (N=127)#

Independent Variable	Dependent Variable			
	Advertising	Interior Atmosphere	Customer Service	Discount Prices
Constant	3.03	6.28	5.85	5.27
Low Income Market Segment	-0.27 (3.31)**	-0.31 (3.54)**	-0.17 (1.97)	
Database Marketing	0.20 (2.50)*			-0.19 (1.98)*
Computerised Technology	0.19 (2.38)*			
Management Training	0.21 (2.71)**			
Organizational Flexibility			0.23 (2.64)**	
R^2 (adjusted)	0.279	0.112	0.084	0.054
F	13.17	6.29	3.87	2.19
d.f.	4, 122	3, 123	4, 122	6, 120
p	0.0000	0.0005	0.0054	0.0482

Note 1: # Only those variables with significant coefficients are shown.
Note 2: t values are in brackets -
* Significant at p = 0.05 level
** Significant at p = 0.01 level

DETERMINANTS OF RETAIL STORE PERFORMANCE: A PARTIAL EXAMINATION OF SELECTED ELEMENTS OF RETAILER CONDUCT

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ABSTRACT

This article presents a partial model of selected elements of retail store conduct and their impact on performance. Drawing on past retail performance and patronage studies, the model incorporates conduct that enhances "environmental fit" (relative store size and target market reach) and conduct that reflects "marketing effectiveness" in the areas of service, merchandise, and atmosphere. It is hypothesized that each variable positively impacts store performance. The model is empirically tested with data from one retail organization comprising 211 stores. Results shed light on the similarities and differences between predictors of customer patronage and store performance and raises questions concerning the relationships of the marketing effectiveness variables.

INTRODUCTION

The influence of marketing structures, marketing stategies and competitive behavior on enterprise performance has been an area of continuing inquiry to marketers (Anderson 1982, Alderson 1965, Buzzel et al. 1975, Day and Wensely 1983) and economists (Priem 1992). The central question has been "why do organizations perform as they do; and in particular why do some perform better than others?"

The STRUCTURE-CONDUCT-PERFORMANCE (S-C-P) paradigm is well-established in the economics discipline. The aim of the present study is to extend and expand upon the CONDUCT - PERFORMANCE link of the S-C-P paradigm.

LITERATURE REVIEW

Historically, marketing scholars who have attempted to understand performance in retailing have approached it from two orientations, which we label *macro retailing studies* and *micro retailing studies*. *Macro retailing studies* have concentrated on looking at determinant factors at a *macro* level, generally investigating the impact of "structural" elements of retail markets on retailer performance. These studies view both the retail market structures and retailer performance at aggregate levels, such as cities, counties, SMSA's, regions, or entire countries. Also, the key measure of retailer performance is usually some measure of labor productivity.

Probably the most influential study in the evolution of this research tradition is that done by Hall et al, (1961) which compared the structure and productivity of retail trades in Great Britain, Canada and the United States. Other examplars of the stucturalist orientation include the investigations of George (1966), George and Ward (1973), Bucklin (1977, 1978),Takeuchi and Bucklin (1977). More recent examples include those of Lusch and Ingene (1980), Ingene and Lusch (1980, 1981), Ingene (1982, 1983,1984) and Kaynak (1985).

The second research orientation, *micro retailing studies,* tends to focus on the individual firm, retail store, or departments within a store rather than the aggregate. The micro orientation usually investigates some measure of financial efficiency or effectiveness rather than a measure of labor productivity as is commonly used in the macro orientation. Finally, in the micro orientation, the determinant factors of performance are not restricted to the stuctural dimensions of retail markets, but generally include a number of operational, strategic, or other factors that are in some way reflective of the "conduct" of the focal retailer(s).

It is difficult to identify a seminal study such as Hall et al.'s which may be said to have influenced the micro tradition. However, a number of studies by Bass (1956, 1958, 1959), Brooks (1958), and Converse (1959) may be posited to be the precursors of this second type of retailing research. These studies, in contrast to the structuralist tradition (i.e., macro orientation), seek to understand sources of performance not only at the level of individual retail stores, but also focus on the behavioral (i.e., conduct) element as key determinants. Other exemplars of the micro-orientation in retailer performance investigations can be found in the location impact studies of Applebaum (1966) and LaLonde (1962) in supermarket retailing; the managerial impact studies of Kinney (1969) and Cottrell (1973) for catalog and supermarket retailers; in the merchandising and service impact studies of Dalrymple (1966) and Morey (1980) for general merchandise stores. A PIMS pilot project reported by Buzzell and Dew (1980) is also illustrative.

A small number of retail performance studies with the micro orientation have appeared in the literature over the past decade. Most prominent among these studies are: Cronin and Skinner's (1984) investigation of the impact of marketing outcomes and financial conditions on retail profit performance; and the investigation by Cronin (1985) of five general marketing "strategies" and their association with profit performance. Also, studies by Walters and Rinne (1986) and Walters (1988) examined the effect of retail promotions on store performance.

Retail patronage behavior represents another stream of retail research that parallels retail performance studies and deserves attention here. This stream has a rich tradition beginning with Reilly (1931) and the theory of retail gravitation. Early studies in this area (e.g., Converse 1959) are *macro* in nature with emphasis on relative community size explaining the macro attraction of retail trade. Huff (1964) brought a *micro* orientation to this research by employing a probabilistic model of spatial demand to capture the "utility" of a retail outlet. Utility was specified as a funtion of two components: attractiveness of the outlet (measured by the selling space size of the outlet) and accessibility (measured by the travel time of consumers). The multiplicative competitive interaction (MCI) model (Nakanishi and Cooper 1974) is a general formulation of the Huff model that includes the consideration of additional variables to better model the competitive environment. For example, Stanley and Sewall (1976) added an "image" variable to produce "more comprehensive explanations of retail site locations." Other variables modeled as determinants of retail patronage include price, assortment, service, and advertising (Jain and Mahajan 1979; Arnold, Oum and Tigert 1983; Black, Ostlund and Westbrook 1985). The point of demarcation between the two streams of research (retail patronage and retail performance studies) is obviously the phenomenon which is being explained, namely "patronage behavior" versus "retail performance." The difference is not a minor one, even though one would expect retail patronage behavior and retail performance to be highly correlated. Retail patronage is a necessary, but not sufficient, condition for successful retail performance.

CONDUCT - PERFORMANCE IN RETAILING

Bain (1969, p.3) states that the "conduct" of enterprises includes the "practices, policies and devices which they employ in arriving at adjustments to the markets in which they participate, [and this conduct] likewise influences performance." In his theoretical treatise on "Organizational Structure, Environment and Performance," Child (1972) argues that studies of performance are remiss by not incorporating the role of "strategic choice." As conceptualized by Child, "strategic choice" refers to options available to the decision-makers as they pursue the organization's goals and objectives. The act of deciding on which choice(s) or option(s) to pursue thus determines the actions taken.

Child (1972) further states that these "strategic choices" include both "external" and "internal" variables. External variables refer to choices available and decisions made regarding the environment in which the organization exists. He refers to these external variables as "Environmental Strategy" and cites such examples as: "where the operations shall be located," and "the clientele it will serve." Internal variables are referred to as "operating effectiveness." These variables address conduct or actions taken within the organization regarding such things as manpower and technology utilized.

Park and Mason (1990) offer a similar conceptualization albeit different terminology in their discussion of the "Business Strategy" component of their performance model. Their study presents an integrated model of the determinants of business performance based on performance models developed in various disciplines. The "Business Strategy" component of their integrated model reflects the "conduct" portion of the Structure-Conduct-Performance paradigm. As they note, "no strong consensus exists on the definition of retail business strategy...., essentially, it is a company's response to, or anticipation of, changes in its external environment. Typically, two forms of strategy exist in any organization:...business level strategy and functional strategy" (Park and Mason 1990, p.176). They go on to note that business level strategy includes those major actions taken to accomplish long-term success, such as defining a target market and deciding what size stores to build or lease. Functional strategy include actions involving the retailing mix, such as merchandising, service and pricing.

Based on the work of the above named authors, we present a framework for the "Conduct -- Performance" linkage which posits that retail performance is impacted by two levels or types of "conduct": 1.)

environmental fit and 2.) marketing effectiveness. Conduct which we label as **Environmental fit** is that which is exercised to better fit the organization with the external environment in which it competes. It's analagous to Child's "external variables" and "environmental strategy," and to Park and Mason's terminology of "business level strategy." **Marketing effectiveness** refers to conduct internal to the organization. It is similar to Child's conceptualization of "internal variables" and "operating effectiveness," and to Park and Mason's reference to "functional level strategy." We have labeled it "marketing effectiveness" (as opposed to operating effectiveness) because, as will be shown, we further limit these conduct variables to those specifically pertaining to marketing and the retailing mix.

It should be noted that this framework of retail performance represents only a partial model. We are trying to isolate the impact of some important elements of retail conduct on retail store performance but leave out many other performance determinants such as overstoring, quality of management, pricing, and others.

Environmental Fit

Conduct exercised by an organization to enhance **environmental fit** includes actions taken to improve performance relative to existing competition within a given environment. Two components of environmental fit that past studies indicate are important to performance are "relative store size" and "target market reach."

<u>Relative Store Size</u>. Both macro and micro retailing studies have recognized the importance of relative size with their extensive use of retail gravity theory. Reilly (1931) and Converse (1959) note that relative size of communities is important in attracting retail trade from the population surrounding the communities. On a micro level, Huff's (1964) retail patronage and trade area model prominently recognizes the importance of the relative size of a retail store or center in attracting patrons. Often cited as a proxy for merchandise assortment, various studies of retail patronage behavior have consistently shown relative size to be a key factor in predicting retail patronage patterns. Thus we hypothesize:

H1: The greater the relative size of a retail store the higher the retail store performance.

<u>Target Market Reach</u>. We define target market reach as how well a retailer's choice of location and thus trading area matches its intended demand base or target market. This is similar to the concept of environment-strategy coalignment (Venkatraman and Prescott 1990) and to the "market efficiency" concept of Child (1972). If a retailer selects a location and hence a trade area where the demographics of demand reflect its target market then predictably the retailer will be better able to profitably dispose of goods and services.

H2: The greater the target market reach of a retail store, the higher its performance.

MARKETING EFFECTIVENESS

We define "marketing effectiveness" as marketing related conduct within the organization which enables the retail store to have more influence relative to other stores in developing and facilitating exchange. The more recent patronage studies discussed in the literature review provide guidance regarding elements of marketing "conduct" that are important to include in the proposed empirical model. These "conduct" elements seem best summarized in a study by Mazursky and Jacoby (1986) where they conclude that the most important components influencing patronage are 1.) service-related aspects, 2.) merchandise-related aspects, and 3.) the "pleasantness" of shopping in the store. Consequently, the model includes three dimensions of "marketing effectiveness" that we feel impact the performance of a retail store. They are "service-related" conduct (service), "merchandise-related" conduct (merchandise), and "atmosphere-related" conduct (atmosphere).

<u>Service</u>. Services are nonprice devices used to help the retailer differentiate its offerings in order to achieve higher sales and thereby maintain a certain segment of the market. Customer services are an important part of retailing because they can so powerfully affect customer patronage. Indeed, when the products and prices among retailers are not strongly differentiated, competition is quickly reduced to which of them can offer the service mix that is most appropriate for a particular market segment (Jain and Mahajan 1979).

H3: The higher the service-related marketing effectiveness, the higher the retail store performance.

<u>Merchandise</u>. The merchandise offered represents the fundamental attraction for any store. What is "offered" is a "bundle of utilities" which should be of interest and need to the targeted consumer. This bundle includes the product and its relative quality, the relative price and value of that product, and the communication of that offer.

H4: The higher the merchandise-related marketing effectiveness, the higher the retail store performance.

Atmosphere. We define atmosphere as the conscious designing of space and its various dimensions to evoke certain effects in buyers (Lusch, Dunne and Gephardt 1993). Components of atmosphere include the quality of store fixtures and displays, the interior design and the overall atmosphere of the store with the intent being to provide a pleasant shopping environment that appeals to the chosen target market.

H5: The higher the atmosphere-related marketing effectiveness, the greater the retail store performance.

RELATION BETWEEN ENVIRONMENTAL FIT AND MARKETING EFFECTIVENESS

Ever since the gravity models of Reilly (1931), Converse (1959) and Huff (1964) it has been recognized that large relative store size provides the retailer a more prominent role in the environment. As stores become larger they have the capability of having larger merchandise assortments and thus their offers should become more effective. However, we do not believe that this is the only advantage of large relative store size. When store size is large relative to competition the retailer has an increased amount of flexibility in designing space to produce a successful atmosphere. The number of layout alternatives rises and it is possible to design different areas of the store with atmospheres that appeal to different groups. In addition, a large relative store size increases the ability to deliver service. With a large store one can add more checkout counters; offer service and information desks; reduce in-store congestion; develop more in-store advertising banners and displays and so on. In short, we expect that large store size leads to more effective marketing.

H6: The greater the relative store size, (a) the higher the service-related marketing effectiveness, (b) the higher the merchandise-related marketing effectiveness, and (c) the higher the atmosphere-related marketing effectiveness.

RESEARCH METHOD

Sample

The data for the study were obtained from a regional variety store retailer. The statistical analyses reported are based on 211 stores for which complete data were available for all variables. The retail units are located in major metropolitan and rural areas in nearly equal numbers. Most stores have 3,000 to 10,000 square feet of selling area; newer units are larger, ranging from 15,000 to 25,000 square feet of selling space. Each store offers a wide range of general merchandise items, catering to a relatively narrow trading area with a tight customer focus.

All data items in this study treat the individual store as the unit of analysis. Store-level data on operating and financial characteristics of each store were obtained through a survey of store operations for the most recent three years of operation. These data come from secondary sources within the organization. Items from this survey were used to operationalize the store performance construct. The store manager completed a competitive audit data form which was designed and used to gather information on the nature of competition in each trading area. Items from this questionnaire were used to operationalize the constructs of service-related marketing effectiveness, merchandise-related marketing effectiveness, atmosphere-related marketing effectiveness and relative store size. Finally, detailed demographic data for the time period under study on each trading area was obtained from a private firm. These data were used to operationalize the "target market reach" construct.

Measurement

Store performance was conceptually defined as the composite economic outcomes of the activities of a store in a given time period. Productivity of the store was represented by three conventional measures: (1) net sales per square foot of selling area (NSTSA), (2) net sales per dollar of (average) inventory investment (NSTIN), and (3) net sales per full-time equivalent employee (NSFTE). Profitability was measured by net profit before tax as a percent of sales (NPBT). Reliability of the store performance construct is .87. Reliabilities for each endogenous construct were calculated directly from the standardized parameter estimates and the estimates of measurement error provided by the Lisrel VII program.

Three indicators of service-related marketing effectiveness (**Service**) were the amount of parking space provided to customers (PARKSP), the number of checkouts counters provided (CHOUTS), and the pay level of the stores' employees (EMPLOY). All indicators are reported as measures relative to the store's number one competitor. In brief, they reflect how effective the service offering is in developing and facilitating exchange relative to the firms' top competitor. Reliability for the service-related marketing effectiveness construct was .64. Merchandise-related marketing effectiveness (**Merchandise**) was measured with 6 indicators: everyday prices (PRICE), merchandise selection (SELECT), "sales" prices (SALES), "value" for the money (VALUE), number of national brands offered (BRANDS), and the amount of advertising (ADVERT). Again, all indicators are reported as measures relative to the store's number one competitor. Reliability of this construct was .81.

Atmosphere-related marketing effectiveness **(Atmosphere)** was measured with 5 indicators. Managers reported on their store relative to their number one competitor on the following factors: prestige level (PRESTIG), interior design (DESIGN), store atmosphere (ATMOS), quality of displays (DISPLAY), and quality of store fixtures (FIXTURE). The reliability of this construct was calculated at .76.

The two remaining constructs (**relative store size** and **target market reach**) were operationalized with single indicators. The relative store size construct is indicated by the ratio of the unit's total space to the gross leasable space of the most relevant competitor in the trade area (SIZE). The indicator of the target market reach construct is the percentage of Hispanics present within the total population of the trade area (PCTHISP). This is a valid indicator because the merchandising of the stores was directed at the Hispanic ethnic group.

Statistical Procedure

The statistical method used was covariance structure analysis with latent variables; specifically, the LISREL VII program was utilized (Joreskog and Sorbom 1989).

RESULTS

Overall, the model does a reasonable job of reproducing the sample correlation matrix. Although the chi-square value is relatively high (489 with 164 d.f.) and the p-value is significant ($p = .000$), the importance of this measure of fit should be discounted given the relatively large sample size (211), the large number of variables, and the fact that the model represents only a few of the many possible determinants of store performance. Other common measures of overall fit were: root mean square residual = .094, goodnes of fit = .814, and adjusted goodness of fit = .762. These measures indicate a "moderate" or "reasonable" fit of the model.

The squared multiple correlations (SMC) are even more relevant and they represent the strength of a linear relationship. The SMC for service-related marketing effectiveness was .805. For the merchandise-related equation it was .589 and for the atmosphere-related equation it was .326. Finally, the SMC for the store performance equation was .312. To consider that approximately 31% of the variance of retail store performance has been explained by the small number of conduct factors contained in the model is fairly impressive.

The proposed model has two exogenous constructs and four endogenous constructs linked together via 8 hypotheses. The measurement model is presented in Exhibit 1. Exhibit 2 presents the results of the tests of hypotheses. Overall, five of the hypotheses were supported and three were not statistically supported.

Relation Between Endogenous Constructs

Of the hypotheses regarding the relationship of service-related marketing effectiveness (H3), merchandise-related marketing effectiveness (H4) and atmosphere-related marketing effectiveness (H5) with store performance, only hypothesis 4 was supported. The coefficient for the link between the merchandise-related marketing effectiveness and retail performance was positive and statistically significant at the .05 level. The hypotheses stating positive relationships between service-related marketing effectiveness and performance, and atmosphere-related marketing effectiveness and performance were not statistically significant at the .05 level and therefore were rejected.

Relation Between Exogenous and Endogenous Constructs

Hypotheses 1, 6A, 6B, and 6C dealt with the link between relative store size and performance, service-related marketing effectiveness, merchandise-related marketing effectiveness and atmosphere-related marketing effectiveness, respectively. The positive relationships between relative store size and service-related marketing effectiveness (H6A), merchandise-related marketing effectiveness (H6B), and atmosphere-related marketing effectiveness (H6C) were all strongly supported. However, the direct relationship between relative store size and performance was rejected.

Hypothesis 2 predicted a positive relationship between target market reach and performance. This hypothesis was supported. The coefficient was positive and statistically significant at the .05 level.

DISCUSSION

Consistent with conventional marketing wisdom, performance was shown to be directly influenced by "target market reach." Essentially, the target market reach construct is a location construct which suggests locating a store where the trade area demographics match the intended demand base of the retailer. Target market reach is important because the merchandising and store design strategy must be targeted at a population and since stores attract from a well defined geographic area the target market reach of a store is paramount in importance.

Performance was also directly impacted by the "merchandise" offered. This makes good sense as the merchandise for any retail unit represents what the store has available to "exchange" with the consumer; and the money the consumer exchanges for that offer makes up the measures of retail performance.

More interesting, however, are the indirect and non-significant relationships. Relative store size has been shown in past studies to be an important predictor of retail patronage. Yet, empirical results of this study show no significant direct relationship between size and retail performance. It would appear that store size, in and of itself, does not ensure better performance. Although store size may ensure increased patronage as gravity models have so well shown, results here indicate that it is what is done with that store size that may indirectly lead to better performance. For example, in this study of one retail chain, store performance is increased via merchandise-related marketing effectiveness. In turn, merchandise-related marketing effectiveness is increased via larger relative store size. However, larger relative store size does not directly result in improved store performance.

As expected, the tangible resource of relative store size does impact the service-related marketing effectiveness, the merchandise-related marketing effectiveness and the atmosphere-related marketing effectiveness of the store. As posited earlier, when physical space increases relative to competition, the marketing effectiveness of service related conduct, merchandise related conduct and atmosphere related conduct also increases. Empirical results support this notion. However, the merchandise offer is the only internal marketing variable that significantly influences store performance; service and atmosphere are non-significant. What this might suggest is that the retail marketplace, at least in terms of this study, is so highly competitive that any gains in store performance (profitability and productivity) have been competed out of the system.

Perhaps, then, retail services and store atmosphere are "support" elements necessary to stay abreast with the competition and thereby serve to sustain performance but, by themselves, do not improve performance. Managerially, the implication is that services and atmosphere must serve as an attraction to customers but must be cost-efficient in doing so.

The strong and direct impact of target market reach on performance indicates that location represents a strong competitive advantage. Retail gravity models have repeatedly demonstrated the importance of location in terms of attracting customers. This research goes a step further and demonstrates that location (via the target market reach construct) positively and strongly influences store performance.

This research has a variety of limitations. The stores examined were all part of a single chain store organization. Future research should study multiple retail chains across several lines of retail trade. Another limitation related to the measures of marketing effectiveness. Although the measures developed worked well there is a need for richer and more complete measures.

Finally, this research is limited because many conduct elements were left unexamined. Perhaps one of the more interesting areas to explore relates to the "superior skills" the retailer acquires. These skills help the retailer to make profitable conduct decisions. "Superior skills are the distinctive capabilities of personnel that set them apart from the personnel of competing firms" (Day and Wensley 1988, pp.2-3). This component of advantage may be broadly referred to as labor quality.

EXHIBIT 1

Estimated (Standardized) Measurement Parameters

Proposed Construct	Standardized Parameter Estimates	t value
Retail Store Performance		
NSTSA	.832*	N/A*
NSTIN	.961	15.8
NSFTE	.670	10.4
NPBT	.735	11.8
Service		
PARKSP	.522*	N/A*
CHOUTS	.792	7.3
EMPLOY	.496	5.6
Merchandise		
PRICE	.514*	N/A*
SELECT	.739	7.0
SALES	.692	6.8
VALUE	.496	5.5
BRANDS	.630	6.4
ADVERT	.780	7.2
Atmosphere		
PRESTIG	.524*	N/A*
DESIGN	.720	6.6
ATMOS	.564	5.8
DISPLAY	.645	6.2
FIXTURE	.675	6.4
Relative Store Size		
SIZE	.995*	N/A*
Target Market Reach		
PCTHISP	.995*	N/A*

* These estimates were constrained and thus a t-value or significance level can't be computed.

EXHIBIT 2

Estimated (Standardized) Structural Parameters

Proposed Linkages	Hypothesized Sign	Standardized Value	t-value
Between Endogenous Constructs			
service --> store performance	+	.028	0.114
merchandise --> store performance	+	.416	3.170*
atmosphere --> store performance	+	-.018	-0.201
Exogenous --> Endogenous Constructs			
relative store size --> store performance	+	-.191	-0.743
relative store size --> service	+	.897	7.743*
relative store size --> merchandise	+	.767	7.170*
relative store size --> atmosphere	+	.571	5.862*
target market reach --> store performance	+	.469	7.094*

* Indicates significance at $p < .05$

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RETAIL GREETING: IMPACT ON CUSTOMER: BENEFITS TO THE FIRM

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Retail greetings by salespeople can have an impact on sales, profitability, and service. The academic and retail writers have been almost universal in their condemnation of the most prevalent greeting "May I help you?" (MI). A model of the greeting process is offered. Several studies were conducted on the status of the retail greeting. The perspectives of practitioners and academics were sought. An empirical investigation reflecting five different approaches in three types of retail outlets were undertaken.

The greeting of the consumer[1] can create advantage or disadvantage for a retail firm (Management Horizons 1990). It can be important in at least five ways to profits, customer service and/or the sale. First, if effective rapport with the consumer is achieved, the item selected by the consumer after interacting with a "liked" salesperson should be a better match with the consumer's needs and/or desires. Relatedly, the consumer should be more satisfied with the product and the likelihood of a merchandise return should be lower. Second, a positive feeling on the part of the consumer should enhance the likelihood of a sale.

The third and fourth ways reflect the negatives attached to a bad opening. An opening perceived by the consumer to be obnoxious (and there are many such instances in the United States in 1994) is likely to increase the after-sale problems and in addition decrease the probability of the sale. Fifth, the image of the retailers may be strongly influenced by the greetings/rapport developed by the salespeople, particularly if the consumer has few other interactions with the store. Well received greetings should enhance the loyalty of the customer.

Key issues for the firm with respect to the greeting are - how large an impact the retail greeting will have on (i) increasing the probability of sale at that time; (ii) creating store loyalty: and (iii) the store "image".

This paper focuses on the greeting by the retail salesperson. "May I help you" (MI) is the most frequent greeting in the United States inspite of the fact that almost all academics and relevant practitioner executives are opposed to MI, some violently. Thus Lusch, Dunne, and Gebhart (1993, p. 531) suggest: "Never begin the sales presentation with MI, or any other question to which the customer can respond in the negative."

After describing the ostensible pros and cons of MI, we offer:

1) a model of a greeting process and its ramifications; 2) evidence of the prevalence of MI; 3) the reaction of key relevant retail executives and/or retail chains; 4) the findings of various focus groups; 5) the findings of some empirical investigations.

THE CONS OF MI

Stanley Marcus (1979) suggests that MI is an extremely non creative greeting. It does not focus on the excitement of the merchandise or its presentation. Many writers, e.g. Lewison (1991), suggest that MI in our society calls for a negative. Indeed, it can be seen as a preprogrammed consumer no. MI is likely to generate a more negative response than is actually felt by consumers.

Further, MI does not show any genuine interest in the consumer as an individual. Salespeople could be perceived as being impersonal and disinterested (Dickinson 1981). The salesperson has used the same opening with the 100 previous consumers.

THE PROS OF MI

One does not have to believe in pure or perfect competition to consider the view that if a MI greeting were extremely negative to sales and/or the image of the firm that the competitive process would long ago have dealt it a death blow. Its very prevalence tends to suggest that there is value or at least no great harm in its use.

MI may make the consumer feel superior. And in today's conflict between: the races, ethnic groups, men and women, and boss and subordinate, many consumers want to feel catered to in the market place - to feel a little better, at least for the moment. Dorsey (1994) suggests that willingness of salespeople to be subordinate to customers can help win their trust and affection.

Further, many groups, e.g. Generation X, made up of 47 million consumers 18-29 years old, apparently feel over marketed to (Miller 1993). Miller (p.2) states: ".... marketers have been made to face up to the painful reality that this (X) generation knows what marketers are up to and wants nothing to do with them." They

do not want the salespeople to jump all over them, or offer greetings that suggest that they might[2]. MI appears neutral in this context. Many consumers want to choose without someone breathing down their necks and welcome an approach that easily lets them off the hook.
In addition since MI permits an easy negative, purchasers may be segregated from browsers and other non purchasers. In crowded conditions, this may have value to the retail enterprise.

A MODEL

Before discussing the studies, we offer a model that indicates where the greeting should stand in relationship to the overall profitability of the retailer. The model suggests that the initial greeting is important as a separate identity, i.e., that it influences (i) whether there is additional interaction with the consumer at that point of time (we will call T1); (ii) the dollar value (contribution) of the interactions with that customer over time; and (iii) the dollar value (contribution) of the word of mouth advertising by the consumer. The model is as follows:
During the first visit (V1) at time T1, after the greeting we can have either of two outcomes - 1. no further salesperson-customer interaction, or 2. further interaction.
If there is further interaction between the salesperson and the customer, i.e., the customer seeks more information or continues the conversation with the salesperson, we can have either of two outcomes - 1. interaction without subsequent purchase at time T1 during visit V1, or 2. interaction resulting in purchase at time T1 during visit V1.
One measure of the effectiveness of any greeting is the impact it has on the probabilities of purchase and the value (contribution) of the purchase to the retailer. The expected contribution (EC1) at time T1 is,
$EC1 = p_{ni} + p_{np} + p_p{*}Cp$
where,

EC1 is expected contribution of the greeting at time T1
p_{ni} is probability of no interaction
p_{np} is probability of no purchase with interaction
p_p is probability of purchase
Cp is the contribution of the item(s) associated with the purchase

Future Value

As suggested above, all influence does not stop at the first visit. Actions with respect to a greeting can influence future contributions from the purchases during future shopping trips of a particular consumer, either positively or negatively. The time value of money should be reflected by a discount rate applied to the generated contributions. In addition, the greeting may generate word of mouth "advertising" by the consumer, either positive or negative. Again the contributions lost or gained should be discounted to reflect the time value of money.
During future visits (V2 through Vn) at times T2 through Tn, the change in contribution ($EC_{2\text{-}n}$) of a greeting would be,

$$EC_{2\text{-}n} = \pm \begin{array}{c}\text{change in contribution}\\ \text{from future trip}\\ \text{(discounted to}\\ \text{present value)}\end{array} \pm \begin{array}{c}\text{Change in contribution}\\ \text{related to indirect influence}\\ \text{e.g., word of mouth}\\ \text{(discounted to present value)}\end{array}$$

We now discuss components of the studies and their results.

PREVALENCE OF MI

A questionnaire was distributed to individuals in an undergraduate retail class in a large university in Southwestern United States. The students were told to catalog their shopping experiences during the semester. During a period of about three and a half months, 23 subjects had 227 interactions with sales clerks in traditional department stores and specialty stores.[3]
83.7% (190 out of 227) of the reports indicated that the students were addressed with MI or something close to that. Given the overwhelming percentage, it is reasonable to conclude that MI is substantially used in at least one region in the United States.

INDUSTRY STUDY

Letters were sent to the chief executive officer of 25 traditional department stores (such as Sears, Dillards and Neiman Marcus), shoe stores (such as Kinney Shoe Corp., Bally Retail Inc. and Athlete Foot Group Inc.) and clothing stores (such as Limited Inc. and Virginia Specialty Stores Inc.). 9 responded in some form, e.g. through mail or telephone.

The executives stated that their organization had not done any substantial studies on the greeting, nor did they know of any. In general they did not favor the use of MI.

FOCUS GROUPS

Three focus groups were conducted with business students. Participants were asked to share their experiences and opinions regarding various forms of greetings and their appropriateness in different retail contexts. In addition friends, acquaintances as well as retail and marketing experts were consulted.

It was clear that these consumers did not find MI anywhere near as offensive as did writers in the retail community. Further, many did not like pushy, aggressive salespeople. In addition, some felt that the verbal content of the greeting need not be that important. Indeed, Kahn (1993) suggested that the smile and demeanor of the salesperson were probably most important. Munch (1993) suggested that the tone and modulation of the voice of the salesperson might be more important than the verbal content.

A CLASSIFICATION

Over time the following classification of greetings evolved:

How May I Help You? - The addition of how to the greeting subtly changes the basic thrust. The consumer response may be more specific. It does not appear to call as readily for a "no." And since it is not used as much as MI, it might not be perceived to be as unoriginal or mundane. Marks and Spencer apparently trains its salespeople to use this response.

Some members of the focus groups felt that the differences between this and MI were largely illusory. And thus the apparent distinction in language may be illusory.

Choice of Positives - A well known sales close offers the consumer a choice of positive alternatives. No is not a "logical" response (Jacoby 1984). Positive choice in a greeting context might be - Is it for you or is it a gift? Are you a size 44 or 46? Do you prefer Whirlpool or General Electric? No is not an easy or logical response to such questions. An additional advantages is that the salesperson may receive some information on which to base additional questions, comments or presentations. A disadvantage of this approach is that interaction with a consumer is forced and some consumers, as suggested earlier, may not appreciate that.

Directed Conversation - A choice of positives may direct communication between the salesperson and the consumer. However, interaction can also be fostered without structuring a choice of positives. Stanley Marcus (1979) directs customers (he would not call them consumers) to the exciting new merchandise that just came in. The customer should leave, even if without a purchase, with the feeling the Neiman-Marcus has exciting, original merchandise.

Casual Conversation - Here a salesperson tries to create a basis for future interaction, if the consumer desires it. How are you today? I'll be over here if I can be of assistance. Good morning. Are you finding everything all right? This approach is seen as the most passive.

EMPIRICAL INVESTIGATION

This study explored consumer perceptions of various forms of greetings in different retail contexts. As suggested earlier many authors have offered advice to retailers regarding the appropriate (and inappropriate) method(s) of greetings. However, a literature search turned up no previous studies.

The focus groups suggested four key dimensions important to the greeting: pressure on consumers, degree of consumer comfort, liking the approach, and the likelihood of listening to the salesperson. These are discussed below.

Based on discussions with scholars, practitioners, focus group interviews, three retail contexts were used in the study, department stores, shoe stores, and clothing stores[4].

The hypotheses were:

H1a: Retail context will not have an effect on the amount of pressure a consumer feels.

H1b: Retail context will not have an effect on how comfortable a consumer feels with a particular kind of greeting.

H1c: Retail context will not have an effect on the consumer's liking of a particular kind of greeting.

H1d: Retail context will not have an effect on consumer likelihood to listen to the salesperson.

Five forms of greetings chosen, each discussed previously, were: May I help you? (MI), How may I help you (HM), Choice of positives (AB), Directed conversation (DC), and Casual Conversation (CC). The influence of the forms were assessed on the folllowing key dimensions.

Pressure on Consumer (PRESSURE)

H2: Form of greeting influences the pressure consumers feel.

Consumer Comfort (COMFORT)

H3: Forms of greetings vary in their ability to make the consumer feel comfortable.

Consumer Liking of Greeting (LIKING)

H4: Consumers vary in their likings for different kinds of greetings.

Likelihood of Listenting (LISTEN)

H5: Forms of greetings vary in their ability to make the consumer listen to the salesperson.

Research Design

A 3 X 5 between subject design was used. Retail Context (RC) and Forms of Greetings (FG) were the two independent variables operationalized. There were three levels of RC, viz., department store (DS), shoe store (SS) and clothing store (CS), and five levels of FG, viz., MI, HM, AB, DC and (CC).

Operationalization of Constructs

The two independent variables, retail context and form of greeting were measured as follows.

RC was manipulated by providing three different types of cues.

1. DS: You have just entered a department store. It is a large retail organization that carries a wide assortment of products.
2. CS: You have just entered a clothing store to purchase something for yourself. This store carries a wide selection of apparel.
3. SS: You have just entered a shoe store to buy shoes for yourself. This store carries a wide selection.

FG was manipulated by providing five different types of cues.

1. MI: You are approached by a salesperson who greets you as follows: "May I help you?"
2. HM: You are approached by a salesperson who greets you as follows: "How may I help you?"
3. AB: You are approached by a salesperson who greets you as follows: "Do you prefer Brand A or Brand B?
4. DC: You are approached by a salesperson who greets you as follows: "We have some new merchandise that has just come in. Let me show you."
5. CC: You are approached by a salesperson who greets you as follows: "Are you finding everything all right?"

The dependent variables were measured as follows.

PRESSURE: A 7-point Likert scale (1 = strongly disagree, 7 =strongly agree) was used to assess the pressure consumers felt to buy something when a particular form of greeting was used ("This form of greeting does not put pressure on me to buy something").

COMFORT: A 7-point Likert scale (1 = strongly disagree, 7 = strongly agree) was used to assess how comfortable consumers were with a particular form of greeting ("I feel comfortable with this form of greeting").

LIKING: A 7-point Likert scale (1 = strongly disagree, 7 = strongly agree) was used to assess consumer liking for a particular form of greeting ("I like this approach").

LISTEN: A 7-point Likert scale (1 = strongly disagree, 7 = strongly agree) was used to assess consumer likelihood of listening to the salesperson if a particular form of greeting was used ("I am more likely to listen to the salesperson if this approach is used") .

PROCEDURE

Three hundred business students provided data for this investigation. A cover page indicated that subjects' opinions, as consumers, about various forms of greetings used by salespeople were being solicited. They were then instructed to answer seven-point scale items in the questionnaire.

RESULTS

Analysis of variance (ANOVA) was performed to test the hypotheses.

Hypothesis 1a postulates that pressure on consumers to buy is not influenced by retail context. Inspection of the mean of variable PRESSURE showed that there were no differences[5] between the means in the three retail contexts at alpha = .05 as indicated by Tukey's test (X = 4.56, 4.56, 4.26 for clothing, department and shoe stores respectively). H1a is supported.

Hypothesis 1b postulates that how comfortable a consumer feels with a particular form of greeting is not influenced by retail context. Mean of variable COMFORT shows that there is no difference between means in the three retail contexts at the .05 level (X = 4.26, 4.18, 4.10 for shoe, clothing and department store respectively). H1b is supported.

Hypothesis 1c postulates that retail context will not have an effect on whether a consumer likes a particular kind of greeting. The Mean of the variable LIKING shows that there is no difference between means in clothing (3.86) and department (3.82) stores at the .05 level. However, there is a difference between means of shoe store (3.28) on the one hand and those of department store and clothing store on the other. The retail context may have an effect on consumer liking of a particular form of greeting (The appendix provides means for each of the 15 treatment conditions). To elaborate there is no difference in means for MI and HM, direct conversation (DC) and choice of positives for the three retail contexts. However, there are differences for the following: CS-CC (5.4) vs. SS-CC (3.5). In other words casual conversation was liked more in clothing stores than in shoe stores. H1c is largely, though not completely supported.

H1d postulates that retail context will not have an effect on the consumer's likelihood of listening to the salesperson. The mean of the variable LISTEN shows that of the three retail contexts (clothing = 3.84, department = 3.66 and shoe = 3.26) there is a difference in means for only clothing and shoe stores at the .05 level. More specifically the following have statistically significant means: CS-CC (5.0) vs. SS-CC (3.2), i.e., there may be a greater likelihood that a consumer would listen to a salesperson when casual conversation is used in clothing store than in shoe store. Thus, H1d is largely, though not completely supported.

Hypotheses 2, 3, 4 and 5 deal with the influence different forms of greetings (FG) have on key consumer dimensions. Table 1 provides means for dependent variables vis a vis different forms of greetings.

TABLE 1

MEANS FOR DEPENDENT VARIABLES*

		Dependent Variable			
		PRESSURE**	COMFORT	LIKING	LISTEN
FG	MI	5.53	4.93	4.70	4.23
	CC	5.20	5.00	4.36	4.10
	HM	4.50	4.67	3.97	3.93
	DC	3.53	3.30	2.70	2.90
	AB	3.53	3.00	2.53	2.76

* All variables are measured on a 7 point Likert scale (1=Strongly Disagree, 7=Strongly Agree) such that 1 signifies low pressure, comfort, etc., whereas 7 signifies a high level for the variable.

** The higher the score the less pressure felt.

H2 postulates that the form of greetings (FG) influences the pressure consumers feel. A main effect of FG is obtained for variable PRESSURE ($F(4,285) = 20.94$, $p<.0001$). H2 is supported.
Differences in means were obtained for the following sets: MI & DC, MI & AB, CC & DC, CC & AB, HM & DC, HM & AB, HM & MI. The following pairs did not have different means: MI & CC, HM & CC, DC & AB.
H3 postulates that FG influences consumer comfort. A main effect of FG is obtained for variable COMFORT ($F(4,285) = 21.25$, $p<.0001$), thereby supporting H3.
H4 suggests that consumer liking is influenced by FG. A main effect of FG is obtained for variable LIKING ($F(4,285) = 22.38$, $p<.0001$), thus lending support to H4.
H5 suggests that FG influences consumer likelihood of listening to the salesperson. A main effect of FG for variable LISTEN ($F(4,285) = 10.8$, $p<.0001$) supports H5.
For variables COMFORT, LIKING and LISTEN the following pairs had mean differences: CC & DC, MI & DC, HM & DC, CC & AB, MI & AB, HM & AB. The following pairs did not have mean differences: CC & MI, CC & HM, MI & HM, DC & AB.

DISCUSSION

The research, although exploratory, clearly indicates that if the well being, comfort, etc. of the customer is that which is being optimized, then MI is clearly a reasonable way to go. Indeed in the young age group surveyed, MI came close to dominating the other four approaches tested. It gave the least pressure; was second to CC in the degree of comfort; was liked the most; and was seen as most conducive to listening.
Indeed if only the needs of the customer were to be considered, then seeking another alternative might be of little value. But as the model described earlier suggests, the needs of the retail organization and salespeople are also relevant. The firm is trying to attract and maintain customers but in the context of selling more and profitably. In the United States we are, in general, willing to be pleasantly obnoxious in order to gain our ends, e.g. close a sale. Business people will offend consumers if they feel that the firm benefits over the longer term. The question then becomes how much pressure should a manager apply in the firm's best <u>long</u> term interests[6]. Based on pairwise comparison of the five forms of greetings studied here two different groups emerge. MI, HM, and CC can be put into one group whereas DC and AB would constitute another group. Greetings included in the former category put less pressure on the consumer, made her more comfortable, were liked more and increased the likelihood of listening to salespeople.
The data indicate that at small cost in terms of customer reaction a retailer might use HM or CC.
"Forcing the matter" by either offering the consumer a binary choice option or by drawing their attention to specific merchandise can draw substantial negatives, although the (1) negatives presumably depend on the skills of the salesperson and (2) benefits may still exceed the negatives.

CONTEXT

Among the contexts offered in the empirical investigation, the retail store for the most part did not appear to matter. The three retail contexts used in the study, department, clothing and shoe stores did not have any effect on the pressure or comfort level. Consumer liking for, as well as the consumer's likelihood of listening to a particular form of greeting, was by-and-large not effected by the retail context. A noteworthy exception, however, was that the effect of casual conversation was different in clothing stores than in shoe stores on both of the above mentioned dimensions. Consumers liked casual conversation more and were more likely to listen in a clothing store than a shoe store.
While the three contexts did not appear to matter to any extent in this study, there are other contexts which may impact the consumer in terms of the form of greeting that is used.

TENTATIVE SUGGESTION

In Jacoby's (1984) research on the sales close, a salesperson using more than one close based on different situations tended to be more effective than a salesperson who used only one. In terms of the greeting it would appear that a well trained salesperson who varied the greeting with the conditions of the interaction with the customer would be likely to do better on average.

LIMITATIONS

The study was exploratory. The respondents were students and mostly young. Further, their number limited some research options. Factor analysis could be used to try to establish whether the key dimensions established through focus groups were in fact appropriate. Further, only one direct measure of each dimension was employed and that created by the judgement of the authors.

Perhaps the greatest limitation of the study is that we withdrew the skills of the salesperson as a variable. Basically all salespeople were assumed to be alike. Clearly this is not so. Indeed, as suggested earlier, almost anything may be all right if the person has a wonderful smile and manner (Kahn 1993). Further, as suggested above, a salesperson can vary the greeting.

SUGGESTIONS FOR FUTURE RESEARCH

In addition to remedying the limitations posed above, future research might consider the personality factors of the salesperson. Can personality be a factor moderating consumer response to greetings? In other words, is it possible to identify consumers (by certain personality traits) who are more receptive to (or conversely get turned off by) specific salutations? Is there such a thing as a salesperson-consumer fit of personalities in the context of the greeting?

Clearly other approaches to consumers could be tested. For example, a choice of positives can be any choice of positives. "Is it a gift or is it for you?" is quite different from "are you a size 42 or 44?" or "do you like this style or that?"

Perhaps the greeting should vary with different segments of consumers. Student research has indicated that dress may be important. The greeting would be expected to vary with the culture, country and the like. In the United States at least, one would expect that consumer perceptions of greetings would vary with gender as well as age. And what about the mood of the consumer? Relatedly, does the form of greeting have an impact on consumers' mood before the shopping experience? Mood can be an important situational variable (Gardner and Vandersteel, 1984).

SUMMARY

MI was perceived as best from the consumer's view point. HM and CC were also perceived well by consumers with respect to such as pressure, comfort, liking, and likelihood of listening.

A model of the greeting was created. When the needs of the retailer and/or the salesperson are also considered, the executive decision becomes far more complicated. Retailers may assess different greetings in terms of their expected contributions over a period of time.

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APPENDIX
MEANS FOR VARIABLE PRESSURE

		RC		
		DI	CS	SS
FG	MI	6.4	5.4	4.8
	CC	5.3	6.0	4.3
	HM	4.5	4.3	4.7
	DC	3.9	3.6	3.1
	AB	3.5	3.5	3.6

MEANS FOR VARIABLE COMFORT

		RC		
		DI	CS	SS
FG	MI	5.5	4.4	4.9
	CC	4.8	5.3	4.9
	HM	4.7	4.6	4.7
	DC	2.8	3.2	3.9
	AB	2.7	3.4	2.9

MEANS FOR VARIABLE LIKING

		RC		
		DI	CS	SS
FG	MI	5.5	4.2	4.4
	CC	4.2	5.4	3.5
	HM	4.3	4.3	3.3
	DC	2.6	2.5	3.0
	AB	2.5	2.9	2.2

MEANS FOR VARIABLE LISTEN

		RC		
		DI	CS	SS
FG	MI	5.O	3.7	4.0
	CC	4.1	5.0	3.2
	HM	4.1	4.2	3.5
	DC	2.5	2.8	3.0
	AB	2.6	3.5	2.6

NOTES

1. In this paper we do not differentiate between consumer and customer although for some purposes a distinction would have to be made.

CREATING THE IDEAL SPORT SPONSORSHIP ARRANGEMENT: AN EXPLORATORY ANALYSIS OF RELATIONSHIPS EXISTING BETWEEN SPORT SPONSORSHIP INVENTORY CRITERIA AND SPONSORSHIP OBJECTIVES

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ABSTRACT

Few contemporary marketing strategies have grown more rapidly than corporate sport sponsorship as evidenced by sponsorship expenditures tripling in the past ten years. The proliferation of sponsorship opportunities, coupled with recessionary economic conditions, has required sponsoring companies to emphasize strategic market planning processes including the establishment of specific sponsorship objectives measuring impact on business. Kuzma, Shanklin & McCally (1993) advocated that a sponsorship arrangement will be consummated only when what the sponsorship offers, or the sponsorship inventory, matches what the prospective sponsor seeks to achieve. Unfortunately, previous inquiries failed to explore relationships between these variables which, therefore, became the purpose of the current exploratory study of active corporate sponsors (N = 78). Regression analysis ($p<.05$) revealed significant relationships to exist between distinctive objectives and inventory criteria which provides sport sponsorship organizers an empirically-based benchmark for customizing proposals containing criteria directly related to the fulfillment of prospective sponsors desired outcomes.

Corporate support has played a significant role in the development of American sport. It was sponsorship from a New England railroad company that served as the catalyst for the first American intercollegiate athletic event, a rowing contest between Harvard and Yale in 1852 (Lewis, 1967) and the assemblance of a cluster of sponsors including Coca-Cola, Bull Durham Texaco, Gillette, and Chalmers Motor Car Company in 1910 that provided a sound financial foundation for Major League Baseball (Sugar,1985).

In recent years corporate sport sponsorship involvement has increased dramatically as evidenced by the number of American companies engaging in sport sponsorship tripling since 1985. In fact, Shanklin & Kuzma (1992) have estimated that 75-80% of all corporate event support has been directed specifically to sport.

It would appear that the 1984 Summer Olympic Games, hosted by the city of Los Angeles, served as the catalyst for this phenomenal growth in American sport sponsorship. Prior to the 1984 Games financing had primarily come from government funding, lotteries, and donations. However, due to the economic conditions of the state of California, the fact that lotteries were illegal, and the organizations and charities unable to make significant monetary contributions, an alternative funding structure, corporate sponsorship, warranted investigation (Ueberroth, 1985). The corporate sponsorship programs initiated for the 1984 Games enabled the Los Angeles Olympic Organizing Committee to realize a healthy profit of approximately $215 million. As a result of the success achieved by this event and it's sponsors American corporate sponsorship of sport has flourished with few sporting events existing today without some type of corporate sponsor support.

Corporate sponsorship has continued to thrive in the 1990's due primarily to a sponsorship's diverse ability to serve as a platform for a specific type of brand extension, cut through the clutter of traditional media advertising, and provide a cost effective business building technique (Rapp & Collins, 1994) . In fact, sponsorship has become such a successful marketing vehicle for corporations that Shanklin & Kuzma (1992) have predicted that corporate sponsorship will grow to become a distinct element of a corporation's promotional mix along side advertising, public relations, publicity, and sales promotions. This contention is supported by Brian Kelly, director of event marketing for Sears Merchandise Group who stated "Events can extend and reach consumers, while passive elements of the marketing mix such as advertising cannot. You can bring the excitement of an event to the store. Ads do not lend themselves to in-store promotions" (IEG Sponsorship Report, February 14, 1994).

However, the evolution of sport sponsorship, coupled with recessionary economic conditions, has necessitated corporations to integrate strategic market planning tactics in the sport sponsorship identification and selection process thereby establishing specific sponsorship objectives and strict proposal inventory criteria from which to measure impact on business (Wilkinson, 1993).

Corporations have engaged in the sponsorship of sport for an assortment of purposes ranging from establishing direct communications with a specific target market through leisure/lifestyle activities (Mullin, Hardy, & Sutton, 1993) to the demonstration of "good citizenship" by supporting civic-oriented events (Wilkinson, 1993). A sampling of specific sport sponsorship objectives defined by corporate sport sponsors and the vehicles employed to achieve them compiled from 1994 issues of the International Events Group Sponsorship Report is found in Table 1.

An analysis of American corporate sport sponsors conducted by Irwin and Sutton (1994) found market-driven objectives such as increasing sales/market share and increasing target market awareness to be rated the most important by corporate sport sponsor decision makers. These findings differed from previous investigations that reported corporations to be most interested in sponsoring sport as a means of image enhancement (Gardner & Shuman, 1987; Shanklin & Kuzma, 1992). Furthermore, Irwin & Sutton (1994) found, through the use of principal component factor analysis, that there are essentially four dimensions of objectives pursued by corporate sponsors of sport (Table 2).

Additionally, Murphy (1986) indicated that companies generally prepare a "laundry list" of desired sponsorship-related criteria before becoming involved in a specific sponsorship program. Irwin and Assimakopoulos (1992) compiled an extensive list of forty-seven potential sponsorship inventory criteria reported in the literature. A confirmatory analysis conducted by Irwin, Assimakopoulos, & Sutton (1994) for retention of items contained in the Sport Sponsorship Proposal Evaluation Model (SSPEM), compressed the list into forty-two potential sponsorship inventory criteria and found image-related items, audience profile and media-related criteria to be considered the most important to corporate decision makers (Table 3).

Kuzma, Shanklin, & McCally (1993) have suggested that a sponsorship arrangement will be consummated only when there is close correspondence between what the corporation seeks to achieve from the sponsorship involvement, or its sponsorship objectives, and what the sponsoree has to offer, or the criteria contained within a sport sponsorship proposal. Unfortunately, no empirical analysis has explored relationships existing between these variables. Therefore, the purpose of this investigation was to fill this void in the sport marketing literature and to provide an additional decision making model for sport sponsorship organizers and corporate marketing leaders.

METHODOLOGY

A questionnaire was developed based on the sport sponsorship objectives and criteria found in the literature. A 7-point Likert scale was employed to ascertain the importance of each objective and criterion. Survey instruments were forwarded to individuals identified as the key sport sponsorship decision maker at 200 U.S. companies reported as active sponsors of sport.

Repeated mailings yielded usable responses from 78 corporate sport sponsorship decision makers for a response rate of 39%. The Cronbach alpha, used to assess the internal consistency of the instrument, was found to be .87, indicating a high degree of response uniformity among respondents.

Statistical Analysis

The current inquiry required manipulation of data previously reported by Irwin, Assimakopoulos, & Sutton (1994) and Irwin & Sutton (1994). For the current analysis the authors used Pearson Product-Moment Correlations to assess bivariate relationships between the four dimensions of sport sponsorship objectives reported in Table 2 (Irwin & Sutton, 1994) and the criteria retained from the confirmatory analysis conducted by Irwin, Assimakopoulos, & Sutton (1994) and reported in Table 3. Subsequently, with the four dimensions of sport sponsorship objectives reported in Table 2 as the predictor variables, forward stepwise regression analysis was used to assess variables significantly predicting criteria desired by corporate sport sponsorship decision makers. All data was analyzed using the Statistical Package of the Social Sciences (SPSS) and the significance level for all analyses was at least $p<.05$.

RESULTS

As revealed in Table 4 a majority of the sport sponsorship proposal criteria under investigation correlated significantly and positively with one or more of the sport sponsorship objective dimensions. The only criterion failing to correlate significantly and positively with any of the sport sponsorship objective dimensions was the utility match of sponsor's product/service with sponsoree and was therefore excluded from further analysis.

The findings from the forward stepwise multiple regression analyses indicated that a majority of the sport sponsorship objectives are significant and contributing predictors of sport sponsorship inventory criteria (Table 5). The only sport sponsorship criteria under investigation failing to meet the .05 level of significance was established sponsorship opportunity.

An analysis of Table 5 revealed that the sport sponsorship objective dimension of Position Enhancement "matched up" with the greatest number of desired sport sponsorship criteria. Position Enhancement was found to be a significant contributing predictor of sponsoree profile, affordability, cost effectiveness, governing body regulatory policy, immediate audience demographic profile, extended audience demographic profile, immediate audience size, extended audience size, current customer presence, new customer presence, signage opportunities, complimentary advertising, media coverage guarantees, national media coverage opportunity, local media coverage opportunity, competition's interest in the proposal, competition's ambush marketing opportunity, opportunity to be a major sponsor, opportunity to a supplier/in-kind sponsor, sponsorship exclusivity, product/service image match, and image target market fit. Corporate Relations was found to significantly predict status of sport governing body, affordability, cost effectiveness, governing body regulatory policy, marketing agency profile, sponsoree fan loyalty, hospitality accommodations, staff knowledge and interest in sponsoree, current customer presence, use of sponsoree's logo, competition's interest in the proposal, opportunity to be a title sponsor, team sponsorship, league sponsorship, event sponsorship, long term agreement, product category exclusivity, sponsorship exclusivity, product/service image match, and image target market fit. Trade Relations significantly predicted status of sponsoree management, participating athletes profile, current customer presence, co-sponsorship opportunity, and opportunity for signage. Finally, Public Service significantly predicted community leader presence, league sponsorship, and facility sponsorship.

It is anticipated that the low variances (r squared) reported are due to the large number and relative importance of contributing factors under investigation. As was anticipated numerous factors contribute to the ultimate sport sponsorship decision making process.

Due to the limited sample size results of inferential statistics should be viewed tenuously. However, as an exploratory investigation the findings from this analysis have profound implications and practical significance for sport sponsorship organizers and corporate marketing decision makers.

DISCUSSION

The findings from this investigation are perhaps most useful to sport sponsorship organizers who, following the advice of Kuzma, Shanklin, & McCally (1993), will initially acquaint themselves with a prospective sponsors' sponsorship objectives. Once familiar with the prospect's objective(s) the sponsorship organizer is now provided a paradigm for customizing sponsorship packages and incorporating criteria most desired by corporate sponsorship decision makers matching expected outcomes.

For instance, the results indicate that corporations interested in achieving Position Enhancement as well as Corporate Relations via sport sponsorship seek diversified, integrated sponsorship proposals. As an example, when ShasCo, Inc., makers of Shasta beverages, sought to expand their market west of the Mississippi the company elected to become involved with the Women's Tennis Association Tour in Los Angeles, the Los Angeles Marathon, The Freedom Bowl and a number of fairs and festivals in Arizona, California and Hawaii. The rationale for down playing traditional advertising and media and emphasizing sporting events was based upon the multi-dimensional facets that these events provide for cost effective position enhancement opportunities with large, captive audiences (IEG Sponsorship Report, July 11, 1994).

Royal Crown Cola's sponsorship of a Harley-Davidson Motorcycle racing team presents an excellent example of funding a sponsorship for the dual purpose of Position Enhancement as well as Corporate Relations. According to Don Lenehan, Senior Vice President of Marketing, "Royal Crown is positioned as the rebel cola for people willing to buck the trend. We look for sponsorship opportunities that reinforce the image we are trying to establish" (IEG Sponsorship Report, April 18, 1994). In applying the findings of this research to Royal Crown, we would form the hypothesis, that a proposal relating to audiences such as Generation X, appealing to non-conformists or self-perceived individualists (product image-target market match) would be most appealing to Royal Crown. Additionally, given Royal Crown's market share, the preferable proposal would probably not involve higher profile events or properties that might be attractive to Coca-Cola or Pepsi, but are fiscally suitable (affordability) for Royal Crown.

On the other hand, the limited number of sponsorship inventory criteria "matching up" with the sponsorship dimensions Public Service and Trade Networking appear to indicate the specificity with which proposal elements are desired for fulfillment of these infrequently demanded, narrowly defined sponsorship objectives. According to senior marketing decision makers Texaco elected to become a sponsor of the 1992 Olympics for the purpose of enhancing trade relations with a leading supplier of Texaco Food Marts, and event co-sponsor, Coca Cola. In fact, since trade networking has been found to be the most important sport sponsorship objective dimension for food and beverage companies (Irwin & Sutton, 1994) it would appear that, based on the results, co-sponsorship opportunities, as well as other matching criteria, would be desirable inventory criteria for proposals targeted to It is the belief of the authors that adherence to this "tailored" packaging approach will lead to symbiotic sponsoree-sponsor relationships thereby significantly enhancing receptivity rates of sport sponsorship proposals. Furthermore, the application of this process permits sport organizations to prepare proposals more efficiently and in all probability, reduce the number of proposals prepared and submitted for consideration thereby maximizing resources (personnel, time, and money) allocated to the sponsorship recruitment process. These potential savings will enable the sport organization to re-direct energies to other organizational initiatives.

Additionally, application of the findings by sponsorship seekers may allow for enhanced pricing scales due to the proposal's ability to accurately match what the potential sponsor is seeking. Proposals "engineered" to fit corporate shopping lists might warrant more serious consideration and be funded at a higher level than proposals designed without the benefit of this process. In any case, it is imperative that the sponsoree establish a means (e.g. personal contact, questionnaire) of appraising potential sponsor's objectives and for determining how these indicators affect their chances for successful solicitation.

For sport sponsorship organizers unable to design sponsorship programs tailored to the specific interests of each prospective sponsor the findings from this investigation provide hints for the "packaging" of generic proposals. Since it has been established that the sport sponsorship objective dimension Position Enhancement contains a majority of the sport sponsorship objectives found to be most important to key corporate sponsorship decision makers it would logically follow that proposals including specific criteria found to match up with this dimension, or those shared among dimensions, would rate higher in the decision making process due to their ability to offer the greatest possibility of simultaneously meeting a myriad of the corporate sponsor's critical interests. Proposals addressing position enhancement, should therefore have wider appeal and acceptance, in the departmental negotiations that characterize decision making processes for agendas like sponsorship proposals, advertising allocations and promotional spending, even under the scrutiny of diverse screening audiences.

Furthermore, while all sponsorship proposals contain numerous strengths and potential advantages, each hopefully minimizing risk and effectively reaching the targeted market with the intended message, this research has identified that certain criteria working independently and interdependently with other criteria minimize the risk by providing a number of possible methods to achieve a defined objective. Thus the proposal that presents a diverse, multi-dimensional approach to achieving the corporation's objective(s) should merit the highest degree of consideration. The results also have profound implications for corporate marketing decision makers. The data provide a model for the practices of active sport sponsors and the inventory criteria they desire for achievement of identified sponsorship objectives. Experienced sponsors will find the data useful in reviewing existing practices whereas new entries into sport sponsorship can use the data in formulating their own sport sponsorship agenda.

It has been the intent of the authors, through the current as well as previous inquiries, to meaningfully contribute to the management and marketing of sport sponsorship programs. Fundamentally, the data compiled in this investigation provide an ideal baseline for further inquiry. A replication of the current study with an expanded sample size is warranted as is an analysis of existing sport sponsorship programs for the purpose of assessing the prevalence of this investigation's findings. In other words, are the criteria desired for the attainment of predetermined corporate sponsorship objectives actually contained within the sport sponsorship program? Future sport sponsorship research should also expand internationally to explore similar sport sponsorship management issues in other parts of the world.

In closing, this exploratory research has identified specific sport sponsorship objectives "matching up" with sport sponsorship proposal criteria proven to be desired by corporate sponsorship decision makers. Familiarity with these objectives are assumed to be an integral element in the formulation of an ideal sport sponsorship arrangement, an arrangement benefitting the sponsor, the sport/entertainment object of that sponsorship and hopefully, the audience for whom the message and the entertainment is intended.

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Table 1 A Sample of Current Corporate Sport Sponsorship Programs and Sponsor's Primary Objective (IEG, 1994)

Corporate sponsor	Objective	Sport Sponsorship
Dunkin' Doughnuts	Increase sales/market share of specialty coffees	Large sporting events
Sears	Alter public perception and image enhancement	Collegiate sports and Team Dennis Connor
Motorola	Corporate awareness	Indy Car Racing
Coors	Target market awareness	Silver Bullets Baseball
Blue Cross Blue Shield	Social Responsibility	1996 Olympics
Texaco	Increase General Company Awareness	The Baseball Network
MasterCard	Block Competition	World Cup Soccer

Sponsorship Criteria & Objective Relationships

Table 2 Dimensions of Sport Sponsorship Objectives

Dimension	Leading Objectives
Position Enhancement	Alter Public Perception
	Increase Target Market Aware
	Increase Sales/Market Share
	Block Competition
	Enhance General Public Aware
Public Service	Community Involvement
	Corporate Philanthropy
	Social Responsibility
Trade Networking	Enhance Trade Relations
	Enhance Trade Goodwill
Corporate Relations	Enhance Company Image
	Employee Relations

Table 3

Sport Sponsorship Proposal Evaluation Model Criteria

Sport Image-Company Product/Service Image Fit

Sport Image-Target Market Fit

Demographic Profile of Immediate Audience

Demographic Profile of Extended Audience

Opportunities for Signage

Guarantees for Media Coverage

Opportunities for National Media Coverage

Size of the Extended Audience

Sponsoree Profile

Cost Effectiveness

Sport-Company Product/Service Utility Fit

Status of Sponsoree Management/Org. Committee

Presence of New Customers

Opportunities for Local Media Coverage

Opportunity to be a Major Sponsor

Sponsorship Exclusivity

Table 3 continued

Affordability of Proposed Agreement

Sponsoree Fan Loyalty

Opportunity to be a Title Sponsor

Presence of Current Business Customers

Profile of Participating Athletes

Size of Immediate Audience

Promotional Licensing Opportunities

Complementary Advertising Provisions

Status of Sport Governing Body

Facility Management Cooperation

Product Category Exclusivity

Governing Body Regulatory Policy

Sponsoring An Established Sponsoree

Opportunity to Sponsor an Event

Opportunity to be a Co-Sponsor

Availability of Hospitality Accommodations

Securing a Long-Term Agreement

Staff Knowledge of Sport/Event

Table 3 (continued)

Profile of Sponsoree Marketing Agency
Competition's Ambush Marketing Opportunities
Opportunity to be an In-Kind/Supplier Sponsor
Opportunity to Sponsor A Team
Opportunity to Sponsor a League/Series
Competition's Interest in Proposed Agreement
Guaranteed Presence of Community Leaders
Opportunity to Sponsor a Facility

Table 4 Correlations of Sport Sponsorship Objective Dimensions & Sponsorship Criteria

Sport Sponsorship Criteria	Position Enhancement	Public Service	Trade Networking	Corporate Relations
Sponsoree Profile	.42*	.17	.13	.35*
Established Sponsorship	.39*	.04	.25	.33*
Management/Org. Committee Status	.36*	.01	.40*	.24
Affordability of Proposed Agreement	.36*	.09	.31*	.33*
Status of Sport Governing Body	.35*	.23	.30*	.36*
Facility Management Cooperation	.43*	.06	.31*	.44*
Governing Body Regulations	.42*	.01	.37*	.52**

Table 4 (continued) Correlations of Sport Sponsorship Objective Dimensions & Sponsorship Criteria

Sport Sponsorship Criteria	Position Enhancement	Public Service	Trade Networking	Corporate Relations
Co-sponsorship Opportunity	.22	.04	.43*	.16
Supplier/In-kind Sponsorship	.34*	.09	.04	.07
Team Sponsorship Opportunity	.04	.10	.16	.25
Event Sponsorship Opportunity	.11	.27*	.04	.42*
Series/League Sponsorship	.18	.34*	.02	.34*
Facility Sponsorship Opportunity	.34*	.54**	.01	.33*
Signage Provisions	.43*	.12	.32*	.41*
Sponsorship Exclusivity	.38*	.27	.19	.53**

Table 4 (continued) Correlations of Sport Sponsorship Objective Dimensions & Sponsorship Criteria

Sport Sponsorship Criteria	Position Enhancement	Public Service	Trade Networking	Corporate Relations
National Media Coverage	.35*	.03	.02	.53**
Local Media Coverage	.51**	.16	.30*	.33*
Promotional Licensing Opportunities	.21	.06	.03	.43*
Competition's Interest in Proposal	.38*	.13	.23	.41*
Ambush Marketing Opportunities	.40*	.27*	.28*	.40*
Title Sponsorship Opportunity	.10	.18	.09	.40*
Major Sponsorship Opportunity	.37*	.11	.29*	.26

Table 4 (continued) Correlations of Sport Sponsorship Objective Dimension & Sponsorship Criteria

Sport Sponsorship Criteria	Position Enhancement	Public Service	Trade Networking	Corporate Relations
Hospitality Accommodations	.12	.36*	.06	.37*
Community Leaders Presence	.09	.45*	-.04	.18
Current Customer Presence	.49**	.17	.58**	.44*
New Customer Presence	.54**	.02	.37*	.41*
Staff Knowledge/interest	.23	.11	-.07	.28*
Complementary Advertising	.39*	.22	.27*	.26*
Media Coverage Guarantees	.61**	.06	.12	.24

Sponsorship Criteria & Objective Relationships

Table 4 (continued) Correlations of Sport Sponsorship Objective Dimensions & Sponsorship Criteria

Sport Sponsorship Criteria	Position Enhancement	Public Service	Trade Networking	Corporate Relations
Participating Athlete Profile	.32*	-.03	.34*	.28*
Sponsoree's Marketing Agency	.29*	.16	.06	.39*
Cost Effectiveness	.51**	-.14	.23	.38*
Immediate Audience Demographics	.35*	-.02	.06	.17
Extended Audience Demographics	.35*	-.11	.34*	.40*
Immediate Audience Size	.35*	-.02	.06	.17
Sponsoree Fan Loyalty	.33*	-.17	.22	.42*

Table 4 (continued) Correlations of Sport Sponsorship Objective Dimensions & Sponsorship Criteria

Sport Sponsorship Criteria	Position Enhancement	Public Service	Trade Networking	Corporate Relations
Long-term Arrangement	.31*	.36*	.02	.65**
Product/Service Image Match	.46*	.03	.32*	.50**
Product/Service Utility Match	.24	.05	.17	.23
Image Target Market Fit	.51**	.09	.25*	.56**
Extended Audience Size	.50**	.09	.17	.40*
Product Category Exclusivity	.28*	.15	.02	.54**

*p<.05 **p<.01

Table 5

Forward Stepwise Multiple Regression Analyses With Sport Sponsorship Inventory Criteria as Response Variables

	Regression Coefficient	pvalue
Response variable - Sponsoree Profile		
Position Enhancement	.33	.0040
Model r (adjusted) = .10		
Response variable - Status of sponsoree management		
Trade Networking	.28	.0169
Model r (adjusted) = .07		
Response variable - Affordability		
Position Enhancement	.32	.0087
Corporate Relations	.36	.0102
Model r (adjusted) = .22		
Response variable - Status of sport governing body		
Corporate Relations	.30	.0123
Model r (adjusted) = .08		

Table 5 (continued)

Response variable - Facility management cooperation		
Position Enhancement	.43	.0061
Corporate Relations	.50	.0160
Model r (adjusted) = .23		
Response variable - Governing body regulatory policy		
Corporate Relations	.36	.0032
Position Enhancement	.38	.0045
Model r (adjusted) = .24		
Response variable - Profile of participating athletes		
Trade Networking	.31	.0091
Model r (adjusted) = .08		
Response variable - Profile of sponsoree's marketing agency		
Corporate Relations	.42	.0003
Model r (adjusted) = .17		

Table 5 (continued)

Response variable - Cost effectiveness		
Position Enhancement	.31	.0012
Corporate Relations	.43	.0079
Model r (adjusted) = .17		
Response variable - Immediate audience demographic profile		
Position Enhancement	.31	.0019
Model r (adjusted) = .25		
Response variable - Immediate audience size		
Position Enhancement	.37	.0013
Model r (adjusted) = .13		
Response variable - Demographic profile of extended audience		
Position Enhancement	.35	.0006
Corporate Relations	.44	.0156
Model r (adjusted) = .18		
Response variable - Size of extended audience		
Position Enhancement	.41	.0001
Model r (adjusted) = .17		

Table 5 (continued)

Response variable - Sponsoree fan loyalty		
Corporate Relations	.38	.0011
Model r (adjusted) = .23		
Response variable - Hospitality accommodations		
Corporate Relations	.24	.0426
Model r (adjusted) = .13		
Response variable - Community leaders presence		
Public Service	.38	.0011
Model r (adjusted) = .13		
Response variable - Current business customers presence		
Position Enhancement	.34	.0009
Trade Networking	.51	.0001
Corporate Relations	.57	.0083
Model r (adjusted) = .31		
Response variable - New business customers presence		
Position Enhancement	.44	.0001
Model r (adjusted) = .18		

Table 5 (continued)

Response variable - Staff knowledge of sponsoree		
Corporate Relations	.28	.0186
Model r (adjusted) = .06		
Response variable - Signage opportunities		
Position Enhancement	.40	.0030
Trade Networking	.45	.0481
Model r (adjusted) = .18		
Response variable - Complimentary advertising provisions		
Position Enhancement	.35	.0026
Model r (adjusted) = .11		
Response variable - Media coverage guarantees		
Position Enhancement	.43	.0002
Model r (adjusted) = .17		
Response variable - National media coverage opportunities		
Position Enhancement	.33	.0009
Model r (adjusted) = .09		

Table 5 (continued)

Response variable - Local media coverage opportunities		
Position Enhancement	.44	.0001
Model r (adjusted) = .18		
Response variable - Use of sponsoree logo		
Corporate Relations	.31	.0075
Model r (adjusted) = .08		
Response variable - Competition's interest in proposal		
Position Enhancement	.39	.0101
Corporate Relations	.45	.0448
Model r (adjusted) = .18		
Response variable - Competition's ambush marketing opportunities		
Position Enhancement	.37	.0017
Model r (adjusted) = .13		
Response variable - Title sponsorship opportunity		
Corporate Relations	.32	.0074
Model r (adjusted) = .10		

Table 5 (continued)

Response variable - Major sponsor opportunity		
Position Enhancement	.40	.0073
Model r (adjusted) = .14		
Response variable - Co-sponsorship opportunity		
Trade Networking	.25	.0476
Model r (adjusted) = .13		
Response variable - In-kind/supplier sponsorship opportunity		
Position Enhancement	.31	.0126
Model r (adjusted) = .08		
Response variable - Team sponsorship opportunity		
Corporate Relations	.29	.0185
Model r (adjusted) = .07		
Response variable - Event sponsorship opportunity		
Corporate Relations	.32	.0069
Model r (adjusted) = .09		

Table 5 (continued)

Response variable - Series/League sponsorship opportunity		
Public Service	.40	.0065
Corporate Relations	.49	.0106
Model r (adjusted) = .15		
Response variable - Facility sponsorship opportunity		
Public Service	.55	.0000
Position Enhancement	.59	.0261
Model r (adjusted) = .33		
Response variable - Sponsorship exclusivity		
Position Enhancement	.35	.0025
Corporate Relations	.41	.0012
Model r (adjusted) = .23		
Response variable - Long-term agreement		
Corporate Relations	.46	.0001
Model r (adjusted) = .21		

Sponsorship Criteria & Objective Relationships

Response variable - Fit of product-service image		
Position Enhancement	.40	.0042
Corporate Relations	.49	.0035
Model r (adjusted) = .22		
Response variable - Image Target Market Match		
Position Enhancement	.56	.0002
Corporate Relations	.59	.0216
Model r (adjusted) = .32		
Response variable - Product category exclusivity		
Corporate Relations	.30	.0137
Model r (adjusted) = .18		

INTERNATIONAL ISSUES IN SPONSORSHIP

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ABSTRACT

The focus of this paper is on the international aspects of sponsorship. Sponsorship research is being conducted around the globe, unfortunately, many of the studies conducted by researchers in one country may be unknown by researchers in another. Although many of the studies are local or national in nature, when taken together, the available research allows the examination of international trends. This review of international issues in sponsorship divides studies into two groups: analytic and descriptive studies and empirical studies.

Analytic and descriptive studies generally focus on three interrelated topics: the definition, function and measurement of sponsorship. Many definitions have been offered for sponsorship. Some seek to uniquely define sponsorship activities while others explain the difference between advertising and sponsoring. The view of the function, role or goal of sponsorship is equally varied, however, one can say across countries and perspectives that the central focus of sponsorship has been to influence the image of companies and brands. Finally, in analytic studies, the single most discussed topic in sponsorship is its measurement.

An examination of empirical articles reveals a number of interesting global issues: (1) the use (or misuse) of sponsorship to promote unhealthy products, (2) the changing relationship between public and private sponsorship of cultural activities, (3) the trend toward cause-related and environmentally minded sponsorships, (4) changing tax implications for sponsorship fees, (5) and the increasing sophistication in corporate decision-making with regard to sponsorship (including on-going monitoring of sponsorship in order to allow bench-marking.)

AN EXPLORATORY INVESTIGATION OF SPORT SPONSORSHIP BY SMALL BUSINESS IN AUSTRALIA

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ABSTRACT

There is a growing volume of academic literature examining sports sponsorship. Most of this has examined large organisations use of sponsorship as a promotional tool. This paper takes a different focus and examines the sport sponsorship activities of smaller organisations and is designed to provide a broad overview of small business sport sponsorship activities in Australia. The study examines the views of 18 of the 28 key informants within small organisations in Australia who were engaged in the sponsorship of rugby league teams in one regional competition. Given the exploratory nature of the study a number of sponsorship issues were examined, including: 1) Responsibility for the sponsorship arrangement; 2) Firms objectives for choosing sponsorship; 3) Types of other sponsorship activities; 4) Perceived sponsorship effectiveness; 5) Sponsorship and the promotional mix; and 6) Sponsorship entitlements.

Questions relating to these six issues were taken from the growing sports sponsorship literature. Given the exploratory nature of the research, the study utilised both interviews and surveys to collect the data. Questions were asked using a number of different approaches including likert scales, check lists, point allocation and open ended questions. More in-depth analysis needs to be taken into each of the six issues.

The findings of this exploratory work tend to suggest that small businesses and large businesses behave in a similar fashion when undertaking sports sponsorship arrangements. In most cases the driving force behind the sponsorship activity was the firm's owner or manager, though there were also other influencers involved in the sponsorship decision. This study found that firms objectives for sponsoring activities fell into two groups, 1) to create and enhance the brand, product or corporate image; and 2) to increase the customer base. In most cases respondents felt that sponsorship activities assist them in achieving their objectives. Though there were some specific objectives for which this was not always true. For example, respondents indicated that one objective of the sponsorship arrangement was to increase sales, yet the respondents were not overly satisfied that this objective was achieved.

The sample indicated that they classified sponsorship as an advertising or promotion activity within the promotions mix, although they did not "exploit" their sponsorship arrangement in other promotional activities. These results appear to indicate that sports sponsorship activities of small business are not thoroughly integrated into the firms overall marketing plans. Thus small businesses may not be achieving the maximum value out of their sponsorship arrangements. If this problem is not remedied small organisations may not continue to sponsor sporting activities, as they may perceive other promotional tools to be more effective.

Further research is warranted into small business sport sponsorship activities. This research needs to examine if these trends exist across small business and sports within Australia. It would also be worthwhile to determine if these results are generalisable internationally. More detailed quantitative examination of sports sponsorship by small business also needs to be undertaken.

15.6 RELATIONSHIP MARKETING : A NEW PHILOSOPHY FOR MARKETING OR A NEW FUNCTION?

DEFINING AND EVALUATING THE DIMENSIONS OF RELATIONSHIP MARKETING: AN EXPLORATORY STUDY

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ABSTRACT

Discussion of relationship marketing has often suffered from a failure to position the concept. To some, relationship marketing is seen as little more than a tactical programme of database management, while to others, it is seen as an integral part of a customer care strategy which goes to the core of the marketing philosophy. This paper reviews alternative perspectives from which relationship marketing has been viewed. It then reports on exploratory research into how a sample of companies have defined relationship marketing and the benefits they have perceived from different approaches. From this small sample exploratory study, it is observed that although relationship marketing at the tactical level is relatively easy to implement, much greater benefits were found to arise where relationship marketing had been interpreted as an underlying philosophy of caring for customers through a high quality of interaction.

INTRODUCTION

"Relationship Marketing" has attracted considerable recent attention among marketing practitioners and academics. Relationship marketing is not a new concept, having been identified as an important element of trading in the early stages of the industrial revolution (Clegg 1956; Maxcy 1981). Relationship development is also fundamental to the contemporary business culture of many eastern countries (Kapp 1983; Hofstede 1991). In recent times, the study of relational exchange initially focused on the behaviour of industrial buyers and sellers (Hakansson and Ostberg 1975, Campbell 1985, Cunningham and Turnbull 1982), and has since been applied to consumer markets (Crosby, Evans and Cowles 1990) and transactions between parties at the same level of a supply chain (Nueno and Oosterveld 1988; Bucklin and Sengupta 1993). It has been noted that relationships have developed strategically to integrate buyers and sellers into a network of relationships (Achrol 1991; Quinn 1992), leading to the emergence of "seamless" organizations (Gummesson 1994).

The current apparent rush by organizations to develop relationship marketing policies has been triggered by recent advances in Information Technology (Petrison and Wang 1993). There is a danger that databases could be deployed as a tactical tool, whereas effective relationship development calls for a philosophy of affective commitment between buyer and seller. The term relationship marketing has come to stand for a variety of disparate activities, some of which, it can be argued, have little to do with developing effective ongoing buyer-seller relationships. It is also unclear whether all aspects of relationship development are equally effective in increasing the profitability of an organization.

This paper initially reviews the literature defining relationship marketing and then reports on exploratory research into consumer goods retailers' understanding of the concept, and, more importantly, the correlation between specific approaches to the development of buyer-seller relationships and profitability.

DEFINING RELATIONSHIP MARKETING

It has been observed that the term "Relationship marketing" has now become so widely used that it covers a disparate range of activities (Fisk, Brown and Bitner 1993). At one extreme, any interaction between buyers and sellers has been described as a relationship, regardless of the depth of the parties' commitment to each other. At the other extreme, it has been argued that relationship marketing goes to the core of the marketing philosophy and that it is wrong to separate relationship marketing as a specialist sub-set of marketing.

The central feature of relationship marketing is customer retention, with many studies having shown the effects on profitability of retaining existing customers rather than constantly seeking new customers to replace lapsed ones (Reichheld 1993; Reichheld and Sasser 1990; Day and Wensley 1983). While a relationship marketing strategy frequently involves turning away business from segments who are not profitable to a company over the long term, there is little argument about the advantages of high customer retention levels over high customer "churn" levels. There is much more debate about what constitutes a relationship and the effects of different types of relationship marketing development on business profitability. As a tactical tool, relationship marketing may produce short-term sales benefits, but without any change in the long-term emotional commitment of customers to an organization.

In the following section, the literature on relationship marketing is reviewed and relationship marketing positioned in terms of its long-term orientation. For the purpose of classifying the literature, three perspectives of relationship marketing are identified here:

i. as a philosophy that goes to the heart of marketing and is essentially long-term in orientation

ii. as a strategic tool designed to develop social and structural bonds between buyer and seller

iii. as an essentially tactical activity, focusing on database management

Of course, there is much overlap between these three levels of relationship marketing activity, and these terms are introduced here merely as a classificatory device for reviewing the literature.

RELATIONSHIP MARKETING AS A CORE BUSINESS PHILOSOPHY

Customer retention does not necessarily imply that buyers remain loyal to a relationship through an emotional involvement with the seller. Those who see relationship marketing as a process of creating switching costs for their customers overlook emotional feelings that are generally associated with other human relationships. What passes as a relationship, therefore, is often an asymmetric association based on inequalities of knowledge, power and resources (Barnes 1994).

There have been a number of approaches to defining the components of a relationship which lead to the development of long-term buyer-seller relationships. Commitment has been cited by Morgan and Hunt (1994) who define the concept as a belief by an exchange partner that an ongoing relationship with another is so important as to warrant maximum efforts at maintaining it; that is, the committed party believes that the relationship is worth working on to ensure that it endures indefinitely. Commitment has been linked with situations where bilateral communication is the norm and both sides are willing to assume risk in the relationship (Anderson and Weitz 1992).

Some confusion can occur as to whether repetitious behaviour between two partners to an exchange does in fact constitute commitment to an ongoing relationship. Rusbult and Buunk (1993) observed that there must be commitment in a relationship, defined as a subjective state involving cognitive and emotional components, and being long-term in nature with a desire to maintain the relationship. What at first sight appears to be loyalty on the part of one party may hide the fact they have few other exchange possibilities and are therefore "trapped", rather than committed to a relational exchange. Such a relationship is qualitatively different to one where both parties are engaged as willing participants. Loyalty has often been confused for commitment.

Trust has been cited as crucial to the sustaining of relationships between buyers and sellers (Schurr and Ozanne 1985, Swan and Nolan 1985), building upon models of trust used in social psychology (Pruitt 1981, Rotter 1967). The development of trust results in an exchange of promises which each party expects the other to keep (Gronroos 1990). It has been suggested that relationship quality is higher where sales personnel are customer-oriented rather than sales oriented (Saxe and Weitz 1982, Michaels and Day 1985). A pre-occupation by sales personnel with short-term sales goals may result in unethical behaviour which could subsequently damage buyers' perceptions of relationship quality (Ebejer and Morden 1988, Whalen, Pitts and Wong 1991). Gupta (1983) concluded that stable, friendly relationships are characterised by communication, trust, liking, respect, affection, influence, understanding and reciprocation.

Relationships which are not based on deeper caring emotions may break up rapidly in the event of external environmental change, for example through the appearance of a new competitor or deregulation of a market.

RELATIONSHIP MARKETING AS A STRATEGY OF "TYING-IN" CUSTOMERS

Strategically, relationship marketing can be seen as a process by which a supplier seeks to "tie-in" customers to itself. Relationship-specific investments by one party can create dependency on the actions of the other party (Klein, Crawford and Alchain 1978) through structural and social bonds. Structural bonds have been defined by Turnbull and Wilson (1989) in terms of investments that cannot be retrieved when a relationship ends, or when it is difficult to end the relationship due to the complexity and cost of changing relational partners. A structural bond between buyer and seller has the effect of tying one to the other, through the creation of barriers to exit, although such ties may be asymmetric. One way in which buyers can become tied to sellers is by designing services in such a way that transferring to another supplier involves significant switching costs (Jackson 1985). Customers may gain preferential treatment, or semi-automatic responses to requests for service (Marshall, Palmer and Weisbart 1979), thereby reducing their transaction costs (Williamson 1975). Within the commercial banking sector, it has been noted that one means by which banks increase their retention rate is to increase switching costs by such means as long-term mortgages with penalties for early closure (Perrien, Filiatrault and Ricard 1992). Frequent buyer programmes have a similar effect in seeking to make the cost of competitors' products appear more expensive by virtue of the opportunity cost of forgoing loyalty discounts. Social bonds are created where an interpersonal relationship exists between the two parties, and were considered by Turnbull and Wilson to represent less binding elements of a relationship. Although social ties have received most attention in the context of industrial buyer-seller relationships, they can also be important in private buyer-seller relationships (Blau 1989). Where social aspects of exchange form a very important part of the total exchange benefits received by a buyer, attempts by other suppliers to attract buyers on the basis of more tangible economic benefits may fail.

RELATIONSHIP MARKETING AS A DATABASE-LED TACTICAL TOOL

The implementation of relationship marketing is commonly associated with short-term tactical opportunism, in which relationship development is directed towards achieving short-term sales growth rather than long-term commitment from customers (Barnes 1994).

The development of information technology has been identified as a principal factor accounting for the development by organizations of relationship marketing programmes (Petrison and Wang 1993). However, a paradox is sometimes evident as information technology has been used to "deskill" many tasks performed by personnel, thereby reducing the emotional content and quality of an organization's relationship with its customers.

The development of customer databases yields both direct market development benefits and cost reduction benefits. For the former, Copulsky and Wolf (1990) view relationship marketing as the maintenance of a continuous relationship with customers, through the establishment of a database of current and potential customers, delivering differentiated messages to these customers based upon their characteristics and preferences, and tracking customer transactions to monitor the life-time profitability of categories of customers. Treacy and Wiersema (1993) used the term "customer intimacy" to describe the way in which companies use databases to allow an individual dialogue to occur between a company and its customers. In addition to market development opportunities, the creation of databases is seen as an opportunity to gain competitive advantage through cost cutting, where the use of databases reduces the cost of maintaining face-to-face dialogue through a sales force (Goldberg 1988).

Information technology has both a tactical and a strategic role in the development of buyer-seller relationships (Copulsky and Wolf 1990). It is for example, a strategic decision for a company to communicate with its customers through the medium of direct marketing rather than intermediaries. In the absence of strategy, databases are used as a tactical method of gaining repeat business.

RELATIONSHIP MARKETING AND PROFITABILITY

To suppliers of services, the development of strong relationships helps to facilitate loyalty from customers whose loyalty is challenged by competing brands. By developing relationships with their customers, suppliers add to the differentiation of their products and give customers a reason to remain loyal (Day and Wensley, 1983). In highly competitive markets, suppliers may only be able to attract new users to their products at a high cost in terms of promotional activity and price incentives. There is much research to show that the cost of establishing contact with a potential customer and making the first sale often results in an initial negative return - it is only when a relationship is established that a customer becomes profitable to the seller (Reichheld and Sasser 1990, Reichheld 1993).

While the principle of developing long-term buyer-seller relationships has been widely recognized in the literature as being a desirable objective, a number of research questions remain. Relatively little attention has been paid to the processes by which customers' relationship potential can be assessed in terms of their continuing profitability. While customer retention has been shown to be more profitable than continual customer replacement, there has been little research into which aspects of customer retention activities are most cost-effective in contributing to this end. Although database marketing programmes may appear a very low cost method of improving customer retention rates, there has been little comparative assessment of this type of activity against more expensive, but possibly more rewarding activity which improves the core service qualities of an organization.

RESEARCH OBJECTIVES

The first objective of this exploratory research was to gain an understanding of how the term relationship marketing had been interpreted in practice by a sample of business organizations, given the differing perspectives of relationship marketing that have been defined above. This is considered important in view of the need to position a concept which at one extreme has been seen as a specialized tactical activity and at the other as a fundamental philosophy going to the core of marketing.

The second objective was to undertake exploratory research into the benefits which organizations derive from relationship marketing activities. In particular, it was hypothesised that there are differences in the returns from the different elements of what has come to be generically called relationship marketing.

This was an exploratory study which forms part of a broader ongoing research programme. Future research will refine these objectives and develop a more robust framework for assessing the contribution of different types of relationship marketing activity to profitability.

METHODOLOGY

A sample of 50 electrical consumer goods retailers located in England were selected for this study, from which 24 usable responses were obtained. Retailers in England have been increasingly developing relationship marketing strategies. Initially the main interest arose from high value consumer goods retailers, where the length of the buying process and the likelihood of after sales service being required gave grounds for the development of ongoing relationships. More recently, many retailers of low value, frequently purchased goods have taken a more proactive role in developing relationship marketing strategies. The retailers in the sample were drawn from a sector which has traditionally had significant opportunities for developing ongoing relationships with customers, although there has been considerable variation in the form that this has taken.

Following an initial qualitative survey of a sub-sample of 5 companies, a questionnaire was mailed to the marketing manager of the remaining members of the sample. Although much relationship development is the responsibility of people beyond a marketing department, respondents were asked to report on behalf of their organization corporately. The questionnaire asked, firstly, whether the respondent's company had policies which it would describe as relationship marketing. The responses to this question could be either yes or no. If the respondent answered yes, further questions sought to establish which relationship marketing activities the organization actually undertook. These activities were based on the three alternative perspectives of relationship marketing described above, for each of which four questions were asked. In respect of developing database marketing as a tactical tool, questions asked respondents to rate the importance to their organization of the following four frequently cited activities: routine recording of customers' basic demographic details; availability of systems for developing profiles of the most profitable customers; regular use of direct mail as a promotional medium; and specifically differentiating outgoing messages to match the circumstances of individual customers. In respect of activities to strategically "tie-in" customers, questions were asked about the importance to the company of: frequent purchaser programmes; the use of after-sales warranties and extended service contracts; design of service processes that increase the cost to customers of switching to an alternative supplier; and the development of ongoing technical support for customers. In respect of developing relationships through a philosophy of superior ongoing customer care, questions were asked about the importance to the organization of: routine after-sales monitoring of customers' satisfaction; making it easy for customers to contact the organization in case of dissatisfaction or query; routine holding of focus group discussions to judge the quality of interaction between the organization and its customers; and the provision of staff training programmes specifically aimed at improving the quality of employee - customer interaction. For each of the 12 items, Likert type scales were used, with responses ranging from 1 "Not at all important to this organisation", to 7 "Extremely important to this organization".

Finally, a question asked whether the company considered that it was getting good value from its relationship marketing programme. A subjective response was sought to this question, rather than asking respondents to specify financial returns from their programme. In view of the problems of isolating the effectiveness of relationship marketing activity from other elements of marketing strategy, this simple approach was adopted. Problems of confidentiality and poor response rates were reduced by adopting this approach. In the follow-up survey, a more robust approach to the development of measures of profitability is being developed.

ANALYSIS

Of the 24 respondents, 17 claimed to have a relationship marketing strategy. The analysis focused on these 17 responses.

The first stage of the analysis involved calculating the mean scores attached to each of the twelve items of relationship marketing activity. The means for these, grouped into the three perspectives of relationship marketing, are shown in Table I.

Table 1: Mean values of importance attached to three dimensions of relationship marketing activities.

Tactically led database marketing	5.6
Strategic tying in	2.3
Philosophy of customer care	4.1

In the next stage of the analysis, the mean scores of the three dimensions of relationship marketing were regressed against the score which respondents' gave for their perception of the value for money they derived from their relationship marketing activities. A regression model of the following form was used:

$$V = a + bR_1 + cR_2 + dR_3$$

where V = score for respondents' perceived value of relationship marketing activity

R_1 = mean score for importance attached to database marketing

R_2 = mean score for importance attached to strategies to tie in customers

R_3 = mean score for importance attached to strategies designed to improve customer care

The result of the regression gave the following equation:

$$V = .37 + .14R_1 + .22R_2 + .31R_3$$

$R^2 = .76 \quad F = 21.11$

The regression indicates that the greatest contributor to perceived financial returns was R_3, the importance attached to strategies to develop a philosophy of customer care. Within a regression equation which was able to explain an acceptable level of overall variance, the coefficient for customer care was twice that of database marketing.

DISCUSSION AND CONCLUSIONS

This paper has stressed the need to position the concept of relationship marketing in the context of widely differing interpretations of its role in marketing strategy. It is apparent from this initial study that the term relationship marketing means quite different things to different organizations.

The limitations of this initial study must be recognized. Most significantly, the responses reflect the opinions of one individual within an organization. While the survey was aimed at marketing managers of the organizations targeted, the individual actually responding could have prejudices based on his or her own responsibilities within the organization. Furthermore, it can be argued that in a truly customer-focused organization, relationship building is the responsibility of all employees and not just those in a marketing department. Secondly, the survey examined the attitudes of managers rather than their actual behaviour. Future research will seek to verify the link between attitudes and behaviour. Thirdly, the concept of returns on relationship marketing programmes is as yet poorly developed. More work is needed to develop a framework within which returns to the three aspects of relationship marketing described in this paper can be measured and compared more rigorously. Fourthly, this exploratory analysis was based on a small sample and the statistical significance of the results must be viewed with appropriate caution. Finally, this study was undertaken in one specific business sector. It is quite likely that a different pattern of observations could be found in other sectors. Nevertheless, this initial study does provide a number of useful observations. Most striking is the observation that relationship marketing is most commonly viewed primarily as database marketing and less frequently as customer care, something which should be at the heart of any attempt to improve customer retention rates. Despite the relative lack of importance attached to customer care programmes, where these had been given a high relative importance, they have been tentatively associated with the highest perceived returns from relationship marketing activities.

The conclusion may be that organizations take a very short-term view of relationship marketing through their preference for relatively inexpensive programmes to create databases which yield short term and relatively quantifiable benefits. Relationship marketing as ongoing customer care, based on a high quality of interaction between an organization and its customers, may take longer to achieve. Despite the high perceived returns from this aspect of relationship marketing, it was ranked with much lower importance than the other two perspectives of relationship marketing. This could be explained by the much more diffuse responsibility within an organization for creating meaningful ongoing interaction between a company and its customers, in contrast to database management which can be isolated as a specialist and technical management task. The fact that tangible results from a database marketing programme could become evident relatively quickly could lead to them being encouraged by employees who need short term successes to gain promotion within their organization.

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TOWARDS A PROCESSUAL APPROACH TO THE STUDY OF MARKETING: REFLECTIONS ON INTERNATIONAL PROJECT BUSINESS

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ABSTRACT

This conceptual paper deals with the role of time in marketing research. It argues that while most theoretical frameworks in marketing implicitly recognize the time element, the temporal dimension is seldom incorporated in marketing models. Marketing is viewed here as a process of exchanging promises to be fulfilled over time. The concept of time is reviewed and the cultural relativity in the perception of time is highlighted. A processual approach addressing the continuous development of relationships in course of time is introduced. This processual perspective is examined in the context of international marketing of projects. Projects are processual by nature as the parties have to commit themselves in advance into relationships that shall exist in the future. The paper adopts an interaction and network approach to examine the processual nature of international marketing. Relationships undergo changes and modifications in time, often creating conditions contrary to the actors' earlier expectations, occasionally even imposing paradoxical situations on them. In turn, this triggers a process of constantly shaping and reshaping the network. Contextual factors such as culture, local conditions and technological aspects also influence such relationships. The paper concludes by identifying areas for further research and emphasizes main managerial implications.

INTRODUCTION

Marketing theories have gradually shifted their core interest from transactions to relationships and, in so doing, from the notion of the marketing mix to relationships and networks. The uni-dimensional and linear approach of the "marketing mix" (McCarthy 1960, Kotler 1967), and in industrial marketing (Webster 1984, Reeder & Reeder 1987) is giving way to new perspectives and approaches. We have been through the "interaction approach" (Håkansson 1982, Turnbull & Valla 1986) the "network approach"- or paradigm- (Hägg & Johanson 1982, Thorelli 1986, Ford 1990, Johanson & Mattson 1988, Håkansson 1987, 1989), and currently "relationship marketing" (Gummesson 1987, Grönroos 1992, Webster 1992). According to Grönroos (1992) the concept of relationship marketing has emerged within the fields of marketing of services and industrial marketing. These approaches to marketing are based on establishing and maintaining relationships between sellers and buyers and other parties on the marketplace. Business relationships are -according to him- usually but not necessarily long term. Webster (1992, 10) addresses relationships and networks by stating: "The intellectual core of marketing management needs to be expanded beyond the conceptual framework of microeconomics to address more fully the set of organizational and strategic issues inherent in relationships and alliances." Kotler (1992) affirms: "... companies must move from a short-term transaction oriented goal to a long-term relationship building goal."

The term "relationship marketing" has predominantly been used in services marketing and increasingly also among other marketing researchers in the U. S. The "interaction and network approach" to marketing is preferred by European researchers, (notably industrial marketing, especially in the Nordic countries). Methodology used differs as well; whereas European research relies more on inductive, qualitative and case-based methods, mainstream US research still favors quantitative methods. However, the basic aims of the two approaches do converge greatly: to understand and develop theories about relationships and their role in marketing of goods, services and systems, projects and so on.

In the interaction and networks paradigm, Håkansson & Johanson (1992, 28) state: "(The)... basic classes of variables are actors, activities and resources. These variables are related to each other in the overall structure of networks." The actors develop and maintain relationships with each other and to understand the situation of an actor requires knowledge about the nature of the actor' s relationships with other actors and the wider context wherein the network is embedded (ibid.). This view of industrial networks stems from Cook & Emersons (1978) definition of networks as sets of connected exchange relationships.

These new thrusts partly recognize the multi-dimensional nature of marketing (and new realities in the society they reflect). However, most contributions have been confined to the horizontal and often uni-dimensional level, that is, identifying relationships, interactions and networks as they occur at a specific point in time. Most models address the relationship between the parties with the assumption (explicitly or implicitly) of a static, "frozen point of time" and view reality as snapshots. The 'Fourth Dimension', that is the time dimension (a term favored by many physicists) has hardly been incorporated explicitly in any model. To be sure, the time factor is recognized in quantitative research tradition as an axis along which variations in certain variables are reported. Variations in the relationships between the variables and the actors as a result of timer are seldom recognized. With the passage of time, relationships are constantly altered and modified. Actors' experiences contribute to further understanding and trust, or may instigate uncertainties and perceived risks. Industrial marketing literature often recognizes the process nature of the subject but research on the effect of the time element is seldom attempted. We feel a processual approach would be necessary to grasp the complexities and changes in marketing relationships. This paper therefore addresses the following basic questions:

• How can time be understood as a concept in marketing research?
• How can time be included into models and theories explaining real-life phenomena and change in this context?
• How can the temporal dimension be considered in empirical marketing research ?
• How can the incorporation of time, process and change add to our understanding of business relationships?

In particular, the paper addresses the subject of international project marketing and purchasing as an illustrative example of the cruciality of the time dimension in marketing relationships. By project marketing we mean transactions involving the delivery of integrated packages of resources, both tangible and intangible. Here, the parties exchange promises involving specific combinations of resources aiming at solving specific techno-economic problems. By their nature, these promises can be fulfilled only in the future. (Ahmed 1993). We feel, therefore, that there is room for the refinement of concepts and methods for a better understanding of business relationships.
The following section reviews the concepts of "time" and of "process", with an emphasis on their relevance to the study of marketing. A model describing temporality in business relations and business networks is introduced and discussed in Section III. Section IV addresses the marketing and purchasing of projects in an international context. Project marketing, it is argued here, lucidly exhibits the nature of business relationships as embedded both into the time frame as well as into the contextual/spatial frame. Distinctive features pertaining to project marketing are introduced and analyzed and the relationships between the actors are examined in the time dimension. Time is seen as the pivotal element that effects changes in these relationships, in the process of their interaction and on creating the contradictions and paradox. This is discussed in more detail in section V.

TIME - THE TEMPORAL APPROACH TO MARKETING

Time can be understood and approached in a multitude of ways. This might be one reason why the temporal perspective is seldom comprehensively used in research, and also applies to the marketing science. Time is problematic at least in two respects. First, the concept itself is problematic to define and to understand explicitly. Second, the methods to grasp process and change perspectives in research are elaborate and put greater demands on the researchers (Miettilä & Törnroos 1993).
Natural time is the basis for the understanding of time for human beings:
"It is the nature which first gives humans their sense of time. It is the natural times of human development which first signal that there are patterns of time." (Hassard 1991, 107) Natural time gives cyclical and rhythmical notions of time as conformed with biological reality in the nature. The natural times are connected to the social, or socially constructed time through the notion of how human beings are socialized into understanding temporality in their life. This time-learning occurs in childhood in the family, later on in school and in the workplace. This time perspective in the organization is consequently called Organizational time (ibid. 111). Hassard concludes that; (1) time sense is central to human life, (2) that during maturation the individual becomes entrained to times dictated by the environment, and (3) that through socialization the individual learns that temporality is a major element in organizing (Hassard 1991, 109-111). Hassard's notions are valuable for understanding the social construction of time that are spatially differentiated and create diverse notions of temporality. A short analysis of different notions of time is therefore presented below.
The linear notion is one aspect of time put forth by the natural sciences and is also used in social science. In this understanding the ongoing and always exact time is ticking at a certain pace and affects all humans the

same way. This notion is clearly in accordance with the so-called 'exact' science and the generalist approach to reality.

Cultural notion of time rests on the fact that human beings react and understand time differently, especially in different cultures. In this way time is also manifested through spatio-temporal differentiation. Time can be viewed culturally into different modes of time (linear notion of time and cyclical time, for instance). The linear time notion is clearly a Western (especially Protestant) way of dealing with time, whereas the cyclical notion is more an Eastern perception of time. Even within Southern and Northern Europe these aspects differ according to culture (see for example Hall 1976, Usunier 1993). High and Low-Context cultures are descriptions used about cultures which have different notions about temporality.

Time also has relative notions (according to Einstein). By this perspective time is viewed in relation to other temporal modes than the present. Multiple relative aspects of temporality rest on the past, present and future modes of time (cf. Malaska 1993). The past forms the basis for understanding the present and possibly also expectations and thoughts about the future are embedded in the present time.

The cyclical notions of time take on different temporal modes in the sense that the duration of phases might differ (a day, month, year and so on). In historical research we can also find these long-term and short term changes in the French "Annales School".

If we deal with time horizontally as history, present and future notions, and combine it with vertical dimensions such as cultural time together with linear, cyclical, seasonal and long and short term modes of temporality, a relational notion of time can be applied (Miettilä & Törnroos 1993). The authors pinpoint the need to conduct processual studies in highlighting networks' dynamics with this in mind. In the present setting we put forth a similar argument especially related to international project business. Relational time to our notion has at least three properties as follows:

(i) the concept of time in a relationship is bound to its past, present and future (horizontal dimensions);

ii) time has a relation to the culture and space surrounding business interaction (i.e., how time is perceived in different cultures and within groups of people. The vertical dimension);

(iii) time has its contextualization, which means how time is related to the human actors and the situation and the problem(s) they want to solve through their interaction.

Relational time becomes in this fashion a kind of ontological whole of time conceptions which forms a tool for conducting empirical research, e.g., of process-based studies of interaction and network studies in industrial marketing (Miettilä & Törnroos 1993). Different contexts may form their own spatial and temporal realities in business, for example international project business.

The process concept deals with how things change over time (Pettigrew 1987, 1990, 1992, Van de Ven 1992, Miller & Friesen 1982). In reality most human actions and actors, firms and people, as well as their social reality, are based on a process of great complexity. Process is specific within certain settings and embedded into other processes in society (Granovetter 1985). This also applies to projects. One form of embeddedness (besides temporal embeddedness as implied by the model above) is geographical or spatial embeddedness.

Process implies change. According to this understanding processual phenomenon should always be captured in time. Relationships implicitly take temporality and human interaction into focus. In order to try to understand relationships and networks in industrial business in general, stage models and change models have been used. In marketing the use of stages for example in product life-cycle models represent this kind of approach to time. Also models that view projects from a stages perspective are similar (see Cova & Holstius 1993, 107-109, for example). Stages are ways for researchers to give order to reality and a sequence of understandable steps in a chronological order; e.g., (1) search, (2) preparation, (3) bidding (4), negotiation, (5) implementation, (6) transition (Holstius 1987, Cova 1989 and Ahmed 1993).

In internationalization theory we can also see different stages or "phase models" used in explaining internationalization patterns in time and space. (c.f. Johanson & Mattson 1977, 1990, Luostarinen 1980). In networks, the processual view is more manifested through theoretical models than empirically validated research. The interaction approach states that long-term relationships and inter-personal investments apply to business markets. This result was not, however, based on longitudinal research that showed the different turns in explaining this long-term nature of business relationships (Håkansson 1982, Turnbull & Valla 1986).

The network approach also stresses the networking as a continuous process of interaction between identifiable actors in business-to-business marketing. The roles of the actors, activities and resources as dynamos for the network evolution are put forth by Håkansson & Johanson (1985). Which mechanism and specific events in time explain this evolution? How can it be grasped? What are the mechanisms connecting and changing power relations, trust, commitment etc.? Most research on networks is collected through case-studies and personal interviews. Comprehensive longitudinal studies are often still lacking (see however Ford & Rosson 1982, Halinen 1994).

To sum up, marketing researchers do recognize the time dimension and the behavior of certain factors is generally measured along a time plane. In a marketing context the nearest to the recognition of time is the stages models, projections and forecasts (with a few exceptions). What is needed is an examination of the inevitable changes that are bound to take place in the marketing relationship as it takes place in course of time.

PROMISES, PROCESS, RELATIONSHIPS AND NETWORKS

Marketing is viewed as a process of exchanging promises (cf. Calonius 1988). This aspect invites a host of uncertainties and imposes risks. Often, the object of the promise does not exist by the time of extending the promise. It is expected to materialize some time in the future. This is especially true in the case of project business that are long-term and their outcome is not easily assessable. This feature creates a reality neatly described by McNeil (1980) as follows: "... is the promise made the same as the promise received? Is the promise perceived constantly in successive stages? Or does the content of the promise vary from one stage to the other? He defines the nature of contract by identifying four primal roots for the contractual relationship: (1) The societal context, (2) Specialization of Labor and Exchange, (3) Choice, and (4) Awareness of the Future. The idea of promise, McNeil declares: "... is an affirmation of power of the human will to affect the future. It affirms that an individual can affect the future now. But a promise is made to someone, whose will and future actions can only be guessed at. Thus, the first two elements of promise in its contractual context are the wills of two or more individuals with a belief in the power of one to affect the future - subject to the linkage of the social matrix essential to exchange."(McNeil 1980, p. 6)

Another factor in the inevitably limited role of promises is the overt or tacit recognition that the promise made is never exactly the same as the promise received. Every promise is always two promises, the sender's and the receiver's. The resulting non-mutuality ranges from subtle to gross differences in understanding. The differences can be resolved only by bringing into the picture something other than the promises themselves. This something, whatever else it may be, is a non-promissory projection of exchange into the future. (McNeil 1980, p. 9) "... a contract between totally isolated, utility maximizing individuals is not a contract, but war. " (McNeil 1980)

We are told that Honore Bonet, the 14th century monk and advisor to Charles VI of France, wrote: "The people of today have no shame at lying or breaking their word... what the upright call treason, the others nowadays call subtlety and cunning, therefore faith will be destroyed, because one man will not put his trust in another" (Nys 1883 as quoted by March 1994).

In addressing the role of relationships and interaction as well as networks marketing research explicitly addresses the role of social investments in relationships and processual change in buyer-seller relationships. According to this processual phenomenon should always be captured in time. Relationships implicitly take temporality and human interaction into focus.

Relationships evolve as processes that develop in course of time. With the passage of time, certain contradictions and paradoxes emerge which in turn reformulate relationships. This is graphically depicted in Figure 2 where time is seen as the central pivotal factor around which variations in relationships occur. This comes about as the ongoing process of interaction between the parties producing changes in their perceptions of each other's resources, their activities and their relative power position viz. à viz. each other. Earlier promises become realities or fail to materialize altogether. Expectations become past completion. This in turn provokes the need for adjustments in the relationships between the parties. The organizational striving for both adaptiveness and stability is bound to impose conflicting and contradictory demands on the parties involved. Contradictions, tension and paradox most likely emerge. The structure of the network is constantly refashioned. In business relationships a state of equilibrium is only a hypothetical state that exists only in the mind of the researcher.

While the ideas presented in this paper were presented primarily in the context of project marketing, we feel they are equally valid in other areas of business relationships as well. Recognizing the processual nature of relationships and integrating contradictions and paradox seem to be basic characteristics of all business relationships.

PROJECT MARKETING: A PROCESSUAL VIEW

While the marketing of "projects", i.e. transactions involving integrated techno-economic solutions, is increasingly applied in practice, yet it is not sufficiently studied within the existing theoretical frameworks. By "project business" we mean the case when a supplier and a buyer agree upon a commercial transaction providing a solution to an economic problem faced by the latter. The problem could be on either the macro or the micro economic level. It could be evident in the lack of the basic physical infrastructure, in which case the sought solution would be in the creation of the missing elements (or an improvement upon the existing ones); the construction of power stations, transportation, communication networks and the like. The deficiency may be on the "social" or "human infrastructure" in which case the solution would be in the building of national human resources development systems: education, training, health care and the like. (cf. Ahmed 1972).

The World Bank (1994) defines infrastructure projects as including:

• Public utilities - power, telecommunications, piped water supply, sanitation and sewage, solid waste collection and disposal, and piped gas.
• Public works - roads and major dam and canal works for irrigation and drainage.
• Transport sector - urban and interurban railways, urban transport, ports and waterways, and airports.

The World Bank further estimates that the developing countries direct annually around USD 200 billion, that is one fifth of their total investment to the building of infrastructure alone. Total investments by developing countries are estimated at one trillion USD (See World Development Report 1994). During the past fifteen years alone, power production and telephone lines per capita have doubled". (ibid.)

Supplies of integrated packages of industrial products and services are also the common form of transaction in cases of production plants, agricultural development schemes and the like. As the technologies required are not always available in the LDC, a considerable portion of these investments is purchased across national boundaries. These transactions are invariably made to order for a specific purpose. Any standard element therein is usually minimal. They are performed along a certain time frame, that is, they have a beginning and an end.

Projects usually require a long time span for implementation, relatively large investments, and are expected to gear-up within a wider techno-economic environment through complex linkages. The process starts well ahead of the actual implementation and it changes character in different phases. It is also intertwined and embedded into the project's surrounding region and nation (cf. the notion of embeddedness of Granovetter 1985). The project does not end after been handed over. Run-up periods, training, maintenance and other after-sale activities are often required. Relationships between the various actors in the project unfold into new formations in the successive stages of the project's life.

As projects comprise supplies of both industrial components and related services, contributions from the fields of industrial marketing and from service marketing should help in providing better understanding of the complexity of project supplies. In both industrial and services marketing the relationship concept is a core tool for describing the character of marketing relationships. Thus, marketing theory implies temporality in its ontology of marketing as relationships. Relationships evolve over time and through social and economic exchange. As a result of the interaction between business partners bonds evolve for long-term commitment, trust and business. (Håkansson 1982, Turnbull & Valla 1986, Ford 1990, Forsgren & Johanson 1992)

Some special features that characterize project marketing are of particular significance here:

1 Every project is, in a sense unique, requiring the mobilization and management of complex resources in a very special manner. This invariably imposes the situation of having to extend promises and commit resources in highly uncertain circumstances. The outcome can only be fully assessed after the project has already been implemented.

2 Some input resources required for the project are controlled by the buyer himself and have to be utilized. This results in the situation where the supplier has to act as a buyer from the buyer, who in turn acts as a supplier of certain elements to the project's supplier.

3 A degree of technology transfer is inherent in all project transactions, necessitating that the supplier shall have to bridge a technical gap presumed to exist between the parties. In a sense, the supplier's role is to render his services unnecessary in the future.

These aspects among others - may explain the fact that research in project marketing has been neglected to a great extent. (See e.g. Ahmed 1993, Holstius & Cova 1993). Some other inherent problems are as follows:

- problems with access to projects for research purposes
- the temporal problem - projects take a long time
- cultural heterogeneity of project marketing and the "ideal cases" are mostly lacking
- methods for research tracing project reality are not well developed so far - research tools therefore are almost non-existent.

These features create certain problem areas that in turn impose conflicting role expectations and contradictory frames on the parties for the exchange of long term promises. This leads us to the ideas of integrating contradictions and paradoxes discussed below.

INTEGRATING CONTRADICTIONS AND PARADOX IN LONGITUDINAL RELATIONSHIPS

As noted above, marketing relationships unfold as successive processes in course of time. Processes are characterized by constant changes in the relationships. Time necessarily implies change. Changes are bound to create contradictory elements in the relationship. These contradictions may take on paradoxical proportions and impose upon the parties inherently inconsistent demands. The distinctive features of project marketing discussed above produce specific problems encountered exclusively in this form of business. These problem areas impose certain restrictions on the parties and provide certain opportunities not confronted in other fields of business. The ambivalence created by these restrictions and opportunities in time, result in what we call here, the paradoxes of project business (Ahmed 1993).

Linguistically, a paradox is a statement or a situation containing self contradictory notions or conflicting with preconceived notions of what is reasonable or possible. Logicians tend to emphasize the reasoning chain in the paradox. Thus, a paradox is defined as "an apparently unacceptable conclusion derived by apparently acceptable reasoning from apparently acceptable premises." (Sainsbury, 1988). In general usage, however, paradoxes are illustrations of fundamental contradictions that exist within a certain context. The term is extended to cover any statement, situation, or person having contradictory aspects. Furthermore, the term is often applied to also include all seemingly inconsistent elements or expectations in a phenomenon (c.f. Reber 1985). In this paper, we adopt a wide scope for the term referring to the presence of contradictory elements and the implication of perplexing choices emerging within the passage of time. A paradox does not necessarily mean an impossibility. A paradox should not be confused with a "problem" or a "dilemma". Whereas a "problem" has a solution (regardless of the actor's awareness), and a "dilemma" designates a difficulty in choice between alternatives; a paradox is an inherent contradiction that is built into the relationship.

In project marketing the parties have to commit their resources in the face of uncertainty resulting from the uniqueness of each case. Neither party has much chance to ascertain precisely and in advance how the final result of the cooperation is going to be. Still, both have to commit themselves in advance. The project derives its nature from the commitment of the parties. The only way of ascertaining the capability of the supplier is by crude inferences about the latter's past performance, if any. This can be done with the help of former clients, fulfilled projects or through other inquiries about past performance. On the other hand, the seller commits himself to the mobilization of certain resources, many of which he has little experience with in advance, (local site, indigenous labor, local materials, etc.)

Another highly paradoxical position occurs when the buyer-seller roles are often mixed and/or changed. This occurs in connection with the problem of control over input resources: power over resources vs. responsibility for results. The buyer's objective is to pass the full responsibility over the outcome of the project to the seller, while at the same time imposing upon the latter certain resources to be used in the project. This is evident when each party attempts to maximize his power over input resources without making a corresponding adjustment in the distribution of responsibility.

Technology transfer was assumed to represent an integral part of all project businesses the objective being to transfer a production capability from seller to buyer. In most cases, the seller is also a producer of the same product/service, supplying it to buyer's market. As such, the seller is in fact helping to create for himself a competitor. By eliminating or reducing the technical capability gap, the seller renders himself obsolete. As the supplier passes a certain degree of know-how, he would not be expected to pass the latest state of the art onto his client. Commercial as well as technical considerations may hinder that. On the other hand, as a certain know-how element is assimilated into the buyer's organization, most likely it becomes less appreciated. Technology transfer is bound to produce an unsatisfied customer. Furthermore, most technology transfer projects require the supplier to remain involved in the project for a certain period of time to ensure that the project runs properly. However, this involvement does not come free of charge. Thus there is always the conflicting situation of having the supplier involved long enough to carry the responsibility and short enough to avoid unnecessary costs.

Decision makers -buyers and suppliers- react to these contradictory and paradoxical situations differently. Environmental factors such as political bonds, cultural bonds and a host of other factors, shape the reactions. The "psychic distances" between the prospective parties defines the portfolio of possible relationships and determine their intensity. Several courses of action may be open to the parties in different situations and at different points in time. The balance of actions and reactions is rather delicate and the network is very sensitive because of the paradoxical nature of the relationship.

Paradoxes and contradictions often go unrecognized by the parties even though their consequences may be evident. Some may be recognized at earlier stages, before reaching the agreement and the exchange of promises. Some others emerge during the implementation phase. In all cases, the parties' reactions and responses vary according to their comprehension of the dynamics of the relationship. We argue here that, if and when, these paradoxical situations are visualized and their influences are fully comprehended by the actors, they have better chances of constructive cooperation.

Observations from the management and organizational field have also shed some light on processes in firms. For example, it has been observed that, as a result of their past success, organizations tend to repeat actions that appear to have produced success. Old, proven methods are followed almost instinctively and new and good ideas are not attempted. This shows the self driving force of process in organizations. This pattern has been called "the success trap" (Herriot, Levinthal and March 1985).

SUMMARY AND IMPLICATIONS FOR FURTHER RESEARCH

Project business is characterized by time-bound promises to be fulfilled in the form of delivering soft- and hardware solutions to be used for the benefit of the buyer far into the future. Relationships between actors in the network change as the project-process goes on and develops in course of time. In this networking and interactive exchange process we have indicated that project business and relational time through vertical and horizontal dimensions play an important role (e.g., natural and cultural times, which affect the networking process in a complex and multi-faceted way). We have studied projects marketing dynamics conceptually through the role of time and process as both conceptual and empirical tools for grasping some of the characteristics of change in project business. With the passage of time, and as a consequence to the unfolding process, changes occur in the relationships between the various actors. Such changes often create conditions contradictory to preconceived expectations, occasionally even paradoxical in nature. This has been demonstrated in the field of project business.

A similar processual/paradoxical approach may be observed in various other aspects of business relations for instance: Agent/principal relationship in time; When the agent does succeed in his job; why keep him longer? Similarly, if the agent does not succeed in his job, who needs him? These and other similar relationships between actors in marketing network are worth investigation within the processual frame suggested here.

To sum up:

1. Projects are embedded by nature into time and space in a specific way at a specific moment in time. Space and time are both multi-faceted and have multiple characteristics.
2. Change in networks of actors in projects seem to be a necessary part of the dynamics of projects.
3. Networks and their changing structures as well as processual changes as such, are inherent parts of projects
4. Stability and change constitute projects. Some parts unfold over the existence of a project almost unchanged whereas the predominant part change.
5. Learning and adaptation is a prerequisite for projects to be successful. This implies cultural understanding and the management of human as well as technical and material resources in different environments.
6. Paradoxes are existential realities and can be used in projects to highlight processes of change and as critical change demonstrations. As such, paradoxes are to be recognized not to be resolved. The course of the business relationship depends largely on the parties' constant awareness of the continuous changes in their positions viz. à viz. each other. Through this recognition roles can be adapted and modified to suit with changing realities.

The main managerial implications derived from the paper are the following:
First, to state that history matters in cross-border project business. Culture, site characteristics and perspectives, as well as the roles and positions to be enacted by actors, constituting the core business network, should carefully be examined. Emphasis on time and process should also be included in cases where extra responsibilities are imposed upon the supplier of goods long after their economic lifetime. For instance current legislation in many countries obligate the supplier of industrial goods to dispose of waste and scrap after the lifetime of the supplied products.
Second, to note the promise and the future aspect to be fulfilled. Here the combination of promises given and taken should be recognized, synchronized and matched as accurately as possible.
Third, the project business is embedded into the site, national level and international levels of business (spatial embeddedness) as well as into time (temporal embeddedness). This implies, as demonstrated above, that the context factors always form new challenges to project markets and marketing as well as to the management of projects.
Fourth, to note the existing paradoxes inherently built into project business and the changing roles due to this fact. Flexibility and the adaptability by the project network and creating solutions to solve paradoxical changes should be incorporated in the project business strategy.

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Figures

Fig 1. Exemplification of the horizontal time dimension and its impact on the present time

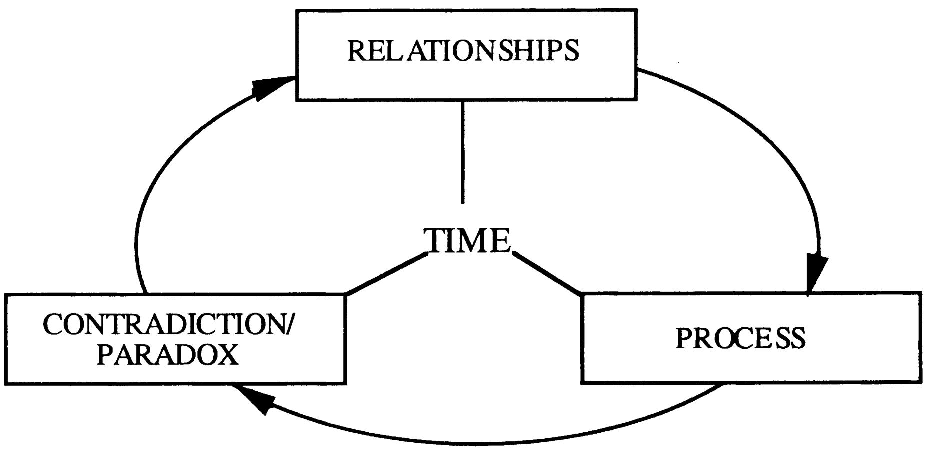

Figure 2. Relationship development over time. Contradictions and paradoxes emerge which in turn reformulate relationships.

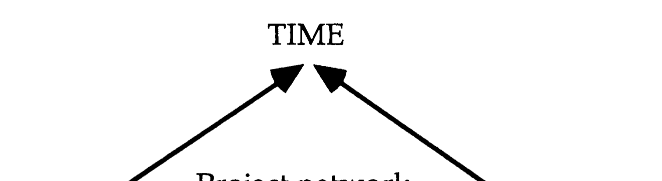

FIG. 2. Time-space-context relationships denoting processual elements for project evolution over time

AN EXPLORATORY STUDY OF MARKETPLACE RUMOR MANAGEMENT

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ABSTRACT

Sparse literature and much media coverage of marketplace rumors form the basis of this exploratory study to investigate the existence and structure of corporate rumor management. A crisis management model is adapted to identify the elements and structure of rumor management. Information from a sample of twenty multinational U.S. restaurant and oil corporations shows that though most of the corporations deny they have in place a formal rumor management system, all indicate a strong desire to learn more about the empirical aspects of this topic. Of the corporations who admit to formal rumor management, restaurant corporations use fewer tools to combat rumors than oil corporations. Recommendations for future research are considered.

Of the 33 million new rumors facing U.S. industry on a daily basis (Rowan, 1979), only a few inflict damaging results that include extensive demands on executive time, advertising and public relations, employee morale, corporate image and loss of sales volume (Esposito & Rosnow, 1983). In this context, the issue of rumor management becomes inseperable from Relationship Marketing which focuses on differentiation by superior relationships (Chistopher, Payne & Ballantyne, 1991). These relationships manifest themselves as long-term customer alliances expressed in terms of satisfied and loyal customers contributing to long-term profitability managed as a continious process (Evans & Laskin, 1994).

The purpose of this study is therefore to determine whether top performing U.S. oil and restaurant corporations have in place policies and/or procedures to combat rumors in the marketplace. This will help preserve their Relationship Marketing orientation by identifying the structure of rumor management and key indicators provoking company action to a rumor.

Rumor Defined

Common to the grapevine are rumors and gossip, however, gossip is "idle," mostly negative talk where one personally knows the target of gossip (Bienstock, 1985), whereas rumor take over as the degree of "idleness" is lost (Rosnow, 1988). Of the various definitions available (see Table I), none consider the truthfulness of a rumor, which, for the case of non-threatening rumors, Davis (1973) suggests that between 70 to 90 percent of them are accurate. To provide a managerially useful starting point, we define a marketplace rumor as a specific, unverified message about a company which is actively transmitted in the marketplace.

Introduction and Diffusion of Rumors

Most rumors start because they reduce anxiety and uncertainty about a situation (Simmons, 1986; Richardson, 1984; Allport and Postman, 1965). Alternatively, Shibutani (1966) argues that rumors begin because public demand for news exceeds the supply currently available; subsequently, the likelihood of rumor inception is high.

Table 1: A Sample of Rumor Definitions

Fine & Rosnow in Koenig (1985b).	A proposition that is unverified and in general circulation.
Allport & Postman (1965)	A specific proposition for belief, without standards of evidence.
Davis (1967)	Grapevine information that is communicated without secure standards of evidence being present.
Koenig (1985a).	An actively transmitted, unverified message.

The persistence of a rumor depends on the belief in the truthfulness of the rumor or simply due to the nature of the rumor (Rosnow, 1988). Related to rumor persistence is diffusion that exhibits a network of interpersonal communication such that diffusion follows a branching pattern that may easily develop into an unmanageable form which places pressure on a firm's Relationship Marketing investment.

Work by and Simmons (1985) and Richardson (1984) suggests that people participate in the spreading of rumors because of participant low self- esteem, anxiety and uncertainty, or being uninformed. Schacter and Burdick (in Koenig, 1985b) discovered the tendency of greater rumor activity among acquaintances when compared to the rumor activity among friends. Fine and Rosnow (in Koenig, 1976, p. 35) propose that the only difference between individuals who are "rumormongers" and those who are "dead-enders" is popularity. People who are rumormongers "were less popular, dated less often, and got together with friends less frequently than non-rumormongers." It seems rumor introduction is triggered on emotional grounds whilst rumor diffusion is controlled by the sensationalist value of the rumor.

Rumor Classification

Of the several types of rumors discussed in the literature (see Table 2), Koenig (1985a) proposes two categories of rumors: conspiracy, and contamination. Conspiracy rumors are allegations that connect "a political, religious, or other ideological movement with a visible target: a successful commercial enterprise." In contrast, contamination rumors focus on the target as opposed to the allegation. This classification of rumors in the marketplace leaves an area of doubt. For example, consider the rumor that Ray Kroc (of McDonalds fame) was a supporter of a satanic group. This rumor could be classified in either category as it connects a target with a movement and also focuses on a target ‼SYMBOL 190 \f "Symbol"§ Ray Kroc.

Table 2: Types of Rumors

- Wish-fulfillment, or pipe-dream rumors, which express the hopes of those who spread them.
- Bogie, or fear rumors, which emerge from employees' fears.
- Wedge-driving rumors, whose purpose is to divide groups and are motivated by malice.
- Homestretcher rumors, anticipatory rumors preceding a predicted event.
- Self-fulfilling rumors, which involve situations that contribute to more rumors, and in return, the rumors contribute to the situations.
- Premeditated rumors, used by individuals or companies for some type of advantage.

Sources: Allport and Postman, 1965; Esposito and Rosnow, 1983; Hennefrund, 1985; Richardson, 1984; Rosnow, 1988; Schaeffer, 1984; Simmons, 1985 and 1986.

So far, the apparent lack of business oriented literature addressing rumor definition, inception and diffusion processes and classification is simply a reflection of the type of researcher involved with this topic to date - social psychologists and sociologists.

Managerial Reaction to Rumors

The informal marketplace communication network can be used to help those who know how to use it properly. Companies can leak information about new product ideas, new managerial initiatives, and other major company changes to measure the type of feedback generated from suppliers, customers and stockholders. Nonetheless, if it was proven that a company or individual used a marketplace rumor in an unethical manner, prosecution may result as was the case for the examples that follow.

On September 11, 1986, a false marketplace rumor stated that the U.S. economy was thriving which sent interest rates upward. This, analysts say, "sent bond prices skidding and contributed to the stock market's 86-point plunge" (Dwyer, 1986, p. 40). In 1983 American Express launched a campaign to associate Edmond J. Safra (of Safra Banks) to drug and arms dealers. American Express settled out of court for 8 million dollars (Glasgall and Meehan, 1989). Procter & Gamble was successful in dealing with its "satanic" rumor episode: tracking the marketplace rumor down to a specific source. As a result, Procter & Gamble pressed charges against five individuals, some of who worked for competing organizations (Esposito and Rosnow, 1983).

Control of Marketplace Rumors

Horton (1983) suggests that marketplace rumors may be managed using the following guidelines:

- Establish and follow a policy regarding rumors and communicate the policy to everyone involved.

- Establish a company source for all information, keeping reporters informed of the latest information as soon as it is available.
- Avoid answering questions by saying, "No comment." If a question can be answered, explain the reason.

Howard (1986) believes "no comment" answers cause the public to think that you are hiding something which encourages management to formalize the rumor management system by providing guidelines and policies to all corporate personnel.

Given the plethora of rumor definitions, introduction and diffusion patterns, and case histories; there is one unifying prescription - prevention is always the best defense against false rumors (Koenig, 1985; Richardson, 1984; Esposito and Rosnow, 1983).

Rumor Model Development

Given the meager evidence describing corporate rumor management, we modify a model by Mintroff (1988) on crisis management to help identify the elements and structure of rumor management. Our model proposes five interrelated elements to effectively manage rumors (see Figure 1).

Accepting the assumption that the most visible symptom of a negative rumor is a drop in corporate sales, Figure 2 describes our conceptual model by showing how the presence or lack of a particular rumor management element might affect a corporation's sales profile. For example, a rapid non-recoverable drop in sales (Case 1) is attributed to a lack of rumor prevention, control and recovery procedures. Case 2 isolates the situation when recovery is unattainable, and Case 3 profiles inadequate prevention with adequate controls and recovery. Finally, , the presence of adequate prevention in Case 4 results in a minor blip in sales. The message here is to develop and manage a suite of tasks in order to effectively counteract the negative effect of a marketplace rumor.

The Study

The presence and application of rumor management procedures in a corporate setting is the basis of our study - formal and/or informal procedures to prevent, control, recover and learn from rumors.

Sample

A sample of ten oil and ten restaurant corporations shown in Table 3 are selected based on the highest gross sales ranks from Fortune's "Fortune 500" (1989) and Restaurant Business (1988), respectively. Annual sales in the top oil corporations ranged from \$10.72 billion to \$76.42 billion and from \$11.38 billion to \$1.1 billion for the restaurant corporations. The selection of these large corporations is based on the premise that they are highly visible and sophisticated, and are likely to include a larger number of specialized management functions including, perhaps, rumor management.

Table 3: Corporations Selected for the Study

Oil Industry	Arco Oil and Gas Company, Amoco Corporation, Chevron Corporation, Conoco Incorporated, Exxon Corporation, Mobil Oil Corporation, Sinclair Oil Corporation, Sun Refining and Marketing Corporation, Texaco Incorporated, Unocal Corporation.
Restaurant Industry	Arby's, Burger King, Dairy Queen, Domino's Pizza, Hardee's, Kentucky Fried Chicken, McDonald's, Pizza Hut, Taco Bell, Wendy's.

Method

The study's questionnaire considers the presence and structure to prevent, monitor, control, recover, and learn from marketplace rumors occurring in the oil and restaurant industries. The questions solicit the disclosure of policies and/or procedures (both formal and informal) to deal with marketplace rumors, to identify appropriate personnel and structure of rumor management, and to identify key indicators triggering the need to implement rumor management policies and procedures.

Each of the twenty corporations is contacted by telephone to secure names of appropriate personnel deemed responsible for rumor management, to explain the purpose of the study and obtain a commitment to participate. Given a verbal commitment to participate: a cover letter, a copy of the rumor management model, and the questionnaire with instructions for completion were FAXed to the twenty corporate respondents. To improve the response rate, the corporate respondents were contacted two, five, seven and eight days following the FAX transmission.

Results

At this exploratory level, it seems that the organizational structure for rumor management is a departmental appendage reflected by the assortment of individuals responsible for this function. In the oil industry, the responsibilities of rumor management are held by the Communications, Editorial, Human Resources and Administrative Departments; whilst in the restaurant industry, the responsibilities of rumor management are held by the Communications, Media Relations and Public Affairs Departments.

Non-Response Issues

Eight of the twenty corporations responded to the questionnaire. While this response rate is at first alarming given the prior commitment made by each corporation, it is the high level of non-response that provides much of this study's substantive contribution. Only two corporations expressed no interest in this study based on a strict policy not to respond to any external study. Furthermore, two corporate respondents indicated that their questionnaires had been completed, but that approval had to be gained before return. These two questionnaires were never received. Nonetheless, there is strong interest in the topic given that eighteen of the twenty corporations requested a copy of this study's findings.

Overall, the high non-response rate implies a two-fold protectionist stance by corporations. The first is to maintain a positive public relations stance by side-stepping the very existence of rumors that are collectively perceived as dark and negative. The second deals with the likely existence of propriety rumor management systems couched in highly bureaucratized reporting procedures that led to non-response or the denial of such systems.

Response Issues

Two of the eight responding corporations stated that they categorically do not respond to rumors. While they deny the existence of rumor management procedures in their organizations, when previously pressed by telephone inquiry, they stated that their policy is to ignore rumors, or that they are unaffected by rumors. When further queried, one corporation stated that "when things get out of hand, rumors are turned over to our media planners." It may therefore be concluded that rumor management policies do exist, regardless of the corporation's denial of their existence.

Of the three corporations indicating active involvement with rumor management, all have formal procedures in place at the corporate level to manage marketplace rumors. On average, two of these corporations have dealt with a range of 2-10 serious rumors per year over the last five years.

One responding corporation completed the "general" questions about rumor management structure and authority, but refused to indicate any specific policies or procedures utilized, claiming "proprietary information." These experiences provide added evidence of the sensitive nature of rumor management at the corporate level. Of the participating corporations that implement rumor management policies and/or procedures, revenue is the dominating key indicator used to determine the level of threat to a corporation. Given the term "threat" was used to solicit the key indicator(s), it seems that rumor management is organized as a crisis entity with little proactive research in evidence ‼SYMBOL 190 \f "Symbol"§ sales would likely reflect a lagged or after the fact orientation. Other key rumor threat indicators mentioned include external media, phone queries to the company, employee reports, and company image.

The same three corporations have informal procedures and policies to combat marketplace rumors. Of these procedures, some are proprietary, while others include press releases or conferences, news reports, interviews, executive speeches, letters or phone calls to employees and shareholders, annual reports, and personal letters and phone calls, all of which are selected to fit specific rumor situations.

An external public relations agency plays a significant role in the monitoring, control and recovery processes of rumor management in both industries. According to the respondents, two oil and one restaurant corporation always or often utilize external public relations firms to monitor, control and recover from marketplace rumors. Other external sources utilized to monitor marketplace rumors include marketing research firms and the competition. External sources utilized to control and recover from marketplace rumors include advertising and detective agencies, as well as press releases, special events, and other public forums.

Discussion

It seems that some variant of our proposed rumor management model is applied by the participating corporations as evidenced by informal telephone conversations. Regarding the structure of rumor management, the respondents indicate that no one single department is solely responsible for the management of rumors. Rather, key personnel are responsible for rumor management if the need arises.

The findings point to the presence of rumor management systems in varying guises, but the presence of a comprehensive, unified and integrated rumor management system is somewhat optimistic at this time. Perhaps organized rumor management is at its embryonic trial and error developmental stage. The need for widely disseminated diagnostic and prescriptive managerial knowledge is now at hand. Of equal value to the results provided by the responding corporations are the reasons given for non-response:

- Denial of the existence of rumor management policies with the organization.
- Stating categorically that rumors are ignored by the corporation.
- Denial that rumors have any effect on the organization.
- Refusal to divulge proprietary information.
- Refusal to participate because of time constraints.

The response by the corporations to our study was overwhelmingly in terms of interest in rumor management. However, while the interest level ran high for the topic, most corporations were reluctant to participate in the study. While they were unable to participate, they were seeking ways to improve the very policies they denied existed. This underscores the Relationship Marketing contention held by Morgan and Hunt (1994, p.20) "to be an effective competitor requires one to be a trusted cooperator."

Recommendations for Future Research

We suggest the use of projective questioning, wherein the respondent is not asked what s/he does in a certain case, but rather is asked to describe what their competitors or members in their industry would do. It can usually be deduced that the respondent has answered for the competition in a manner reflecting his/her own corporate policies. The projective querying method would likely give the respondent a feeling of confidentiality greater than for a direct questioning format.

The length of the questionnaire is a prime consideration. Given that the purpose of this research was very broad and the questions were not designed to be answered in great detail, several corporate respondents expressed their refusal to complete the questionnaire based on time constraints. An alternative to seeking information from national corporations is to solicit the cooperation of smaller regional corporations that may be more responsive to participating in a rumor study ‼SYMBOL 190 \f "Symbol"§ but perhaps much more immune to them as well.

Summary

What has transpired from this study is that rumor management is a second cousin to the more traditional managerial functions. However, momentum in the literature supports the pragmatic expediency of a formal rumor management position to support the strategic well-being of the corporation. The major hurdle would seem to be the availability of carefully investigated empirical examples to provide the necessary diagnostic and prescriptive guidelines for effective and efficient rumor management. A supplementary problem may manifest itself with rumor management evaluation procedures as is the case with the public relations function. That is, what was prevented is as important as how a negative event was handled. Perhaps the key to the development of rumor management is to soften the term "rumor" to a more socially acceptable form.

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Figure 1: Elements of the Rumor Management Model

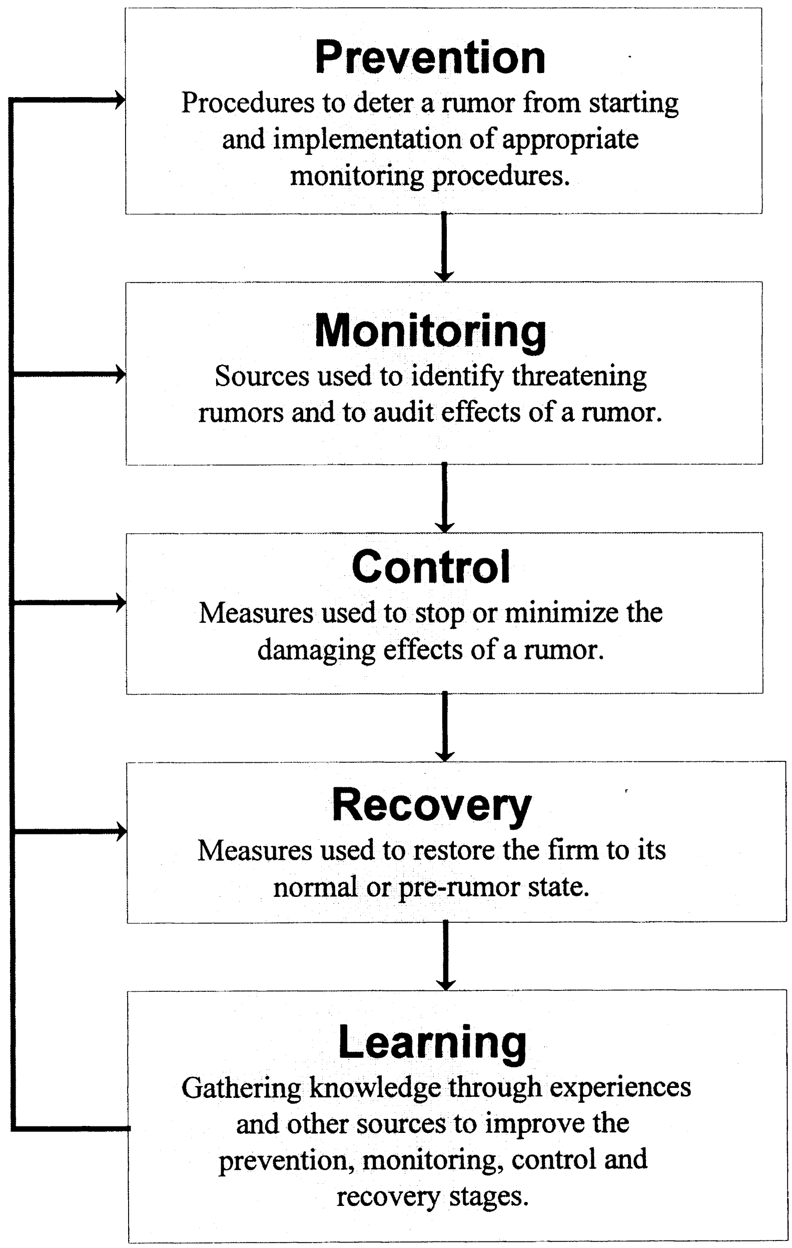

Figure 2: Rumor Management Model Interactions: A Four Case Example