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SCHOOL OF BUSINESSUNIVERSITY OF NICOSIA, CYPRUS26TH- 29THMARCH 2008

CONFERENCE CHAIRS:DR RUDI KAUFMANN, DR DEMETRIS VRONTIS AND DR ALKIS THRASSOU

The 5th (annual) International Conference for Consumer Behaviour and Retailing Research is organised by CIRCLE, the Centre for International Research in Consumers Location and their Environments

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The Centre engages in interdisciplinary research and consultancy projects in order to explore and examine consumer behaviour in local, regional, national or internationalcontexts for a range of service industries including events, finance, hospitality, leisure, marketing, retailing and tourism. All research activities/projects/conference proceedings are disseminated with the dual purpose of assisting managers and practitioners who work in the industry as well as fuelling further academic study and debate in this important emerging research area. Investigating international/global environment, the Centre is international itself – withthe following partnering institutions: Leeds Metropolitan University (Tourism, Hospitality and Events, Faculty of Business and Law, Innovation North), University of Nicosia, Cyprus; Zagreb School of Management, Croatia; University of Applied Sciences Albstadt/ Sigmaringen, Germany; The Graduate School of Business & Economics, University of Zagreb, Croatia; University of Applied Sciences Vorarlberg, Austria; King Fahd University of Petroleum & Minerals, Saudi Arabia; University of Canterbury, New Zealand; University of Applied Sciences Liechtenstein; University of Szczecin, Poland; University of Central Lancashire, UK; University of Gloucestershire, UK; University of Salford, UK; University of Rijeka, Croatia; University of Sarajevo, Bosnia; University of Calabria, Italy; University of Reggio, Italy; Business Academy Chalkida, Greece; University of Sapienza, Italy; University of Siena. With more participants/members and more partnering institutions joining the CIRCLE, the sustainable quality development and positive competition will be the catalysts of fruitful academic and professional co-operation in the field.

The 5th International Conference for Consumer Behaviour and Retailing Research Conference has two goals. The first goal is to provide an international environment for different academic/professional approaches and discussions on recent developments in consumer behaviour and retailing theory/practice in contemporary turbulent business arenas. The second goal is to provide the opportunity for young scholars, practitioners and PhD students to have their work validated and benchmarked within the benevolent academic and professional community of colleagues from different international contexts. The young scholars, studying for their PhD are invited also to their symposium and to meet with their supervisory team.

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- Marketing communications and the impact on Consumers
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- Role of Relationship Marketing on Consumer Behaviour

- Marketing concepts and “tools” within the international context for all service sectors and Higher Education
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- Inter-cultural and globalisation aspects in retailing, hospitality and tourism.
- Retailing and Merchandising for local and international organisations
- Quality and service operations in Hospitality Management
- Communication and strategies for destination and location brands
- The Public Face of organisations through PR and Corporate Responsibility policies
- International forum of PhD students: work-in-progress challenges
- Other contributions within the wider context of consumer behaviour not mentioned above

Paper submission and Review Process

Please send an abstract of no more than 500 words by 15th December 2007 to Dr. Rudi Kaufmann (kaufmann.r@intercollege.ac.cy). Abstracts should clearly state the purpose, results and conclusions of the work to be described in the final paper. Key words (3-5) should be enclosed to abstract. Please, provide full names, affiliations and up-to-date contact details (postal address, e-mail, telephone and fax numbers).

Both abstracts and final papers will be double blind reviewed. Authors will receive abstract acceptance notice from the Organising Committee by 29th December 2007 - at latest. Full papers should be submitted by 5th March 2008.

English is the official language of the 5th International Conference for Consumer Behaviour and Retailing Research.

Submission format

All abstracts and final papers in Microsoft Word format should be submitted in English, checked for correct grammar and spelling, both a hard copy and e-mailed to kaufmann.r@unic.ac.cy.

PhD Students

All participants in the status of PhD students will be contacted by 15th January 2008 and suggested to join the International forum of PhD students: work-in-progress challenges – informal moderated workshop on PhD planning, methodological choice and data collection. In addition PhD supervisors will be there to discuss the research process and offer some thoughts for best practice.

PhD students can also present at the conference. For those students who wish to present their work formally, at the conference, please follow the Paper Submission and Review Process that has been shown above

Correspondence:

Dr. Rudi Kaufmann

University of Nicosia

School of Business

46 Makedonitissas Avenue, PO Box 24005

1700 Nicosia

Cyprus

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Fax: + 357 22 355116 / 353722

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IS A BRITISH MASTERS DEGREE IN BUSINESS EDUCATION A WORTHWHILE INVESTMENT FOR CHINESE STUDENTS?

DES MONK & MARY WHITTAKER,
LANCASHIRE BUSINESS SCHOOL, UNIVERSITY OF CENTRAL LANCASHIRE, UK

Abstract

This study will examine full-time postgraduate courses in business education undertaken by Chinese students at British universities, since 2000. Such courses typically cost many thousands of pounds in terms of tuition fees and other costs; an approximate order of magnitude of all of the costs involved (faced by the individual) would be £20,000. It seems worthwhile to attempt to assess the benefits that might accrue to such students especially in terms of their subsequent experience in the labour market.

The academic contextualisation for this study comes partly from a growing concern about the validity of such postgraduate business education here in the UK and elsewhere (Nottingham University's Evaluation of Business Knowledge, 2004: Mintzberg, 2004). Secondly, this study is informed by a debate about another set of doubts concerning the dangers of transferring knowledge developed in Western economies across to Asian societies with a completely different cultural tradition (Kotabe, 2007).

A qualitative methodology is to be used in which data from interviews with 50 former students will be analysed. This data will be collected from students who have recently successfully completed an MA or MSc in some aspect of business management at a British university and subsequently returned to China. The interviews will be conducted in the cities of Guangzhou, Shen Zhen and Shanghai.

This study raises some important issues in that the number of Chinese students at British universities is growing rapidly and forms an important revenue stream; there are currently some 50,000 such students in the UK (Wojtas, 2007). Moreover, this is part of a wider trend, whereby the number of foreign students in this country has doubled in the past decade (Prest, 2007). Indeed, British universities market themselves aggressively in this market and attract more students than other countries (Guardian, 2007). The strategic implications that flow from this study should be of interest to policy makers in universities as well as students themselves.

Keywords - China, postgraduate, labour market

Email: dmonk@uclan.ac.uk

Telephone: 0044 (0)1772 894683

Fax: 0044 (0)1772 892912

Introduction

This study will present some interim results, collected as part of a study designed to examine full-time postgraduate courses in business/management education undertaken by Chinese students at British universities. Such courses typically cost many thousands of pounds in terms of tuition fees in terms of tuition fees alone. The exact level of tuition fee that is charged varies according to the university or course chosen but would, in approximate terms, be expected to be in the range £8-20,000 per annum, for a one year full-time course. It seems worthwhile to attempt to assess the benefits that might accrue to such students especially in terms of their subsequent experience in the labour market.

The policy context for this study is both important and interesting given that very large numbers of non-EU students have been coming to the UK for higher education in increasing numbers; indeed, higher education in the UK has become something of an export industry in the past decade (Prest, 2007). Starting in 2000, the British government spent £5 million on a three year campaign designed to attract more foreign students to the UK (Helmsley-Brown and Goonawardana, 2007). This project was to be organised under the auspices of the British Council and resulted in publications such as Education UK, that were specifically targeted at Chinese students (British Council, 2007). At present there are 50,000 Chinese students in the UK (Wojtas, 2007). However, if one looks at the trend rather than simply the numerical level of such students, an interesting picture emerges. The number of full-time foreign students in the UK has more than doubled in recent years, from 95,000 in 1992 to 240,000 in 2004. (Prest, 2007). According to Prest, foreign students spent £1.39 billion on tuition fees alone in the academic year 2004/5 and another £2.35 billion on living expenses. However, the true effect on the British economy would be in the order of £5.5 billion, he argues, due to a multiplier effect of 1.5. Even if we ignored the multiplier effect, then the £3.74 billion generated by foreign students represents bigger export earnings than textiles or alcoholic drinks.

Moreover, a lot of the growth of student numbers attending British universities has been at postgraduate rather than undergraduate level. Both in the USA and the UK, the proportionate rise in MBA and postgraduate management courses has far outstripped the growth of undergraduate studies in these areas of the curriculum (Mintzberg, 2004); a similar picture has emerged in Slovenia (Lipicnikic and Mihelic, 2007). At present, 41% of postgraduate research students and 29% of those on taught postgraduate courses in the UK are foreign (Swain, 2006). The picture that has emerged according to the Economist (2005) is that countries such as the UK, the USA and Australia are all trying to market themselves aggressively to developing countries, where the demand for higher education has often outstripped the supply; this is especially prevalent at postgraduate level. This picture is confirmed by a 2007 survey undertaken by the International Graduate Insight Group. In total, the IGIG considered the responses of 67,000 international students across 91 institutions, including 21 British universities. In that work, of 163 foreign students that were surveyed at the University of Central Lancashire, 85% said that the UK was their first choice destination but that the top two competitors were the USA (considered by 68%) of respondents and Australia (considered by 39% of respondents).

In short, the question posed in the title is an important one and yet paradoxically, under-researched. We do not know enough about the benefits that students get from doing postgraduate courses, especially in terms of the way that that the students themselves perceive such benefits. The hypothesis considered in this work is that Chinese students do think that that a postgraduate masters programme in business in the UK is worthwhile. However, students' assessment of these benefits are based on subjective (non-financial), rather than objective (financial) criteria.

The rest of this paper is organised as follows. To begin with, a literature review is presented which itself is divided into three sections. The first of these sections looks at gaps in the relevant literature; the second considers the problem of evaluating such education and the final section considers some attacks on management education that have been made recently, notably by Mintzberg (2004). This is then followed by a methodology section, after which some interim empirical results are presented. Finally some tentative conclusions are suggested together with some thoughts on developing the research in the future.

An Academic Contextualisation

(a) Some gaps in the literature

Research into postgraduate education in this area of the curriculum is dominated by investigations into MBAs. This is partly because the qualification is often regarded as an example of a credential that is recognised around the world; authors from disparate countries such as the UK (Hay and Hodgkinson, 2006), the USA (Mintzberg, 2004) and South Africa (Carmichael and Sutherland, 2005) are all agreed here. Moreover, as all of these authors have pointed out, the MBA been typically regarded as a means to fast-track a career and so one could look at earnings before the course and compare them to earnings after the course and thus calculate a rate of return to the expenditure incurred. Certainly, there has been a lot of research done in this fashion, in the USA. Mintzberg, for example, estimates that there is a 38% return to the individual, in terms of student outlay on an MBA. For the most part, one would expect a raise in salary after the course which might then be attributed to the extra productivity that individuals might claim in the labour market, having newly gained extra competences and knowledge from their course (Baruch and Leeming, 2001). This approach is entirely consistent mainstream neoclassical economics (Becker, 1994; Blaug, 1970); in that paradigm rational individuals would be expected to examine the monetary costs and benefits of a course and if the programme yielded a net premium (in terms of extra earnings) then the individual would normally elect to do the study. Given that MBAs have been well established in Europe for five decades and even longer in the USA (Baruch and Leeming, 2001), it is perhaps not surprising that research has concentrated on the value added (especially to the individual) of this pre-eminent qualification. However, in the past two decades, a multiplicity of courses have developed in the business/management area of the curriculum and the literature at present does not reflect that diversity.

Another gap in the literature concerns the ethnic nature of the students pursuing postgraduate courses in business and management. Increasingly, as has already been pointed out, postgraduate courses in the UK and the USA comprise a significant proportion of foreign students. As Cubillo (et al (2006) suggest, although this is true, little has been done by way of research in terms of explaining why foreign students choose one country (or institution) above a plethora of alternatives. This is especially surprising in that the decision to study abroad is a “one-off”; students are unlikely, as Cubillo says, to go from one course studied in one foreign country to another course studied in another. The decision to study abroad is likely to be one of the most significant and expensive decisions that students make and yet we know little about the factors that influence that decision.

(b) Some problems in the literature: measuring success

One of the key problems in the literature that has been discussed is the means by which the success of a postgraduate course is measured. In particular, one could examine the issue of success through the perspective of at least three groups of stakeholders, in this context, i.e. the students themselves; the business schools (faculty) that teach them and the employers who subsequently hire them (Baruch and Leeming, 2001). As stated earlier, the central hypothesis in this paper is the contention that value added is most appropriately measured by the students themselves. In other words, as Baruch and Leeming suggest, in order to measure the success of postgraduate course in business solely in terms of extra earnings is far too narrow. As Rapert and his colleagues (2004) assert, there are a diverse range of skills and ideas taught on such courses; different graduate have different views about the utility of the disparate ideas that they have encountered during their studies. The perception of quality, or value added, is a personal matter and difficult to capture in purely monetary terms. The problem with the mainstream neoclassical analysis referred to earlier is that it effectively assumes away that which cannot be put into monetary terms, as Atkinson (1983) has suggested. Carmichael and Sutherland (2005) make a similar point when they say that we need to take a more holistic view of the benefits of postgraduate study than simply looking at rate of return analysis. They also suggest that it is graduate perception that is important when assessing the benefits of such study. Thus, for example, a students’ language competence may not have actually improved as a result of study abroad, but what is important in the decision making process is whether or not students think that it has.

A similar point has been made by Hay and Hodgkinson (2006) who talk of the difference between external and internal careers. Internal careers are “…frequently defined psychologically in terms of self-fulfilment, challenge and satisfaction.” (p.100). The authors’ argument is that what is important is an individual’s judgement of their own success; clearly internal measures may vary from one individual to another. By contrast, external career success is concerned with measurements such as salaries or promotion within a hierarchy, i.e. factors that can be assessed objectively. Hay and Hodgkinson go on to say that it is a consideration of external careers that has received the bulk of attention in the careers literature. However, given that many organisations have developed flattened hierarchies, then “…..it seems curious that the MBA is still judged almost exclusively in terms of progression and in hierarchical position and salary increase."

The opposite view has been taken by two writers, Tracy and Waldfogel (1997), in their assessment of American business schools. Their argument is that the higher the salary of MBA graduates, the more that this reveals about employers' desire to employ certain individuals rather than others. Thus, they take as a proxy measure of the worth of business schools, the salaries of MBA graduates. Tracy and Waldfogel are right to point out that this methodology is objective in that a graduates' salary is capable of being measured, of course. However, this methodology is flawed and narrow. Firstly, it assumes that graduates are telling the truth about their salaries in such surveys; they may not be doing so, for all manner of reasons, not the least of which might be a desire to inflate their true salary to appear more prestigious. Moreover, a whole range of variables may be cited to explain differences in salary, notably geographical position. Even if these methodological problems could be overcome then it surely seems that to value a course in this way is overly narrow.

It is clear that the issue of the employers' response to postgraduate education in business is also of interest in this context. Indeed, Lipcinik and Mihelic (2007) argue that the demand by employers for postgraduates in this sort of subject has not kept pace with the increased output of such graduates by Slovenian universities. In that country, as elsewhere, there has been an explosion in the number of students doing business postgraduate courses. Half of those on taught masters programmes are doing management or law or social sciences. The chief reason for doing such study, according to the graduate respondents, was not an expected raise in salary but rather, a desire to gain a wider knowledge base.

(c) A key question in the literature: Is management education valid?

Lipcinik and Mihelic's empirical findings chime with a well known attack on postgraduate management education written by Mintzberg (2004). He opens his book, "Managers not MBAs" with the assertion that such programmes teach the wrong people, in the wrong way and with the wrong consequences. He concedes that postgraduate education in this area has become enormously popular both in the USA and the UK in recent decades. His estimate is that one million people per decade have entered the American workforce with an MBA in the second half of the twentieth century. As he says, it seems strange, in some ways, to criticise a course that has been so popular. However, it has led to some unintended outcomes that have not been beneficial from an employer's perspective. In short, postgraduate education postgraduate education has been associated with what he terms a "…..corruption of managerial practice", (p.82). He goes on to cite evidence that 600 American senior managers in one survey (conducted in 1998) concluded that MBAs did not provide significantly extra amounts of skill or managerial competence. Although such education may yield utility to the individuals, it may well not lead to an improvement in the performance of the employers. Indeed, Mintzberg revisited the histories of the top 19 Harvard MBA alumni, a listing that had been originally published in 1990. A decade later and 10/19 had been appointed as CEOs of companies that had gone bankrupt. Of course, one could argue that financial failure in these 10 cases was not necessarily just due to the fact that the CEOs had an MBA, but equally one could say that, at the very least, MBAs did not lead to such graduates becoming leaders of firms with a high degree of success. As Mintzberg says, most people doing MBA, especially full time ones, have had little experience of senior management. They are then told about a series of models and techniques on their course that is designed to analyse organisations' behaviour. He suggests that it would be better if management programmes recruited more experienced managers who could reflect on their experience, drawing on academic expertise as appropriate.

Mintzberg's concerns echo a recent article by another eminent academic in this area, namely Ghoshal (2005). He also believes that management education has led to unintended harmful outcomes. In particular, he suggests that models such as principal agent theory or transactions cost analysis have been associated with an overly pessimistic view of the way that managers behave. Thus principal agent theory posits that the interests of managers (as agents) are different to those of shareholders (as principals). Given this separation of interests, then the theory suggests that the interests of the two groups should be merged wherever possible, for example by encouraging senior managers to hold a significant portfolio of the organisation's shares. Similarly, transactions costs analysis argues that the costs of information gathering are often huge and given the information asymmetry that exists in terms of the way that organisations are run, managers may well take advantage of the their shareholders' lack of knowledge and engage in opportunistic behaviour. A key task of shareholders thus becomes the need to monitor managers' behaviour without incurring too many costs. Ghoshal's argument can be regarded as a development of Mintzberg's critique, in that Ghosal suggests that pessimistic management theories tend to become self-fulfilling. Unlike the natural sciences, management theories can actually influence the objects being studied (i.e. managers themselves). Suppose that by way of example, we considered the behaviour of particles in physics. Even if a theory was inadequate, then such particles would behave in the same way regardless. However, in this area of the curriculum, management theories that have been developed in recent decades have encouraged postgraduates to behave in a certain fashion as managers; they expect, Ghoshal says, to behave in selfish ways, partly because that is what their studies encouraged them to believe. Interestingly, Ghoshal does not consider the possibility that such people may be inclined to selfish behaviour anyway but his ideas are interesting, nonetheless.

It is not the purpose of this paper to critique the whole of management studies and its contribution to the curriculum. However, it is significant that two articles written in the past 4 years by well known professors have both raised doubts about the productivity of such studies in terms of shaping corporations' behaviour. It is quite possible that Chinese employers, like their counterparts in Slovenia, the UK and the USA, may have good reason to be wary of postgraduate qualifications.

Methodology

Essentially the aim of this study was to obtain a "before and after" picture of student expectations of their studies. As Mai (2005) has pointed out, one might reasonably suppose that overall student satisfaction with a course of study is a function of the gap between expectation and experience. Thus, an attempt was made to obtain such students' views whilst they were doing their courses in the UK (their expectations) and compare those with their view on their return to China (an ex post view of their experiences). By obtaining such data the aim of the work was to test whether students themselves thought that their studies had yielded net benefit. Moreover, as Carmichael and Sutherland (2005) point out, such a qualitative approach is necessary in this context to try and obtain a nuanced view of what students perceive as the worthwhile qualities of their courses. The typical quantitative methodological approach that is often found in neoclassical economics is, as they suggest, not sufficiently overarching to capture all of the potential benefits that could accrue to an individual pursuing postgraduate management study. In other words, whereas it might be possible to compute a rate of return to such study, this is a narrow approach and one that is eschewed here for the reasons already given.

Instead a qualitative methodology has been used to explore student perceptions. Thus, a questionnaire was distributed to postgraduate students at two universities in the north-west of England, having being trialled at the University of Central Lancashire. The final version of this questionnaire is in Appendix A. Several factors influenced the design of this instrument. By aggregating such data it is possible to give some shape to the data set (see below). As can be seen, Likert scales have been widely used to ascertain the strength of feeling that students have regarding aspects of their course such as the benefits that they expect to gain.

Even a cursory glance at the questionnaire demonstrates that it fits with the literature that was reviewed earlier and that the emphasis throughout is on student perception; much of the design was influenced by earlier work by Baruch and Leeming (2001). Perhaps one of the most important questions is number 18, in which students were asked to rank the importance of the non-financial benefits of postgraduate study, compared to the perceived monetary gains of such study. The questionnaires were completed in the winter of 2007/8 by students doing full time study at universities in the north-west of England.

In the future, it is intended that this data will be triangulated with data from semi-structured interviews to be held in one of three cities that feature heavily in China's economic boom, i.e. Guangzhou/Shen Zhen and Shanghai. Interestingly, all three of these cities (together with Beijing) form the geographical basis of the interests that the British Council wished to emphasise in their Education Today publication, mentioned earlier. As Saunders (2005) suggests a mixed methods approach such as this can be used to "drill down", such that having obtained a broad picture from the questionnaires, a more discursive approach can be used to investigate that picture, by means of semi-structured interviews. The intention in future work is to arrange a series of such interviews at each of the three cities, with graduates of British postgraduate courses; this will be done in the autumn of 2008. Again, as Saunders remarks, getting answers to questionnaire replies can often be difficult especially if the respondents are living thousands of miles away. By having a series of interviews with 25 postgraduates it is also anticipated that issues that individuals have thought to be important can be investigated in future rounds of the study.

There is one serious problem with this approach that seems to have no obvious solution. In canvassing student opinion it is the case that lecturers at the relevant universities have distributed questionnaires and will be asking questions during subsequent interviews. Given the nature of Chinese culture (Hodgetts, Luthan, Doh, 2005), then it seems quite reasonable to suppose that students may well be unwilling to present a truthful account of their views, if such views incorporate a negative opinion of aspects of the course. Moreover, they may also feel that they have to rationalise the expenditure that has necessarily been incurred in doing British postgraduate study. However, it is thought that by triangulating the data and by drilling down in the manner described, the results will provide a rich and robust data set that will provide a basis for informed discussion.

Results

(1) The data set of 56 responses was split almost equally between male (46%) and female (54%) respondents. With one exception, all of the students were from mainland China as opposed to its offshore islands. The mean age was 22.9 years. Most of the students (85%) had either done joint degree (in the UK and China) or had obtained a first degree from a British university; they had then gone on to do their postgraduate degree at a British university straight after the BA or BSc. Nearly all of the respondents (75%) had not worked previously prior to their postgraduate course. Clearly then, this data set chimes well with Mintzberg's (2004) comments about management students having a lack of senior managerial experience.

(2) A cluster analysis of the responses has revealed an interesting sub group that further supports the ideas of Mintzberg. This group (comprising 10 students) was somewhat older than the total sample surveyed; their average age was 25 years, as opposed to the group mean of 22.9 years. Moreover, this group was more likely to have worked prior to doing their postgraduate course. One suspects that it is the existence of these factors that has helped to shape the differences in attitude between them and their contemporaries. In general, the mature group had higher expectations of their course in terms of developing the type of soft skills previously mentioned. Thus, when one considers the rating given to factors such as developing interpersonal skills/decision making/working in teams and financial skills, the mature group were inclined to give a score that was one full point higher (on a 5 point scale), than the average for the group. It will be interesting to see whether they have had these expectations met, when the next round of the study is completed, using interview data.

(3) In terms of job expectations, most of these postgraduates (77%) anticipated going back to China after their studies and getting a job in that country. In the majority of cases (82%), they hoped to get a job in a multinational company. The students almost unanimously (92%) felt that their postgraduate studies would give them a greater range of job opportunities than would otherwise be the case.

(4) In most cases students expected that their courses would develop the soft skills listed in question 12. Thus for the 13 competences listed here, mean scores ranged between 3.48 and 4.04, when students were asked to assess how much they thought that such skills would be developed on a five point scale. (In this context, a score of 1 meant that students did not think that their course would yield any benefit under the criteria listed.) Typically, students were reasonably confident that skills such as time management, giving presentations or research skills would be developed during their one year full time course. However, only in one case, (developing financial

skills), did respondents generate an average score above 4. By contrast, the mean scores for the same skills listed in question 13 (concerning the importance of these skills for a job), ranged from 3.67 to 4.35; seven of these scores were above 4. This suggests that although the students expected that their courses would develop relevant skills, such skills would be of even more importance to them in their future jobs, than was suggested by their anticipated skill acquisition.

A similar picture emerged with respect to the answers to question 17. Of the 6 reasons given for studying a British business degree, the most popular answers were self development and increased confidence. The mean scores for these criteria were, respectively, 4.14 and 4.04, again on a 5 point scale, with a score of 1 meaning that such a factor was considered unimportant.

(5) The data suggests that 65% of students surveyed felt that they had gained extra status by studying outside of their home country; however, their self image is by no means entirely bound by their job aspirations. When asked to assess the statement, “The most important things that I do are associated with my job”, the average score was 3.35, on a 5 point scale on which a score of 1 indicated that the student did not agree with the statement.

(6) Most tellingly, evidence to support the hypothesis mentioned at the start of the paper came in the answers to question 18. This was concerned with the relative importance of financial, as opposed to non-financial benefits of postgraduate study. A nine point spectrum was presented in which 1 represented the financial benefits of such study (e.g. extra salary) and 9 represented non financial benefits (e.g. greater self confidence). The mean score of 5.39 suggested that the respondents were, if anything, more concerned with non financial benefits compared to financial benefits. According to neoclassical economic analysis and rate of return models (Carmichael and Sutherland, 2005), one would expect the score to be 1.

Conclusion

Throughout the work the assumption has been that students themselves are the best arbiters of what constitutes a worthwhile experience. These interim results suggest that students do think that their courses are at least potentially worthwhile in terms of developing their skill sets and giving them a greater range of job opportunities than would otherwise be the case. The argument that one can fully measure the net cost benefit in purely monetary terms has been eschewed for the reasons given. Equally however, it is worth making explicit the caveats that apply to the qualitative methodology employed here. The data set is clearly small. Moreover, the semi-structured interviews referred to earlier have yet to be undertaken. It is anticipated that a more complete picture of students’ views will be available in 12 months. Clearly in order to know whether Chinese students consider their investment in British postgraduate education to be worthwhile, one needs to look at the gap between anticipated and actual outcomes and these interviews will provide further data to test the hypothesis discussed at the start of the paper.

In the meantime, it is the case that this work chimes with the results of a recent study undertaken by Philo at Glasgow University (cited in Wojtas, 2007). He found that Chinese students thought that their time in Britain was a “very cherished experience”, having undertaken an investigation into the views of 120 students who studied for undergraduate degrees in the UK. Further support for this work came in the form of the International Graduate Insight Group (2007) report referred to earlier. In that report, foreign students were asked to rank 19 factors that influenced their decision to come to the University of Central Lancashire. The most important factor, cited by the 163 respondents, was the anticipated quality of teaching. Each factor was scored on a four point scale (with a score of 1 meaning that the factor was unimportant). The teaching quality factor scored 3.7 and as such was perceived to be of far more importance than the long term employment (career) factor that was voted 15th (with a score of 2.9).

This work has important policy implications given the huge increase in the number of Chinese students coming to the UK in the past decade. It is clearly imperative to know why such students chose British courses, over rivals in competitor nations such as the USA or Australia. Moreover, there is obviously a danger that British universities come to rely on a revenue stream that may “dry up” (Swain, 2007). It is also the case that this methodology could be applied to other countries (such as India), that many British universities are considering as being potentially attractive, in terms of postgraduate demand for courses.

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Appendix A: Questionnaire Survey

1. Gender (please cross out the right answer)

a.	Male	□
b.	Female	□

2. Are you

	Yes	No
a. from Continental China?	□	□
b. from Hong-Kong?	□	□

3. Age Years

4. Primary reason for pursuing postgraduate business degree in the UK (please cross out the right answer.)

1= not important; 2= little importance; 3= some importance; 4= important; 5= very important

a.	career opportunities	1	2	3	4	5
b.	advancement of knowledge	1	2	3	4	5
c.	learning about UK businesspractices	1	2	3	4	5
d.	having good time	1	2	3	4	5
e.	to please my parents	1	2	3	4	5
f.	my friends are doing it	1	2	3	4	5

5. Full-time work experience before starting your postgraduate studies

a.	0 (please go to Q.7)	□
b.	1-2	□
c.	3 and more	□

6. Did you work for

		Yes	No
a.	a Chinese firm	□	□
b.	a foreign firm	□	□

		Yes	No
7.	Where did you receive your undergraduate degree		
	a. in China	□	□
	b. in UK	□	□
	c. a joint China/UK degree	□	□
	c. elsewhere	□	□

8. When you return to China, do you expect to

		than people without a degree		than people with a degree from a Chinese institution	
		yes	no	yes	no
A	get higher pay				
B	get a job of your choice more easily				
C	have a greater choice job offers				
D	have a better chance to get a good job				
E	make career progress faster				

		Yes	No
9.	When you return to China do you plan to work		
a.	for a Chinese company?	□	□
b.	for a multinational company?	□	□

10. Please arrange the following in order of preference; indicate your first choice with a 1 and your last choice with a 5. I would most like to work:

	Ranking
a. in China in a special economic zone	□
b. in China outside a special economic zone	□
c. in Hong-Kong	□
d. in the UK	□
e. elsewhere abroad	□

11. I expect that my course will prepare me to successfully do a job		Yes	No
a.	with more responsibilities	□	□
b.	with more challenges	□	□
c.	that gives higher recognition	□	□

12. I expect that my COURSE will develop the following skills

1= not at all 2= a little 3= somewhat 4= quite a lot 5= a very great deal

a.	Time management	1	2	3	4	5
b.	Stress management	1	2	3	4	5
c.	Interpersonal skills	1	2	3	4	5
d.	Written presentations	1	2	3	4	5
e.	Decision making	1	2	3	4	5
f.	Working in teams	1	2	3	4	5
g.	Oral presentations	1	2	3	4	5
h.	Negotiating skills	1	2	3	4	5
i.	Financial skills	1	2	3	4	5
j.	Research skills	1	2	3	4	5
k.	Managing others	1	2	3	4	5
l.	Career management	1	2	3	4	5
m.	Fluency in English	1	2	3	4	5

13. Please evaluate on the scale of 1 to 5 the importance of the following skills for your FUTURE JOB

1= not important; 2= little importance; 3= some importance; 4= important; 5= very important

a.	Time management	1	2	3	4	5
b.	Stress management	1	2	3	4	5
c.	Interpersonal skills	1	2	3	4	5
d.	Self-confidence	1	2	3	4	5
e.	Written presentations	1	2	3	4	5
f.	Decision making	1	2	3	4	5
g.	Working in teams	1	2	3	4	5
h.	Oral presentations	1	2	3	4	5

i.	Negotiating skills	1	2	3	4	5
j.	Financial skills	1	2	3	4	5
k.	Research skills	1	2	3	4	5
l.	Managing others	1	2	3	4	5
m.	Career management	1	2	3	4	5
n.	Fluency in English	1	2	3	4	5

14. Do you think that your studies will		Yes	No
a.	give you entry into valuable networks?	□	□
b.	help to acquire useful personal contacts?	□	□
c.	give you higher status?	□	□

15. Do you think that obtaining this degree in the UK will	Yes	No
give you more status than a similar degree received from	□	□
a Chinese university?		

16. How much have the following benefits of studying a business degree abroad influenced your decision to come to the UK?

1= not at all; 2= a little; 3= to some extent; 4= quite a lot; 5= very much

a. gaining new social skills	1	2	3	4	5
b. gaining an insight into a new culture	1	2	3	4	5
c. gaining a different perspective on things	1	2	3	4	5
d. enhancing your ability to understandthe world around you	1	2	3	4	5

17. How much have the following benefits of studying a business degree abroad influenced affected your decision to come to the UK?

1= not at all; 2= a little; 3= to some extent; 4= quite a lot; 5= very much

a. greater job satisfaction	1	2	3	4	5
b. greater control over my destiny	1	2	3	4	5
c. improved self-esteem	1	2	3	4	5
d. self-development	1	2	3	4	5
e. increased confidence	1	2	3	4	5
f. increased ambition for achieving career goals	1	2	3	4	5

18. Of the numbers below, 1 indicates preference for the financial benefits of business education in the UK (increased salary, improved job mobility, faster promotion, etc.), 9 indicates preference for the non-financial benefits of business education in the UK (improved self-confidence, broader worldview, greater sense of ethics, etc.); 5 indicates that you value both types of benefits equally. Please cross out one number from 1 to 9 that reflects your attitude.

1 2 3 4 5 6 7 8 9

19. Answer the following questions using the five grade scale

1= strongly disagree; 2= disagree; 3= neither agree nor disagree; 4= agree; 5= strongly agree

a. Success at work is much more important than other things	1	2	3	4	5
b. The most important things I do are associated with my job	1	2	3	4	5
c. A person must dedicate most of his/her time and energy to work	1	2	3	4	5

SOUVENIRS: MANY DIMENSIONS AND ONE DEFINITION

DOMINIQUE ROLAND GERBER
THE LESLIE SILVER INTERNATIONAL FACULTY, LEEDS METROPOLITAN UNIVERSITY, UK

Abstract

A recent study on tourist expenditures reveals that a typical visitor of Zurich/Switzerland spends the impressive amount of GBP 240 per day. Although the respective amounts vary considerably depending on the destination and the segment under observation, the literature suggests that 10 - 20% of tourism related expenditures can be attributed to shopping in the wider sense of the term. In view of the fact that average tourist spending is still growing at a considerable rate, a number of questions need to be addressed: What is the contribution of products bought abroad and taken home towards the image development of a destination? Can all of the tourists' shopping be equated with souvenir buying? What distinguishes 'regular shopping' from 'souvenir shopping'? And after all, what exactly is a souvenir?

Be they called mementos, keepsakes, relics, tokens, memorabilia, souvenirs or even commemorative merchandise, the objects under investigation represent something of sentimental value and they are a reminder of past events. So far, the few contributors to this topic available in literature are likely to agree. The purpose of this paper is to set the territory for future research which will be undertaken for my PhD dissertation. The initial descriptive literature research, carried out by using the worldwide web as well as by referring to standard literature sources, will supply the basic information to get a grip on the phenomenon. The analysis phase will point out and explain the many dimensions involved in the souvenir business in the broader context of tourism.

The paper will culminate in the proposal of a clear cut definition of 'the souvenir' and it will outline a series of research questions which need to be addressed consequently to fully understand the souvenir business and its numerous implications.

Keywords: Souvenir, Tourism, Retailing, Tourist expenditures

Rationale and purpose of study

When the leading Swiss financial newspaper, Neue Zürcher Zeitung, published an article entitled Zurich is a top destination to spend money (Mijuk, 2007), the news was not really breathtaking. Switzerland in general and Zurich in particular have an expensive image with all its corresponding positive and negative impacts on tourism business. The contribution of the more regionally oriented newspaper, Tages-Anzeiger, one day later on the same topic presented more insights: Tourists bring money; soccer fans don't (Hosp, 2007). This comment, which related to the European soccer championships of 2008, illustrated the fears of the Swiss as they anticipated hordes of soccer fans flooding into the country without spending the large amount of money normally expected of other 'regular' tourists.

Indeed, tourism is a very important income generator for Switzerland. In 2006, the tourism industry contributed 6 % (CHF 13.3 billion or GBP 5.5 billion) to the nation's export revenues (STV, 2007). A recent study on tourist expenditure (Kämpf, 2006/2007) underlined the importance of tourists' buying power as an economic contributor. On a trip to Zurich, a typical tourist (national and international guests combined) spends the impressive amount of CHF 524 or GBP 220 per day. Taking only international guests into consideration, the amount jumps to CHF 574 or GBP 240 per day. In other Swiss destinations, tourists tend to be much more parsimonious and spend only half of this. Nevertheless, the amount remains impressive and deserves further analysis.

Based on the figures for 1998, the breakdown of tourism-based income can be estimated as follows (STV, 2007): lodging 31%, transportation 20%, food and beverages 14%, economic activities related to tourism 10%, travel agencies 9%, retailing 8%, other economic activities not directly related to tourism 5%, sports and entertainment

2%, and cultural activities 1%. Another study limited to Zurich (Kämpf, 2006/2007) gives a slightly different image (the differences must be interpreted as a consequence of a different data structure and as a reflection of the peculiarities of this marketplace): lodging 45%, food and beverages 20%, retailing 11%, miscellaneous 24%. The share for retailing can be further detailed: 61% for jewellery, 21% for fashion and the remaining 18% for miscellaneous expenditure (Kämpf, 2007). These percentages give a good idea of the structural details of tourism expenditure. However, they are subject to criticism. On the one hand, allocation of given amounts to certain categories poses interpretation problems and the compilation process is not transparent. On the other hand, the data of the first study is obsolete and therefore cannot accurately reflect current developments. Hence, a certain scepticism toward the interpretation is appropriate. Nevertheless, to gain a basic understanding about the importance of the retailing element of tourism expenditure, it is acceptable to rely on the data. If the structure of expenditure as presented above is coupled with more recent information from 2004 (STV, 2007), it can be estimated that retailing revenue generated from tourists represents roughly CHF 500 million or GBP 200 million. A further breakdown based on the same data would suggest that 58% (CHF 290 million) of the retailing revenue is assigned to confectionery (namely chocolate), 28% (CHF 140 million) to tobacco and 14% (CHF 70 million) to souvenirs and handicrafts.

In the early 90s, several commentators (Jansen-Verbeke, 1994) (Littrell and Baizerman, 1994) (Cohen, 1995) lamented that the role of shopping as a tourist activity had been neglected. Moreover, Hobson (1996) concluded that more research needed to be done to reach a better understanding of the relationship between leisure shopping, retail development, and tourism. Several years later, the situation seemed not to have changed in this regard, and Hobson and Christiansen (2001) deplored the lack of a deeper understanding of the phenomenon of tourist shopping. For a long time, researchers have not realized that shopping is indeed motivated by travel (Swanson and Horridge, 2006) and that the 'tourism experience' is not a single entity but is comprised of 'micro-experiences', one of which is shopping (Westwood, 2006). Timothy (2005) seeks even more granularity by distinguishing two generically different perspectives: 'shopping tourism', where the reason for a trip is to shop, and 'tourism shopping' where shopping is only one among other activities.

In view of the sales figures mentioned earlier, it can be said that shopping is a component of the overall tourism revenue (Westwood, 2006), and deserves more attention. Depending on the study focus, the location, and the segment under investigation, the literature suggests that 10 - 20% of tourism-related expenditures can be attributed to shopping in the wider sense of the term.

While researchers have begun to understand the importance of shopping in the tourism context in very recent years (Swanson and Horridge, 2006), few have examined the most important product type bought: the souvenir (Timothy, 2005). Coles (2004) adds an additional dimension by deploring the absence of a qualitative approach to examining the shopping experience. And indeed, due to the lack of a thorough understanding of the souvenir buying process, tourism-related businesses have difficulty defining demand for souvenirs (Swanson, 2004).

Purpose of study

After an initial and superficial literature review, the preliminary findings suggest that the readily existing but highly dispersed elements of knowledge need to be inventoried, structured and consolidated to gain a sound understanding of the processes involved. Thus, this paper represents a very early step and it strives to set the grounds for future research to be carried out in the context of souvenir shopping in general, and souvenir buyers' perceptions about souvenirs in particular. As an initial step, the corpus delicti 'souvenir' must be understood and the many dimensions involved need to be sounded out. Based on these preliminary findings, the focus of future research in this domain can be set and a binding timeline can be defined.

Research method

At this early stage of the research project, it is necessary to carry out a thorough literature analysis, covering both typical academic input and articles from trade journals and various other sources. The findings presented in this paper reflect goals reached that are parts of a much wider framework of research efforts to improve the overall understanding of the phenomenon of souvenir buying.

The souvenir

Whether they are called mementos, keepsakes, relics, tokens, memorabilia, souvenirs or even commemorative merchandise, the objects under investigation represent something of sentimental value and serve as reminders of special moments or past events (MacCannell, 1999). A souvenir is also a way to hold on to a fleeting experience (Gordon, 1986). Other commentators have noted that few tourists come home after a vacation without something to show as proof that they really did make the journey (Graburn, 1989) (Gordon, 1986). The concrete form of this proof can indeed have many forms because the range of goods purchased by tourists is broadening (Timothy and Butler, 1995). The debate in this area centres on the definition of a good and a bad souvenir. While some contributors argue that bad products offer no social benefits for the community and have no economic value (Hunter and Suh, 2007), others define a good souvenir as one that communicates a sense of the place (Stoffle and Evans, 1990). Gordon (1986), in his foundational reflections, suggested a typology of souvenirs: pictorial image (postcards), piece-of-the-rock (seashells), symbolic shorthand (miniature Eiffel tower, often functional), markers (t-shirts with words that locate them to a specific place or time), local products (food and clothing).

The territory of knowledge in the areas of souvenir and souvenir buying is wide, obscure, and hard to structure as many aspects are cross-linked. This section of the text will, from a bird's-eye perspective, shed the first ray of light on the great number of dimensions involved in this often pejoratively treated issue. Most of the statements are to be understood as assumptions which, if relevant, will be exposed to scrutiny at a later stage in the ongoing research project. The deliberations will follow the mind map depicted in figure 1 for easy reference.

A good number of stakeholders can be identified in the souvenir business. First to be named are the buyers who, in many cases, can alternatively be called tourists or travellers. However, travelling is not always involved to the same extent and consequently buyers of souvenirs in the context of activities or attractions cannot be called tourists in the proper sense of the term. It is assumed that souvenir buyers attribute, wittingly or unwittingly, specific functions to their souvenirs. The object is seen as a token of remembrance, as a proof that someone has visited a place, or as a gift for oneself or others. To some it may represent a part of this dream world which can, by means of the souvenir, be taken home, at least in a literal sense. Or it is considered as an important addition to an ever growing collection. According to Robert Southey, cited in Rodgers (1975), "There is, perhaps, no country in which the passion for collecting rarities is so prevalent as in England". Often described as kitsch by scholars and critics alike (Margolin and Carroll, 2002), the souvenir has its very own museum. In Chicago, the Museum of Corntemporary Art showcases 400 objects from around the world. Margolin and Carroll (2002) make a decisive point: "Whether or not we appreciate corntemporary art, it makes us more conscious of how the full range of human values is embedded in material culture".

Different buyers devote different fractions of their travel expenses to buying souvenirs. This fact can most probably be explained by cultural differences in the value perception of the act of bringing souvenirs back home. The most intriguing questions on this side of the spectrum concern the perceptions of buyers towards souvenirs. What kinds of souvenir do tourists buy? What is the meaning of the object to them? Why is the object worth the price?

The second major stakeholder in the souvenir business is the producer of the souvenir. The present market situation suggests that many of these production companies are actually located in the Far East, producing souvenirs for an impressive number of destinations. At a later stage it will be necessary to examine what exactly the effects on people's perceptions are of 'genuine' souvenirs sold with an inscription on the bottom which says 'Made in China'. It can be assumed that producers carry on their trade firstly to generate revenue and secondly, in some cases at least, to preserve typical crafts or to prevent myths and legends from disappearing.

With a typical value chain in mind, the next stakeholder can be identified, namely the retailer. Once again, it can be assumed that the primary goal of business activity is revenue generation.

Depending on the location of the retailer, selling souvenirs could also be seen as a valuable additional means of amplifying the tourist's experience of the place (Westwood, 2006).

The next stakeholder can be considered as very typical in the tourism arena. Under the umbrella term of 'image developers' one can accommodate all the bodies involved in the effort of building, strengthening and developing the image or brand of a destination, for example the local director of tourism, trade associations, the country's tourism organization, etc. The exact role of the souvenir in this setting has not been documented so far. It is assumed, however, that the souvenir plays a central role in the long term brand-building process and, consequently, in the generation of repeat guests.

A new class of stakeholders has appeared only recently in the context of souvenirs. Animal protection activists fightfor the enforcement of local and international laws against export and import of endangered species or parts thereof. Sadly, the world has seen numerous examples of ruthless infringements of these laws by tourists carrying home hunting trophies or ivory objects. Other such organisations strive to halt the trade in precious woods and other materials used for souvenir production.

The actual point of sale represents yet another dimension of the souvenir arena. Typically, souvenirs are sold on site, for example at tourist destinations, festivals or commemoration ceremonies. It is assumed that this peculiarity plays a major role in building up the perceived value of a souvenir. Nowadays, additional distribution channels lend themselves particularly well to the circulation of souvenirs. The internet shop has become an important source for souvenirs that should not be underestimated. Its appearance seriously challenges the fundamental understanding of a souvenir function, namely the one that is traditionally associated with the souvenir: travel. Using an internet shop to buy souvenirs does not require the buyer to have visited and experienced a place and consequently the commemorative function is lost. Surprisingly, even popular internet auction places such as ebay or ricardo have a small selection of unique souvenirs for sale.

An interesting aspect to investigate in the context of souvenirs is the issue of occasions at which a souvenir is made available or bought. The classic case is probably the setting of a holiday venue, which offers numerous opportunities to buy souvenirs, for example at the destination, in the hotel, in a restaurant or in close connection with an entertainment activity. Another class of occasions for buying souvenirs is 'activities' in the broader sense: leisure services (fun parks), festivals, sports events and concerts are just a few examples. Attractions can also be the triggering context for a souvenir business, for example anniversary celebrations or exhibitions. More recently, new industries have adopted the word 'souvenir' to label their products, thereby conveying sentimental value as a sales tool. Special record or book collections called 'souvenir editions' exemplify this case.

Souvenirs can also be analysed on the basis of their characteristics. The meaning of the object is one aspect of particular interest to the researcher, and its physical appearance is the other. Regarding meaning , it is suggested that souvenir objects should be sub-grouped into five different categories, based on Gordon's (1986) proposal of souvenir typology. The first category is called 'symbolic shorthand' and this contains models of monuments such as mini Eiffel towers or artworks such as duplicated Mona Lisa paintings. The next category is labelled 'piece-of-the-rock' and it includes items such as stones, shells, sand and flowers. The third category, 'pictorial image', covers all postcards and other more contemporary formats of image capturing (digicam, photos sent via mobile phones).

Category number four, 'markers', contains t-shirts, caps, ashtrays, mugs or lighters, each with its own specific souvenir message.

The final category, 'local products', includes locally produced foods and clothing as well as ethnic representations, handicraft and artwork, often produced manually with very basic equipment. An excellent and subtle description of this is given by Andrews (1980) in her book about the history of China souvenir ware. Physical characteristics can, in turn, be subdivided into material (tangible or digital) on the one hand, and shape and colour on the other.

This analysis cannot be concluded without mentioning the last dimension of the souvenir arena: value. A souvenir is arguably predestined to demonstrate that various levels of value perceptions exist and that all evaluation comes back to the eye of the beholder. As a matter of fact, there is sentimental and emotional value involved in a souvenir. Can it be measured? Hardly. The cultural value is likely to be a function of scarcity and uniqueness of the object and judging its cultural value implies a thorough understanding of the cultural context and its deeper meanings. It is assumed that the material value of a souvenir is very low in comparison to its emotional value in the eye of the beholder. One can even go further and argue that the face value of the souvenir is close to irrelevant because the object is not bought for its equivalent in material costs (clay, plastic, plywood, aluminium) but almost only for its emotional value. What is the value of the shell collected on the beach of that dream resort?

Knowledge gaps

The contribution of this paper lies perhaps as much in the questions it raises as in those it answers. Indeed, this initial and superficial literature review focusing on the phenomenon of souvenirs and souvenir shopping raises a series of questions which will all need to be addressed exhaustively in order to gain a deeper understanding of the matter. Examples of such questions are: What are the meanings that are ascribed to the souvenirs by their owners? How important is the material value of the souvenir? What is the maximum fair price that can be charged for a souvenir? Is authenticity an issue when selecting the souvenir? What are the selection criteria in the souvenir buying process?

Conclusion

The body of knowledge in the area of souvenir buying available today is highly fragmented and poorly structured. This research therefore makes the first step in the quest to systematize and categorize existing knowledge in order to give future research a reliable foundation on which to build further progress. As a first step, it is suggested that the works under consideration should be categorized according to the various stages of the consumer decision process as per the EBM model by Blackwell at al. (2006). By doing this, it will be possible to evaluate which cycles of the process have been considered (and to what extent) and which ones have been omitted. The result of this structural study is expected to shed the first light on the need to investigate certain areas further and to clearly identify them.

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DRUG-STORE CUSTOMER RELATIONSHIP MARKETING

KAPUSTINA LARISA M.
FACULTY MANAGEMENT AND INTERNATIONAL ECONOMIC RELATIONS, URAL STATE ECONOMIC UNIVERSITY, RUSSIA

Abstract

The paper deals with the distinctive features in application of relationship marketing at the pharmacy market. Main attention is devoted to retail market segment – drug-store marketing and communication relationships between chemists and consumers.

The research purpose is a development of the marketing plan and the loyalty program to create, deepen, extend and prolong mutually valued relationships between a drug-store and an individual customer using an interrogation approach and segmentation according to different models of consumer behavior and level of customer satisfaction.

The main research results are:

1. Distinctive features of the pharmacy market and consumers behavior of pharmacy goods buyers in comparison with other service markets were figured out.

2. Traditional, new theoretical concepts and practical techniques suitable for pharmacy marketing were analyzed and applied to drug-store marketing providing personalized service quality and selling relatively high-value products to consumers.

3. The questionnaire was collaborated to define the determinants of consumer choice and the importance of good long-term relations for the drug-store clients, to categorize customers according to their financial and social value using a segmentation approach.

4. The drug-store marketing plan was offered in the traditional four P's of the marketing mix and included product management, pricing, placement and promotion. But it was too limited to provide a usable framework for assessing relationship marketing and added by loyalty program giving promotional incentives and customer care techniques for frequent purchases and improving relationships with current customers.

5. Regression model was applied to investigate an influence of customer purchasing power on pharmacy goods demand.

The key conclusions are:

The pharmacy market volume in Russian Federation is increasing faster than in other countries of the world as the result of aggravating ecological and demographical situation on one hand and desire of many customers to keep youth and beauty on the other hand. Pharmacy goods meet physiology needs and wants of consumers to keep their image according to Masloy pyramid levels.

Main distinctive features of pharmacy market are related to the chemists and physicians, who recommend definite medicines to consumers and create demand on pharmacy goods in a drug-store. Demand on the majority of drugs is inelastic. Consumers are forced to buy medicine if they want to feel better and to be healthy. Pharmacy marketing takes into account both social and economic efficiency and is under strong state control and regulation. The most suitable and profitable pharmacy marketing concepts are customer relationship marketing and trade-marketing, including merchandising, benchmarking and promotion.

Field marketing research confirmed the importance of the following determinants of consumer choice: a comfortable location of a drug-store, a wide range of products, service quality, self-serving format of a drug-store and reasonable prices.

Regression analysis reviled a weak dependence between demand on medicines and purchasing power of customers in Russia.

There are five segments of customers at the retail pharmacy market. Two of them with 20 percent share in number of clients provide 80 percent of the drug-store sale volume according to Pareto proportion.

The proposed program of loyalty and special relations to different customer segments afforded to arrange the long-term, strategic and mutually advantageous cooperation of sellers and buyers of pharmacy goods.

The key words are segmentation, relationship marketing, loyalty program.

Introduction

Pharmaceutical business can be regarded as a rapidly developing economic branch which may he explained by life longevity growth the population number, ecologic environment worsening and increasing demands in diseases curing and prevention. Along with this competitiveness burdening; an increasing number of merges and firms take-over processes at the new millennium market make marketing the most important competitive advantage for pharmaceutical businesses. A high social significance and non-typical character of drugs being one of the consumer goods markets predetermine the need to theoretically substantiate the essence of pharmacy marketing, require to analyze its characteristics consider current concepts used in pharmaceutical business participants practice.

Russian pharmacy market is developing at rates twice exceeding the average world index -14-16% annually. But its capacity globally speaking is not so high – $ 7 bln. Russia sells only 1% of drugs world sales volume. Per capita consumption of drugs in Russian is dozens times less then that in the world developed countries which is explained by non-sufficient creditworthiness of the population, health-care system organization weaknesses resulting in the fact that the population pays mainly for the drags; partially this may be accounted for a Russian consumer mentality and psychology.

Retail sector of the market plays an important role in promotion pharmacy goods to the final consumers: about 80% of drugs sales is done through the drug-stores. We can figure out some new trends in pharmaceutical business – consolidation of drug-store network, turning to the new models of sales organization with due account of foreign experience, growth of private and self-service drug-stores, applying of various marketing technologies aimed at sales volume raise. All the mentioned above explains the necessity of the research made by the author.

Pharmacy market characteristics and marketing concept in a drug-store

Having intermediate consumers is one of pharmacy market peculiarities. Medical workers lacking the purchasing power are not direct consumers of drugs but they act as the most important subjects of the pharmacy market. They are forming the demand for drugs and medicines. The following subjects are functioning at the Russian pharmacy market: 37000 drug-stores (retail sale) 22000 pharmacies, 21400 policlinics, 10300 hospitals, 1300 distributers, 520 foreign and 350 Russian manufacturers.

Researches made by the author enable to identity some specific features of pharmaceutical goods and market affecting their marketing:

1. Pharmacy goods meet the population demand in deceases curing and prevention, health improving and the person's attractiveness. All this corresponds to several levels of A. Maslow's hierarchy of needs: physiological needs, self-respect and self-realization.

2. Pharmacy market being the consumer and service market at the same time, possesses all its characteristics.

3. Pharmacy market is a situational one, because people regard buying drugs as non-desirable actions.

4. Priceformation process at the pharmacy market is considered by the consumers to be aggressive and high in terms of prices. Simultaneously the importance of feeling well and healthy makes the demand for the bulk of medicines non-elastic in terms of prices.

5. The main specific feature of the pharmacy market is dealt with having “intermediate” consumers – medical workers prescribing drugs and forming their demand.

6. Pharmacy goods are of a high social significance and their market combines social justice and economic efficiency though a strong state regulation and control. The state pays for a part of the population expenditures.

7. The state regulation implies the development of laws stipulating drugs circulation system, licensing process, the order of access to pharmacy activity, regulation of export and import of pharmaceutical goods, volumes standardization, the quality of rendering pharmacy help, the development of registration and certification of medicines, taxation, price regulation.

8. Pharmacy goods possess high research capacity and life-cycle length and their manufacture is characterized by a considerable profitability. But to enter the market it is necessary to overcome serious barriers: enormous costs on R&D, administrative difficulties, etc.

9. The capacity of pharmacy market depends on the population growth and the consumers’ incomes, the demographic structure, diseases character, environment, medicine development.

10. Tendencies, health-care organization in the country and the region.

Succeeding of pharmacy companies directly depended upon new brands issuing, unique medicines, R&D costs. Marketing in these conditions played an auxiliary role in the firm sales increase. At the end of 20th century the situation has changed when marketing became demanded while business activity in the industry has fallen, competitiveness became more tough; all this caused merges and take-over processes, exhausting the reserves of traditional business enlargement.

Marketing is the only function where it is still possible to raise sales efficiency by new technologies introduction. That is why at the start of the 21st century marketing costs of transnational pharmacy firm exceeded those of R&D once – 39 % and 17 % respectively in the production prime cost terms.

The main factors affecting the demand & consumption formation presently are as follows:

1. Macroeconomic situation in the country. In the conditions of stable development and low inflation the demand on highly – efficient expensive drugs in growing, medical and pharmaceutical sciences are developing, new diagnostics & healing methods are implemented, a network of drug-stores & curing institutions is expanding.

2. The population growth and raising of welfare. While population incomes increases the demand on preventive drugs and high-quality medicines is rising.

3. Elderly people contingent with a higher sick rate is growing.

4. Ecology environment aggravation. Results in increasing the demand in new pharmaceuticals assigned to strengthen people’s immune protection.

5. Advertising; general culture improving and medical literacy perfecting.

6. The doctor’s recommendation. According to opinion polls doctor’s recommendation account 46% of principal factors determining drugs choice, whereas 30% of them imply people’s own experience.

B.R. James (2005) defines pharmaceutical marketing capaciously as “a means of consumer needs meeting in pharmacy goods to get a profit”.

Pharmacy firms execute the main function – population medicine provision. In the transition period drug-stores faced such phenomena as competition, survival, financial stability ensuring, consumer attraction, marketing, merchandising, branding, positioning.

The most difficult matter in marketing pharmacy organization is to survey market environment and to conduct marketing researches of consumers and goods. One of the ways to enlarge retail sales is the development of individual trade-marketing programs and loyalty programs within customer relationship marketing. Trade-marketing is the functioning of all trade participants aimed at goods promotion from a producer to final consumers by the most beneficial way for all the participants of commodity movement. Trade-marketing also implies merchandising, stock management and staff training.

Customer relationship marketing (CR Marketing) may be useful and appropriate for market researchers while establishing communicative interactions with the individuals. Customers are striving at long-term cooperation with the firm. The matter is that it's necessary to define different ways of such a cooperation between customers and suppliers and to create jointly strategic values which would be beneficial for both. That means that pharmacy firms should shift their sales orientation to long-term relationships with the consumers. At an early stage it's important to determine constant clients for shaping their relationships.

Each client is unique to the pharmacist. A separate consumer is involved to each stage of pharmacy business, designing process including for goods and services whose sales volume is real. The pharmacy employees should know more about its shoppers to be able to supply them drugs when the latter would buy them.

Marketing research in CR Marketing is targeted to the formation of data base concerning the pharmacy customers and their preferences. This base should be collected, stored and surveyed. Mail, telephone, e-mail message may inform customers, remind them of the need to come to a drug-store, affect preferences and interests defected by means of their consumer behavior. An individual communication process is being organized during the customer socializing with the pharmacy employee on his needs and preferences meeting, his further intention to make purchases exactly in this pharmacy. The pharmacist has to calm buyers provided they are not satisfied, he has to bring them positive emotions, to anticipate problems which may occur; in this case the circle of loyal buyers and those wishing to be served will absolutely expand. The customers wish to take part in decisions making concerning pharmaceutical products they are receiving and the price they would be ready to afford.

The term Customer Relationship Marketing designates not only the information system having the functions of relationships management with customers, but the customer-oriented strategy. The essence of this strategy is to combine all the information resources of the customers and sales, comments on marketing arrangement, market trends in more close relationships shaping.

So CR Marketing in a drug-store presents a continuous process of determining and having long-term relationships with individuals, joint benefits resulting from the partnership. CR Marketing sprang from traditional marketing, but differs in operative response to concrete customers wants through the better service of the drug-stores clients. CR Marketing is attempting to create a new value for a purchaser and then to distribute it between a provider and a consumer. A key role of individual clients as buyers and as evaluators of a service or a commodity is being recognized. A pharmacy is improving its business-process, communications, technologies and the personnel training to secure the value for the consumer. The constant client's value is higher than that of individual customers or businesses.

Marketing is becoming more aggressive and virtual, more expensive and strategic. At the end of 20th century competitive advantages were based on a massive applying of information technologies. Those who mastered automated projecting, electronic credentials, etc. became leaders. At the set of the 21st century the idea that the competitive advantage must be based on "emotional satisfaction and sincerity of the clients" became widespread among the scientists of the developed countries. A leader is presupposed to become the person who will be the best warm-hearted soul, who will create and maintain the client's psychological comfort. This principle is especially urgent for pharmacy marketing.

We may conclude that applying of marketing technologies in partner relationships and sales marketing tools such as merchandising, benchmarking and promotion in purchases will facilitate the sales increase at the chemist's shop.

Researches of a drug-store customer behaviour (Russia)

There were two goals of the author's marketing research of the drug-store buyer:

1. to examine consumer behaviour, consumer selection factors while buying pharmaceutical products and to make a portrait of the drug-store constant and loyal customer;

2. to clarity the buyers relation to pharmacy services quality and to assess the level of customers attending.

During field marketing research 1000 questionnaires were handed out among the drug-store clients. They filled them and 152 questionnaries were given back for the period of 3 weeks. 90,4 % respondents proved to refer themselves to loyal clients. So, primarily constant and loyal customers have been polled.

The pharmacy is functioning in the conditions of tough competitiveness. Yekaterinburg pharmacy market may be considered rather saturated. Sale there are organized on self-service principles. All the goods excluding expensive and sold being prescribed are available which motivated impulse purchases, promotes to expand the range of goods selling parapharmaceuticals and cosmetics. 3300 items comprise the pharmacy range. A monthly sales volume is many times higher than the industry average index that to a considerable extend is explained by the central location of the drug-store.

In the conditions of severe competitiveness from local and Moscow pharmacy network our drug-store needs a marketing strategy which would make it possible to build up stable competitive advantages and to expand its clientele. To do this it is necessary to identify consumer choice and advantages factors at the corresponding market which in its turn requires market segmentation and the analysis of the customers.

Social-demographic specific of selective aggregate

According to the results of questionnaries analysis we may state that the majority of the polled are working (80,8% respondents); pensioners account 11,5%, students – 3,9%, the rest – the army officer, internal affair ministry employees of the state and municipal enterprises.

Age structure of the buyers is diversified, however, those aged, from 25 to 40 prevail (55,8% of those polled). The age structure of constant buyers as a whole is positive (65% of them are younger than 40 years); the half of the customers position themselves as having rather high incomes. Such a social-demographic structure enables to forecast a stable demand on pharmacy services provided establishing long-range relationships and offering new complementary services, keeping competitive advantages.

Segmentation of the drug-store buyers

The author applied consumer segmentation approach taking account of 3 indicators – age, income level and an average monthly pharmacy purchases cost. Taking into consideration that “Slaviya” is a self-service drug-store, having a great deal of parapharmaceutical goods it would be reasonable to bear in mind while segmenting the demand specifics and an amount of costs for purchasing all the goods offered. 3 principles segmentation viewed as a poly-dementional scaling made it possible to identify 5 segments of consumers.

The first segment – “innovators”, strict consumers, young people (age before 30 years) with high incomes, positively intended, caring of their health, appearance, image, attractiveness, firstly responding to the advertising biologically active additives, unprescribed preventive medicines, inclined to spontaneous, impulsive purchases. Consumers with a high level of creditability are oriented to rather expensive goods; they try not to economize their health and consider pharmacy goods prices to be more or less proportional to their quality. This category customers acquire primarily expensive, premium-class, high-qualified parapharmaceutical goods, securing wholesome life mode, preventive treatment during epidemics. This most attractive and profitable segment totals 10% of the loyal clientele. They are scarcely sensitive to the price; they mostly appreciate range of goods, service level, proficiency and benevolence of the chemist, preparations quality and case of their use.

The second segment – buyers acutely requiring pharmacy assistance, seriously suffering from significant diseases, constantly demanding vitally needed medicines irrespective of their incomes. Primarily this segment is presented by elder people over 55 years of age with different incomes.

Buying potent, effective ready-made medicines to treat complex chronic illnesses and those caused by the body ageing is a matter of life prolongation and a priority item of expenditures for them. 10% of loyal clients are referred to the second segment of buyers.

The third segment – traditional and stable consumers differently aged, but possessing middle-size incomes and middle-size expenditures to purchase pharmacy goods. This segment is the most numerous in terms of consumers of pharmacies. It comprises over 37% of those polled. The buyers younger 35 years are oriented to acquire medicines, biologically active additives, vitamins, preventives, infant goods, personal hygiene means, cosmetics not regularly but in case of need at a middle price. People over 40 years of age primarily buy inexpensive ready-made preparations to heal simple chronic or chills and quite seldom pretend to purchase parapharmaceutics. Advertising matters about nothing for them. They follow doctor's or chemist's recommendation.

The fourth segment – thrifty buyers with a low level of incomes, aged over 30 years. While choosing pharmaceuticals they draw their attention rather at the price; service quality is not so important for them. Poor people buy medicines at low and moderate prices exclusively, choosing mainly home-made preparation, asking chemists to find cheaper analogues. Cosmetics and hygiene means are too expensive for them, that's why they don't buy them. These clients rank second – more than 25% of respondents. Hence, polling results confirmed the idea, that mostly Russians have low creditability in terms of pharmacy goods purchase. This exactly forces each fourth customer at the chemists to economize his money.

The fifth segment – conservative or healthy people. The consumers differently aged and with different incomes may constitute this segment. They lack any need or tradition and culture to apply medicines. There are two reasons of their low expenditures at the chemist's: 1) a person has no reason to apply pharmacies, he has no serious illnesses and asks for preparations when chilling, during epidemics, injuries, etc.; a person doesn't trust medicines and treatment effectiveness, ignores his health, doesn't go the doctor; in case of the disease he usually treats himself, preferring famous home-made medicine. Neglecting their own health, use of "popular" means to treat and a lack of traditions to be healthy explain the consumers' low expenditures at the chemist's. This segment buyers feel no confidence to new and advertised preparation. This segment proved to be quite numerous; it ranks third – 18% of all the respondents.

So, segmentation made by in according to 3 attributes proved the Pareto Principle: first two consumers segments accounting 20% of the pharmacy buyers and providing "Slaviya's" largest sales and incomes may be called "the target" segments. 71% of respondents put forward quality factor as the most significant. The second factor is occupied by the medicine price, that shows a low purchasing power of many consumers and their high price sensity. 19% of those polled consider a price factor to be of the supreme significance. It should be noted that 21% of constant customers called the brand the most important factor. They take into account the trade-mark and the name popularity, recognition and fame. This factor ranks third in the rating.

The country-producer of the pharmacy goods also matters, but only 6% of the chemist's consumers rank this factor first in the rating of importance. But observations testify that a customer rests on the fact that if he is ill, foreign imported preparation will help faster and better. We may state that imported medicines magnacy is gradually declining but nevertheless they are traditionally considered to be more effective and qualified. Foreign manufactures advertising campaigns are more intensive and massive than that our pharmaceutical plants.

When choosing a medicine the doctor's consulting plays a decisive role – 76,9%, the pharmacist advice makes 63,5%, relatives, acquaintances advice – 21,2%. Personal experience of the customer is of the priority meaning as well the recommendations of everybody whom he trusts – the chemists and pharmacists at the drug-store, relatives and friends, advertisements and PR-happenings. Commercials were given as the factor of medicine choice by 17,3% of those polled, and 13,5% mentioned advertisements, discounts and promotion activities. Though, pharmaceuticals advertising notably impacts consumer behaviour. The half of all the respondents pointed the publicity to be of great importance for them, 17,3% of those polled consider the publicity to be very important while choosing medicines without any prescription. Along with this the quarter of consumers response rather weak to the advertisement; 28,9% of the customers marked they don't pay any attention to them.

We concluded analyzing polling results, that the bulk of consumers quite considerably rate the use of medicines, especially of ready-made ones; they go to the doctors and drug-stores quite regularly, preferring self-service ones to in-patient. They follow doctor's orders and if they don't have prescriptions they will listen to the chemist, acquaintance and the ad.

Researches of consumer relation to the service at the chemist's

Respondents were suggested to assess most important factors of the drug-store attractiveness. They rated them in the following way: convenient location – 40,4%, broad assortment – 17,3%, available prices – 21,1%, attention of the drug-store employees – 13,5%, besides, self-service system and consulting facilities have been mentioned.

100% of the polled consider that the pharmacy employees answer the customers' questions in details and willingly, it shows the drug-store competitive advantage (politeness and attending to customers). One of questionnaire cites "all the chemists answer the questions professionally and warmly". This factor according to the researches, very much matters for constant customers circle formation. An average assessment mark for service quality at the pharmacy made 4,6. Nobody of those polled put "satisfactory". Everybody appreciated proficiency, quality of the chemists' work very high: 61,5% of respondents put "excellent", 38,5% - "good".

One of the questionnaires mentioned an additional factor of the attractiveness of the chemist's "Slaviya" for the customers – whether they can bring a pram into the chemist's. Besides that it was mentioned that the chemist's has a wide range of such products as the nutrition for babies and child care products, including nappies (1.5% of the profit), haemotogen (0.6 % of the profit), cotton wool and cream for children, nutrition bottles and others.

The questions that the consultants and the pharmacists are asked more often deal with the dosage and administration of the medicine (61.5% of the respondents), the price (48.1), analogues (36.5), pharmacological action (31,8 %). The customers are also interested in the contraindications and adverse reactions – 26.9% and 25% respectively.

The customers pay much attention to the following: the location of the chemist's, the availability of prices, the quality of service and the opportunity to get a specialist advice. The respect and the attention are quite important for the loyal customers. The growth of the customers competence in the issues concerning health and the growth of the requirements to the medicines and the information can be mentioned.

Thus the customers choose the chemist's "Slaviya" because the personnel is polite and competent. Due to the self-service system and an open display of goods the chemist's can provide a wide range of medicines, biologically active additions, cosmetics, hygienic products and quick service.

The chemist's is located in the central street of a big city in a densely populated district where there are a lot of offices. It is located at some distance from the competitors. The following pharmacies are visited by the respondents: "Chudo-doctor", "Atoll-farm", "Akademicheskaya", "Zdravnik", "Diolla", "Avicenna". The poll showed that the main competitors of the chemist's "Slaviya" are "Zdravnic" and "Chudo-doctor". The chemist,s "Zdravnic" is located in front of "Slaviya", it exists for more than 10 years, works 24 hours but it is of a higher status and the prices are higher.

Due to an increase in the number of pharmacies and the inelastic medicine demand the customers become less sensitive to prices and when the situation is urgent prefer to visit the pharmacies that are located next to the office or the place they live. The customers do not use the pharmacies telephone information service regularly, though 42% of the customers do address the information service. Information service is used when the necessary medicine is not on sale in the nearest pharmacy and you need to look for the pharmacy where it is available.

Table 1: The importance of the factors of the consumer choice for the segments of the customers

Innovators (10%)	In need of (10 %)	Stable (37%)	Economical (25%)	Conservative (18%)
The quality and the effectiveness of the medicine				
The most important	The decisive importance	The average importance	The importance below average	The average importance
The available prices				
The less important	The importance below average	The average importance	The decisive importance	Important
The quality of the service, the attentive attitude of the pharmaceutical chemist				
The most important	The decisive importance	The most important	The average importance	The average importance
The range of products				
The most important	The least important	The average importance	The importance below average	The importance below average
The convenience of the location				
The decisive importance	The average importance	Important	The average importance	The average importance
Advertising				
The most important	The least important	The average importance	The importance below average	The least important

Most of the respondents would like to be able to place an order for the medicine when it is not on sale, to get a pharmacist advice over the telephone, to get the information concerning the range and the prices for the medicines, to use the service of home delivery. With an increase in the level of medical and pharmaceutical competence of the population and with the growth and the concentration of the pharmacies segment of the market the factors that do not relate to price will become the most important. These factors are not the most expensive and leave some possibilities for variations. Table 1 presents the evaluation of the attractiveness of the consumer segments.

According to the conducted research, the attitude of “Slavia” customers to the job of pharmacists is positive. Thanks to the education and professional experience of pharmacists common people trust their health to these professionals. More over, customers highly appreciate the pharmacists’ knowledge and welcome the development of services presented by the pharmacies.

The influence the purchasing power of the population over the volume of consumption of the pharmaceutical products

To check the hypothesis of the population income and purchasing power influence over the demand for the pharmaceutical products we built a regression model in which the logarithm of the consumption of the medicines per capita C is the dependant variable and the logarithm of the purchasing power of the population (M) is the independent variable; e – is an error that results from the factors that were not taken into consideration in the model.

$$1n (C) = 1n (M) + e$$

The index of the purchasing power of the population is estimated by the Russian agency of Statistics as follows: the monetary profits of the population divided by the value of the fixed set of consumer goods and services. The information base for the estimates of the regression model is the data concerning 20 subjects of the Russian Federation published by the research company DSM group (Druq-Store Monitoring Group).

According to the regression results a 1% the increase of the purchasing power of the population of the Russian Federation results in a 0.75% increase of the consumption of the medicines per capita. With it the regression coefficient is statistically significant when the level of significance equals 5%. As Moscow has the highest level of medicine consumption per capita and surpasses other regions in the purchasing power of the population a regression for 19 Russian regions was also calculated. As a result the influence of the purchasing power of the population growth over the volume of the consumption of the pharmaceutical products decreased from 0.75 to 0.52%. It shows that the level of profits of the Russian population is low and does not let them satisfy the basic needs. It is proved by the calculated indicator of the coefficient of the correlation of the consumption of medicines to the profits of the consumers that is low. It amounts only to 30%.

Thus a significant influence of the factor of the increase in the population income over the volume of purchased pharmaceutical goods can be expected only when a certain crucial level of purchasing power is achieved. Nevertheless the regression analysis proved the conclusion about the significance of the growth of the income of consumers as a factor that increases the demand for the pharmaceutical goods. This conclusion was theoretically proved in the scientific literature. Nowadays the growth of the medical competence of the population, the cultivation of the culture of medicines and biologically active additions consumption, the advertising of the healthy way of life are becoming more and more important.

Marketing phases for different customer segments

The “Slavia” pharmacy can be positioned on Ekaterinburg market as a prestigious and self-service drugstore providing high quality of services. The pharmacy must satisfy the customers’ needs of five marked segments since the pharmacy is viewed as both a social institution providing pharmaceutical help to the population and commercial structure, aimed at getting a maximum profit. Due to this fact, the drugstore should possess a wide range of products with different price categories for prestigious, innovative and economical customers, but 80% of its profits are provided by the first two segments, which are considered as the major marketing efforts, using both the marketing strategies of partners’ relations and trade-marketing.

For catching such a segment as the innovators, it is very important to increase the service level, to implement extra services, to expand the assortment at the expense of newness, megabrands and widely advertised medicine. It is also urgent to use merchandise, discount plastic cards, advertisement for stimulating impulsive purchasing. It is recommended to list customers into e-mail base; to accomplish direct marketing, informing customers about new products with a help of telephone or e-mail links; to develop the system of prior medicine order, etc. It is important to widen constantly the list of offered services. Thus, it is necessary to sustain the highest professional levels of pharmacists, organizing training sessions as well as stimulating their polite and patient attitude to the customers.

The second segment are clients who desperately need certain medicines. It is desirable that they should be registered, included into the electronic database with the indication of the disease and with the list of the drugs they regularly buy in order to provide the drugs availability so that they can be purchased at the moment when the customer comes to the drugstore. This group of consumers needs special careful attention. They appreciate kind attitude and politeness of drugstore personnel more than other consumer segments, and they also have more demand for medical adviser services.

Table 2: Marketing strategies on the basis of marketing mix

Elements of marketing mix	Strategic trends of “Slavia” marketing activity
product	1. While forming the range of products, it is worth giving preference to the goods of well-known producers, constantly including new brands, which correspond to the tendencies of the global pharmaceutical market as well as to provide tough quality control and to increase the pharmaceutics' share. 2. To develop the assortment in accordance with the legislation and needs of the target customers – the innovators and the very needy. It is urgent to have medicine for the customers of all five segments. 3 In order to optimize the assortment policy, it is worth conducting regular: ABC –analysis (allocation of medicine among three groups according to their influence on the turnover), VEN – analysis, which enables to select medicine in accordance with their classification: V – very important, E – necessary, N – not very important; XYZ – analysis of demand elasticity for separate products. It is important to have a defecture notebook for tracking all product positions which are poplar, but are not presented in the pharmacy at the moment. It will enable to manage range of products and stockpiles more effectively. 4. To make out the possibility of : 1) opening a phitobar in the drugstore; 2) opening a department of non-medical products of natural origin: BAD from plant resources, different types of tea, souvenirs-talismans, CDs for musical theraphy, relaxation, etc.
price	1. To perform price positioning for different groups of products in accordance with their specific features as well as to vary them with a help of setting differential markup. Hence for vital medicines the prices are limited by the maximum markup of a producer. 2. For parapharmaceutical attendant products (e.g. personal hygiene goods), it is necessary to set markups at the average price segment by 5-10% higher than the prices for the other goods. 3. At the expensive price segment it is advisable to take into account the competitors' prices. But for the most expensive drugs, it is worth setting individual markup. 4. To perform the strategy of a lowering price for the medicine of vital necessity as well as for the treatment of social diseases, which refer to the price segment above the average one. 5. To form prices on the basis of ABC – analysis taking into consideration the profitability and circulation of pharmaceutical products.

place	1. The sales organization and customer service should be provided at high level in accordance with the principles of proper pharmacy practice GPP: pharmacy premises should deserve confidence to the pharmacists; it should be a quiet place for consulting clients; the methods of providing population with the medicine should reflect the professional responsibility of pharmacists as well as submit data concerning side effect of medicine. 2. To provide individual service to every customer taking into account his/her demands; to create the atmosphere, which stimulates a customer to buy a product. 3. To use merchandising and modern types of equipment for rational allocation of pharmaceutical goods in the drugstore. 4. To conduct individual consultations for the right usage of medicine, regime of dosage, recommended and non-recommended medicine, interrelation with other medicine, alcohol, food, БАД, restrictions, etc. 5. To offer extra services: finding out symptoms and diseases, recommendations for treatment, blood pressure measuring, the level of cholesterol, sugar in blood, pregnancy testing, etc. More over, it is necessary to deliver medicine at home, to consult people in terms of diet, skin caring, БАД, self-massage, smoking harm, etc. 6. To study possibilities of widening trade places by means of setting pharmacy branches. 7. To practice discounts for pensioners, at early hours for the Day of Adults and product sales.
promotion	1. Advertising campaign should include leaflets, sandwich dolls, personal selling, brand style, premises design. All these features should position the pharmacy as a prestigious individual drugstore with a high level of service and trust. 2. To participate in city campaigns for health propaganda; to conduct lectures in enterprises, at schools; to allocate corresponding posters, billboards, etc. 3. To realize consecutively the program of pharmacy loyalty.

Stable clients is the most numerous third group of drug-store visitors who orient themselves at moderate prices and come to buy proprietary medicines. However, they can react at advertisements of parapharmaceuticals in a moderate price range. They are sensitive to offers made by pharmacists and consultants if these offers are not beyond reasonable prices. If there is a choice, stable clients avoid buying both the cheapest and the most expensive medicines. They try to optimize their purchase by the proportion “price/quality”. Middle-income customers can move to drugstore competitors if a similar product costs less or if pharmacists from competing drugstores show more professionalism and politeness. So to keep this target consumer group benchmarking, efficient assortment and pricing policy directed at stimulating demand by way of discounts are needed.

Saving consumers is the forth and the most difficult category of customers characterized by high sensitivity to price, which makes it uneasy to consider them to be constant clients. The main strategy here becomes patient selection of drug analogues at low prices. The interest of the so-called “first-table” personnel, their willingness to help the client of the indicated segment to save money on buying medicines will let raise the client’s loyalty to the given drugstore.

Table 3: “Slaviya” drugstore clients loyalty programme

Purpose	Increasing the number of constant clients on the basis of creating the image of a prestigious professional drugstore with high level of service and careful attention to visitors needs
1.Arrangment of clear communications and honest cooperation with clients	-make clear, understandable and short explanations and recommendations on using medicines in order to make consumer choice easier for the client; -provide important information without concealing disadvantages, side effects, contraindications, not to defeat consumers expectancy. When the client believes, he buys. -use only open and honest advertisements, giving information about the work of the drugstore in reputable mass media; -carry out only high quality advertising campaigns.
2.Creating a unique drugstore “Slaviya” brand to be trusted	-To create the brand it is necessary to demonstrate the name of the drugstore constantly and brightly, to use an original memorizable symbol. The name “Slaviya” has no negative associations, it is well-memorized, it is non-standard, it appeals to consumers feelings, causes emotional reaction, differs from others. -focus the drugstore activity on the main point of the brand: careful attention to customers; -take care of the atmosphere, the design of the drugstore, the appearance of the personnel as consumers rely more on what they see;
3.Arrangement of careful service	-position the services of the drugstore not as cheap but as reliable, highly-professional, innovative, “the best” using visual elements. -personnel of the drugstore should demonstrate their clients that they sincerely care about their needs; -organize consultation days with doctors according to groups of diseases; -provide individual services, form a database about 20% of key clients, make up a plan of communicating with them, send letters to them, make phone calls to inform about new products or public events in the drugstore; -for keeping already existing clients and for attracting new clients by way of creating a cosy atmosphere the personnel should keep to the rule of 3 numbers (3, 24, 5): a pharmacist has only 3 seconds to produce a favourable impression, 24 hours to answer a client’s question, 5 days to send a letter of appreciation and acknowledgement of the client’s importance for the drugstore;
4. Material and emotional incentives	-employ pharmacists who are good listeners, who are polite, kind and modest; consumers appreciate those who care about them sincerely and professionals who are keen on their work, who are solid and certain;

Purpose	Increasing the number of constant clients on the basis of creating the image of a prestigious professional drugstore with high level of service and careful attention to visitors needs
5. Control over running the programme and measuring consumer attitude to the drugstore	-create an Internet page for dealing with consumers; -introduce a discount programme, an accumulating discount system from one per cent to several per cent to motivate clients with low income; -to offer a bonus programme for constant clients with high income who have reached the maximal discount, for example, prize lottery. -evaluate changes in the number of visitors, the average size of sales, consumer behavior at regular intervals; -twice a year conduct clients opinion polls about their attitude to the quality of the service in the drugstore

Conservative consumers - the fifth category of customers – need in especially tactical attitude as they should be accustomed to the thought that people should pay for their health. A special role here is played by the consultant as conservative clients reluctantly refuse from their views and preferences in consuming medicines. And at the same time they rarely consult a doctor. In this case the advice of the pharmacist in choosing a medicine becomes determining, which is why it is necessary to win trust of "conservative" customers so that they could be sure that in case they feel unwell they will receive the most efficient and the most disinterested aid in this very drugstore. For practically healthy people the drug-store may become a convenient place for buying toiletry, cosmetics, various tea blends and so on.

The drug-store loyalty programme is on table 3.

If the drugstore personnel aim at forming and steadily increasing the number of constant clients, they are required to have an honest attitude towards their visitors, strict observance of pharmaceutical ethics and high professionalism.

The advised activities have been worked out based on the study of marketing of partnership relations, the basics of which we consider to be most successfully stated in works by G.Beckwith, the founder and head of "Beckwith Partners" company which specializes in positioning, branding, communication strategies. Beckwith's idea that "A loyal consumer attitude today gives increase in sales tomorrow" is the ground for the clients' loyalty programme of "Slaviya" drugstore and provides for its positioning as of a prestigious professional self-service drugstore with high quality pharmaceutical services and attentive attitude to customer needs.

Thus, an efficient marketing activity can help every individual drugstore win the competition with a drugstore chain. And the main role in this process is given to relationship marketing technologies which let extend the number of constant clients and provide a high level of service based on careful and differentiated attitude to the needs of visitors with different income.

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POLITICAL MARKETING AND VOTING DECISION PROCESS

MURIS CICIC
SCHOOL OF ECONOMICS AND BUSINESS, UNIVERSITY OF SARAJEVO, BOSNIA AND HERZEGOVINA

MELIKA HUSIC
SCHOOL OF ECONOMICS AND BUSINESS, UNIVERSITY OF SARAJEVO, BOSNIA AND HERZEGOVINA

SELMA KADIC
SCHOOL OF ECONOMICS AND BUSINESS, UNIVERSITY OF SARAJEVO, BOSNIA AND HERZEGOVINA

Abstract

The main goal of this paper is to define focus and attributes of the political marketing in transitional environment, such as Bosnia and Herzegovina. One of the research aims was to get broader perspective of the perception of voters and possible impact of the political campaign on decision making process. Political marketing should change voters' attitudes through strategic planning and election campaigns.

Research based on GfK online methodology was conducted in September 2007 in Bosnia and Herzegovina between young population as defined by USAID. Total of 271 questionnaires were completed properly. Furthermore, authors conducted interviews with political leaders and marketing agencies.

Most of the previously defined hypotheses were accepted. Voters are informed about political activity, they do not show a lot of interest in political marketing, but at same time they show high interest in election results. Voters do not percept political marketing as strategically planed, and they think that political marketing is useless spending. In election process, voters do not go through decision making process step-by-step, and political campaign can not change their attitude. It is very common that the main motive for voting is national determination.

Political marketing has the same standards everywhere, and voters do behave like common consumers. Considering the volume of political advertising budget, this market should not be neglected anymore.

Keywords: Political marketing, perception, attitudes, decision making process

The concept and specificities of political marketing

Political marketing is defined as a "set of techniques" that bring politicians closer to voters at times of elections, help them differentiate between political options and help with optimizing the number of votes (Bongrand, 2006).

The most appropriate definition, especially for the area of BH, stipulates that political marketing, analogously to the economic sphere, is a set of analytical, planned, creative and controlled actions (methods and techniques) aimed at best possible positioning of the political subject given the competition of equal or similar ones, in micro, mezzo and mega proportions (Spahić, 2006); while elections are merely a public arena in which such actions are played out.

While, on the one hand, different companies that produce numerous varieties of goods and services appear on the market, communicating with the market in a planned fashion and not spontaneously, via their promotion mix, which makes up only a part of their marketing mix, political parties similarly find themselves at the market of voters, and they must communicate with them in a planned fashion, primarily via their marketing mix.

Table 1: Comparison between the elements of marketing mix in economy and politics

Elements of the marketing mix	Economy	Politics
Product	Material goods and services	Idea, program or person
Distribution	Wholesale, retail sale, direct sale	Local branches, town committees
Price	Sales price of products or services	Financing a party or election campaign
Promotion	Advertising or sales promotion	Political promotion, political meetings or a politician

Source: Milaradović, 2006

A campaign is any planned, coordinated program aimed at achieving target results. Political campaign is the most sophisticated activity of the political subject, which has a clearly defined strategy, a desired goal, precisely defined tactical measures leading to that goal, a clear plan, program and overview of the most important issues and topics, with precisely defined timelines and launching time and the strategy for identification and segmenting of the electorate, including specially defined activities implemented on the day of elections (Arnautović, 2001).

The essence of modern approach to political marketing is the proactive approach to media, who, together with the voters, should be the primary target group for politicians. In connection to political PR, the concept of "spin doctor" is very interesting, which appeared in 1984 in America for the first time, during the Reagan-Mondale presidential campaign. In an article entitled "Debate and Spin Doctors", the New York Times wrote: "After the Reagan-Mondale debate ended tonight, dozens of men in fancy suits and women in silk dresses will circulate the press centre and offer credible information to the journalists. These are not people responsible for media relations. They are spin doctors." (New York Times, 1984). Spin-doctor is a person responsible for shaping a favorable public perception about politicians or a political party, by skilful manipulation of mass media. This person is the politician's personal advisor, and often a reliable friend.

Historical overview of political marketing

The development of political marketing as a separate discipline began in the United States and Great Britain. However, the explicit use of techniques that might be characterized as marketing in politics dates back as far as 1920 the least, in Great Britain (Wring, 1994). On the other hand, the first TV ad appeared in 1952 in the United States, during the presidential race between general Dwight D. Eisenhower and Adlai Stevenson.

However, after the Saatchi-Saatchi posters from 1979 – "Labor isn't working" appeared in Great Britain, the use of political posters became a common practice. Many marketers started believing it is possible to transfer their concepts and tools directly into the political arena (Lock and Harris, 1996). Visual presentation of political parties became a very important aspect. Logotypes were designed to correspond with the image of the party.

The 1997 parliamentary elections confirmed that the situation in Great Britain is identical to that in all western democracies, i.e. that the presence of candidates and issues in the media affects the voters' behavior much more than traditional associations with a certain party (Sturm, 1999). In the new media world the election victory is far more related to the image and presentation of the party, rather than facts, numbers, past, international comparisons or detailed elaborations of future policies. Modern political parties adapt to the environment in which media have the leading role, and in which traditional parties cannot survive because they see media as a secondary target group. In such an environment, the approach to the electorate is based on discovering new media, transmitters of messages, an approach through the media, through presentation (display), personality and the impression that a political leader leaves on the general public (Sparrow and Turner, 2001).

A good example of a successful media-based political campaign was Bill Clinton's campaign for the 1992 presidential elections. Clinton was the first great marketer. (Sparrow and Turner, 2001).

Today, political campaigns are increasingly being moved to Internet, with a view to reducing costs and avoiding payment of expensive television broadcasting time. Politicians are trying to occupy voters' attention with shocking and innovative means, and one example to illustrate this is Hilary Clinton, who "jumped" into the role of the favorite television mafioso Tony Soprano, while her husband, the former president, played the role of Soprano's wife (Dnevni avaz, June 2007). On the other hand, political campaigns around the world are resorting to simplicity and minimalism, in an attempt to bring politicians closer to "ordinary" people.

Political marketing in Bosnia and Herzegovina and the region

It is a familiar fact that the Irish political consultant and an expert for public relations PJ Mara has been the advisor of Croatia's Prime Minister Ivo Sanader for the last four years. His approach is to focus on personalities, keeping the party leader in the main focus and taking maximum advantage of that person's individual charisma. On the other side, as of 2007 the opposition has also hired an acknowledged expert for political campaigns, British citizen David Evans. Evans successfully supervised the British Labor Party's election campaign, and in 2001 he established his own company, specialized in communications and political marketing (Southeast European Times, 2007).

Political marketing has been used in Bosnia and Herzegovina since 1991. Marketing in BH politics is developing gradually, together with development of BH democracy. What is evident from past pre-election political campaigns in BH is the prevailing symbolism, the purpose of which is to affect the emotions of voters. Political parties in BH today are starting to pay more attention to marketing, slowly and shyly they are establishing special departments for marketing and hiring marketing experts, but these activities are still insufficient, unprofessional and sporadic.

Methodology

The research based on the Halmi (2006), surveys conducted at the University of Zagreb (2000) and Kohut (2004), determines whether political marketing, as a promotion tool in BH, affects voters and the decisions they make.

According to previous Omnibus research, approximately 33% of households across the country own a computer, while the percentage is slightly higher in the Federation BH (38%) than in Republika Srpska (24%) (GfK, 2007). Valicon agency reviled that penetration of Internet is relatively high young people between 18 and 35 years of age who live in urban areas, amounting to 39% at the territory of entire BH (Valicon, 2006). Therefore, information obtained by online research into the perception of voters under 34 years of age who live in urban areas may be relevant for this research. Therefore, our survey was conducted using the anonymous online questionnaire, in September 2007.

Hypotheses determined for the purpose of this paper are as follows:

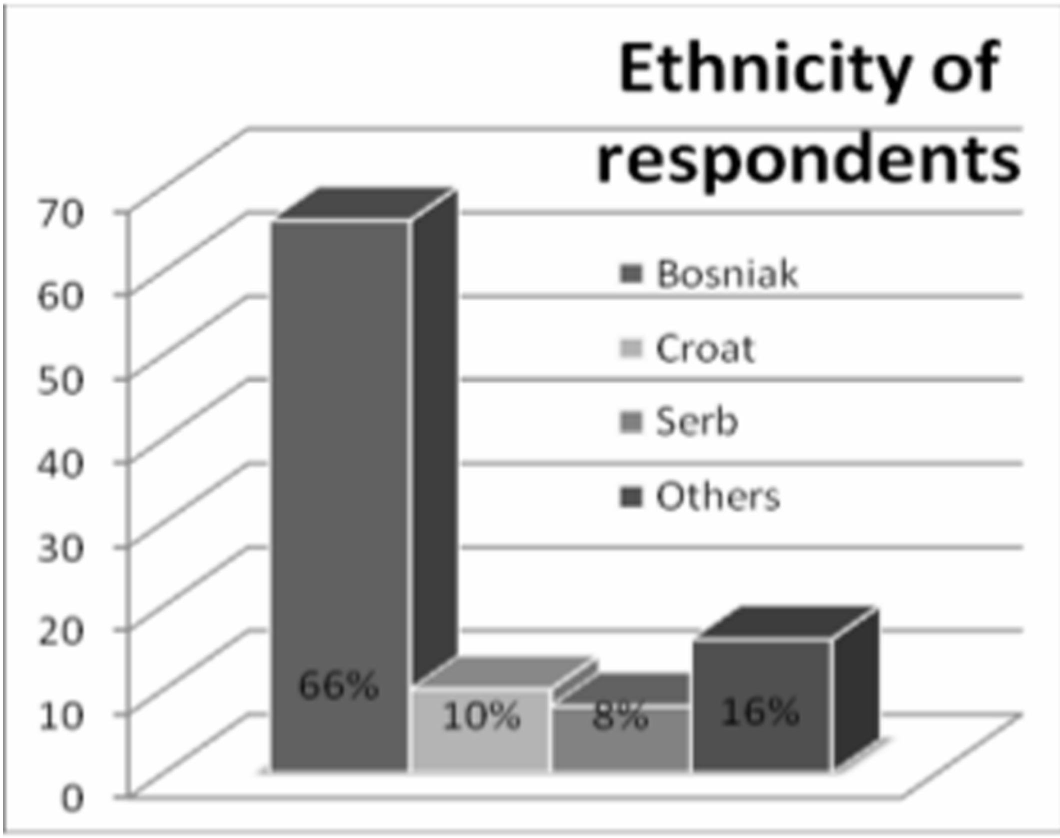
H1: Voters are informed about activities of political parties through the media, they are not interested in political party promotion, but they are interested in election results.

H2: Voters do not perceive the activities of political marketing in BH as strategically conceived in advance, and they consider them an unnecessary cost.

H3: Not all the phases of consumer decision making process appear among voters during the voting process.

H4: Opinions of voters do not change depending on political campaigns.

Figure 1: Ethnicity of respondents



Sample

Due to the high rate of fragmentation of BH voters, we decided to examine a sample of young, urban population, 18 to 34 years old, most of who, due to their age, did not take part in the war from 1992 to 1995. A total of 415 voters from the territory across Bosnia and Herzegovina participated in the research. Of this number, 271 respondents filled out the survey questionnaire fully and accurately.

After analyzing the demographic structure of the sample, the conclusion is that 149 females participated in the research and 122 males. Furthermore, 205 voters are from Sarajevo, 13 from Mostar, and 5 from Banja Luka, as well as 48 voters with other registered places of residence. The majority of voters who participated in the research are employed, i.e. 177 of them, the remaining 85 respondents are students and 8 are unemployed.

As we can see in Figure 1, respondents come from various ethnic groups.

Analysis

Respondents were asked to evaluate, on a 5-degree Lickert scale, how do they obtain information about elections and political parties, where 1 signifies obtaining 100% of information from the indicated source, while 5 signifies absolutely no use of the indicated source of information. Results expressed in percentages show how many people indicated their agreement with numbers 4 and 5, as well as 1 and 2.

Figure 2: Source of information

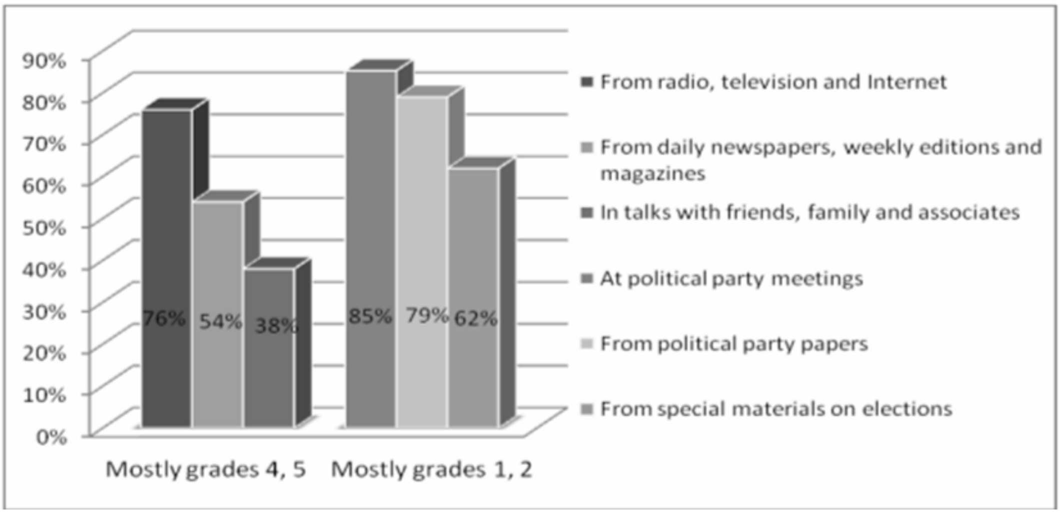
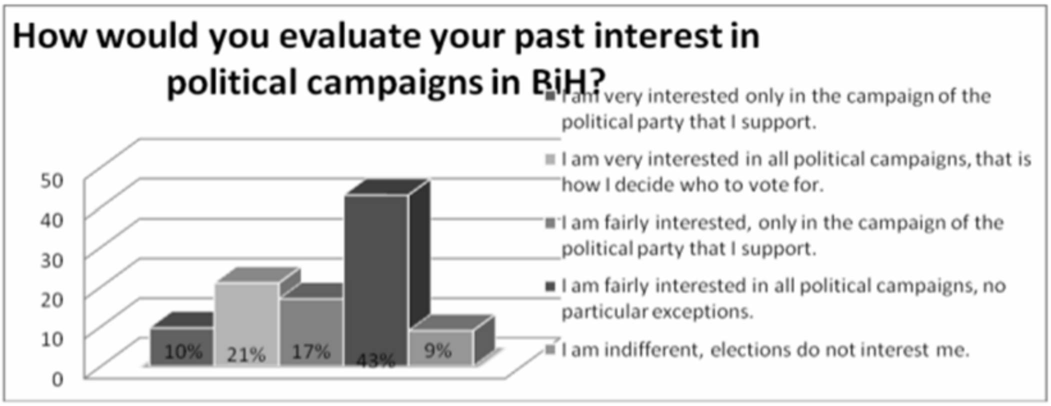


Figure 3: Interest in political campaigns



Interesting was to find out that 88% of respondents evaluated that BH citizens are not showing any interest in following political campaigns, while at the same time the majority of respondents felt they were interested in political campaigns and claimed it was important to them who would win the last elections.

Respondents were asked to evaluate their own knowledge of the process of conceiving a political campaign, and 64% of them feel they are generally familiar with the process of conceiving political campaigns.

Respondents agreed that political parties in BH use political marketing tools, only not strategically but on ad hoc basis (36% of respondents), that no political party in BH has a strategically consistent and pre-conceived campaign (23% of respondents), but at the same time they believe that political parties unnecessarily spend too much money on pre-election political marketing (29% of respondents).

Further, respondents evaluated the quality of political marketing in BH relatively poorly, a total of 93% of respondents, who on a scale from 1 to 5 ranked the political marketing in BH with grades 1, 2 and 3.

Figure 4: Political marketing tools

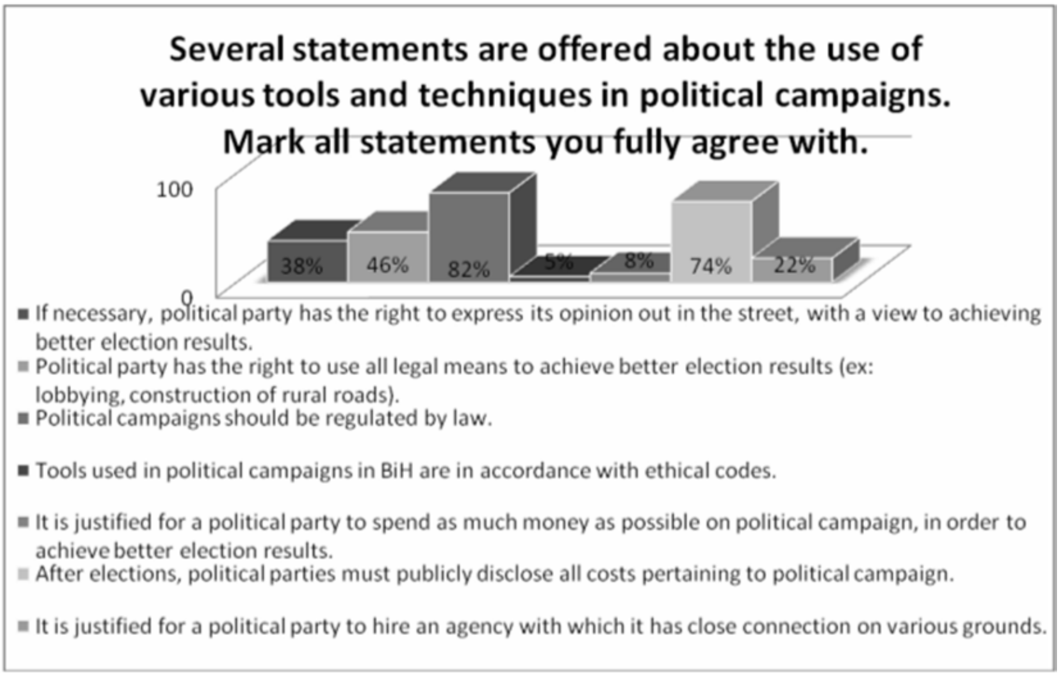


Figure 5: Specific political campaigns

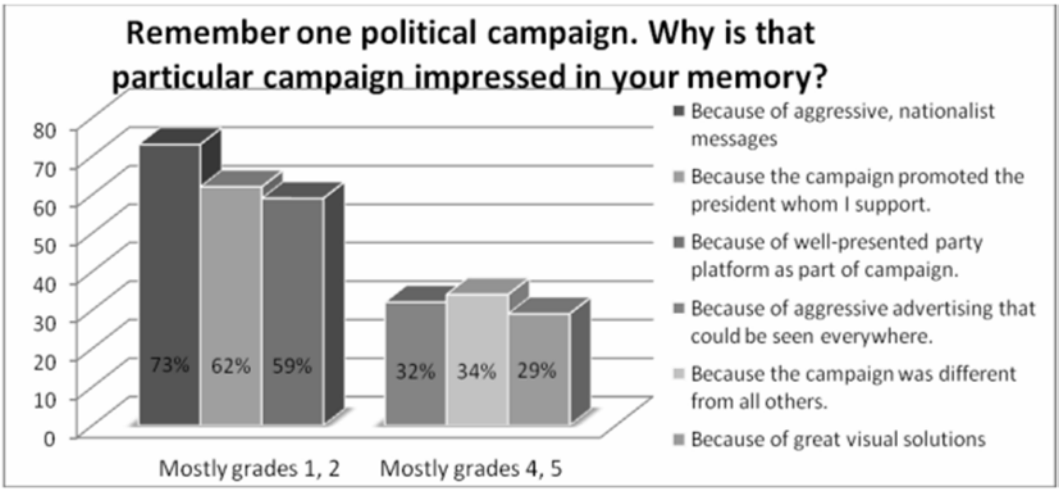
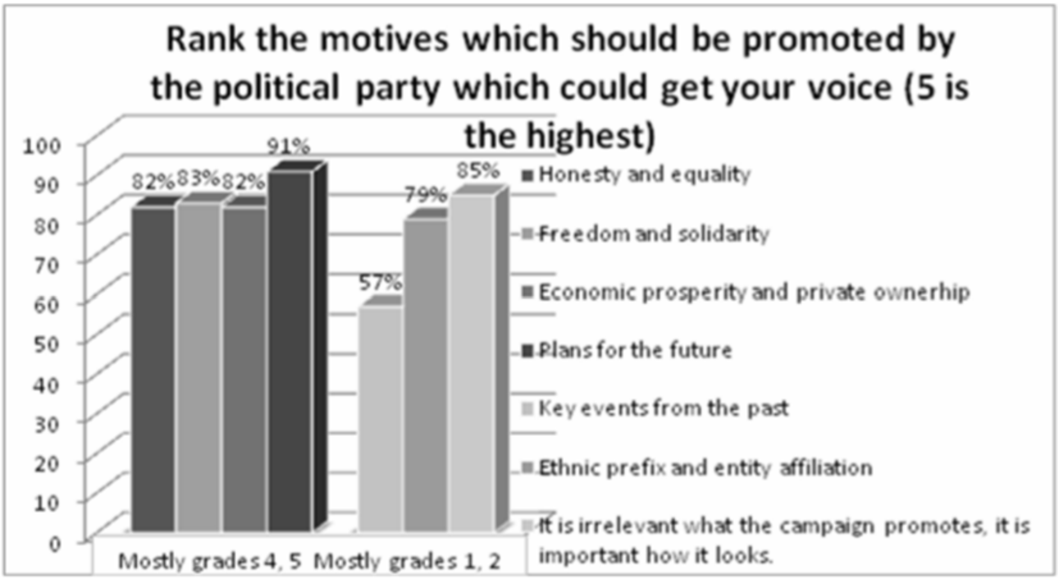


Figure 6: Motives to be promoted



The previous graph indicates clearly that citizens believe that political campaigns should be regulated by law, and that the political party is obliged to publicly disclose present the campaign costs, transparently and in full, after the campaign has ended. They support the concept of going out into the streets, with a view to achieving the best possible election result, and the methods of "buying voters" by lobbying, building roads in rural areas etc., which is a common practice in BH, as well as the idea of assigning the job of conceiving the political campaign to an agency that is close to the party on different grounds (in BH, mainly along the lines of party affiliation).

Respondents were asked to recall one political campaign and then evaluate, on a Lickert 5-degree scale, the outlined answers as reasons why that political campaign is impressed in their memory, where grade 1 signified that the campaign did not have the indicated elements at all, while grade 5 signified they remembered the campaign because of the indicated elements.

The following graph indicates the motives that a campaign should include in order to win the votes of our respondents.

Asked to evaluate to what extent the indicated features connect them to the political party they feel closest to, our respondents ranked culture first (68% of respondents), language (40% of respondents), tradition (37% of respondents), history (35% of respondents), and religion was ranked last (21% of respondents).

The last question in the questionnaire pertained to membership in political parties, and of 271 respondents 217 are not members of political parties, while the remaining 54 respondents are.

Discussion

Let us start with the first hypothesis, which was generally confirmed but it is interesting to note the difference between members of certain ethnic groups. While 15.38% of Croats ranked the absolute use of political party meetings as a source of information with grade 5, this percentage is much lower among Bosniaks (2.25%) and others (2.27%), while 0.0% of Serb people evaluated this statement. On the other hand, it is a general estimate that there is no great interest for promotional programs of political parties among the BH population, it is interesting that the highest percentage of Serbs (19.05%) ranked the level of interest of BH electorate with grade 5, followed by members from the ranks of Others (16%), Bosniaks (11.24%), while the smallest percentage of Croats (7.7%) evaluated the interest of BH electorate as extremely high.

H1: Voters are informed about political party activities from the media, they are not interested in party promotion but they are interested in election results. – Correct

A very high percentage of 34.09% of respondents from the ranks of Others believe that no political party in BH has a strategically consistent and pre-conceived campaign, while 50% of them feel that political parties in BH are using the tools of political marketing, although not strategically but on ad hoc basis. These percentages are substantially lower among representatives of other ethnic groups (Bosniaks 21.91%, 33.15%; Croats 19.23%, 42.31%), while 42.86% of Serbs believe that too much money is spent unnecessarily on pre-election political marketing.

H2: Voters do not perceive the activities of political marketing in BH as strategically conceived in advance, and they believe such activities are only an unnecessary cost. – Correct

In majority of cases voters know in advance who they will vote for, so 27% of Croats not only knew who they would vote for, but they also tried to convince others to vote for the same party. On the other hand, a very high 52% of Serbs know in advance who they will vote for. The highest percentage of respondents from the ranks of others, 22% of them, confirmed the notion that the voter decides who to vote for only after being informed about the platforms of parties running for elections. The fact that 48% of Serbs answered that they follow campaigns of all parties but that it does not affect their final decision on voting further supports the validation of hypothesis 3.

H3: Not all the phases of consumer decision making process appear among voters during the voting process. – Correct

Total of 27% Croats confirmed that they do not follow political campaigns, because they know in advance who they will vote for; 14% of Serbs voted because they considered it their civic duty, but they did not care who they would vote for; 13% of Bosniaks decided who to vote for in the last minute, but for no special reason. All this indicates that hypothesis 4 in this research is also validated.

H4: Voters opinions do not change depending on political campaigns. – Correct

Conclusion

The influence of political marketing is undisputable and it is increasing daily, both in our country and worldwide. After the breakdown of the former Yugoslavia and the single-party system, the newly established parties faced the need to position themselves in the public, which opened the doors for a new type of business – political marketing. However, it is also true that the leadership of political parties in our country acknowledged the importance of this branch rather late. On the other hand one must take into account the voters, who are not used to pay attention to political advertising, but rather have apriori conviction that their firm beliefs are correct and right ones, and that is something that cannot be changed easily.

Taking these factors into account, in this paper we attempted to analyze opinions of voters about political marketing and its importance.

We realized that very often in BH the perception of political party leadership and the perception of voters with regard to the same issue could be entirely different. That could be identified as a reason why voters know in advance who they will vote for, while political campaigns do not have any real effect on them. There is a clear need to establish a state-level agency or at least adopt a rule book on political marketing, which would define certain standards for visualization, messages being communicated, media appearances, election meetings and candidates' public addresses. There is also the need for constant research in the field of political marketing.

On the other hand, voters should learn to approach the voting process as a purchase of an expensive and precious automobile, when they spend a lot of time thinking about the price, costs, benefits, post-sale service and previous experience.

Regardless of how we perceive political marketing, in technological and communicational sense political marketing is experiencing its culmination today. For that reason, it is necessary to organize a systematic and ideologically free education in the field of political marketing for all participants at the BH market of political ideas, and to establish a specialized agency rendering services and consulting in the field of political marketing.

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SPECIALIZED SEMINARS AS AN ELEMENT OF SALES PROMOTION TOOL IN IT ENTERPRISES IN CROATIA

MARIJA TOMASEVIC LISANIN
FACULTY OF ECONOMICS & BUSINESS ZAGREB, UNIVERSITY OF ZAGREB, CROATIA

MIRKO PALIC
FACULTY OF ECONOMICS & BUSINESS ZAGREB, UNIVERSITY OF ZAGREB, CROATIA

MAJA ROSIC
IN2 D.O.O., ZAGREB, CROATIA

Abstract

Increasingly dynamic and competitive marketing environment places new demand on companies trying to promote and sell professional products and services such as ICT. The main focus is on changing the emphasis away from broad based marketing to more specialized forms of active selling. Event based marketing, especially in the form of seminar selling may present an effective opportunity which can be adopted by company in order to ensure winning of the maximum number of profitable new clients at minimum cost and nurture relationship with the existing ones. Recent research shows that the Croatian ICT market is continuously growing. Companies oriented to specific target markets, like the ICT one, can chose most acceptable among diverse forms of promotion, in accordance with their financial possibilities, and the type of products and services they offer. During specialized seminars, workshops, lectures, congresses and fairs, ICT companies can present all details underlying their complex processes and projects, which is yet another manner of creating an added value. Therefore, this form of promotion has a significant role in the marketing mix of ICT companies. Compared with personal advertising and selling there is much more time, human and financial resources required in order to prepare and carry out specialized seminars. However, contribution to the creation of the long-term customer relations is their advantage. Specialized seminars are definitely capable of increasing the sales of ICT companies. This paper presents results from the empirical research undertaken on representative sample of the Croatian ICT companies with the objective to explore their sales promotion strategies. The main target of research was to find out the efficiency and rate of adoption of a seminar selling methods in the ICT sector on the Croatian market.

Key words: sales promotion, marketing, specialized seminars, IT, Croatia

Sales promotion as a part of promotional mix

Sales promotion represents a key ingredient of marketing communication and consist of a collection of incentive tools, mostly short term, designed to stimulate quicker or greater purchase of particular products or services by consumers or trade (Kotler & Keller, 2006). However, the boundaries defining sales promotions are neither clearly drawn nor used consistently, but a relatively dominant definition of sales promotion is that those are the marketing activities usually specific to a time period, place or customer group which encourage a direct response from consumers or marketing intermediaries, through the offer of additional benefits" (Peattie & Peattie, 1994). "Above-the-line" marketing communications has been consistently used to denote mass media advertising channeled through advertising agencies, the concept of what exists below the conceptual "line" has changed. Originally all non-advertising forms of marketing communication were lumped together in the term BTL. With the increasing tendency for public relations and sales to be treated as separate functions, sales promotion has generally become synonymous with "below-the-line" communication. The division of the marketing communications budget either side of the line has become a key strategic issue for marketing practitioners. There appears to be a widespread evidence of a switch of emphasis by companies from media advertising toward sales promotion. In last twenty years expenditure for BTL grew twice as fast as advertising and it now accounts for up to 70% of the marketing communications budgets of many large companies (Best, 2005). Global expenditures on sales promotion had surpassed those on advertising but this growth has been mostly concentrated in retailing and FMCG industries. However, sales promotion in service industry has been a neglected area for a long time. Price-based promotions such as price deals, coupons and refund offers seem to dominate marketing literature because they are most commonly used. Such value increasing promotions cannot easily work for services industry because they can only work through potentially dangerous margin and image eroding price reductions. The other group of sales promotions that are often overlooked are the "value-adding" promotions that leave the price and quantity of the core product untouched and bundle something else with it in order to increase value to consumers. Following this line of thought further in this paper, specialized seminars as a form of sales promotion directed toward B-2-B context, are explored.

Specialized seminars

Specialized seminars or seminar selling represent a presentation focused on specific topics and oriented on providing solutions while avoiding typical pressures accompanied with closing of the sale. Through organization of such seminars companies can enhance image and address targeted segment in a different way comparing to traditional advertising efforts. This paper is focused on seminar selling and its contribution to increase in sales revenues in ICT industry. ICT companies offer complex and expensive products and services customized for the needs of specific segments. From the consumer's point of view, the dominant characteristic of high-tech products is the high level of perceived risk associated with purchase (Dhanani et.al. 1997). Effective marketing is essential to allay fear and risks. Therefore seminars represent an efficient means of promoting products and services of ICT companies because they require lengthy and detailed presentations in order to be sold. Such seminars can range in length anywhere from one hour up to few days depending on the subject (Karasik, 2005). Such events offer opportunity to focus on the topics relevant to users/clients while reflecting knowledge, expertise and experience of the organizing company. Personal communication with existing or potential clients is very important for developing a business relationship (Gleeck, 2001). Therefore, such seminars become an effective promotional tool in function of selling the products of ICT companies. There are several types of specialized seminars that are more frequently used for sales promotion purposes by ICT companies (Ferguson, 1996):

- product introductions
- interactive presentations
- seminars (lectures)
- workshops
- active participation on exhibitions and fairs
- active participation on conferences and congresses
- speeches.

ICT companies have to carefully evaluate and select appropriate form of specialized seminar which will be most effective in reaching a set of corporate objectives (Gupta, 2003). Research from UK determined strong need for implementation of different marketing tools in the ICT sector. High tech companies usually do not use aggressive advertising campaigns such as FMCG producers but prefer technical fairs and seminars, presentations and personal sales, especially in business to business context. Those tools enable better targeting of segments and provision of information that clients need in order to make a purchasing decision. Organization of a specialized seminar might represent a complex undertaking in which several key requirements must be resolved such as: timing of seminar, location, appropriate fees, designing promotional materials and brochures, selection of key speakers, call for attendance, list of participants and so on.

Characteristics of the Croatian ICT market in the period 1999 - 2004

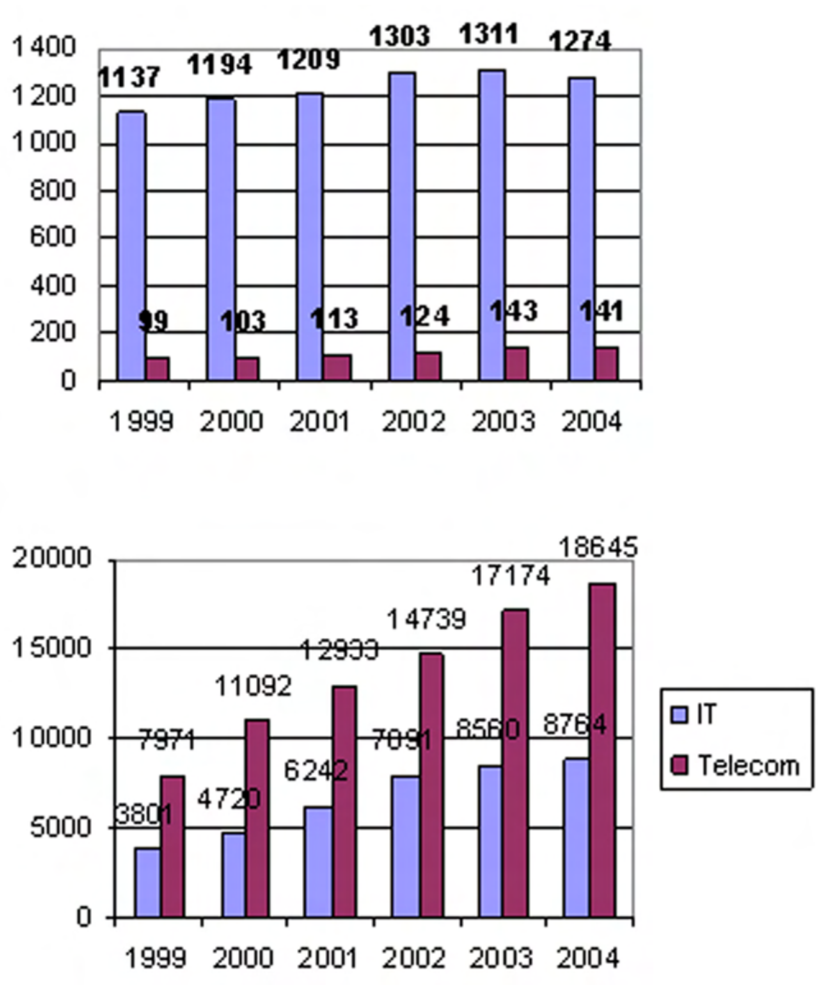
During last two decades ICT sector in Croatia seems to have been loosing its development tempo in comparison with some other transitional countries such as Slovenia, Hungary, Czech, and Slovakia. Such development is in part due to the war in Croatia, but also privatization failure, inert and small national market. There haven't been a single large investment form any of the global ICT companies in Croatian market as a result of local environment which does not stimulate knowledge and high-tech based ventures by taxes, salaries, or education of work force, legislature or by any other means (Rosic, 2007). In telecommunication sector it was quite the opposite situation where strong domestic demand for this type of services attracted main global players such as Ericsson, Deutsche Telecom and Simens who soon acquired main Croatian companies in the sector. Following chart (Fig. 1) represents the structure of Croatian ICT industry in the year 2004. Revenues of ICT sector are constantly increasing starting from 11.7 billion kunas in the year 1999 up to 27.4 billion (3.7 bill. Euro) in year 2004. ICT companies were responsible for 5.7% of the total company revenues in Croatia, and participated with 2.4% in exports and with 4.7% in imports at national economy level. ICT sector employs 2.9% of total number of employed national workforce. However, import of ICT technology has been almost twice the export as a result of non-existing industry of basic technological products in Croatia.

Complete production is based on implementation of imported technology. In order to change such trends there is a need for large investments form leading ICT corporations. This is unlikely to happen as labor force is expensive, does not have needed skills and due to large administrative barriers on national and local levels. Adoption of open source solutions within government and local administration could reduce import and spent amounts for foreign software, but not substantionaly as main spending is allocated on ICT services rather than licenses. Influence and responsibility of government on rate of use and adoption of IC technologies is rather large. Croatian government devises economic strategies and goals but also represents a single largest buyer of ICT services. For the purpose of the research of this paper IT companies were segmented in two ways according to size and specialization. In regard to specialization there are distributors, system integrators, software producers and hardware specialists. Distributors are usually wholesalers that distribute IT products to local and regional distributors, retailers, specialized representatives and similar. In the year 2004 there were 520 such companies. Hewllett-Packard was first with market share of 19.2%, followed by HG Spot 10,6% and M SAN – King ICT 10%. Companies that offer full service or comprehensive IT solutions are system integrators and their number was 433 but with significantly smaller turnover than the first group. Software producers accounted for 18.9% of total number of IT companies. Examples of such companies include specialized software producers, global producers, local specialists for ERP solutions, local providers of horizontal and vertical solutions, small producers of accounting software and rest of companies that make own software products. Hardware specialist group includes enterprises that assemble and retail personal computers. There have been 54 such companies (3.5%) in Croatia in 2004.

4. Research of effectiveness of specialized seminars as a sales promotion tool in ICT sector in Croatia

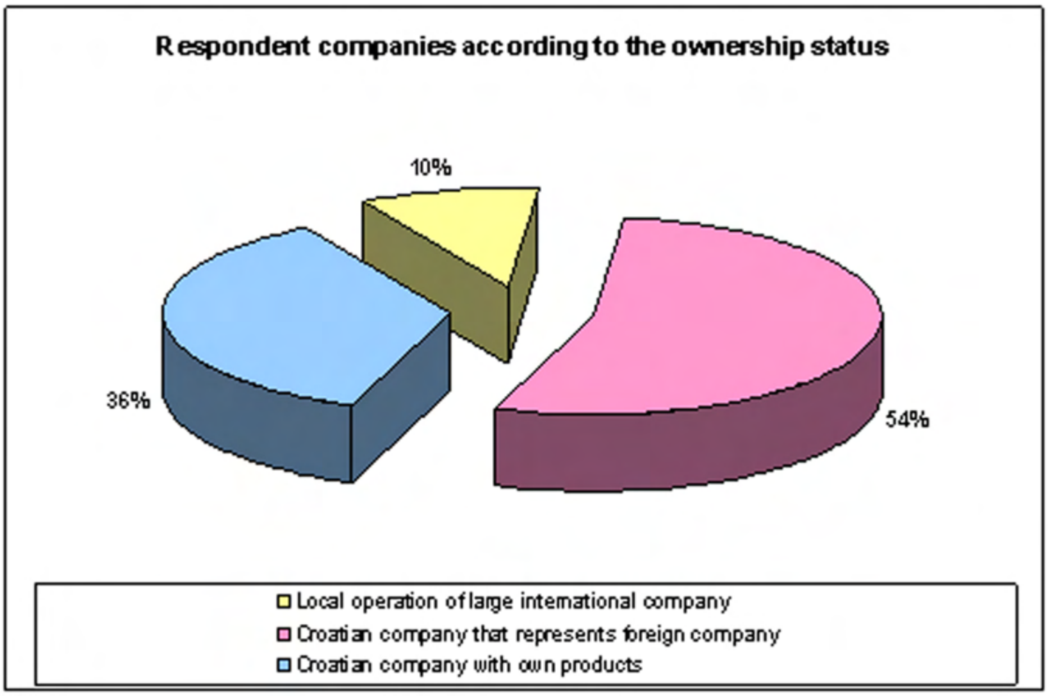
The goal of empirical research for the purpose of this paper has been to (1) prove the hypothesis that specialized seminars are gaining in popularity as an element of sales promotion on Croatian market and that (2) seminar's use is reflected positive on the revenue growth for ICT companies in the Republic of Croatia. Primary data have been collected by highly structured questionnaire which consisted of 19 questions. Questionnaire has been electronically mailed to the general managers, sales managers, marketing managers and technical managers in the ICT companies. Total sample of 186 Croatian ICT companies has been randomly selected with the resulting response rate of 25%. Data has been collected between Oct. 2006 and Jan. 2007. Statistical package SPSS, version 13, has been used for a statistical analysis of data, mainly for descriptive statistics, correlation and variance analysis. Method of content analysis has been used for analysis of answers on several open questions. Respondent's structure according to the position occupied in the company has been as follows: general managers (43%), managers of departments (34%) and other (23%). According to the specialization the 40% of respondents were software producers, followed by system integrators (36%) and distributors (19%).

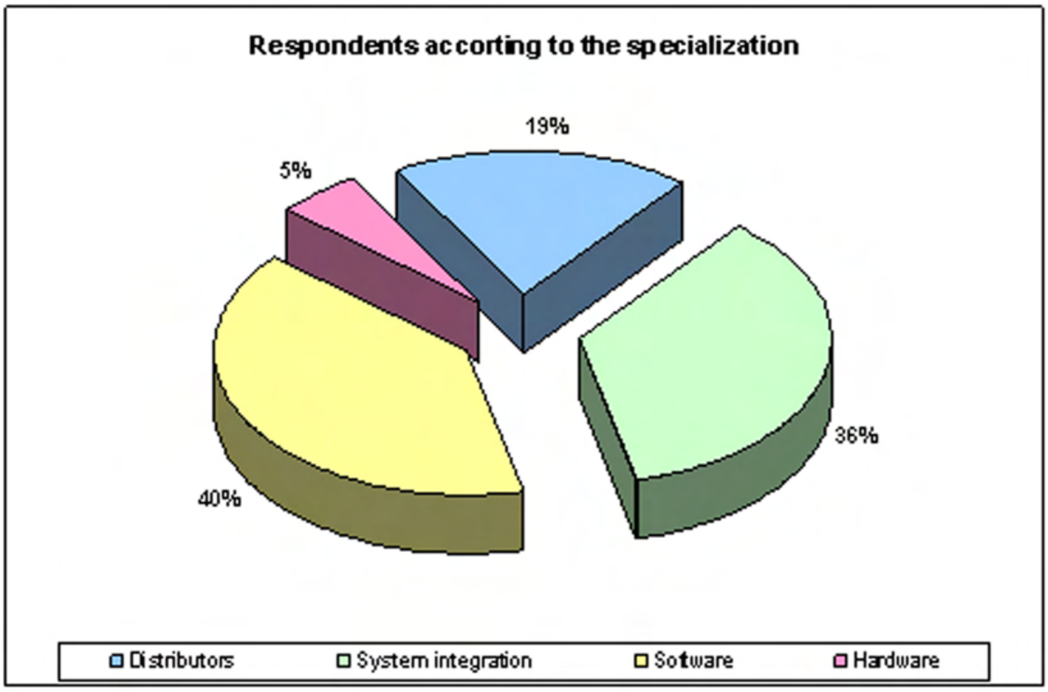
Figure 1: Number of IT and Telecom companies vs. revenues in period 1999 – 2004



Source: FINA, by IDC, 2006

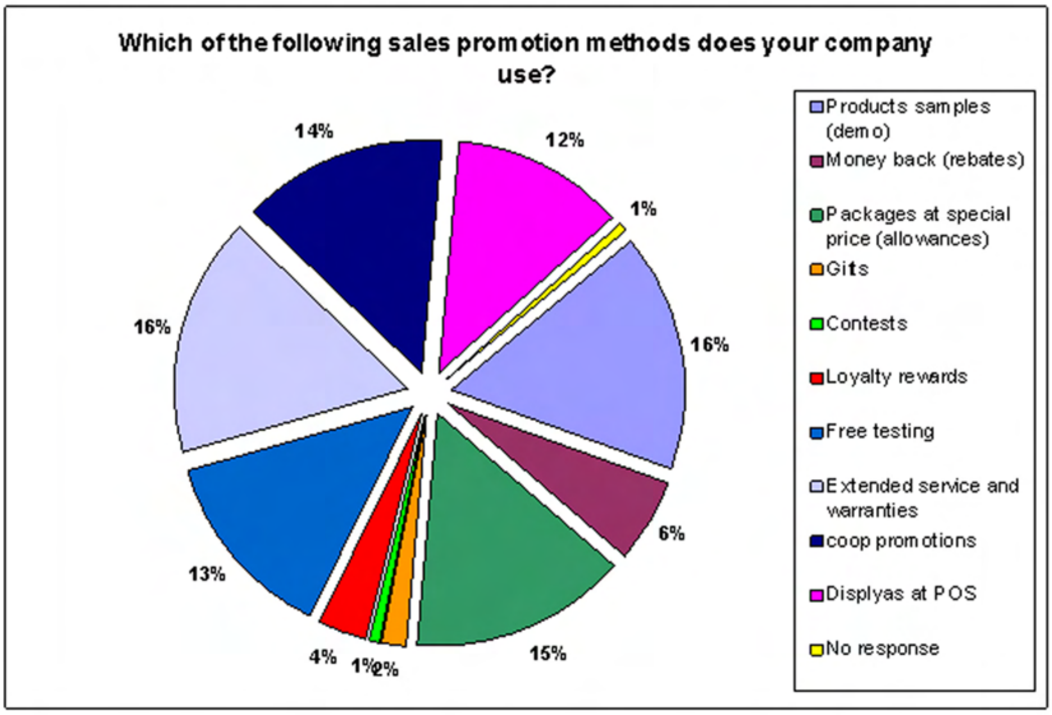
Figure 2: Characteristics of responding companies according to ownership and specialization





Source: Research data, 2007

Figure 3: Sales promotion methods used by the Croatian IT companies

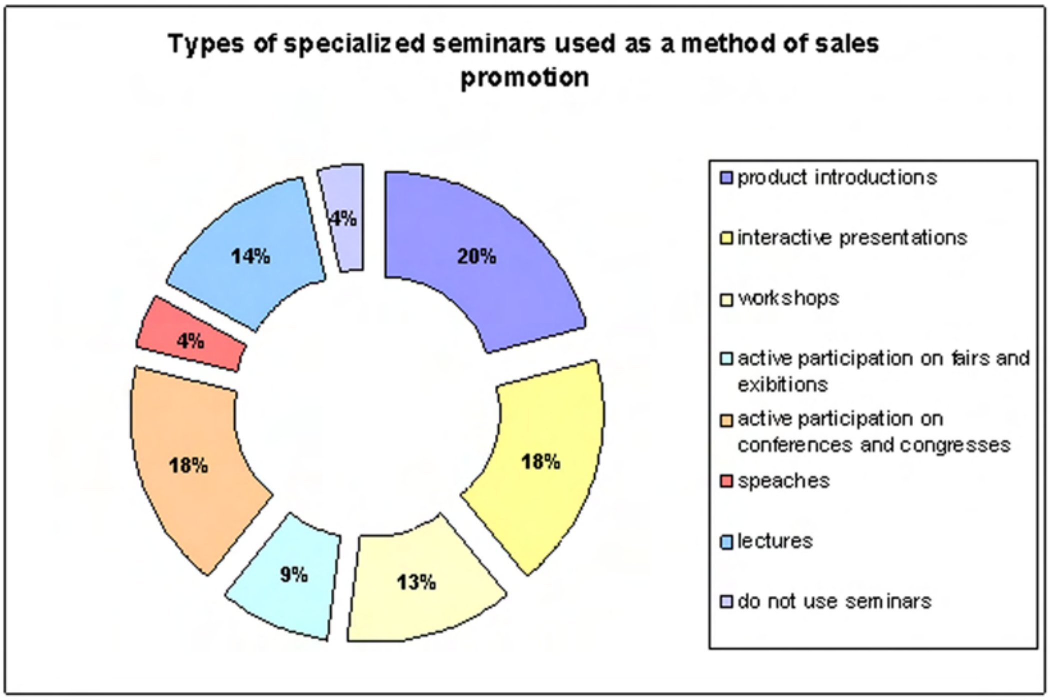


Source: Research data, 2007

IT companies are specific in regard to products and services as those are usually sophisticated and technologically advanced. In order to enable clients to recognize the quality and functionality of the product such companies usually rely on the following methods of sales promotion: product samples, solutions offered at special prices, free testing, extended service and warranties, coop promotions and displays at point of selling. According to the data, Croatian IT companies most often use product samples (demo versions) 16% followed by extended service and warranties. The least used methods include contests (1%), gifts (2%) and loyalty rewards (4%).

Specialized seminars are used as a sales promotion tool by Croatian IT companies mostly for product introductions (20%) followed by interactive presentations and active participation on conferences and congresses (both 18%), lectures (14%), workshops (13%), fair and exhibitions (9%) and finally speeches at the end (4%). Such results have been expected as product introductions usually represent a meaningful opportunity for the company to present results and strengthen PR efforts. Only 4% of the respondents indicated that their company did not use any form of specialized seminars and those were excluded from the rest of the survey as shown on the figure 4.

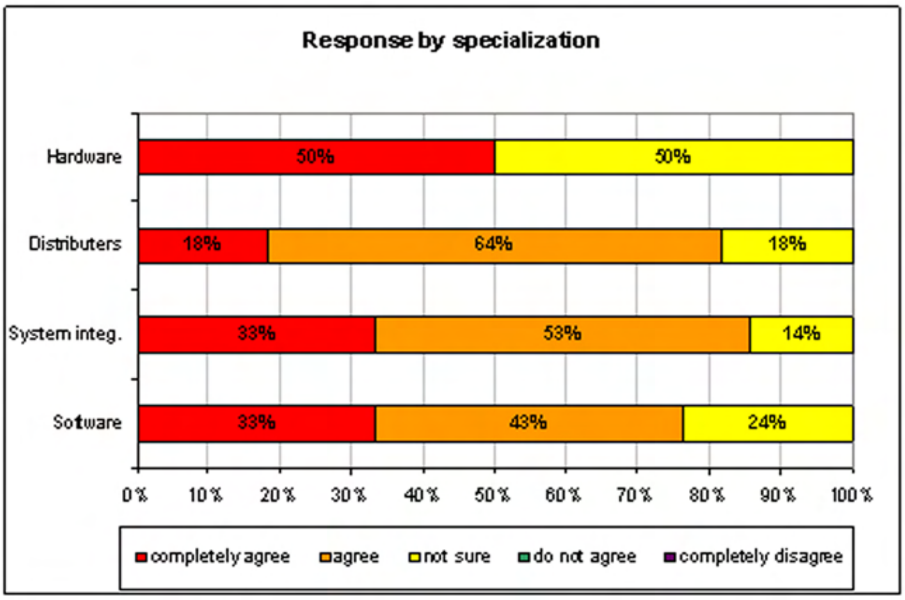
Figure 4: Sales promotion methods used by the Croatian IT companies

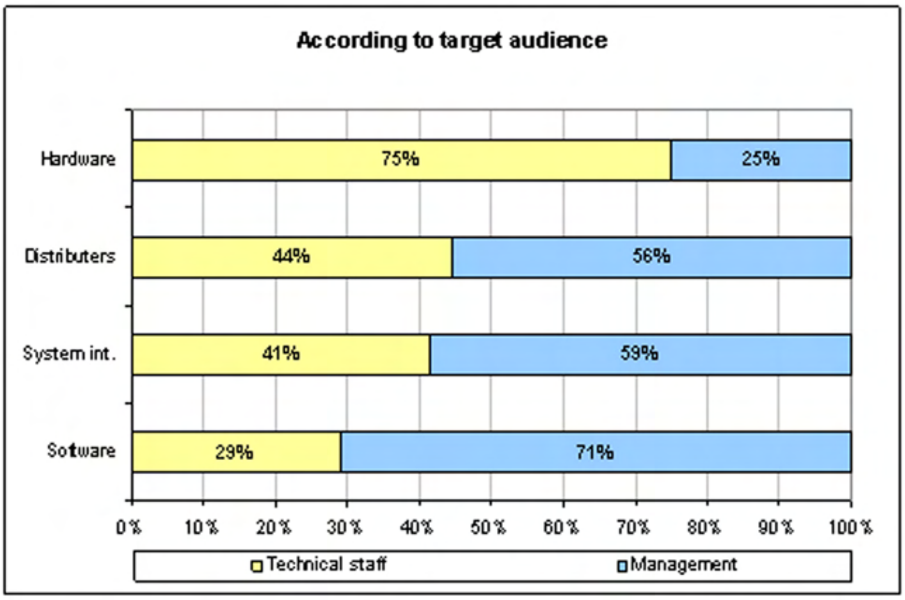


Source: Research data, 2007

According to the research data the future for the specialized seminars looks bright as most of respondents strongly agree (33%) and agree (48%) that "organization of specialized seminars would cause increase of sales". IT companies specialized in assembling hardware seems to be most strongly aware of the future potential of specialized seminars (50%) as may be seen from the figure 5. At the same time it seems that this form of sales promotion is more attractive for the larger companies (M=4.5), while less attractive for small companies (M=3.8). In larger companies such activities are part of the marketing plan while in the small companies specialized seminars often seem to be a result of user interests and needs, suggestions and invitations of larger business partners or introduction of new products and services. Such events are mostly aimed at management (60%) as it has the greatest influence on purchasing decisions in comparison to technical staff. However, technical staff is often consulted in product/service testing and making purchasing decisions so they also represent a major target group (40%). Software producers seem to be most focused on management (71%) which may be due to the nature of their products where management makes decision on purchasing and implementation. The situation is quite the opposite with hardware companies where most attention is given to technical staff (Fig. 5) which will use the actual products. Seminar or conference fees are very rare as 73% of companies never charged it and only 10% always charges it because their seminars usually feature well known international experts as a key speakers.

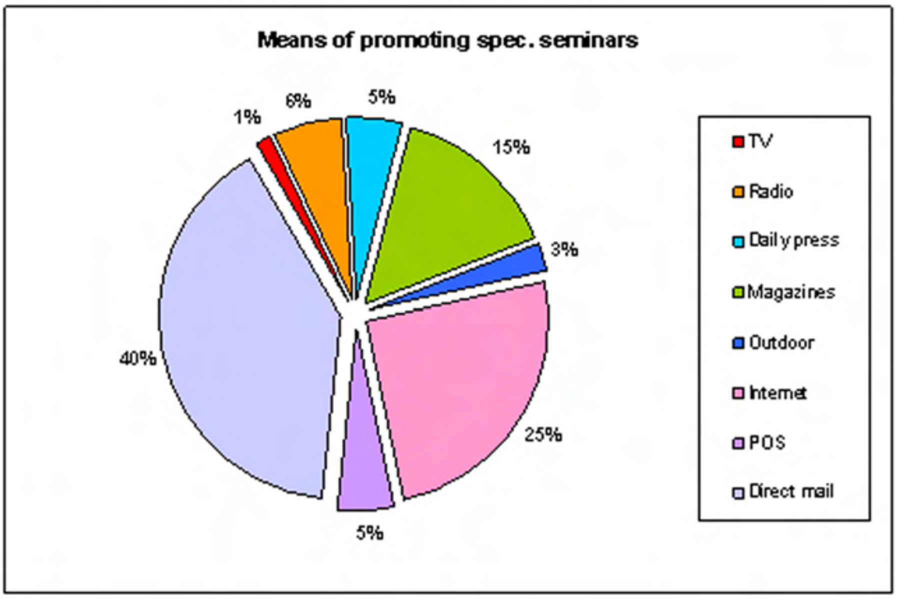
Figure 5: Perception that specialized seminars are positively related to sales increase & targeted audience

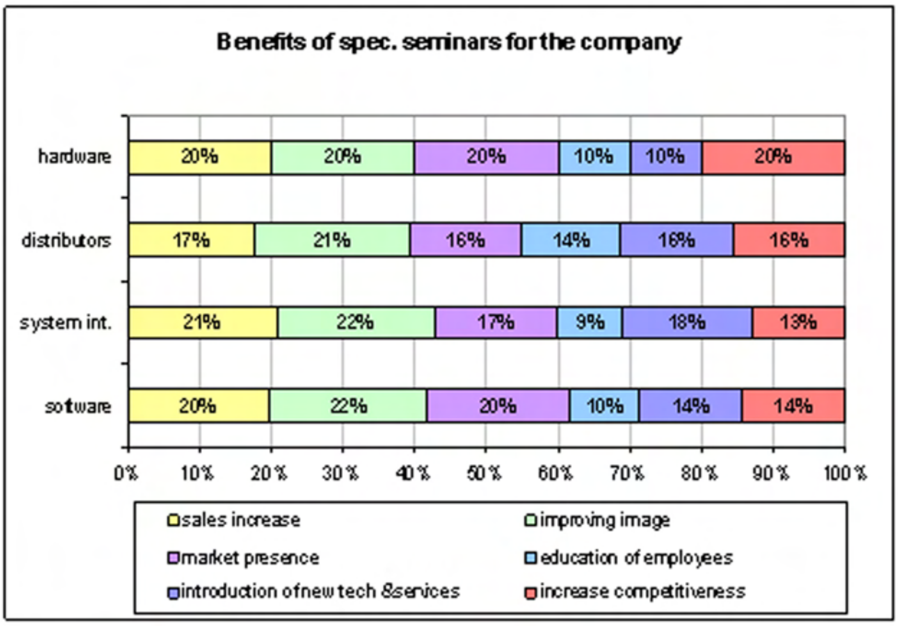




Source: Research data, 2007

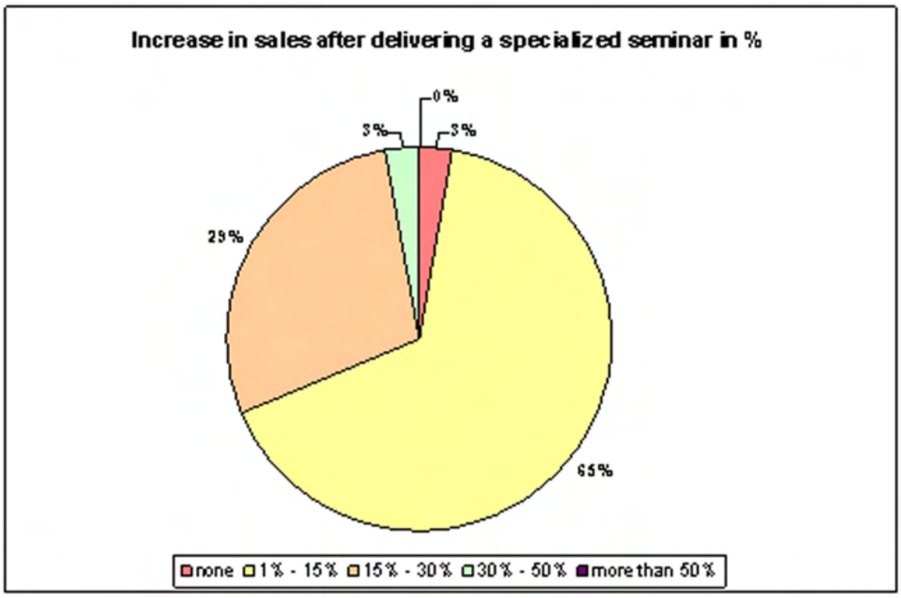
Figure 6: Specialized seminars: means of promotion and benefits for the company

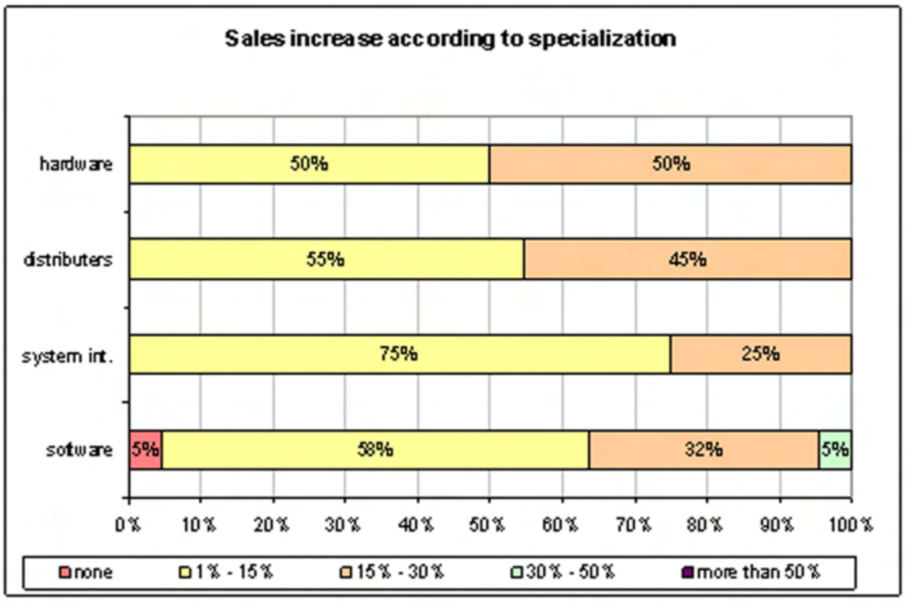




Source: Research data, 2007

Figure 7: Specialized seminars and sales performance





Source: Research data, 2007

In order to promote such events most IT companies in Croatia use direct mail (40%) and internet (25%). This is due to the cost structure of promotional activities where mass media are quite expensive. Also direct mailing and internet can be used to more accurately target specific segments. Specialized products and services often require selecting specific individuals from small number of companies that may actually have need for the products. It is therefore no surprise that share of TV, radio, POS and daily press range between 1% and 5% in promotional activities of such companies as noted in figure 6. Main overall benefits of specialized seminars seem to be enhancement of company image (21%), sales increase (20%) and market presence (18%). From figure 6 it can be observed that all segments of IT companies ranked benefits almost identically. System integrators had the strongest sales benefits (21%) while distributors had the weakest (17%). Specialized seminars were most successful for sales increase in large companies (28%), while middle sized companies find them more useful for image enhancement (25%) and small companies most relate to the benefit of ensuring their presence on the market (22%).

According to the responses specialized seminars represent an important tool for revenue growth for most of the Croatian IT companies. Large number (65%) of respondents indicated that specialized seminars increase sales between 1% and 15% and 29% of respondents claimed that increase was between 15% and 30%. Only 3% of respondents did not find any sales increases connected with seminars. Increase of more that 50% has not been found in any company. Seminars had the strongest positive impact on sales for hardware specialists and weakest on system integrators. Conclusive findings have not been made in regards to company size. However, for successful organization of specialized seminars the content analysis of open questions pointed toward several key elements such as importance of: good organization, relevant topics, expert speakers, presence of key users/accounts, decision makers, clear goals of seminar, accurate segment targeting and similar. The research clearly confirmed both hypothesis; (1) special seminars are indeed gaining in popularity as an element of sales promotion on Croatian IT market as 96% of companies find them useful and (2) their use is reflected positive on the revenue growth of IT companies. Correlation analysis of second hypothesis showed strong positive relationship (ά = 0,754) between use of seminars and sale revenue growth.

Conclusion

It is very important for ICT companies that have specific target segments to choose the most effective marketing communication method in regard to the ratio of costs and types of products they offer on the market. Specialized seminars as a method of sales promotion offer a lot of benefits through interactive ability of information transfer about new products, services and expert competencies of the organizing company. It is therefore of no surprise that research findings point toward wide use/adoption of such events as a promotional tool. However, seminars require substantional efforts for organization, including time, human and financial resources but also offer a range of benefits such as growth of sales, improved image, market presence and similar. Independent variables such as type of specialization and enterprise size showed some differences about benefits and usage of seminars but followed the same positive trends. Sales growth as a consequence of delivering specialized seminars has been confirmed in majority of surveyed companies as 92% of them saw growth between 1% and 30%. Further research should be made in order to more accurately investigate efficiency of this promotional tool because in the research presented in this paper there was no findings about cost structure so the level of profitability is still unknown. However, such seminars offer unique opportunity for organizing company to develop and strengthen new and existing relationships with clients and enable them to focus on key concepts of relationship marketing – long lasting relationships and growth of share-of-wallet of each client. Croatian ICT companies seems to understand relevance of such marketing tools on growth of their sales and plan to use it even more extensively in the future.

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NEW STRATEGIES IN RETAIL THROUGH ADDITIONAL DISTRIBUTION CHANNEL

VESNA BRČIĆ – STIPČEVIĆ
UNIVERSITY OF ZAGREB, CROATIA

IRENA GUSZAK
UNIVERSITY OF ZAGREB, CROATIA

MARTINA SOPTA
UNIVERSITY OF ZAGREB, CROATIA

Abstract

Retail companies on the Croatian market are confronted with fierce competition, forcing them to find new forms distribution channels. The development of information technology and broadly available access to Internet has created preconditions for new distribution channels. Multichannel marketing offers customers more than one option for buying something - for example, they can buy the same product on a Web site as well as in retail stores. The fact that more than 25% Croatian citizens are using Internet has set up conditions for creating a new retail distribution channel on Croatian market too. According to these presumptions, we have researched the level of presence of Internet retailing on Croatian market in total sales using examples of market leaders in Croatian market. Calculating the covariance between revenues from Internet sales and the overall retail revenues, we got the average value of products of their centred values. Furthermore, by means of comparative analysis we identified a correlation between overall reached revenue before and after having introduced the new distribution channel. The presumption states that the new distribution channel increases the overall sales revenues and it does not avert the demand away from existing distribution channels, as in fact some companies introduce new distribution channels into different demographic segments of the market or into different socio-economic groups of customers.

Keywords: Retail Strategies, Multichannel Marketing, E-Commerce

Introduction

Trends of internationalization and concentration, as well as small product differentiation, induce fierce competition in Croatian Fast Moving Consumer Goods (FMCG) retail market. Those market characteristics urge retailers to invent and apply new strategies in order to reach customers more efficiently and to fulfill their needs, desires and expectations better than competitors. Among available strategic elements, some of the companies chose multichannel retailing as a strategy and added an additional distribution channel to their existing channels. Due to a rapid information technology development and impressive Internet penetration into Croatian businesses and households, introducing an electronic distribution channel became a logical choice.

Key characteristics that make Internet channels so attractive in comparison to stores and catalogs are potential to offer a broader selection of products, more available information about products that simplifies evaluation and purchase decisions. The most significant potential advantage of the Internet channel is its ability to economically personalize the information for each customer (Levy, Weitz, 2007).

The main purpose of this paper is to analyze effects from adopting multichannel strategy investigating the share of Internet channels in total sales in the Croatian FMCG market, using examples of market leaders. Explored market leaders are the only FMCG retailers that use Internet as a retail channel in Croatian market, and both companies have market shares of over 30 percent. They are the national groceries chain retailer Konzum and the national kiosk chain retailer Tisak, who distributes newspapers and related goods. Owner of both companies is Agrokor Corporation.

Research method used in this paper was descriptive statistical analysis of sales results in Internet and alternative distribution channels, before and after the electronic channels were introduced. The presumption states that the additional distribution channel increases the overall sales revenues and it does not avert the demand away from existing distribution channels.

In the paper structure, the introduction is followed by piece on strategies in retailing, than electronic channels in Croatian FMCG market and overview of Croatian FMCG market. Next, Konzum web shop is described. Results of research and analysis are described in empirical analysis section. The paper ends with conclusion and recommendations.

Strategies in retailing

Retailing includes all activities in the process of selling goods and services directly to final consumers for their personal or household use. It could be the activity of various organizations, manufacturers, wholesalers or retailers. On the other side, a retailer is any company whose sales volume comes primarily from retailing (Kotler, 2003). Also, retailers are the final business in a distribution channel that links manufacturers to consumers. A distribution channel is a set of companies that facilitate the movement of products from the point of production to the point of sale to the end consumer (Levy, Weitz, 2007).

For most retailers, stores are primary sales channels. There are also retailers that first and foremost operate through nonstore channels. The major nonstore channels are the Internet, catalogs and direct mail, direct selling, television home shopping and vending machines.

In order to accomplish their role in a distribution channel, retailers have to make strategic decisions at corporate, business and function levels (Buble, 2005). According to growth and development direction, corporate strategies can be classified into growth, stabilization and reduction strategies. The growth strategy of market development is based on preserving the existing assortment and technologies and is oriented towards conquering new markets, attracting new consumer segments and introducing new distribution channels. Hence, strategy of introducing an additional distribution channel in retail is a corporate growth strategy, which influences strategies at the business level: target market, financial, location, organization structure and human resources, information system and supply chain, and customer relationship management strategies.

The purpose of adopting a strategy of an additional distribution channel is to attract new consumers, to intensify consumption by existing consumers, to get closer to consumers and offer them supplementary services. In other words, the main idea is to provide more value for customers. Most frequently store retailers add catalogs and/or electronic channel, but retailers that operate with catalogs also choose to add stores and/or electronic channel.

A decade ago, many experts predicted that electronic or Internet channel will overtake most sales from stores or catalogs and many Internet shops were established as only retail channel. Today, it is evident that, despite high grow rates, over 25 or 50 percent annually, Internet shopping did not replace stores or catalogs, but it became a complementary channel to conventional retail formats.

According to Levy and Weitz (2007), 4 potential benefits motivated traditional store and catalog retailers to evolve into multichannel retailers and develop the Internet channel. Stores and catalogs are space restrained and can carry, display and offer only limited amount of goods, whereas those limitations do not apply to Web-stores. Through Internet channel, retailers can reach out to new markets. There are no physical or geographical boundaries and the market is literary a global market, where European or Asian retailers have customers from USA and Africa, and vice versa. Next, apart from simply selling on-line, retailers use the Internet to communicate with their customers and enable them to gather information about products and services, to evaluate and compare them. Adding new channels could lead to cannibalization, but if strategically used, it should result in consumers making more purchases from a certain retailer. The fourth motif to implement the Internet channel is a potential to gather valuable information on how and why customers shop and use them to adjust the total offer exactly to customers' needs.

A shortcoming of an electronic channel is inability to provide direct experience of the product. Therefore, it is not a surprise that the proportion of purchases conducted online is the highest in discretionary categories. Top categories include books, computer hardware and software, music and video, financial services, travel and event tickets. Online penetration to necessities categories – apparel and groceries – is lower than in discretionary categories because of demographics and due to less choice and lower quality products offered by necessities sites. Online grocery retailers, for instance, have found it difficult to ensure adequate quality and speed of delivery, although, there are online retailers who used innovative technology to overcome those obstacles and successfully operate via electronic channel (Rasch, Lintner, 2001).

Electronic channels in Croatian FMCG market

Level of Internet penetration is one of the rare indicators that places Croatia above the regional average. According to GfK reports, 39,4 percent of inhabitants (older than 15) uses Internet. 84 percent of users have access to Internet from home and 6 percent regularly shops online, 8 percent occasionally and 86 percent does not make purchases on Internet (GfK, 2007). These results indicate low level of retail transactions on Internet, but business-to-business sales use Internet on a more significant rate.

Being a transition country, it takes more time for Croatian market to accept new trends and contemporary strategies. Croatian leading grocer introduced an online store with a time lag of several years in relation to the world benchmark company, Tesco. General characteristics of retail market are concentration, consolidation, liberalization, internationalization and standardization. Top 10 retailing companies in Croatia hold 61,4 percent of the market, which is common in other European countries, too. International retailers invest significant amounts into developing their network and are liable for biggest share of new large retail facilities. In general, number of stores is diminishing and net retail surface and turnover are increasing. At the same time, market is still atomized, dominated by shops under 100 m2 and supermarkets are leading formats for food retail (65 percent), in front of superette (20 percent) and hypermarkets (4 percent), (Kristek, 2007). Another relevant movement is increased presence of private labels, used primarily by foreign retailers in order to compete with national brands. Consumers aim to reduce frequency of shopping errands, concentrate their purchases and increase their supply of goods at home (CCE, 2007). Significant is also consumer orientation towards premium and discount products and services, while they neglect the middle segment (Kristek, 2007).

Among other drivers, described market movements encouraged Konzum and Tisak to open their online store and online kiosk. Konzum, a national chain retailer in FMCG market, has over 10.000 employees and 600 stores – convenience stores, supermarkets and hypermarkets. Over 500.000 customers daily shop in Konzum stores throughout Croatia. The financial results for 2006 show 14 percent income increase (income was four times the income of the second biggest market competitor), 19 percent net operating profit increase and 26 percent market share in the national food retail market. Konzum has a private label for various product categories. First online sales records date from 2002 and the online store was given an additional boost in mid 2006 (Konzum, 2007).

Tisak is a leading national print media and tobacco distributor, active in both wholesale and retail segments. It has over 3000 employees, 1200 retail facilities – kiosks – and a total retail turnover in 2006 of almost 1,6 billion HRK. Tobacco products make up for 33 percent in total retail turnover, commercial paper (telephone and mobile phone pre-paid cards, stamps, taxes stamps) 32 percent, print media 26 percent and 9 percent is miscellaneous merchandise. Tisak started using Internet as complementary retail channel in 2004, with significant increase in sales in June 2005 and again in 2007 (Tisak, 2007).

Konzum and Tisak are the only FMCG retailers that operate through the Internet channel in Croatian market, therefore, only their data was considered in the following analysis. It would be difficult to generalize their results to other FMCG market participants, but both being dominant actors in their segments, they influence the market as a whole and analysis is indeed relevant.

Konzum web shop specifics

Products available from Konzum web shop are divided in foods segment, home supplies and health and beauty. Delivery is possible only for Zagreb area and it is free of charge for orders over 500 HRK (Konzum web shop, 2008). Consumers' gender structure is similar in Internet and store channels, with 75 percent of female buyers. Age structure is different in two channels. Over 70 percent of online customers are between 25 and 44 years old, while the store customers' age is normally distributed and 35 – 54 segments make up under half of all store customers. 45 percent of items sold in web shop are from middle segment, 34 percent from higher middle segment and 11 percent are premium items. This composition shows that online customers come from higher purchasing power segments, usually people with little time for FMCG shopping, who appreciate the Internet channel and at the same time prefer higher middle and premium items and are willing to pay more fore top quality merchandise (Konzum, 2008).

Empirical analysis

In order to gain deeper insight into relevance of Internet retailing, internal data on online realized sales at a monthly level were analyzed for both companies, for period 2005 – 2007. Records on total sales in Croatia were gathered from quarterly financial reports that companies published at the Zagreb stock exchange web. Using comparative analysis a correlation between overall reached revenue before and after having introduced the new distribution channel was tested. It was interesting to view the seasonal trends in sales and to compare them. The presumption states that the new distribution channel increases the overall sales revenues and it does not avert the demand away from existing distribution channels.

Table 1: Total and Internet quarterly sales for Konzum and Tisak, 2005 - 2007

	Quarter	Konzum total sales in 000 HRK	Konzum Internet sales in HRK	Tisak total sales in 000 HRK	Tisak Internet sales in HRK
1	2	3	4	5	6
1	2005 - Q1	1.689.213	111.850	347.761	23.169
2	2005 - Q2	1.960.527	108.670	432.313	66.824
3	2005 - Q3	2.260.901	88.067	529.136	96.553
4	2005 - Q4	1.957.641	135.347	451.059	101.076
5	2006 - Q1	1.774.026	156.929	403.741	127.005
6	2006 - Q2	2.250.911	202.234	495.133	90.522
7	2006 - Q3	2.568.224	285.673	584.552	83.627
8	2006 - Q4	2.320.157	891.849	499.785	134.849
9	2007 - Q1	2.100.833	1.024.383	481.211	237.001
10	2007 - Q2	2.418.437	1.067.748	568.905	205.182
11	2007 - Q3	2.811.435	1.205.538	647.332	267.876
12	2007 - Q4*	2.443.568	2.124.000	565.816	489.723
	Total	**26.555.873**	**7.402.288**	**6.006.744**	**1.923.407**

Source: Internal Konzum and Tisak Internet sales documents; Konzum and Tisak quarter financial reports, www.zse.hr

*Total sales are estimated for 2007 – Q4 for both Konzum and Tisak.

Figure 1: Monthly Internet sales index, Konzum and Tisak, 2007/12 is a base

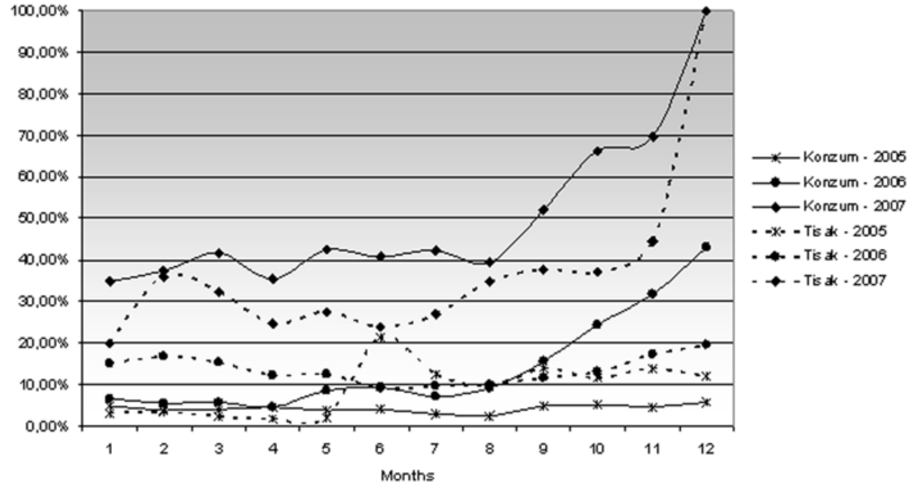


Figure 2: Share of Internet sales in total sales, Konzum and Tisak, 2005 - 2007

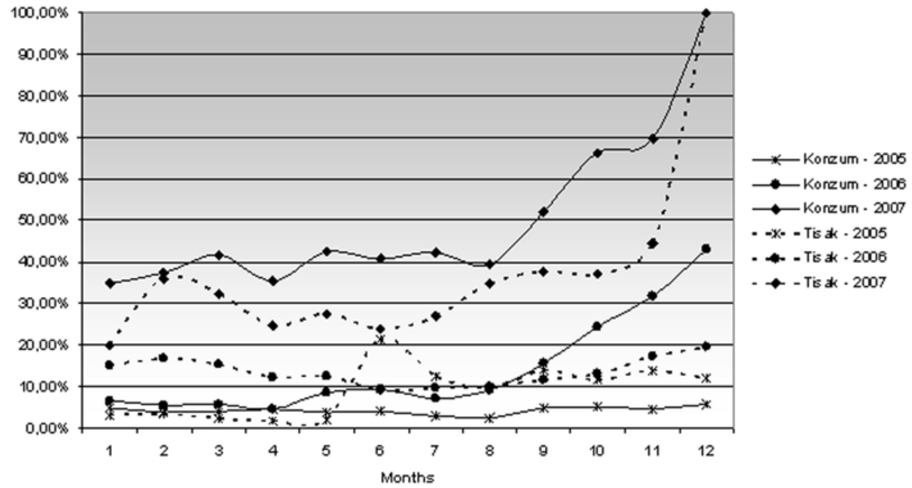


Table 1 shows data on realized total and Internet sales for Konzum and Tisak. Figures represent sales at quarterly levels for years 2005, 2006 and 2007, and are used for all further analysis and figures.

Figure 1 presents Internet sales values for Konzum and Tisak in respect to the last observed period, December 2007. Internet sales grew very slowly, until they doubled in quarter 4 of 2007. Starting Internet sales in January 2005 were 44.065 HRK in Konzum and only 8.179 HRK in Tisak. Absolute Internet sales in December 2007 were worth 900.000 HRK in Konzum and 269.661 HRK in Tisak. Comparing the total 3-year Internet sales, 7.402.288 HRK in Konzum and 1.923.407 in Tisak with 3-year total sales, 26,5 billion HRK in Konzum and 6 billion HRK in Tisak, the difference is clear. Average daily total sales in Konzum in quarter 3 of 2007 were more than 4 times the summed Internet sales in 2005 - 2007.

Due to micro participation of Internet sales in total sales, it would be bizarre to calculate covariance between the variables, as it was initially planned.

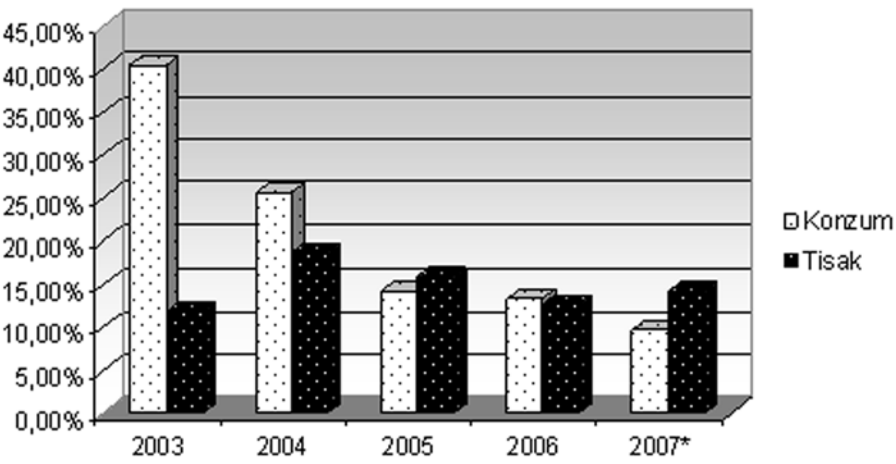
Therefore, the linear regression analysis was not pursued.

From Table 1 and Figure 2 it is evident how small Internet sales are in both absolute and relative terms, compared to total Konzum and Tisak sales. In the first observed period, both Konzum and Tisak Internet sales made up for 0,007% of total sales in their companies. Although shares varied over 3 analysed years, they ended at the same level respective to total sales, equalling 0,087% of total sales. Despite significant growth, Internet sales at the end of 2007 minimally contribute to total sales result. Accordingly, it was not feasible to establish and analyse the correlation of Internet sales and total sales, that is the impact of introducing additional distribution channel to total sales. Nevertheless, it is safe to claim that choosing multichannel strategy did not have negative effects on total sales.

Chain index of total sales for period 2002 – 2007 from Figure 3 indicates that growth rates tend to fall at a slower pace from 2005. However, due to micro participation of Internet sales in total sales from 2005 till 2007, it is impossible to state that this trend was caused because of additional channel introduced.

Konzum and Tisak have a dense store network, so Internet channel was used as a communication and information channel to enhance promotion of the store channel, Konzum private label (K plus) and to attract customers from other retailers. Also, Internet is an excellent tool in supporting Konzum and Tisak expansion into Bosnia and Herzegovina, Serbia and Monte Negro markets, as there is minimum language barrier. Sales realized online are not in line with expenses necessary for its operation, but it is a strategic investment in developing customer trust in virtual shopping and into the company‘s future.

Figure 3: Annual growth of total sales, 2003 – 2007, chain index



Source: Konzum and Tisak annual financial reports, www.zse.hr

*Total sales are estimated for 2007 for both Konzum and Tisak.

Figure 4: Quarter growth of total revenues, Konzum and Tisak, chain index

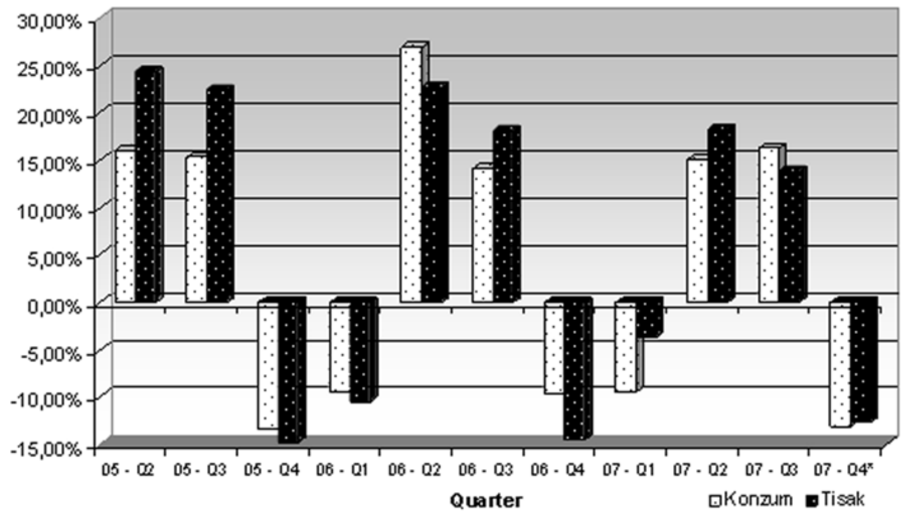
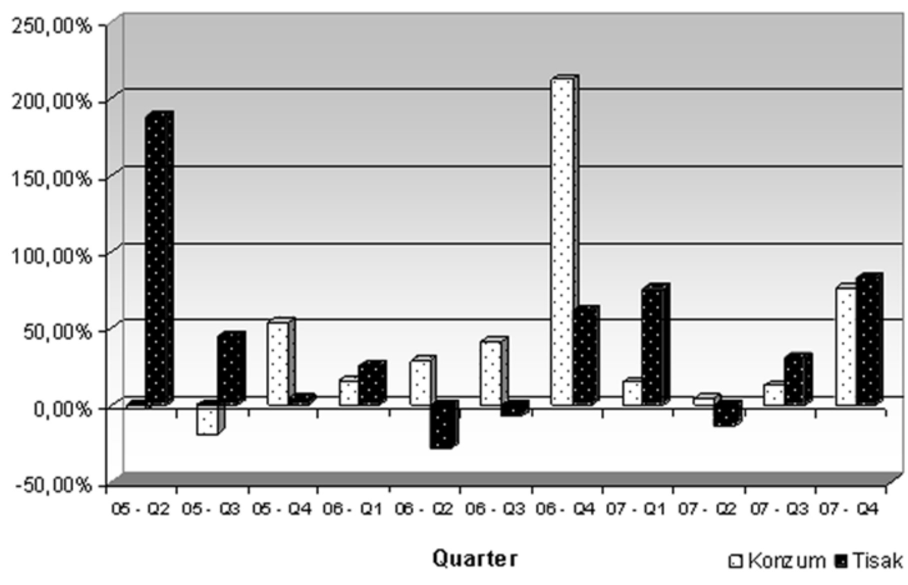


Figure 5: Quarter growth of Internet revenues, Konzum and Tisak, chain index



In Figure 4 chain index of total sales indicates FMCG market trends, as total sales in both Konzum and Tisak raise and drop in exactly the same quarters. Konzum and Tisak assortments slightly overlap, but are generally diverse, and their market positions in specific segments are dominant. Hence, increased and decreased sales designate the overall movement in the Croatian FMCG market. The shape of Figure 5 does not lead towards a similar conclusion for the Internet channel.

Figure 6: Total sales and Internet sales growth, Konzum, chain index

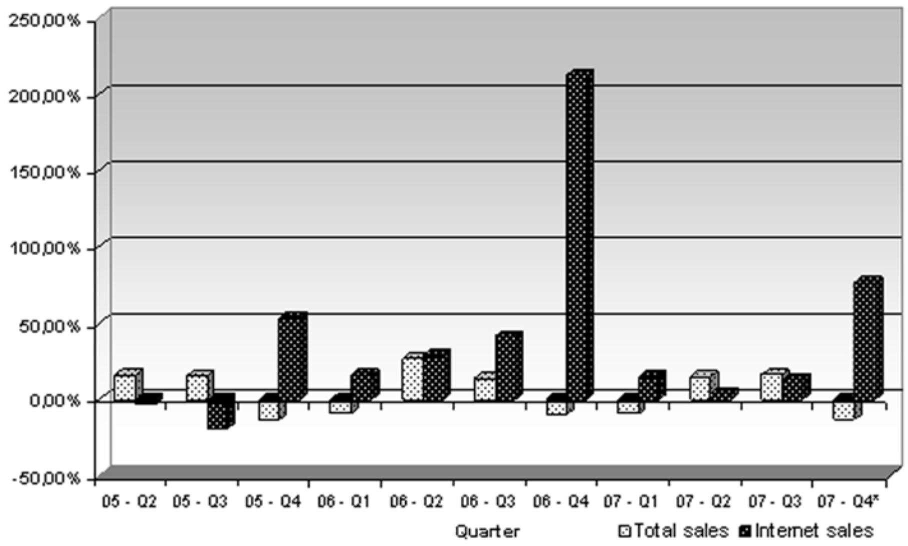
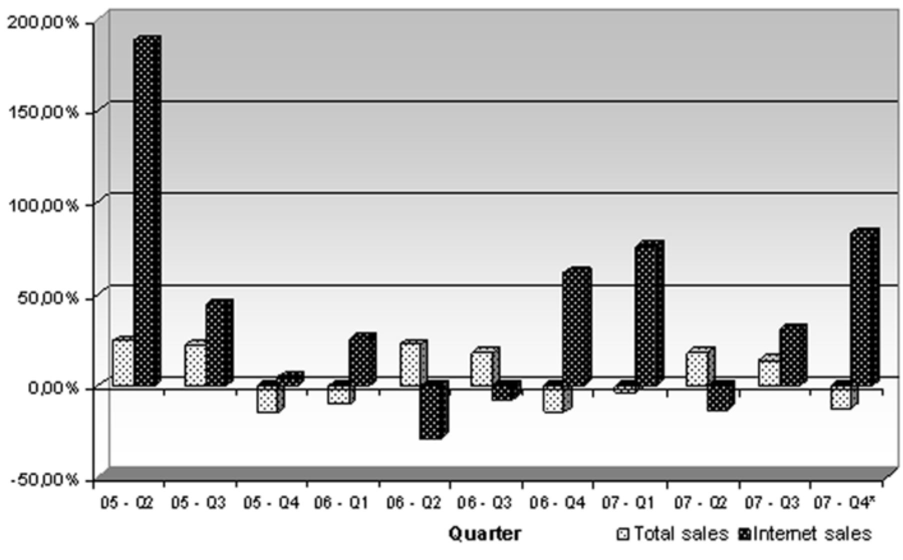


Figure 7: Total sales and Internet sales growth, Tisak, chain index



Chain indexes graphed in Figure 6 and Figure 7 measure changes in sales relative to previous quarters and reveal increase in total sales in both Konzum and Tisak in quarters 2 and 3, but decrease in quarters 1 and 4. Decrease in quarter 1 is not a surprise, due to traditionally inferior FMCG sales results in January and February. On the other side, the fever of Christmas and New Year's holidays shopping would presume high sales results, which is incorrect. These results lead towards a conclusion that tourism expenditures in summer months are more important to Croatian FMCG market than the winter holidays shopping mania.

Another interesting trend in these charts is increase of Internet sales in every period when total sales fall, present in both Konzum and Tisak. Absolute values of Internet sales are small, but this trend indicates potential for Croatian FMCG companies to soften sales downhill in stores, using Internet as a complementary sales channel.

Conclusion

Croatian FMCG market is concentrated and retailers choose different strategies to compete. Two FMCG market leaders chose multichannel retailing as their growth strategy and introduced electronic channels. This paper aimed to analyze effects of multichannel strategy in Konzum and Tisak. Insight into their Internet sales and total sales showed that at the end of 2007, Internet sales made up for barely 0,09 percent of total sales in both companies. Because of extremely small participation of Internet in total sales, covariance between the variables was not calculated and the linear regression analysis was not pursued.

Additional channel introduction strategy did not result in high Internet sales, but its other effects are significant. It was and still is used to enhance promotion of the extensive store network, Konzum private label (K plus) and to attract customers from other retailers. Also, Internet is used to support Konzum and Tisak expansion into regional markets, as there is minimum language barrier.

Web shop customers' preference for medium high and premium products indicate segment towards which Konzum and Tisak should focus to boost Internet sales. However, it is more likely that in the near future customers will continue to satisfy emotional needs to shop in physical stores and Internet will be used to achieve retailers' alternative goals.

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UTILIZATION OF CHAOS THEORY IN CUSTOMER LIFETIME VALUE MANAGEMENT

MARTIN SOUCEK
FACULTY OF BUSINESS AND ECONOMICS, MENDEL UNIVERSITY OF AGRICULTURE AND FORESTRY IN BRNO, CZECH REPUBLIC

NADEZDA CHALUPOVA
FACULTY OF BUSINESS AND ECONOMICS, MENDEL UNIVERSITY OF AGRICULTURE AND FORESTRY IN BRNO CZECH REPUBLIC

Abstract

High penetration is typical for present market. Therefore it is necessary to addict ourselves to customer relationships. It is very important for these relationships management to find out their value and its development. It is evident that quite a number of factors which can change its relevancy in time or for example by branch enter this value. If unified model is created, it needs not fulfil the requirements of whole market.

A quite number of methodics for relation evaluating suggests itself. ARPU method (Average Revenue Per User) which calculates only with simple turn-round per customer in certain period is one of possible ones. The next well-known methodics is e. g. Customer Equity, which work on principle of business potential computation in customer base. The method working on principle of valuating on basis of all future customer profits finding is used too. Most of methodics work either with concrete enterprise value (e. g. with profit) or with single factors rating via different methodics.

Also the author's team attempted to establish a model that would solve methodics of customer value finding. This mathematical model work on principle of valuation of input factors important for customer value through points scales. A weigh is attributed to single factors through indexes standardized according to actual entourage.

Above mentioned methodics are real systems linear models which naturally can run on only under ideal conditions. It is possible to perceive the single value and the customer relationship management as a non-linear system (it is impossible to represent it exactly by linear model) where is possible to presume specific hidden system, but the system externally behaves as managed by random events. The other property of this system or at least of some its part (factors co-participating on customer value creation) is changeability in time too which means that it is discussed about dynamical system. Non-linear dynamics inherence in system can cause generating of random-looking issues, which though can include more durable trends and cycles.

The chaos theory deals with description and endeavour to better understanding to this behaviour. The theory approaches to data analyses in absolutely other way than traditional methods: it allows find out whether the data have some internal structure or whether it deals with random data. Already this issue can stand the aim of whole computation.

Separate approaches to customer value designating are assessed in the paper. The main emphasis is insisted on possibility of using chaos theory, which seems to be a very perspective and interesting method.

Key words - CRM, Customer Value Management, Chaos Theory

Introduction

For current market high allocation is quite typical. For this reason it is essential to devote special effort to customer relationships. Customer must be in the center of company's attention at all levels of organization structure. Business managers and also other groups of staff must be participating at the process of customer relationship management. An individual approach to each customer is very important. For the company it is crucial to know what a customer means for it, that what is the value of a customer.

In strategic relationship management, it is essential to define and calculate the value of a customer. Then we can use this value as a indicator for strategic decisions, such as individual price policies, custom-tailored marketing communication, determination of distribution channels, etc. Simply said, it may help us to define customer value segments, which we can then approach individually with differentiated offer. Knowledge of value of a customer enables us to make better decisions about investment in target marketing.

In company, there is a great number of values, on can define. First of all, we may try to find an answer to a question: What is a value of customer? In connection with term "customer" we may find to perspectives to the value: a. customer value (provided by the company) to the customer and b. value of a customer for the company. Schiffman (2004) defined customer value as: a ratio between economical, technological and psychological utilities or benefits on one side (as they are receive by customers) and financial, time, performance and psychological resources, spent on attainment these benefits. On the contrary, the value of a customer for the company could be characterized as an individual customer share on a total volume of company sales (Lehtinen, 2007). Both of these values are closely related, but each of them looking at a customer from a different perspective.

This definition of a value of customer is very simplified. Customer value represents both financial and non-financial company benefits which then further develop and change in time, and its importance is influenced by situational conditions. Before we explain the method of determination of the value, we have to stress out that it is impossible to create only one universal model of its calculation. Calculations may differ for example depending on industry or size of a company. And of course, we can include in a particular model different set of characteristics in its construction.

Methods for Customer Lifetime Value finding

In order to determinate a value of a customer we can use a number of either simple or sophisticated models. As an example of simple ones we can introduce the ARPU (Avarege Revenue Per Unit) model or AMPU (Average Margin per User) model, which can be used in communication policies. These indicators are based on a very simple principle and their calculations are based on a rate of turnover on customer in specific period. They can serve as good as indicators of capabilities to generate income returns. They are often used for international comparisons.

As an example of more sophisticated models can be introduces the LTV (Lifetime Value) models. Some of them will be explained in the follow text.

First metod of LTV

Lifetime value can be for these purposes defined as a present value of all future profits of a customer (Foret, 2003).

Figure 1: Equation of Lifetime Value (method1)

$$LTV = \sum_{i=1}^{n} (1+d)^{-i} \pi_i$$

where:

- LTV = lifetime value of an individual customer
- d – discount rate,
- n je length of customer life cycle,
- πi je profit of customer in time i.

For this model it is typical, that although we can predicate, what products and services will be purchased by a particular customer from our company and what margin we can expect from this relation, the determination of the current value of a customer is not simple. The problem stems from difficulty to quantify costs of relationship maintenance with a customer. The model doesn't also reflect further characteristics, which determine customer relationship, such as word-of-mouth value, etc.

Second method of LTV

In the most simple definition, the lifetime value of an individual customer is the sum of the customer's discounted contribution margins over the respective observation horizon (Kumar, 2006).

Figure2.: Equation of Lifetime Value (method2)

$$LTV = \sum_{t=1}^{T} CM_t \left(\frac{1}{1+\delta} \right)^t$$

where:

- LTV = lifetime value of an individual customer in $
- CM = contribution margin
- δ= interest rate
- t = time unit
- T = total time horizon
- ∑ = summation of contribution margins across time periods

The resulting LTV is measure of a single customer's worth to the firm. The contribution margin may vary, of course, across customers and across time units. This formulation is primarily used for pedagogical and conceptual purposes. It is typically based on past customer behavior and may have limited diagnostic value for future decision making.

The contribution margin and the duration are derived either from managerial judgment or comes from actual purchase data. The interest rate is a function of a firm's cost of capital and can be obtained from the financial accounting function.

It´s improtant to realize if the time unit is different from a yearly basis, the interest rate needs to be adjusted accordingly. For example, if the yearly interest rate is 15 percent, the quarterly interest rate is 3.75 percent (Kumar, 2006).

Third method of LTV

On the next level, one can break down the contribution margin into its constituting elements. (Kumar, 2006)

Figure3:Equation of Lifetime Value (method 3)

$$LTV = \sum_{t=1}^{T} (S_{it} - DC_{it}) - MC_{it} \left(\frac{1}{1+\delta} \right)^t$$

Where

- LTV = lifetime value of an individual customer
- δ= interest rate
- t = time unit
- T = total time horizon
- S = sales to customer
- DC = direct cost of products purchased by customer
- MC = marketing costs of customer

The cost element in this example is broken down into direct product-related cost and marketing cost. Depending on data availability, it can be enhanced by including service-related cost, delivery cost or other relevant cost elements.

The information on sales, direct cost, and marketing cost comes from internal company records. The key issue with direct cost and marketing cost is that they must be known on a per-customer basis. This knowledge is not necessarily common among many firms. An increasing number of firms are installing activity-based costing (ABC) schemes. ABC methods are used to arrive at appropriate allocations of customer and process-specific costs (Kumar, 2006).

Fourth method of LTV

So far, an assumption was that all customers under investigation remain fully active during the period of interest. However, in reality, more and more customers stop their relationship with the firm over time. The next step is therefore to consider customer retention probabilities. This relates to the fact that customers tend to remain in the relationship only with a certain average retention rate.

Figure4:Equation of Lifetime Value (method 4)

$$LTV = \left(\sum_{t=1}^{T} \left(\prod_{t=1}^{T} Rr \right) CM_{it} \left(\frac{1}{1+\delta} \right) \right)^{t} - AC$$

where

- LTV = lifetime value of an individual customer in $
- Rr = retention rate
- CM = contribution margin
- Π = product of retention rates for each time period from 1 to T
- AC = acquisition cost
- δ= interest rate
- t = time unit
- T = total time horizon

The retention rate is constant, although this is a common assumption, it is mostly not very realistic. Also, the acquistion cost is now subtracted from the customer's value (Kumar, 2006).

Fifth method of LTV

Previous equation can be simplified to the following formula under the assumption that T → ∞ and that the contribution margin does not vary over time.

Figure5:Equation of Lifetime Value (method 5)

$$LTV_i = \frac{CM}{1 - Rr + \delta} - AC$$

where

- LTV = lifetime value of an individual customer in $
- Rr = retention rate
- CM = contribution margin
- AC = acquisition cost
- δ= interest rate

This formulation is easy for quick calculations and, unless the retention rate is very high, producers results very close to the more precise formulation. One needs only to multiply the contribution margin with the margin multiple (1 / (1-Rr + δ)) and subtract the acquisition cost (Kumar, 2006).

Customer equity

The sum of the lifetime value of all a firm's customers represents the customer equity of a firm. This metric is an indicator of how much the firm is worth at a particular point in time as a result of the firm's customer management efforts. This metric therefore can be seen as a link to the shareholder value of a firm (Kumar, 2006).

Building on the formulation in equation, we can aggregate the lifetime value measure across customers. The resulting quantity is the customer equity.

Figure. 6.: Equation of Customer equity

$$CE = \sum_{i=1}^{I} \sum_{t=1}^{T} CM_{it} \left(\frac{1}{1+\delta} \right)^{t}$$

where

- CE = customer equity of customer base in $ (sum of individual lifetime values)
- CM = contribution margin
- δ= interest rate
- t = time unit
- T = total time horizon

In this case, the customer equity measure gives the economic value of an entire cohort or segment of customers (Kumar, 2006).

A brief introduction of Chaos theory

The chaos theory describes behaviour of non-linear (it is impossible to represent them exactly by linear model) dynamic (they change themselves during time) systems, which have some very complicated internal hidden system, but in spite of this, they appear as systems managed by random events. The notion of chaos apperceiving is established as a state of disorganization, mess, state where extemporaneousness rules, state nearby nihility, state without system existence. Chaos is a phenomenon characterized by high sensitivity on initial conditions. In the connection with such sensitivity it is discussed about, perhaps the most frequently quoted chaos principle displaying in meteorology, so-called “butterfly effect”, which name refers to an idea that also something so small like butterfly wing-beat whirl up the wind in Peking, in the final result can invoke typhoon over an half of the world. It declares sensitive dependence of system evolution on initial conditions, whose small differences should result in drastic variations in longer course. Owing to this sensitivity the behaviour of these systems showing chaos appears as random, nevertheless the model of the system is deterministic to the effect that it is well defined and does not content any random parameters (Sprott, 2003).

If there is created some linear model of some system then this model describes existing system only in case of ideal conditions and for a short time. If there is a presence of non-linear dynamic in the system, the deterministic system can generate random-looking issue, which though can include the more durable trends and cycles (Sprott, 2003).

This theory finds its application in many spheres of human activities. Besides the atmosphere (weather behaviour), liquid turbulence, biomedicine (biologic signals course – ECG, EEG) and others, the population evolution, economy, finance (exchange market functioning) etc. can be included among systems showing chaos. From above mentioned definition of chaotic system behaviour is evident that the market behaviour is chaotic too (Dostál, Rais, Sojka, 2005). The same behaviour is naturally typical for customer, who is a part of market.

The input data for chaos theory-based analyse are one-dimensional time series containing of about hundreds values (the more the better). By application of chaos theory it is possible to find out if the data have some internal hidden structure or if it deals with random data. Already this issue can signify the goal of the whole calculation. If the data does not have hidden system, there is no worth to deal with influences which should affect the data. These influences are neither random nor simply do not exist. This can bring to many organizations and analysts very valuable information. However if there is discovered some structure in the data then it is worth to analyze the data again with a view to research what affect it. Then it is possible to work up the relation system consequently (Hestley, 2005).

It is possible to evaluate the data in time series by the help of Hurst exponent that designates the chaoticness rate of time series. It can distinguish chaotic (fractal) time series from really random one and discover a long-term storage cycle in the chaotic time series. The Hurst exponent measures a “roughness” of time series and fractal (non-integer) dimension too. The Lyapunov exponent that quantifies sensitivity to initial conditions is available too. Its calculation allows interpreting reliability of measured event prediction. It indicates average increase of the infinitesimal initial point error. The reciprocal of Lyapunov exponent then indicates the predictability of time series. If the Hurst exponent will confirm that the time series has storage effect and the Lyapunov exponent will qualify prediction reliability then it should be high-quality prediction (Dostál, Rais, Sojka, 2005).

Scale LTV model

This model LTV utilizes principle rating scales for customer value calculations. (Souček, 2007) The value reflects a number of factors, which can changed its importance over time or depending on industry. Such unified model may not satisfy all requirements of whole market.

We have chosen following factors:

- profitability of a customer relationship / year (period) – p
- duration of a relationship (time) – t
- value for a customer – cv
- reference value – rv
- loyalty of a customer – l

Despite the fact that the aim of this paper is not a quantification of factors we try to explain what values represent these factors.

Profitability of a relationship is determined as a ratio of total revenues from a relationship and total costs for a relationship. According to other known models, now we have to set the evaluative scale. We suggest the scale from 1 to 5 (1 = the weakest value, 5 = the strongest value). The scale was set according to estimation of authors and can be changed. The extent of this scale is an issue to be discussed.

We will evaluate the duration of a relationship in the same way as it was done in the previous paragraph – we will use the evaluative scale.

We can discuss the extent of a scale which should be different for different sectors according to an average duration of relationships in this sector.

Other factor that is needed to be quantified is value for a customer. Quantification of this factor is too complicated.

Quantification of the reference value is based on the position on the market. It is a set of attributes as a market share or number of customers. The main problem when gaining this information is its availability. So far we have to rely on the expert estimation of the situation.

The evaluation of loyalty as another factor is based on the frequency of purchases and in a case of regular customers it is also based on the interval of purchases.

In this point we get to the calculation of customer value (CV). The basic formula consists of a sum of attributes (x) multiplied by their weights (w). The sum of weights must be equal to one. The formula is expressed as following:

Figure. 7.: Equation of Scale Lifetime Value

$$CV = \sum_{i=1} x_i * w_i \rightarrow CV = p * w_1 + t * w_2 + cv * w_3 + rv * w_4 + l * w_5$$

$$\sum_{i=1} w_x = 1$$

Table 1: Customer division

weak customer (0 – 1,25>	average customer (1,25 – 2,5>	good customer (2,5 – 3,75>	exclusive customer (3,75 – 5>

If we divide the scale into four groups (by 1, 25 points) the customer belongs to the best group of customers (see table no. 1).

Above mentioned methodics are real systems linear models which naturally can run on exactly only under ideal conditions. It is possible to perceive the single value and the customer relationship management as a non-linear system (it is impossible to represent it exactly by linear model) where is possible to presume specific hidden system, but the system externally behaves as managed by random events. The other property of this system or at least of some its part (factors co-participating on customer value creation) is changeability in time too which means that it is discussed about dynamical system. Non-linear dynamics inherence in system can cause generating of random-looking issues, which though can include more durable trends and cycles.

As an issue of computations by the help of chaos theory it is possible to gain a value representing certain rate of randomness of time series. By this result it is possible to enrich a model of customer value finding. Often there is bearing in mind only a profit what is brought by client to provider in certain time period. But the profit is developing during time and the information about how is the profit from certain customer developing, is very important for the organization too. It is possible to gain this information by analyse of time series of certain customer profit development via chaos theory.

In this way gained information, quantifying up to which point the mentioned property developed randomly, is possible to include in the customer value model in the same way as the other factors: to assign a point value expressing a quality of this gained value (for certain organization) to the attribute, to multiply it by a weigh representing a rate of relevance of this factor in customer value creating and this all to add to the other summands of above mentioned formula.

Conclusion

Separate approaches to customer value designating are assessed in the paper. The main emphasis is insisted on possibility of using chaos theory, which seems to be a very perspective and interesting method.

The customer–provider relation is doubtless a very complicated problem therefore it is influenced by many effects. Some are well-known for human and he is able to compute with it precisely, he fails to quantify absolutely exact some well-known influences for the presence. Then there exist unknown powers too – these, what influence the event (even slightly), but thanks to low level of human prehension is not beard in mind, because it is not connected with the exploring event seemingly.

A human is unable to comprehend all actuators into prediction of such complicated event presently. Even if he would know all these impacts absolutely, he would never know all initial conditions with sufficient exactness that way, to be possible to compute the long-term prediction exactly. In spite of this it is possible to forecast future development with explicit probability in explicit time interval (what is permanently extending by the evolution).

The fact that the long-term predictions do not used to be too successful is thus definitely not caused by inability of prognostic teams, but it is caused in a measure by irremovable internal customer–provider relation property that is the higher system of complexity (whose detailed understanding is limited by contemporary knowledges).

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IMAGES OF THE YOUNG RUSSIAN CONSUMER: A REGIONAL PERSPECTIVE

LARISA P. PISKUNOVA
URAL STATE UNIVERSITY, RUSSIA

AZAMAT KASHAKBAEV
URAL STATE UNIVERSITY, RUSSIA

YULIA LEGKAYA
URAL STATE UNIVERSITY, RUSSIA

Abstract

In December of 2007 students at Ural State University conducted a market research study to reveal the everyday preferences of Russian youth. The objective of this research was to find out specific features of consumption of a young urban consumer. Students of various local universities were chosen as participants for the research study. Students are one of the most dynamic consumer groups. Quite often students end up being pioneer consumers (trend setters); this is one of the reasons that make this group interesting to study in the realm of marketing.

In this work regional perspective of consumption is presented. Yekaterinburg is an industrial center with a highly developed infrastructure. The city population is 1,336 million. There is an established structure of consumer choice and preferences in a variety of consumer product categories. The area offers a high but differentiated income base (the average income is €445).

The main results of the research representing some features of young consumer image are the following. 40% of respondents do not have their own recognized source of income and receive money from parents. Monthly spending ranges from €85 to €140. 50% of students live with parents, 30% reside in dormitories, the rest have their own apartments or apartments they rent. Students visit canteens almost every day, restaurants and cafes – ones a week. Students may be characterized as occasional drinkers. However there is no serious alcohol dependency. 50% of the respondents use tobacco. Students seldom visit theaters. Respondents rarely visit night clubs but will more often go to such clubs instead of cinemas and theatres. The majority of students utilize public transport. Some respondents have cars. 30% of respondents take additional courses (particularly language courses).

Hence this image reveals common needs of students in terms of consumption. However, students of social-economic, humanitarian/creative, and technical sciences have different preferences. For example, for all groups personal appearance is important. The style selected is the most important factor rather than high fashion, but style of clothes chosen by different groups varies.

Consumers' behavior can be trend-setting and cause other individuals to behave in a similar manner. Such behavior in acceptable (and is often very predictable from a market/consumer psychology perspective). Even in the simplest acts of satisfying their natural needs, individuals (consciously or unconsciously) consume not only for themselves, but also for others, showing they belong to a defined social group or sub-group. All this is the principal objective of market segmentation in the electronic era.

Consumption has more than a utilitarian nature. What you use or consume or drive demonstrates a place in society, and indicates associations or affiliations with different groups. Thus, symbols (images) play a great part in the structure of the "why" question associated with consumption. For example, "good" clothes are not selected just because they are warm and comfortable. The "why-do-I-wear-such-cloths?" question can be answered: - I am sending a message as to my

consumption preferences, or announcing a status level in my life.

Keywords: social affiliations, symbolic consumption, trend setters, consumption preferences of Russian youth.

Introduction

Ekaterinburg is the capital of the Urals Region of the Russian Federation. According to the official survey the population of the city is 1,336 000 people. It is both an industrial center with a developed infrastructure and a strategically important object at the level of public policy and economy. Because of economic activity, accessibility of all goods and services and rather high incomes , Ekaterinburg inhabitants have an advanced culture of consumption (developed structure of consumption choice and preferences, knowledge of local and quasi-global market state).

Using the detailed survey and observation we conducted the processes analysis of factors determining spiritual values, everyday preferences and brand loyalty. The research has empirical and applied nature but it does not imply any recommendations or business advice. Its essential destination is to get information for reviewing consumption characteristics of concrete goods and services (education, means of communication, clothing, nutrition, leisure, career and so on) and portray the image of an abstract consumer using facts we have got.

Individual consumption is a production. But a subject of production is an individual. An individual reproduces himself/herself as a person.

Consumption as a social action

The other people's reaction to individual's consumer behavior is a powerful factor making them (individuals) do what they want with regard to other people's opinion, do it in the customary way, avoiding things which can be condemned by them. Thus, even in the simplest acts of satisfying their own needs, individuals consume not only for themselves but for other people as well, reproducing themselves as members of any socio-cultural community.

Consumption as production of symbols

Individual production is a process, which involves production of symbols, identifying a person as a natural and social subject. Percentage of symbolic component in consumption may fluctuate rather wildly. In one pole there is consumption of the bottom, almost deprived of symbolic component, in the other – elite consumption, in which production of symbols absolutely dominates.

Growth of public production simultaneous to distribution system humanization leads to the growth of incomes of the constantly increasing part of the society and to the fact that they raise above the subsistence level which only provides for people's biological reproduction. Even depressed Russia is not an exception from this tendency. The higher incomes are above this level, the more humane the consumption is, and it is directed not to the preparation for the next working day, but to self-development or just getting pleasure and supporting one's position in the society. At this stage people consume and live not for their employers, but for themselves and their close people. They reproduce themselves not as workers, but as people involved into plenty of social links.

At this stage demanded consumer goods and services radically change. Goods, meeting basic needs, are required for reproduction of a person as a living being, Consequently, goods are assessed from this point of view. "Good" food is that food which is substantial, "good" clothes are those which properly protect from the cold, wet and hot weather, "good" accommodation is that which provides protection from the outside atmospheric impacts and stress, caused by high density of inhabitants in the dwelling.

At the stage of production of a person as a member of the community, consumption lacks its purely utilitarian character. It is supposed to provide a person's position in different social structures and symbolically identify one's belonging to any group or rank. As a result, production of symbols becomes more and more important in the structure of consumption. Warm and comfortable clothes are not necessarily "good", they are assessed like a message which is read and interpreted by other people.

The first attempts to draw up a theory of consumption are associated with a number of key figures in social science of 19- 20th centuries. K. Marks put forward a theory of consumer goods fetishism.

At the end of 19 century T.Weblan, an American, suggested a theory of prestigious consumption. G. Zimmel, German sociologist, put forward several key ideas of a theory of fashion. V. Zombart, German sociologist and economist, suggested a concept of luxury. M. Veber, another German sociologist, formulated a concept of status groups and protestant ethics. These names are often quoted in the research works on consumption.

More specific research of consumer behavior appeared later. Why this trend appeared may be explained in the following way: economics gave birth to marketing, which involves “consumer behavior”. Later “Consumer Behavior” was reorganized as a separate discipline. (Belk: 58)

First marketing courses appeared at the American universities in 1902. But it was not until the end of 1920s – beginning of 1930s that the lecturers who ran those courses began to refer themselves rather to market scholars than to economists. Formation of American marketing association and creation of its periodical “Journal of Marketing” in the course of 1930s symbolized the separation of marketing from economics. Development of “Consumer Behavior” as a separate subject began in the USA in 1950s within the framework of Marketing Departments of Commerce Colleges and Business Schools. However, the research of consumer behavior in North America and Europe had started before that. As early as at the end of 1920s and the beginning of 1930s Paul Lazarsfeld and his colleagues in Vienna studied the market of some daily consumer goods, interviewing consumers. (Belk: 58)

Focusing on a separate individual-consumer was typical for marketing research of consumer behavior from the very beginning. As one critic rightly observed, marketing scholars studied consumers like fishermen study fish, but not like ichthyologists do. Under such approach, consumer’s needs are considered inherited but not formed by the society and market, that is why firms strive to ‘hook’ consumers, suggesting goods and services which meet their requirements better than those suggested by their rivals. Thus, traditional marketing research of consumer behavior is close to the concept of rational, economically educated person. (Belk: 58)

In 1950s the so-called “motivation research” became fashionable in America. It was based on deep interviews and closely connected with psychoanalysis tradition suggested by S. Freud. However, the interest to it soon faded.

In 1960s there appeared new trends in the research of consumer behavior, which had psychological roots. Consumers were like computers which received and processed the information for making decision about the choice of goods or service. This trend in the research of consumer behavior was fused with the study of perception processes in psychology. The first text books on consumer behavior were mainly structured in the frameworks of such approach to the problem, though there were also several topics concerning culture, subculture, groups, classes and the impact of the family and personality. (Belk: 59-60)

The process of institutionalization (i.e. transforming of this trend into a separate discipline) of “Consumer Behavior” in America was mostly completed in the first half of the 1970s. In 1969 there appeared an Association of Consumer Research, in1974 a specialist journal “Journal of Consumer Research” was launched. Although, this trend in science and studies remained, as before, in the frameworks of Marketing Departments, being the gist of the USA research: it was consumer behavior, that most of dissertations were devoted to. (Belk: 60)

At the same time, problem of consumption gradually attracted attention of a wide range of social scientists: historians, anthropologists, sociologists, culture and social theorists. However, theoretical analysis of consumer behavior in the Westrn Europe was quite different from that in America.

A Frenchman P. Bourdieu is the most prominent contemporary theorist of consumption. His main work devoted to this problem is “Distinctions: social criticism of taste judgments” (first French publication in 1979). A Frenchman Baudrillard is also one of the greatest theorists of consumption, who has developed the conception of the consumption society and written the work on political economy. The works of I. Goffman, American social psychologist and sociologist, have made a big influence on consumption research. Works of M. Bakhtin, Soviet literature and cultural scientist, are held in the highest public esteem and important for consumer behavior understanding.

Some marked changes have also taken place in the USA. In 1980s anthropologists, sociologists and even literature critics came to work at the marketing departments, which naturally extended the view on consumer behavior. Consequently, the criticism of traditional approach arose from inside the marketing departments. The trend, emerged in the marketing research, was called “the new” one. By 1990s its right for existence had been recognized together with traditional school. A focus on culture and social problems is a specific feature of the new trend. (Belk: 61-62) However, a traditional view on consumer behavior quantitatively dominates. Via mass publications of textbooks and journals, American situation is copied in many countries of the Western Europe, where there are no national textbooks on the course of consumer behavior. To study consumption as a part of cultural process it is also important to have specialists with quite different type of education and scientific experience. Professor V. Iljin, is one of the representatives of the “new” trend in marketing research in Russia.

His book “A mode of life and being of the Russian mega polis youth: social structuration of the consumption society daily life” was published at the beginning of 2008. On the basis of numerous deep interviews, observations and reanalysis of polls and Internet-journals data the author analyses formation processes of the structures of the Russian youth daily life in different spheres: in the choice of a life or night partners, universities, construction cites, plants, sexual services salons, night clubs, cafes, stores and so on.

Our research was conducted in the frameworks of his methodological approaches. In December 2007 students of the Economic Faculty of the Ural State University conducted a study research aimed at finding out daily preferences of the Russian province youth. University and vocational schools students, living in Ekateringburg, were interviewed. Students are one of the most dynamic groups of consumers, who extend their influence not only over the rest of the young people but also over a wide range of population beyond their age group. It is often, that students become pioneers of consumption which makes that social group interesting for those studying the market. Successful marketing at the market of consumer goods and services implies a systematic study of population consumer behavior in general and its advanced groups in particular.

Goals of the research

Present research is the analysis of the student audience survey. General goal is to define specific attributes of consumption and choice in order to depict the image of the Russian young consumer. The research determines the consumption characteristics of the Urals youth and extrapolates the results on the image of the Russian young consumer.

Object of the research

Students of universities living in Ekaterinburg are the object of the research as subjects of consumption.

Subject of the research

It is a system of specific characteristics of the Russian young consumer.

Audience description

All respondents are students of the Ekaterinburg universities studying different sciences: psychology, economics, natural sciences, technical sciences, social sciences, humanities, medicine and arts. This audience structure allows us to depict the consumer image in a more detailed way due to its diversity.

Audience segmentation

The analysis method we used implies audience segmentation into three groups: students studying economics/business subjects, students studying technical and natural sciences, students studying humanities. We call these groups: e-group, t-group and h-group, respectively. The division has concrete scientific interest, particularly the identification of the consumption characteristics differences between these groups because students from different groups have different mentality and professional-psychological attributes.

Additionally we test hypothesis: Are there any consumption characteristics differences between different groups? What is the intensity of these differences?

Questionnaire structure

The interviews have questions allowing us to get necessary information and consist of the following blocks:

- General information about respondents: university, faculty, age, sex, income and consumption preference system
- Health and physical development
- Respondent's outward appearance: clothing, shoes and accessories as signs
- Culture of consumption and eating habits (meal, alcohol, smoking and drugs)
- Entertainment and Leisure
- Transportation
- Accommodation as an environment
- IT and Communication
- Education and Career

Every block consists of questions about consumption preferences, factors affecting the choice, motivation and incentives, respondent's consumption and inner values.

Prior Hypothesis about Behavioral Stereotypes and Preferences of the Groups under Condition

Our hypothesis implies that students studying technical and nature sciences have a number of specific characteristics. We suppose these items influence students' consumption choice specifically. For instance, these students are less sophisticated consumers, they are less pernickety in nutrition and outward appearance. They are rationale, practical and less outgoing. The process is not their essential interest in contradistinction to the result, i.e. purpose implementation. Brand and fashion also have no strong influence on their consumption choice. Additionally, the majority of students are men and this aspect predestines some assumptions.

Also our hypothesis implies that students studying humanities have the following attributes: The process is more important than the result in contradistinction to the previous group. They direct their attention to both external aspect and internal essence of the thing. They keep up with fashion, however, they have their own opinion about fashion – the individual style and individuality are the most important choice factor. These students are creative people, thus non-ordinary self-demonstration and self-expression are their essential attributes. They are less rationale and practical. The choice is determined by the desire and senses rather than by reason. Being aesthetes by nature they most probably choose things pleasing them than practical ones. As well as previous group they do not follow the majority, but the first group does not do it because they have no interest and the second group does not do it because they do not want to do it. Students studying humanities are not careerists and are often very sociable.

And finally, the third group (students studying economics/business) also has specific characteristics depending on the professional-psychological attributes. They are pragmatists and make a chose by dint of correlation of subjective value and price. Although fashion influence and following the majority of population do not play essential role, they are very important for e-group. They are careerists and thus they strive for the improvement of their human capital, i.e. they pay attention to education, outward appearance and so on. The significance of brand predestines decision to buy, because prestige and public admission are essential. Although these students are rational and thrifty with respect to expenditures, making a consumption choice they spend rather much to demonstrate their income and status, e.g. they are prone to buy something expensive, exclusive and elite.

Analysis of the blocks

All students were divided into three groups: economic (E-group), humanitarian/creative (H-group), technical (T-group) sciences students.

"General Information"

Let's regard the data in Table 1. Our hypothesis that males predominate in t-group is confirmed – 83% of males. On the contrary, h-group is female, because 84.4 % of this sample are females. The same is in e-group – 78% are females.

Table 1. General Information, %

Indicators	Category	T-group	H-group	E-group
sex	*male*	83	15.6	78
	female	17	84.4	22
age	*18-20*	82	72	71
	21-23	12	28	29
incomes	*own*	35	37.5	42
	parents'	53	46.9	47
	mixed	12	15.6	11
personal expenditures	*500-1000*	17	3	-
	1000-3000	24	28	15
	3000-5000	12	34.4	31
	5000-8000	24	18.8	29
	8000-10000	10	6.3	5
	>10000	13	9.5	20
average expenditures		4977.5	4792.5	6075
incomes and expenditures are in rubles (1Ru = 36.5 Euro)				

Personal expenditures are incomes minus accommodation and other compulsory fees related to non-personal expenditures. We can state that e-group has the highest expenditures in the sample. It also proves our hypothesis that they are prone to spend much in order to demonstrate their status. Half of the sample in all groups have no own incomes and spend their parents' money. Only working students have extra-incomes in t-group - the same evidence is in e-group, however, the ratio of working respondents is the highest.

Intensive Necessities of Respondents

We offer eight options of necessities. Respondents had to rank these items in order of preference:

- Consumption (food, alcohol, drugs, smoking and so on)
- Entertainment and leisure
- Clothing, shoes, accessories
- Education and career
- Accommodation conditions
- IT and Communication
- Transportation
- Health, fitness, beauty salons

The first and second places are the same in every group: consumption and education, respectively. And the less important necessities are accommodation and IT/Communication. Then we offered them to rank these items in order of the necessities satisfied. Consumption is the first in every group. The second place is occupied by entertainment and education. But health and fitness are the less satisfied necessities. Thus we can state that the most intensive desires/needs of respondents are always satisfied.

Health care and physical development

The results of this block are similar for every group again. Respondents want to visit: firstly, swimming pool; secondly, massage and relaxing treatment; and thirdly, sport organizations (e.g. karate, basketball, bowling, dances and so on). However, the satisfying of these items differs: t-group – sport organizations – 60%, h-group – swimming (30%) and beauty shops (37%), e-group - medical services (dentist, psychologist, dermatologist and so on) – 53%. The explanations of these results are associated with visitors' intentions. We offer them to answer the question why they visit this. For instance, t-group visits these centers for pleasure, h-group visits for pleasure and health care, e-group does it for health care only. Thus, we can state that only e-group has concrete purpose. Probably, it can be explained that these students intend to improve their human capital and so they take care of their health. However, only t-group does it systematically, because half of this group states they are constant visitors – other respondents do it occasionally. We can assume that there are two reasons. Firstly, sport organizations (e.g. soccer, basketball, volleyball) are cheap or free of charge (except bowling, fitness and gym) because they are often affiliated to universities or state organizations. Thus t-group preferring this item can visit them. And other groups preferring, for instance, medical services and beauty shops should have sufficient incomes to do it. But prices of these services are not commensurable with students' personal incomes. Secondly, respondents have no free time to do it systematically – most of students study at two faculties or combine studying and job.

"Outward appearance"

T-group

Personal appearance is important for 88% of respondents, but just 11% of them follow fashion trends. Other 53% follow fashion trends occasionally and 35.3 % never do it.

Almost 30% of respondents buy clothes just at branded shops or boutiques. So these students choose shopping centers as "Greenwich", "Park House", "Mega" , "Ekaterininsky", "Derejable" and "Corteo" (5%). And 23.5% of respondents pointed to branded shops or boutiques and departments at shopping centers. They also added such shopping centers as "Uspensky" and "Karnaval" .

In most cases chosen shopping centers correspond to the monthly amount of respondents' money.

There are four main principles of choosing clothes: clothes must be 'simple and tasteful", "warm and comfortable", "high fashioned", and "stylish".

The most part of T-group students buy clothes of different brands or it is not important for them witch brand to buy (there is no dependence between level of incomes and choice of brands). However, they marked both popular and expensive brands ("Armani", "Boss", "Benetton", "Sisley") and unknown ones.

The most popular style is classical (35% of respondents). Other 65% of respondents marked different styles. So it is improbable to select common style for students of T-group.

G-group

Personal appearance is important for the majority of respondents (94%). 44% of respondents follow fashion trends, and 44% - sometimes. 75% of respondents buy clothes at the departments of shopping centers. 47% of respondents choose stylish clothes, 31% - "dress simply and tastefully".

The most popular shopping center is "Greenwich" (76%). 53.5% of respondents prefer such brand as "Mango", 23% - different brands.

Prior styles are classical (40.6%) and casual (31%).

E-group

The overwhelming majority (98%) marked the importance of the personal appearance. So the majority follows fashion trends or follow them occasionally(42% and 40%). For E-group students clothes and footwear must be "stylish" (40%), "simple but tasteful" (36%) and "warm and comfortable" (20%).

The most popular shopping centers are "Greenwich" and "Mega".

Most popular clothes styles are classical (44%) and casual (47%).

Table 2. Outward Appearance

	T-group	H-group	E-group
personal appearance is important	88%	94%	98%
follow fashion trends	11%	44%	42%
follow fashion trends occasionally	53%	44%	40%
styles:			
classical	35%	40.6%	44%
casual	-	31%	47%
respondents dress:			
"simply and tastefully"	25%	47%	36%
"stylishly"	25%	31%	40%
"warmly and comfortably"	25%	-	20%

"Consumption"

T-group.

The majority of respondents eat at home. Just 23.5% of respondents prefer eating out. The rest combine both variants.

Students choose tasty food, some of them like healthy or diet food.

41% of respondents go out for meals every day. It may be strange because the majority of students eat at home. May be students mean that they eat out at least once a day (for example, at students' canteens). At other times they eat at home.

Respondents choose national Russian and home cooked food. But a lot of students choose fast food, i.e. absolutely unhealthy food. Japanese and Central European food is not popular among this group of students. However Japanese restaurants are popular among youth.

As for alcohol, almost equal parts of respondents prefer both low and medium alcohol drinks and strong drinks.

Respondents drink beer, wine, vodka, Champaign. Preferred brands were not revealed. The majority of respondents drink alcohol once a week or more often. But we didn't analyze the amount of alcohol students drink.

Almost 53% of respondents do not smoke. Students who smoke choose "Winston", "Peter I" (students with low level of income) and "Parliament" (5.5% of respondents who have more then €285 a month). 76.5% of respondents have negative attitudes towards drugs, the others – neutral. 60% of respondents have never tried drugs and do not want to, 40% - tried, but do not take drugs now.

H-group.

The majority of respondents (72%) prefer eating at home, 19% - prefer eating out. 37% of respondents go out for meals more than twice a week, 31% - twice a week.

47% of respondents prefer Japanese food and just 35% - national Russian food. Also 31% of respondents visit fast-foods and 35% visit cafes.

60% of respondents prefer low alcohol drinks, 25% - medium alcohol. 25% of students who drink choose martini (the most expensive alcohol drink), 22% - beer. The majority of respondents drink on holidays (31%), also once a month (22%) and more than once a week (19%).

47% of respondents do not smoke, 12.5% - occasionally. 78% of respondents have negative attitudes towards drugs, the other 19% – neutral. 72% of respondents have never tried drugs and do not want to, 25% - tried but do not take drugs now, 3% take drugs now.

E-group.

The majority of respondents (78%) prefer eating at home and they choose healthy food (36%). 27% of respondents prefer eating out once a week, 10% - more than twice a week and 14% - every day.

Table 3. Consumption

	T-group	H-group	E-group
Respondents eat at:			
home	about 70%	72%	78%
Eating out	23.5%	19%	22%
frequency of going out for meals			
every day	41%	-	14%
more than twice a week	-	37%	10%
alcohol:			
low	30%	60%	51%
medium	30%	25%	47%
strong	30%	-	-
Students who smoke	47%	40.5%	40%
negative attitudes towards drugs	76.5%	78%	80%

Students of E-group like home-cooked food (18%), national Russian food (17%) and Japanese food (15%).

As for alcohol, the majority of respondents prefer low alcohol (51%) and medium alcohol (47%) drinks. Those who drink, choose wine and martini, some – tequila and rum "Bacardi". Beer is not popular with students of E-group.

The majority of respondents drink on holidays (33%) and once a month (33%), also more than once a week (20%) and once a week (13%).

60% of respondents do not smoke. Students prefer light cigarettes (may be because the majority of respondents are female), they buy "Winston" and "Parliament".

80% of respondents have negative attitudes towards drugs, 7% – positive. 67% of respondents have never tried drugs and do not want to, 27% - tried but do not take drugs now, 7% take drugs now.

"Entertainment and Leisure"

T-group.

The majority of students (60%), answering the question about free time, said that they wanted to spend free time with a girlfriend/boyfriend. And just 35.3% of respondents prefer to go to the theater during free time, 41% of them almost never go there. 70% of respondents visit movie-theaters quite often. The most popular cinema genres are action films, comedies and horror films.

Students of T-group seldom go to night clubs (47%) and some of them almost never (30%).

As for reading, the T-group students prefer reading scientific literature, like less classical one and don't usually read magazines

To the question: "Do you like socializing?" the majority (40%) answered that they communicate just with particular people.

H-group.

The majority of respondents (57%) prefer to spend free time with girlfriends/boyfriends.

Just 16% of H-group students go to the theater quite often, 53% - seldom and 19% - almost never.

35% of respondents quite often go to the movie-theaters and 41% - seldom. The most popular cinema genres are comedies (65%) and horror films. (23%)

47% of respondents seldom go to night clubs and 25% - almost never go to such places.

66% of H-group students read classical literature and 22% scientific. The majority of respondents (50%) do not read magazines, 19% read "Cosmopolitan" and 15% read scientific magazines.

To the question: "Do you like socializing?" the majority (47%) answered that they communicate just with particular people. Others answered that they like to communicate and spend time with different people.

Table 4. Entertainment and leisure

	T-group	H-group	E-group
leisure:			
to spend free time with a girlfriend/boyfriend	60%	57%	about 50%
theater	35.3%	16%	67%
movie-theaters	70%	35%	58%
night clubs	47% (seldom)	47% (seldom)	53% (seldom)

E-group.

The favorite ways of spending free time are visiting girlfriends/boyfriends and going to the movie-theaters.

67% of respondents seldom go to the theaters and 27% - almost never.

58% of E-group quite often visit movie-theaters and just 36% - seldom. The most popular cinema genres are comedies (61%) and melodramas (31%) and elitist films (29%).

Students go to night clubs seldom (53%) or once a month (22%), once a week (2%) and once a fortnight (2%).

76% of respondents read classical literature, 56% - scholastic, 29% - scientific. E-group students read a lot of magazines: "Expert", "Russian reporter" , "Glamour" and "Cosmopolitan".

The majority (64%) of respondents answered that they communicate just with particular people. The other 27% answered that they like to communicate and spend time with different people.

"Transportation"

T-group.

The majority of students (60%) use public transport in everyday life and 29.4% of them buy a monthly ticket. Just 23.5% of respondents have their own cars. Students prefer railway transport or a bus for long distance traveling.

H-group.

75% of respondents use public transport in everyday life and 19% of them buy a monthly ticket and 9% buy it only occasionally, 16% - use route taxis (more expensive than public transport).

12.5% of H-group students have their own cars.

For long distance traveling students prefer railway transport (37.5%),a bus (40.5%) or air transport (22%).

E-group.

76% of respondents use public transport in everyday life and 33% of them buy monthly tickets, 13% - use route taxis. Nobody uses regular taxis (may be because it is very expensive).

18% of E-group students have their own cars.

For long distance traveling students prefer railway transport (67%), a bus (40%) or air transport (13%).

"Internet and communication"

T-group.

The most popular brand of cell phones is Nokia (41% of respondents choose it). The most popular cellular carrier is Motive (52.9%). The most important mobile service is outgoing calls (for 82.3% of respondents).

Most of respondents (88.23%) have home Internet. Most often students use Internet for the following purposes: for studies, for entertainment (movies, games) and for communication with friends. The frequency of Internet use is: "I live there" – 26% of respondents, "constantly, since this is required for studies/work" – 24% and "when I have free time" – 23.5%.

Majority of respondents (47%) spend more money on Internet service rather than on mobile service.

Table 5. Transportation

	T-group	H-group	E-group
use public transport	60%	75%	76%
buy monthly tickets for public transport	29.4%	19%	33%
have own cars	23.5%	12.5%	18%

Table 6. Internet and communication

	T-group	H-group	E-group
home Internet	88.23%	84%	93%
Spend more money on Internet service rather than on mobile service.	47%	34%	less than 50%
The frequency of using Internet:			
at free time	23.5%	34%	20%
constantly	24%	22%	33%
most part of the time	26%	22%	-

H-group.

The most popular brand of cell phones is Nokia (28% of respondents choose it), Samsung is the second. (25%), then Sony Ericsson (22%). 6% of respondents do not have cell phones. The most popular cellular carrier is Motive (44%). The most important mobile service is outgoing calls (for 66% of respondents).

84% of respondents have home Internet. The majority of students use Internet for communication with friends (40%) and for studies (25%). 34% of respondents use Internet just at free time, 22% - use it constantly for studies or work and 22% say: “I live there”.

The majority of respondents (66%) spend more money on mobile service rather than on Internet service.

E-group

The most popular brand of cell phones is Nokia. (33% of respondents choose it), Samsung is the second (17%), then Sony Ericsson (6%). The most popular cellular carrier is Motive (42%), MTS (20%) and Megafone (20%). The most important mobile service is outgoing calls (for 82% of respondents) and messages (29%).

93% of respondents have home Internet. They use Internet for studies (82%) and for communication with friends (58%). The frequency of using Internet is: “constantly since this is required for studies/work” – 33% of respondents, and “when I have free time” – 20%.

The majority of respondents spend more money on mobile service rather than on Internet service.

“Accommodation conditions”

T-group.

The majority of students live with parents (70.6%). 23% of respondents do repairs in their houses once in two years and 25% - once in five years.

As for household goods for apartments (furniture, kitchen equipment and so on), the majority of students (26%) make these purchases once a year.

H-group.

50% of students live with parents, 25% reside in dormitories. 22% rent apartments, 3% have their own apartments.

22% of respondents do the repairs in their houses once a year, 22% - once in two years and 22% - once in five years, 18% of respondents never do them.

Table 7. Accommodation conditions

	T-group	H-group	E-group
live with parents	70.6%	50%	40%
reside in dormitories	about 20%	25%	33%
have own apartments	-	3%	7%
The frequency of doing the repairs:			
once a year	-	22%	-
once in two years	23%	22%	29%
once in five years	25%	22%	31%

As for household goods for apartments, majority of students (34%) make these purchases once in six months, 25% - once in five years and 19% - once a year. However students buy small accessories for interior (such as candles, pots) once a month (34%), once in six months (25%) and once a week (12.5%).

E-group.

40% of students live with parents, 33% reside in dormitories, and 7% have their own apartments. 31% of respondents do the repairs in their houses once in five years, 29% - once in two years.

As for household goods for apartments, majority of students (38%) make these purchases once a year, 27% - when it is needed. However, students buy accessories for interior once a month (31%), once in six months (22%).

"Education and career"

T-group.

36% of respondents have study grants and 11% of students have target grants.

The choice of a particular university for T-group students is connected with its image (prestige), study grants and the profession respondents intend to take up after graduation from the university.

88% of respondents do not take any additional courses.

44% of students are ready to transfer from the university-life to a work regimen, the same amount of respondents are not ready.

The most important factor in their future job is an interesting job and a large company.

Many students couldn't say exactly how they plan their career for the nearest five years after graduation from the university. May be they are not sure about what they want to do and where they want to work. Some students want to get married after graduation.

Among full answers there are the following:

1. "Save money and go to live in a quiet place"
2. "Open my own company"
3. "Work as a laboratory assistant at the Research Institute»
4. "Work, work and just work"
5. "I will be the best at my work"

H-group.

41% of respondents have study grants and 59% - do not have any grants.

The choice of a particular university for 57% of H-group students was connected with its image (prestige), and the profession respondents intend to take up after graduation from university.

78% of respondents do not take any additional courses; others go to language courses or dance classes.

28% of students are ready to transfer from the university-life to a work regimen, 43% are not ready and others do not know.

The most important factor in their future job is an interesting job (for 38% of respondents), career prospects (29%) and a large company (16%).

50% of students do not know what they will do after graduation, 41% - want to work according to their specialty, 3% - want to create their own business and 6% are not going to work.

Table 8. Education and career

	T-group	H-group	E-group
have study grants	36%	41%	72%
attend additional courses	12%	22%	31%
students who are ready to transfer from the university-life to a work regimen	44%	28%	36%

E-group.

The majority of respondents (72%) have study grants and 24% - do not have any grants.

The choice of a particular university for of E-group students was connected with its image (prestige) (71%), and the profession respondents intend to take up after graduation from university (62%).

31% of respondents take additional courses.

36% of students are ready to transfer from the university-life to a work regimen, 47% are not ready.

The most important factor in their future job is an interesting job and high salary.

Students in E-group ranked the features of future job (from more important to less important):

1. Interesting job.

2. High salary.

3. Career prospects.

4. Good colleagues

5. Large company.

6. Suitable location.

General analysis. Image of a young consumer.

Students of Ekaterinburg universities at the age of 18 - 23 possess some general features in consumer preferences regardless of professional-psychological characteristics, as well as each group of students of one profession (specialization) has specific peculiarities.

40% of respondents do not have their own recognized source of income and receive money from their parents. Monthly income ranges from €84 to €140. Students in E-group and T-group are more inclined to earn additional money.

The most active needs are Consumption (the first place among all students) and Education/Career (the second place among all students), the least important needs are Fitness / Beauty Salons.

Swimming pools and massage are the most popular ways of taking care of the body. However visits to such places are occasional. The main motive of visits is the statement: “I want to be healthy”.

For all groups personal appearance is crucially important. The style selected is the most important factor rather than high fashion (high cost brand names). The style is classical and casual. Brands are important but students typically choose inexpensive, foreign-made goods. The majority buy clothes at malls and boutiques. The most popular shopping center is “Greenwich” (the most popular answer, almost 100% of respondents choose it), and “Mega” is the second. The most popular brand of clothes is Mango. Students in H-group prefer stylish clothes, students in other groups dress “simply, but tastefully” and wear “warm and comfortable” clothes.

Students visit canteens almost every day and restaurants and cafes - once a week –. All students interviewed eat at least one meal at home each day. Students in H-group and E-group mention popular now Japanese food.

As for alcohol, H-group may be characterized as occasional drinkers and they may drink any kind of alcohol, the T-group and the E-group drink regularly. Students in T-group like Martini, in E-group like expensive drinks: Tequila, Martini, Rom, and Vine. However there is no serious alcohol dependency exhibited in all these groups.

All students interviewed have negative attitude towards drugs. However 4% of respondents take drugs (particularly in the H-group).

Half of the respondents use tobacco. Most common tobacco products were identified as light cigarettes (for example Winston).

All respondents want to spend time with their boyfriends/girlfriends. Students seldom visit the theater. When a movie is selected as an entertainment option, the most popular cinema genres are comedies and horror films, students in E-group like melodramas and elitist films. Respondents rarely visit night clubs but more willingly go to such clubs than to the cinemas or the theatre (the E-group goes more often – ones or twice in two weeks).

As for reading, the T-group prefers reading scientific literature and don't usually read magazines, E-group and H-group choose classical literature and some glossy magazines (Glamour and Cosmopolitan). The E-group will read economic and political magazines or journals.

The most communicative students are in H-group. However, the most popular answer among all students was "I love to communicate, but only with particular people".

The majority of students use public transport. Some respondents have cars with the E-group having the most available private transportation (cars) at their disposal.

Nokia is the most popular cell phone (first place among all groups). The main mobile operator is Motive - local, cheap, but not qualitative, and MTS (expensive operator) is the second. Cell phones are used for outgoing calls. All respondents have an access to Internet and use it for studies/work and communication.

The majority of all expenses are those spent on mobile facilities for students of H-group and E-group, and the Internet for T-group.

50% of students live with parents, 30% reside in dormitories, have their own apartments or apartments they rent. The youth does not take much care of their houses furnishing and do the repairs rather seldom (approximately once in four years), and buy accessories for interior once or twice a year.

The choice of a particular university is connected with its image (prestige) and the profession respondents intend to take up after graduation from university. 30% of respondents take additional courses (particularly language courses).

Students are not ready to transfer from the university-life to a work regimen. But the percentage of those who are ready to do it is quite high (almost the same as for the group who are not ready.

The most important factor in their future job is an interesting job. Then the career prospects and for E-group is a high salary.

Thereby, a young consumer is a rather purposeful person who puts self-realization (education and career) forward. Having impermanent and small income a young consumer spends most of it on satisfaction of physiological needs (eating), at the same time he/she wants to take care of his health and appearance, because exterior is important for him/her. Choosing clothes they first follow their own taste, not fashion. Brands and shopping places are important: students choose inexpensive, foreign-made goods. Tastes in food are unpretentious and traditional. Leisure and amusements are not active (important) needs either as conditions of living.

Consumer behavior can be trend-setting and cause other individuals to behave in a similar manner. Such behavior is acceptable (and is often very predictable from a market/consumer psychology perspective). Even in the simplest acts of satisfying their own natural needs, individuals (consciously or unconsciously) consume not only for themselves, but also for others, showing they belong to a definite social group or sub-group. All this is the principal objective of market segmentation in the electronic era.

Consumption has more than a utilitarian nature. What you use or consume or drive (automobile) demonstrates a place in society, and indicates associations or affiliations with different groups. Thus, symbols (images) can play a great part in the structure of the "why" question associated with consumption. For example, "good" clothes are not selected just because they are warm and comfortable. The "why-do-I-wear-such-cloths?" question can be answered: - I am sending a message or trying to alert other consumers, my peers, teachers or my parents as to my consumption preferences, or announcing a status (or perceived status) level in my life.

CONSUMPTION OF HOUSEHOLDS AND ITS INTERACTION ON AND WITH OTHER SECTORS OF THE ECONOMY

CONSUMPTION OF HOUSEHOLDS AND ITS INTERACTION ON AND WITH OTHER SECTORS OF THE ECONOMY

ERASMIA VALMA
UNIVERSITY OF PIRAEUS, GREECE

Abstract

The objective of this paper is to analyse that household sector has significant interrelationships with other sectors and trace the direct and indirect repercussions of change in consumer expenditures throughout the economy. This is one of the important steps toward an understanding of the structural characteristics of consumption and their influence on growth. The quantitative analysis of the study is based on input-output analysis, using a framework of input-output tables.

The input-output tables allow both a vertical and horizontal analysis of sectors. Consequently, input-output analysis is the appropriate method for the quantitative investigation of the economic structure of sectors and the interdependency relations between them.

In order to understand growth in an economy it is necessary that the consumption of households must be considered with respect to its interaction on and with other sectors of the economy and not as part of exogenous segment. The understanding and measurement of consumption in relation to the test of the economy can be conducted in an interindustry framework, providing a clear picture of the rounds of expenditures which occur in the economy.

From the empirical findings we can see that there is a very strong impact between household sector and other sectors of the economy.

Economic impact study can fully quantify a sector's economic impact using multipliers. The size of multipliers is important to the analysis of the impact of the sector. The multipliers are used to estimate the change in output, income when there is an autonomous change in the level of a sector.

The output multipliers provide estimates of how output will change when the demand for the products of a given sector changes. The size of output multipliers reflects the interaction of a sector with the remaining sectors. The household or income multipliers are useful for estimating the change in personal income that would result from changes in the level of production of the sectors. They can be used in conjunction with output multipliers.

Exclusion of the household sector from the input-output model of an economy will make a significant difference in the ability of the model to measure impact.

The output multipliers with households was placed as an exogenous sector and therefore excluding the effects of changes in personal income. This will understate the true multiplier value, since any change in output of the economy will affect the amount of personal income received in the economy, which in turn will affect personal consumption expenditures. Inclusion of the household sector as an endogenous sector results higher values of the output multipliers.

The multipliers derived with households included as an endogenous sector implies that any change in personal income will result in a proportional change in household purchases from the endogenous sectors.

Given the importance of households' consumption for private and public makers, it is essential that a scientific basis is developed for measuring this household interaction and direct and indirect effect to the remaining sectors.

Introduction

The objective of this study is to show that Household sector has significant interrelationships with other sectors and trace the repercussions of changes in consumer expenditures throughout the economy.

In order to understand growth in an economy it is necessary that the consumption of Households must be considered with respect to its interaction on and with other sectors of the economy. The understanding and measurement of consumption in relation to the rest of the economy can be conducted in an interindustry framework, providing a clear picture of the rounds of expenditures which occur in the economy.

Input-output analysis is a technique to quantify variables relevant to transactions among sectors of an economy and found upon the assumptions that every sector in the economy is related to some other sector. The technique traces the manner by which inputs and outputs of one sector influence other sectors of the economy. It is used to analyse the way in which the final demand is influenced by changes in private consumption or investment, in any sector of the economy. For this reason input-output analysis is a valuable technique for use in measuring expansion effects.

The development of input-output Analysis

The transactions matrix is the foundation of input-output analysis and the other matrices are computed from it.

The transaction matrix represents the flow of goods and services, measured in euro, between the sectors of the economy. It is a doublentry table, showing both sales and purchases of each sector.

The matrix of technical coefficients A, with elements aij, shows the amount of input required from each sector per money unit of output of each sector. The column vector for each sector is the aggregate production function of that sector. The technical coefficients measure the direct effects of changes in the levels of production of the sectors.

The matrix of interdependence coefficients shows the combined direct and indirect effects on each sector due to a unit change in final demand for each sector. These coefficients indicate the interrelationships that exist between the sectors of the economy. Where (I-A)-1 is the matrix of interdependence coefficients or the Leontief inverse. To aid the exposition this matrix will later referred as the matrix B-1.

In the model used, the incomes of Households are included in the payments part of the transactions matrix and the spending by Households is included in the final demand part of the same matrix. Thus, the economic activities of Households are not part of the endogenous economy.

The induced effects are obtained by taking into account the changes in consumption sector demand brought about by changes in Households income. To accomplish this the Household sector would be brought into the coefficient matrix both as row and as a column, in the same fashion as industry sectors. By treating the Household sector in this way the "closed" model is formed. To close the model it is necessary to define a relationship between income and personal consumption and to built this relationship into the model.

From the above model, a number of useful measures known as multipliers can be produced. These are numerical expressions aimed at capturing the impacts of a change in final demand on output in the economy, Household incomes and employment.

Multipliers are often categorized as simple and total multipliers depending on whether or not the model is closed to Households. In open system, multipliers capture the direct and indirect effects of a change in final demand. In closed system Households are considered an endogenous sector, producing labour and spending income. The total multipliers then also capture the induced effect of increased spending by Households, as a result of their now higher incomes.

The most commonly used multiplier is output or business multipliers and derived directly from the matrix B-1 of interdependence coefficients by summing its column – sector.

The output multiplier indicates that a one money – unit increase in final demand for a specific sector's output will increase output in all sectors or output of the entire economy by an amount equal to . The size of output multiplier reflects the interaction of a sector with the remaining sectors.

Assumptions of Input – Output Analysis

Two basic assumptions unterlie the input – output model.

The first and most restrictive of these is the assumption that input – output coefficients are fixed during any given time period. Fixed input – output coefficients imply that (a) technology remains constant (b) constant returns to scale exist for each sector and (c) substitution possibilities are excluded.

The second basic assumption of the input – output model is that there are no errors of aggregation in combining industries into sectors. Each sector should contain industries, which produce products that ate homogeneous in type. This means that two different sectors could not produce the same product.

These assumptions are necessary in order to establish representative coefficients. All models should be tested for valibility. But one should not, when assessing limitations, overlook the value of the final results of the model. It is the validity of the results and not the limitations of the assumptions that measure the success of any model.

Empirical Findings

This study aims at the detailed estimation of the importance of consumption of Household, and its interaction on and with other sectors of the economy.

The achievement of the goal was based on the input – output table of 2000 at basic prices of the Greek economy which comprises 29 sectors.

The hypothesis to be tested here is that the exclusion of the Household sector from the input – output model of the Greek economy will make a significant difference in the ability of the model to measure impact.

In Table I has been explored the relationship between households and other sectors of the economy.

Column 1 represents the industry multipliers where household has been included in the matrix. These multipliers are much higher than multipliers in the Column 2. The difference between the values of multipliers in Columns 1 and 2 suggests that spending through that sector has a great deal to do with the creation of market for all other sectors. In other words this is a result of the increased interdependence brought about the inclusion of Households. The different values in columns 1 and 2 indicates the effects of increased personal income and expenditures resulting from expansion of a given sector's output.

The largest total output multimplier, 5.0290 is found in Manufacture of food, beverage and tobacco. This is attributable to the large proportion of personal income per money unit of output of Food Manufacture, beverage and tobacco. The sector with the second largest multiplier is Financial intermediate services, 4.9076, followed by Manufacture of basic metals and metal products 4.7821. A change in output in these sectors would generate a greater change in total output.

In Column 3 and 4 are shown the obvious relationship between Households and other sectors.

Column 5 is a residual arising from the substraction of Column 2, 3 and 4 from Column 1. This reveals a very strong impact of the Household sector which is not identified specifically in the inverse.

Comparing Columns 4 and 5 of Table I, it seems to be a very close relationship between this unexplained impact of Household of sectors (Column 5) and the impact of other sectors upon the Household (Column 4).

In Table II is depicted the relationship between the size of the Household input ratio per sector and the sector multiplier for Households and the unexplained impact of the Household sector.

Since a part of the impact reffered in the Table I, consists of payments made to Households, it might be assumed that the additional swirls in the economy are due to input relationship to sectors involved (Table II). This relationship was explored and it was found that 51 per cent of the variance in the unidentified Household influence could be attributed to this relationship. Also 64 per cent of the variance in the Household multiplier for each sector can be attributed to inputs.

TABLE I IMPACT OF THE HOUSEHOLD SECTOR UPON THE ECONOMY

			Impact of			
Sector Code	1 Total Sector Multiplier	2 Sector Multiplier Exsl. Households	3 Household on other Sectors	4 Other Sector on Households	5 Unexplained Impact of Households on Sectors	Column 5 • • Column 1
A	4,0310	1,6513	0,0477	1,5013	0,4306	21.0
B	3,6404	1,4595	0,0136	1,3759	0,7914	22.0
CA	3,8653	1,5718	0,0139	1,4470	0,8327	21.0
CB	3,9267	1,6828	0,0018	1,4156	0,8264	21.0
DA	5,0290	2,4961	0,0518	1,5980	0,8831	18.0
DB	4,5274	2,1909	0,0124	1,4740	0,8500	19.0
DC	4,4363	2,1517	0,4848	1,4413	0,3585	8.0
DD	4,3321	2,0691	0,0027	1,4277	0,8326	19.0
DE	4,4394	2,2003	0,0141	1,4126	0,8124	18.0
DF	4,5241	2,2600	0,0142	1,4284	0,8215	18.0
DG	4,5520	2,3447	0,0205	1,3925	0,7942	17.0
DH	4,6305	2,3919	0,0107	1,4123	0,8156	18.0
DI	4,2491	2,0258	0,0109	1,4027	0,8098	19.0
DJ	4,7821	2,5261	0,0185	1,4233	0,8142	17.0
DK	4,5164	2,2547	0,0104	1,4269	0,8245	18.0
DL	4,7588	2,5026	0,0193	1,4234	0,8135	17.0
DM	4,0597	1,7996	0,0118	1,4259	0,8225	20.0
DN	4,1204	1,8417	0,0072	1,4376	0,8338	20.0
E	3,9058	1,6668	0,0169	1,4126	0,8095	21.0
F	4,0080	1,9168	0,0141	1,3193	0,7578	19.0
G	3,9377	1,6558	0,0382	1,4396	0,8041	20.0
H	4,0939	1,7804	0,2933	1,4596	0,5607	14.0
I	3,7621	1,5208	0,0267	1,4140	0,8005	21.0
J	4,9076	2,7324	0,0679	1,3723	0,7350	15.0
K	3,5393	1,2376	0,0621	1,4522	0,7875	22.0
L	4,1260	1,8813	0,0005	1,4162	0,8280	20.0
M	3,4614	1,1566	0,0038	1,4541	0,8469	24.0
N	3,6745	1,4108	0,5680	1,4282	0,2676	7.0
O	3,7464	1,4497	0,0477	1,4489	0,8000	21.0
P	3,2974	-	1,3920	1,3920	0,5133	16.0

TABLE II THE RELATIONSHIP BETWEEN THE SIZE OF HOUSEHOLD INPUT RATIO PER SECTOR AND THE SECTOR MULTIPLIER FOR HOUSEHOLDS AND THE UNEXPLAINED IMPACT OF THE HOUSEHOLD SECTOR

Sector Code	Sector Multiplier Households y_1	Unaccounted Impact of Household on Sectors y_2	Household Input Ratio x
A	1,5013	0,4306	0,6717
B	1,3759	0,7914	0,7084
CA	1,4470	0,8327	0,7074
CB	1,4156	0,8264	0,5989
DA	1,5980	0,8831	0,2572
DB	1,4740	0,8500	0,3950
DC	1,4413	0,3585	0,4397
DD	1,4277	0,8326	0,4617
DE	1,4126	0,8124	0,3937
DF	1,4284	0,8215	0,2073
DG	1,3925	0,7942	0,3195
DH	1,4123	0,8156	0,3353
DI	1,4027	0,8098	0,4333
DJ	1,4233	0,8142	0,3069
DK	1,4269	0,8245	0,3991
DL	1,4234	0,8135	0,3420
DM	1,4259	0,8225	0,5801
DN	1,4376	0,8338	0,5705
E	1,4126	0,8095	0,5870
F	1,3193	0,7578	0,4879
G	1,4396	0,8041	0,6030
H	1,4596	0,5607	0,5791
I	1,4140	0,8005	0,6773
J	1,3723	0,7350	0,2653
K	1,4522	0,7875	0,8572
L	1,4162	0,8280	0,5345
M	1,4541	0,8469	0,8915
N	1,4282	0,2676	0,7702
O	1,4489	0,8000	0,6994
P	1,3920	0,5133	-

Conclusions

The principal objective of this presentation is to analyse in a quantitative way the interrelationships, the significance and the impact of Households on other sectors in the Greek economy of the year 2000, though the input –output model.

The preceeding examination has yielded that Household sector is the most important one in the model and has significant interrelationships with almost every other sector in the table. An analysis of an economy excluding the Household sector from the endogenous segment can be compared to one where the Household has been included.

1. Exclusion of the Household sector from the model of the Greek economy will make a significant difference in the ability of the model to measure impact.

The output multipliers with Households placed as an exogenous sector (Table I, Column 2), will exclude the effects of changes in personal income. This will understate the true multiplier value, since any change in output of the economy will affect the amount of personal income received in the economy, which in turn will affect personal consumption expenditures.

2. Inclusion of the Household sector as an endogenous sector results higher values of the output multipliers (Table I, Column 1). The multipliers derived with Households included implies that any change in personal income will result in a proportional change in Household purchases from the endogenous sectors.

3. The relationships between Household and other sectors are shown in column 3 and 4. Comparing column 4 and 5 of Table I, it seems to be close relationship between the unexplained impact of Household on sectors and impact of other sectors upon the Household.

4. Since a part of the above impact consists of payments made to Households it might be assumed that the additional swirls in the economy are due to the input relation to the remaining sectors (Table II).

This relationship it was found that 51 per cent of the variance in the unexplained Household influence could be attributed to this relationship and 64 per cent of the variance in the Household multiplier for each sector can be attributed to inputs.

The importance of the Household sector in an input-output analysis has been recognized by most writers.

This should be of concern to economic analyst who tries to utilize models with Households in the exogenous sector in order to determine the interaction of the other sectors. It should be of importance too, the discovery that Household has a catalytic effect on other sectors and that leaving it out of the endogenous segment of the model may be removing interaction.

Given the importance of Households for private and public makers, it is essential that a scientific basic is developed for measuring this Household interaction and impact effects to the remaining sectors.

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HOW CHANGING LIFESTYLES IMPACT THE DEVELOPMENT OF SOME SPECIAL INTERESTS OF TOURISM: THE CASE OF SPA TOURISM IN CROATIA

SANDA RENKO
UNIVERSITY OF ZAGREB, CROATIA

KRISTINA BUČAR
UNIVERSITY OF ZAGREB, CROATIA

Abstract

Over the last decade, economy has been witnessing many changes (more sophisticated, more demanding customers, new life style patterns, increasing competition, etc.) in all areas, from production to service sector. The purpose of this paper is to present the impact of those new trends in the sector of tourism which was reflected through the development of some special interests of tourism. Among them, health tourism and spa tourism play important roles due to inadequate life conditions and modern diseases. One of the objectives of this paper is to investigate the influence of the market orientation on the development of spa tourism in Croatia. Other goals of the paper involve the quality of hotel services, the quality of services offered out of hotels, etc. The paper reports the findings of the study conducted on the sample of 159 spas customers in continental part of Croatia; the spa centres of Hrvatsko zagorje region. Among many important findings, the paper suggests the need for repositioning of those centres from traditional healing destinations to tourist and recreational centres with prevention and rehabilitation.

Key words: Hrvatsko zagorje, thermal spa, quality, offer, lifestyle

Introduction

Modern way of life in big overpopulated cities, insufficient physical exercise and stress caused some trends in tourism in the world. Thus, there is increasing intention to actively spend holidays. In the situation like that, preserved environment and various natural resources are the main advantages of Croatia in comparison with other tourist destinations on the Mediterranean. The 2Ss (sun and sea) are still the most important motive for the selection Croatia as the tourist destination, although there are many natural and cultural resources in the continental part of the country, too. Thermal springs and spa centres (which were built around those springs) are among the most attractive resources. The development of thermal destinations in Croatia can be traced back to mid-19th century, but their development completely stagnated in the second half of the 20 century. However, last 10 years the situation concerning spa tourism has changed and there are more investments in spa tourism in Croatia. It is obvious that the old way of promoting Croatian geographic characteristics are not key elements of market differentiation any more. Nowadays, the quality of services offered presents the key competitive advantage and prerequisite condition for the development of tourism in Croatia.

The main purpose of this paper is to investigate the influence of the market orientation on the development of thermal tourism in Croatia. Also, the paper deals with the service satisfaction level of the spas customers in continental part of Croatia; the spa centres of Hrvatsko zagorje region: Krapinske, Tuheljske, Jezerčice and Stubičke spas.

The paper begins with the short summary of some trends in Croatian tourism. Then the importance of spa tourism is defined. The paper goes on with the analysis of the actual situation in thermal tourism in continental part of Croatia; the thermal centres of

Hrvatsko zagorje region. After that, a methodology of the research study and results of the study are presented. Finally, the results are discussed in the conclusion chapter of this paper.

The summary of trends in Croatian tourism

The data about trends in the number of tourists confirm the increasing importance of tourism. Namely, there was the growth in tourists' number of 276% from 1950 to 1960 (25 mil. of tourists in 1950 and 69 mil. of tourists in 1960). In 2004, we have 690 mil. of registrated tourists. Accordingly, there was continual growth of tourists' number from the middle of the 20th century, and periodically stagnations appeared as results of wars and recessions. Despite those reasons, the actual trend suggests that the number of tourists will globally grow in the future. Today's characteristics of tourism are massive participation, the level of organization, relative safety, comfort and speed of travelling, the desire for rest, entertainment, pleasure, satisfying the need for recreation and culture. It is still distinctly marked with its seasonal character (two seasons – in summer and in winter) although the tourists tend to set out for travel several times a year, but for a shorter stay. Also, the tourists experience the desire for exploring new destinations. This is demonstrated by the trend of tourist visits per particular tourist region across the world . Data for 1950 show that, of the total number of tourists (25 mil) that year in the world, the majority visited Europe (67.2%) and America (30%). The situation was almost identical in 2004. Europe is still the most visited region with the share of 57.8% of the total number of tourists in the world (690 mil in total). America, with the share of 16.4% of the total number of tourists in the world, is not in the second place any more; it is replaced by the Asia and Pacific region which in 1950 had the share of 0.8% but in 2004 the share was 17.2%

The development of modern tourism in Croatia can be traced back to 1868, when „The Society of Hygienists" was founded on the island of Hvar. Then, tourist affirmation of thermal destinations in continental part as well as other coastal parts began. It should be pointed out that coastal parts were winter destinations at the beginning of their tourist development. They became destinations for summer holidays in the middle of the 20 century. During the period 1950-1988 consistent increase in tourist visits to Croatia was evident. Then the highest number of tourists (10,4 mil) was registered. The largest decrease was from 1990-1995, during the Homeland war in Croatia. After the year 1995, the number of tourists' visits increased every year. In 2006, 10,3 mil. of tourists visited Croatia, which is the share of 1,3% of the total number of tourists in the world , and the share of 2,3% of the total number of tourists in Europe .

Over the last decade, economy has been witnessing many changes in all areas, from production to service sector. There are more sophisticated and more demanding customers, with new life style patterns. They use to spend their holidays in several travels which are shorter and have strictly defined thematic purposes. Today, customers have more expressed requirements for preserved nature and environment, for rest and recreation, health improvement, possibilities to know the life of local population. In this situation, tourists have more experience gathered in the years of travelling, and more chance to compare services in some destinations as well. Internet also makes possible to gather and to compare information about tourist destinations easier and in advance. Accordingly, services become more important element for selecting the future travel destination. Tourism industry should constantly adapt to changes and requirements of modern tourists. It should focus its services to individuality and originality, with the realization of its economic interest at the same time. In order to achieve this, tourism develops its specific offer. There, on the one hand, it allows tourists to find out the content of their journey in advance, and on the other hand, it enables easier business and the satisfaction of tourist requirements. Also, there is growing need for the development of some specific types of tourism which could increase the number of tourists' comings to Croatia. In 2005, 9,9 mil tourists visited Croatia and 8,7 mil (or 87,8% of the total number of visits) of tourist visits were registered in the coastal part of the country. Although, thermal destinations started to develop in the same time as the coastal part, they have only 0,8% of the total tourists number and 0,6% of the number of nights spent by tourists in Croatia in 2005 .

The importance of spa tourism

Health tourism is the type of tourism where an individual changes its destination into destination with more favourable climate or into watering place (a spa) for health prevention or rehabilitation . There are three basic types of health tourism: climatology , thalasotherapy and spa tourism .

Spa tourism, which uses mineral waters for therapeutically purposes, is the most developed type of health tourism in Croatia and in the world as a whole. Thermal waters have been used for healing purposes since the ancient times. The first public spa was opened in Rome in 33.B.C. by emperor Agrippa. Subsequently centres were built in all bigger cities throughout the Roman Empire. During the Middle Ages thermal springs were not used for few centuries but their healing power was rediscovered in the 13th century by the poor population for cure of some diseases. In the 16th century thermal destinations became once again the gathering place of the rich and aristocracy. At the beginning of the 19th century, the first chemical analyses of thermal waters were done. Those researches scientifically confirmed healing powers of mineral waters and thermal springs. The development of spa tourism in the 20th century is pretty much similar to other types of tourism. However, there was the period of slowing down after the Second World War. In the middle of the 20th century, with the development of mass tourism, sea and sun represented the only requirements of tourists. Thus, there was general opinion that health tourism destinations were intended only for sick persons. It regained its full popularity in the 1980s and then main characteristics of this type of tourism started to change. The customers in spa tourism are still mainly elderly people hit by heart diseases and problems with blood circulation and other physical ailments. However, the number of younger population going to spas is growing. Their way of life in big cities causes many modern diseases – rheumatism, sciatic, stress, heart diseases, bad blood circulation and obesity. Improved education about the importance of prevention has emphasised the importance of investments in health improvement and prevention. Many tourists are healthy people which preventively take care for their health or come as the company of the sick person. Such people need additional offer, i.e. health and tourism offer and fun and active life as well.

Those places are mostly called „spas“, which is derived from the Latin word “sanus per aquam”. It means „health from water“ and today it includes health, beauty and stress relief. ISPA definition of spas is following: Spas are devoted to enhancing overall well-being through a variety of professional services that encourage the renewal of mind, body and spirit. There is another definition of a medical spa as a facility that operates under the full-time, on-site supervision of a licensed health care professional. The facility operates within the scope of practice of its staff, and offers traditional, complementary, and alternative health practices and treatments in a spa-like setting. Practitioners working within a medical spa will be governed by their appropriate licensing board, if licensure is required. Some Croatian settlements got term „toplice“ (spas) in their names due to their use of thermal and mineral waters (for example, Stubičke toplice, Varaždinske toplice..). However, spas are associated with the elderly and thermal therapies and more centres that offer such services use term thermal destinations (for example, all Slovenian centres changed their names into thermal destinations).

The changing way of life, changes in the tourists’ requirements forced thermal destinations to adapt to those changes. Therefore, today spas present wider concept than they were in the past. In the past, tourist offer was based on therapy with thermal water and regulation of nourishment. Today spa centres offer a wide range of treatments including beauty treatments, health care, stress relief and tourism. More attention is paid to building of various sport facilities such as golf grounds and other entertainment such as Casino. Classical healing destinations became tourist and recreational centres. This repositioning is based on the need of people to change their way of life also once they are back at home. Thus, we can find Kneipp treatments, antis tress programs, beauty treatments, fitness and wellness programs in many thermal destinations.

That kind of repositioning is necessary to attract tourists and to maintain the share on the tourist market. The main problems are large investments which are necessary for the transformation of classical thermal destinations into modern thermal centres.

The situation of spa tourism in Hrvatsko zagorje region

There are 128 thermal springs in Croatia and the largest number of them is in the Pannonian area.

But Hrvatsko zagorje region (situated in the north west part of Croatia) is unique spa area because there are 6 thermal springs in only 20 km. The thermal water comes from the Triassic period and the water appears in few levels. This area has so-called zagorska thermal line which extends from Tuheljske, Krapinske, Stubičke spas to Novi Marof and continues to Varaždinske spas.

The development of tourism in Zagorje (continental part of Croatia) is mostly connected with thermal springs and health tourism. In the ancient times there were roman thermal springs known as Aqua Vivae. Today their name is Krapinske Toplice. We suppose that Stubičke Toplice were also known in the time of the Roman Empire because some roman coins were found near the springs. All the thermal springs ceased to function with the fall of the Roman Empire. From that time till the 18th century there were no data about the use of thermal springs. There were some written materials from the end of the 18the century in B. Hacquet work. He suggests that the local population was aware of natural healing power of water. The real development of tourism began in the middle of 19th century, with the building of the first pools with thermal water in Krapinske and Stubičke spas. This development was very slow till the middle of the 20th century. However, the building of hotels in Krapinske, Stubičke and Tuheljske spas in 1970s accelerated the development of tourism in this region.

Today, there are 6 thermal springs in Hrvatsko zagorje region: 4 of them (Krapinske, Stubičke, Tuheljske and Jezerčica spas) are used for commercial purposes and 2 springs are used for local purposes (Šemničke and Sutinske spas). Šemničke spas have got very good geographic location, close to the main road between Vienna and Zagreb. The temperature of the thermal water is 290C. The water is rich with calcium, magnesium and hydrogen carbonate. However, the pool is completely devastated and without safety guarantee. Thus, only local population uses this pool. Sutinske spas (near the town of Zlatar) were known in the 18th century. The temperature of the thermal water is 35,90C. The water is rich with calcium, magnesium and hydrogen carbonate. The pools and facilities were built in the 19th century but no important thermal centre was developed on those springs. They are opened for use only during the summer.

Krapinske spas are the oldest spas in this region. The temperature of the thermal water is 38-410C. The water is rich with calcium, magnesium and hydrogen carbonate and it is ideal for blood circulation and rheumatism. In the ancient times the destination was called Aquae Vivae. It was rebuilt as the healing centre in the middle of the 19th century when Jakov Badl bought the thermal springs. In the next few years he made a healing centre there and built guesthouse, bath and a bathing place. The monograph about Krapinske spas was published by D. Bancalari in 1871. On the one hand this monograph introduces physicians with the healing powers of spas, and on the other hand it informs tourists about the travel to spas, accommodation, food offer etc. The next monograph was published by G. Gorjanović, Chr. Steerb and M. Melkus at the beginning of the 20th century. This monograph shows the analysis of all thermal springs, topographic plan of health resort, geological scheme of the thermal area and hydrographical plan of springs. . The hospital was built in 1886 and it was extended in 1977 for the first time. In 1996 the modern hospital for cardio surgery was built there. The building of the first hotel began in the middle of the 20th century. This hotel was reconstructed in 1969 and in 1972. Today it is named Aquae Vivae and it has 246 beds, the outdoor pool and multifunctional sports halls. Those spas are known as the centre for the healing of diseases of blood circulation rather the thermal destination and spa hotel.

Stubičke spas are underneath the Medvednica mountain. They were mentioned for the first time in 1209 in documents from the Arpadović dynasty as “Teplitz bey Stubicza”. The first pool with the thermal water was built in 1776. The development of the thermal springs in Stubica started at the beginning of the 19th century when the bishop of Zagreb, M. Vrhovec, bought the place and built the baths and the hospital. The temperature of the thermal water is 69oC. The water is rich with calcium, magnesium, hydrogen carbonate and sulphate . The thermal springs are ideal for blood circulation, rheumatism and other physical ailments. The special hospital for medical rehabilitation was built in Stubičke spas. The first part of the hospital, named “Maksimilijan” was built in 1811, the second part “Toplice” was built at the beginning of 1970 and the third part “Dijana” in 1997. The outdoor pools were built between the two world wars and hotel “Matija Gubec” was built in 1971. Hotel has 200 beds and congress hall with 250 seats.

Jezerčica spas are located close to Donja Stubica. The temperature of the thermal water is 38,6oC. The water is rich with calcium, magnesium and hydrogen carbonate . The commercial use of those springs began in 1979. The place was the recreation centre for employees-syndicate members till 1985 when there was overflow in this part of the Zagorje region. This caused the devastation of all facilities. All the capacities and pools were insufficiently renovated and were almost falling to ruins till 1991. Then they were used for the purposes of the rehabilitation. In 2005 the adaptation of all facilities began and new hotel with 52 rooms, two congress halls, three pools, wellness and fitness offer were offered for tourists.

Tuheljske spas are situated in the western part of the region below the Cesargradska mountain. The origin of the name is old Slavic word "tuhl" which means wet place. The temperature of the thermal water is 33oC. The water has radioactive characteristics and it is ideal for rheumatism, neurological diseases and other physical ailments.. Those spas are the spas with the shortest tradition in Zagorje region. The first outdoor pools were built in 1960s. They turn into indoor pools during the winter. The hotel „Mihanović" was built in 1982. The spas are famous for its castle „Mihanović" from which the hotel took its name. There are 300 beds, outdoor pools, indoor pools, multifunctional sport halls, football playground etc. Till 1990s the hotel was focused on sport arrangements and recreation. Refugees were in the hotel during the Homeland war. In 2003, spa complex became privatized and changed its name into Terme Tuhelj and today it is the most important spa centre in this region.

The offer of thermal tourism in Hrvatsko zagorje region

The development of tourism in the Hrvatsko zagorje region is connected with the thermal destinations. The number of tourists constantly increased till the Homeland war. Although this region was not directly influenced by war, the number of tourist significantly decreased. Refugees were in the hotel in Tuheljske spas during the Homeland war and this hotel operated with the smaller capacity till 1998. The part of the capacities of the hotel in Krapinska spas was intended for the rehabilitation of wounded.

After 1995, the number of tourists in Zagorje region increased as in all other parts of Croatia. Thermal destinations became popular for tourists again. In 2005, there were 36 436 tourists in Hrvatsko zagorje region, and it is the share of 0,4% of all tourists that visited Croatia that year. In 2006 this region was visited by 52 365 tourists and it is an increase of 31% in comparison to the year before. However, this is still the small share comparing to the total number of tourists visits to Croatia.

The hotel offer in Krapinske, Stubičke and Tuheljske spas changed just a little bit in the last few years. The smallest change was evident in Stubičke spas because they modernized their pools and partly rebuilt hotel rooms (three stars hotel) and the building of the outdoor pool started. Tuheljske spas started with the rebuilding with the privatization of spas. In 2005 the outdoor complex of pools and saunas was opened and the part of the hotel was rebuilt. Today it is four stars hotel. The opening of the hotel in Jezerčica spas (three stars hotel) extended the quality of the thermal tourism in Hrvatsko zagorje region.

Tourist orientation and the offer of spas were not the same in the past. Each of them was focused on different customer segment. The fact is that Krapinske and Stubičke spas have got the hospital for the medical rehabilitation in their offer. The high quality of spas and their long tradition in Croatia is very good base for the development of spa tourism but some significant changes in spa tourism offer should be done. They started to follow the trends in European spa tourism and started to extend their offer with various types and forms of prevention programs.

Krapinske spas developed its offer of the healing programs because of the hospital close to the hotel. Till the beginning of 1990s, the hotel, the accommodation and therapy of large number of tourists were financed by the Croatian health insurance fund. This number reduced during 1990s and it came to 30 percent today. The hotel and the hospital operated as the same complex till the end of 2001. Then the rebuilding of the outdoor pools and many other facilities started.

Although Stubičke spas were not the part of the hospital, there is the fact that the hospital was situated close to the hotel. Thus the offer of the spas was oriented in the healing direction. Stubičke spa has got very good traffic connection with the capital of Croatia, Zagreb (one hour of travelling by train). This advantage is the main reason for one day visits of many visitors from Zagreb in 1970s and 1980s. Thus Stubičke spas were very popular destination in summer months for many inhabitants of Zagreb. This tradition stopped during the Homeland war, but it did not successfully restart after 1995. However, the hotel focused on congress tourism and various programs such as anti-stress weekends, massage programs, wellness programs, etc.

As Tuheljske spas have no hospital, the hotel focused on recreation and prevention from its beginnings. Also, the hotel was built in 1980s when many changes in tourist requirements appeared and the hotel adapted its offer to those trends on the market. After the privatization of the hotel complex, all the rooms were rebuilt and one part of the hotel is four stars hotel and the other part is three stars hotel. The outdoor and indoor pool complex was redecorated, the world of sauna (with various massages) was opened, etc.

The hotel Jezerčica is completely focused on entertainment and prevention. This hotel operates only two years and it offers outdoor and indoor pool complex, fitness centre, wellness centre (with different massages) to its guests. The characteristic of this hotel is VIP zone adapted for couples and individual guests requests.

Methodology

Questionnaire design

The research was based on the face-to-face interviewing with a highly structured questionnaire. The study was conducted on the sample of 159 spas customers (Krapinske, Stubičke, Tuheljske and Jezerčica spas) in the period May-September 2007. The research instrument consisted of three parts. Part I required respondents to evaluate the quality of services offered in the hotel. Part II of the research instrument asked questions about the quality of the services out the hotel. The type of questions used in the instrument included all aspects of the tourists visits to spas, such as the reason for coming, the source of information about spas, the average number of days spent in spas, the way of travel to spas, etc. In order to find out the quality of services offered in the thermal centres of Hrvatsko zagorje region, we asked respondents to indicate the level of satisfaction with services offered in the hotel with five-point Likert scale which ranged from «5=completely satisfied» to «1=completely unsatisfied». The following is a list of 13 services offered in the hotel and used in this study:

- The dimensions of the room
- The interior design of the room
- The interior design of the hotel
- Cleanness of the hotel
- Quality of food offered
- Quantity of food offered
- The design of the pool
- Cleanness of the pool
- The range of medical & beauty treatments
- The schedule and organization of medical & beauty treatments
- The possibility of some other facilities
- The expertness of medical & beauty treatments personnel
- Kindness of the hotel personnel

The same procedure was conducted with the services offered out of the hotel. Namely, we asked respondents to indicate the level of satisfaction with services offered out of the hotel, with five-point Likert scale which ranged from «5=completely satisfied» to «1=completely unsatisfied». The following is a list of 8 services offered out of the hotel and used in this study:

- The possibility to buy some presents (souvenirs)
- Hospitality services (the wide range of food and beverage in town)
- The wide range of retailing objects
- Cultural facilities
- Sport facilities
- Entertainment
- The possibility to visit some places in Hrvatsko zagorje region
- Nature

Part III of the research instrument included some questions about demographic characteristics of surveyed sample. The demographic characteristics of surveyed sample are outlined in Table 1.

Table 1. Demographics of sample (Total sample=159 spas customers)

Item	Percentage
Country of origin	
Croatia	82,3
Slovenian	3,8
Germany	2,5
Austria	2,5
Others	8,9
Gender	
Female	58
Male	42
Age (Years)	
15-25	11,9
26-35	29,6
36-45	20
46-55	22
56-65	10
66+	6,5
Education	
Elementary	11,3
3 years-High school	15,3
Secondary/High	56,3
College/University	17,1
Marriage status	
Married	52,2
Divorced	7,5
Single	31,8
Widower/widow	8,5
Total income of the household	
less than 1000 EUR	25,8
1.000 – 1.500 EUR	46,5
1.500 – 2.000 EUR	18,9
2.000 – 2.500 EUR	3,8
2.500 EUR +	5,6

Results

The analysis of the level of satisfaction with services offered in the hotel

Table 2 shows the results of the evaluation of the services offered in the hotel. The evaluation was conducted using five-point Likert scale (which ranged from «5=completely satisfied» to «1=completely unsatisfied»).

The results suggest that respondents are not satisfied with the dimensions of their rooms (the average grade is 3,58) and with the possibility of some other facilities (the average grade is 3,60). There is the highest level of satisfaction with the quantity of food offered in the hotel (the average grade is 4,39) and with the kindness of the hotel personnel (the average grade is 4,37). We should point out that some respondents gave grade 5+ to the kindness of the hotel personnel.

Table 2. The average grade of services in the hotel

Type of services offered in the hotel	Grade
The dimensions of the room	3,58
The interior design of the room	3,76
The interior design of the hotel	3,99
Cleanness of the hotel	4,06
Quality of food offered	4,22
Quantity of food offered	4,39
The design of the pool	4,03
Cleanness of the pool	4,00
The range of medical & beauty treatments	4,03
The schedule and organization of medical & beauty treatments	4,02
The possibility of some other facilities	3,60
The expertness of medical & beauty treatments personnel	4,21
Kindness of the hotel personnel	4,37

Table 3. The average grade of services out of the hotel

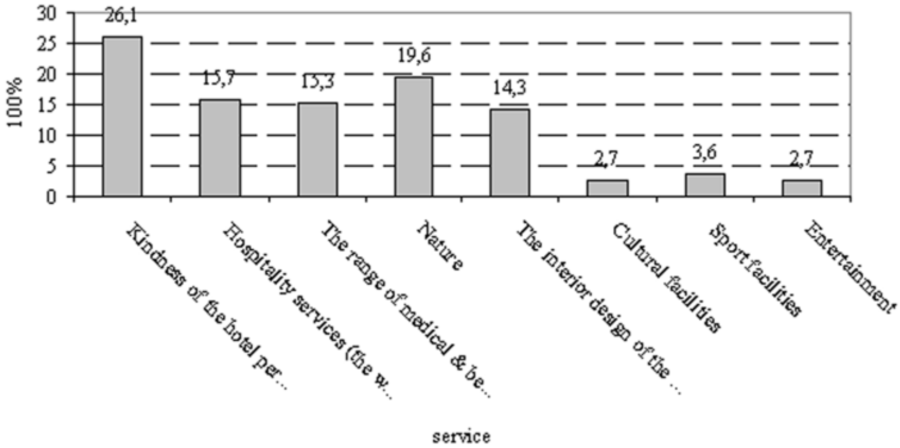
Type of services offered out of the hotel	Grade
The possibility to buy some presents (souvenirs)	3,05
Hospitality services (the wide range of food and beverage in town)	3,55
The wide range of retailing objects	3,20
Cultural facilities	3,25
Sport facilities	3,35
Entertainment	3,22
The possibility to visit some places in Hrvatsko zagorje region	3,36
Nature	3,96

The analysis of the level of satisfaction with services offered out of the hotel

As tourists are more sophisticated they search for additional offer in spas. As Table 3 shows, respondents are mostly unsatisfied with those additional contents. Namely, average grades are from 3,05 to 3,96 (on the scale ranged from 1 to 5). Respondents gave the lowest grade to the possibility to buy some presents (souvenirs) (the average grade is 3,05). This result should stimulate people working in spas, because souvenirs represent a country worldwide. The highest grade and the highest level of satisfaction were given to nature. However, then we come again to the main reasons for visiting Croatia („blue sea and the bright sun“). So, we conclude that there is still no evidence of the future repositioning of Croatian thermal centres.

Graph 1. The reasons for coming to spas

Graph 1. The reasons for coming to spas



The main reasons for visiting spas

An examination of reasons for repeated visit to spas suggests that the highest percentage of respondents intends to come back to spas (80,3 percent of respondents are sure that they will come again to spas, but 12,7 percent of respondents are undefined). This question is connected with the question about reasons for repeated visit to some spas. Graph 1 shows that the highest percentage of respondents (26,1 percent) comes back to spas because of the kindness of the personnel. 19,6 percent of respondents come because of the beautiful nature and 15,7 percent of respondents are satisfied with the wide range of food and beverage in town.

On the other side, respondents are mostly unsatisfied with the cultural and sport facilities, and the entertainment in spas. Accordingly, the lowest percentage of respondents chose that as the reason for repeated visiting of spas (2,7 percent of respondents).

Conclusion

Tourist and hotel offer in Hrvatsko zagorje spas experienced some structural changes in the last few years. Those changes are mostly caused by the adaptation to some European trends in thermal tourism. There are tennis, football, basketball and volley-ball playgrounds, and possibilities for fishing and recreational walking. However, there is no kindergarten as the favourable offer for younger couples with children. Also, there are no golf playgrounds, indoor tennis halls, cycling path, etc.

Such a tourist offer suggests that thermal destinations should invest more in creating attractive offer. Tourism offer is very modest with few programmes for active holidays and prevention. All hotels and destinations in Croatia's spa tourism suffer from this problem which is consequence of insufficient investments and unclear development strategy for spa tourism in Croatia which lasted in the second half of the 20th century. However, the investments should not only focus on hotels as the base of the thermal tourism development. The whole place should operate in the same direction. The out of the hotel offer is important too because the customers are more sophisticated than before and it is not enough just to offer hotel services. Today, tourists want prevention, rehabilitation and other programmes. They want the combination of the healing and the entertainment at the same time. The conclusion of the paper is very positive because the results of the research point out the high quality of the employees in spas. However, the natural beauties are still the most important motive for the selection Croatian spas as the tourist destination.

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WHAT DOES INFLUENCE BUYING BEHAVIOUR OF HOUSEHOLDS IN THE CZECH REPUBLIC?

MIROSLAV FLORET
MENDEL UNIVERSITY OF AGRICULTURE AND FORESTRY BRNO, CZECH REPUBLIC

Abstract

The paper analyses results of an inquiry performed in the Czech Republic on the turn of 2005/2006. The objective was to discover how households buy foodstuffs, clothing, shoes, and home appliances and which factors influence this behaviour. The obtained results showed that the quality was the most important factor when buying foodstuffs and home appliances. When buying clothing and shoes, above all the product properties (i.e. de facto also its quality) were preferred. Price was mentioned less frequently as a factor influencing the buying behaviour. Although it was not mentioned as a priority, there were also some differences, which depended mainly on the incomes of individual households. In contrast to foodstuffs, which were preferably purchased in discount shops, supermarkets, hypermarkets, and shopping centres, clothes, shoes and home appliances were purchased mostly in specialised outlets. As the purchase of home appliances is more complicated, the majority (85%) of customers looked for information in different sources of data, especially in different catalogues.

Key words: buying behaviour, foodstuffs, clothing, shoes, home appliances

INTRODUCTION

The transition of Czech national economy from the system of centralised planning to a free market economy showed a marked impact also on the Czech households. The incoming of foreign supermarket chains, a widening of assortment of consumer goods and also an increase in the buying power of people resulted in marked and rapid changes in the buying behaviour of the Czech people. Referring to results of our earlier marketing research (Foret, 2005), a nation-wide inquiry was performed in the Czech Republic in the turn of years 2005/2006. The objective of this research was to find out and analyse which factors (and how) influence Czech households when buying foodstuffs, clothing, shoes and home appliances (i.e. furniture, brown goods, and white goods including various accessories).

MATERIAL AND METHODS

The nation-wide inquiry was performed on the turn of years 2005/2006 using a survey method of personal interviews. The questionnaire was distributed among and answered by altogether 1,070 households in the whole territory of the Czech Republic. When trying to evaluate the strength of relationships existing between individual pairs of variables we decided to use the Kendall coefficient tau the Cramer's coefficient V because of their simplicity and practical and pedagogical advantages. Both these coefficients were used to measure the degree of correspondence between two rankings and assessing the significance of this correspondence. Factors influencing the buying behaviour and decision-making of Czech households were analysed by these statistical coefficients and all values were significant at the level of 95 % and more (for details see Řehák & Řeháková, 1986);

RESULTS AND DISCUSSION

Within the framework of this marketing research we tried to describe the process of buying foodstuffs, clothing, shoes and home appliances (i.e. furniture, brown goods, and white goods including various accessories). The obtained results and the most interesting findings are presented in the following text.

Table 1 The most frequent sources of information about foodstuffs

Source of information	Percentages
Not looking for information	57
Catalogues	20
References provided by other consumers	10
TV and radio advertising campaigns	7
Journals and newspapers	5
Internet	1
Total	**100**

Table 2 Place of food purchase

Place	Percentages
Market places, farm shops	1
Discount shops, supermarkets, shopping centres, and hypermarkets	65
Small corner shops, self-services	33
Specialized shops	1
Total	**100**

Purchase of Foodstuffs

At first we tried to ascertain, if and where the investigated households look for information showing an influence on their decision-making before the purchase of foodstuffs. A general survey of their answers is presented in Tab. 1.

It results from Tab. 1 that more than one half of Czech households did not look for any information prior to the purchase of foodstuffs. In case that they wanted to be informed prior to the purchase, different catalogues were mentioned as the most frequent source of information (20 %). Other data sources were less frequent and their sequence was as follows: personal references of consumers (10 %), TV and radio advertising campaigns (7 %) and professional journals and newspapers (5 %). Internet as a source of information about foodstuffs was quite negligible (> 1).

The approach of households was practically not influenced by their net annual income and the behaviour of households with low (> 200 thous. CZK) and high (< 400 thous. CZK) was very similar. The value of Cramer's coefficient of association was only 0.08.

As far as the place of food purchasing was concerned (Tab. 2), the most frequent outlets were discount shops, supermarkets, shopping centres, and hypermarkets (for more than 2/3 of households). The remaining third purchased foodstuffs in small corner shops and self-services. Markets, farm shops and specialised shops were mentioned as the place of food purchase only exceptionally.

It was surprising that the place of purchase was only a little associated with the annual income of households (Cramer's coefficient V = 0. 22). Besides, this relationship was quite opposite to our expectations and it can be said that the higher the income, the more frequent purchasing of foodstuffs in discount shops, supermarkets, shopping centres, and hypermarkets. Only 47 % of households with the lowest annual income (>200 thous. CZK) used these outlets while 75 % of households with the highest annual income (<400 thous. CZK) mentioned them as the most frequent place of food purchase. This trend was observed also in income categories of 200 – 300 thous. and 300 – 400 thous. CZK (59 % and even 73 %, respectively). This indicated that above all households with a higher standard of living used discount shops, supermarkets, shopping centres, and hypermarkets, undoubtedly due to their good accessibility because they are mostly situated in towns and people can there relatively easily.

Table 3 Effect of ten factors on food purchase as dependent on the household income

Factor	Kendall coefficient tau
Habit	- 0. 01
Product parameters	0. 1
Price	- 0. 15
Quality	0. 1
Brand	0. 11
Price-off offers	- 0. 12
Package	0. 06
Promotion	0. 05
Recommendation of other people	0. 02
Effort to try an innovation	0. 1

Further we tried to define how much was the purchase of foodstuffs influenced by the following ten factors. Basing on the importance of their influence on the decision-making (as mentioned by the household representatives themselves) we could classify these factors into two categories (i.e. factors showing a medium and/or strong effect). Seven of them were mentioned as factors showing a medium effect on the decision-making and food purchasing of our respondents:

- Habit (49. 3 % of households);
- Product parameters (53 %);
- Brand (63 %);
- Package (55 %);
- Promotion (55 %);
- Recommendation of other people (58 %) and
- Curiosity and an effort to try an innovation (57 %).

The remaining three factors were mentioned as strongly influential:

- Quality (53 %;
- Price (48 %) and
- Price-off offers (46 %).

The dependence of the effect of these ten factors on the net annual income of households is presented in Tab. 3. The rank of these factors was calculated using Kendall coefficient tau.

As shown above, the relationship between the net annual income and effects of the aforementioned ten factors on the decision-making and buying behaviour of households was statistically very low. As far as the relatively strongest factors were concerned (such as price and price-off offer), their effects were naturally indirectly proportional. This means that, in general, for households with higher annual incomes the price and price-off offers are less important when buying foodstuffs than for those with lower annual incomes.

A more detailed analysis of frequencies of answers indicates that these differences were even more apparent. This concerns above all factors with a strong effect on the buying decisions. A strong effect of price on food purchasing was mentioned by 66 % of households with the net annual income > 200 thous. CZK but only by 35 % with the net annual income < 400 thous. CZK. A similar strong effect was observed also in case of price-off offers: 62 % and 34 % of households with net annual incomes > 200 thous. and < 400 thous. CZK, resp., answered that they decided about the food purchase under the influence of this factor. On the other hand, only 45 % of households with the net annual income > 200 thous. CZK mentioned that they decided about the food purchase on the base of its quality while in the group with the net annual income < 400 thous. CZK altogether 62 % of answers concerned the quality of purchased foodstuffs.

This means that the net annual income of the household is – at least to a certain degree – reflected in the perception of such strong factors as price, price-off offer and/or quality.

Table 4 The most frequent sources of data about clothing and shoes

Source of data	Percentages
Not looking for information	48
Catalogues	27
References provided by other consumers	10
TV and radio advertising campaigns	6
Journals and newspapers	6
Internet	3
Total	**100**

In further statistical analysis, attention was paid to the relationships existing among the place of purchase, action prices and normal prices. It was found out that the strongest relationship existed between prices and action prices (Kendall coefficient tau = 0. 48). The higher the importance of price for the household, the greater was the attention to action prices and vice versa.

It was a little surprising that there was no statistical relationship between the place of purchase and prices (Cramer's coefficient V = 0. 07) and/or action prices (Cramer's coefficient V = 0. 04). This means that the popularity of purchasing food in discount shops, supermarkets, shopping centres, and hypermarkets was not associated too much with the importance of normal and action prices for individual households.

Similarly, we were also interested to know which was the relationship between the brand, package and advertisement. A weak statistical relationship was found out between brand and advertisement (Kendall coefficient tau = 0. 22) and between brand and package (Kendall coefficient tau = 0. 25). On the other hand, the relationship between package and advertisement was stronger (Kendall coefficient tau = 0, 4). This means that the households, which were influenced by the advertisement when purchasing food, were influenced also by the package while those which did not care too much about ads were not influenced by the package as well.

Purchases of Clothing and Shoes

Also in this case it should be at first present if and where the households looked for information about these products and how they used these data within the process of their decision-making. A summary of responses is presented in Tab. 4.

As compared with Tab. 1, it is obvious that the number of people not looking at all for data when buying these goods was lower by nearly 10 %. In spite of this, however, they represented nearly one half of all households. The number of people surfing on Internet slightly increased but in spite of it they represented only 3 % of all respondents.

Also in this case there was no correlation between the net annual income of these households and their purchases of clothes and shoes. The behaviour of households with low (>200 thous. CZK) and high (< 400 thous. CZK) was very similar and the value of Cramer's coefficient V was only 0. 07.

As far as the place of purchase was concerned, the behaviour of households differed considerably from data presented in Tab. 2 because the answers revealed that people purchased these goods mostly in specialised shops; 62 % and even 74 % of respondents, resp., mentioned these outlets as the place of their purchases of clothing and shoes. Foodstuffs were purchased most frequently (65 % of all answers) in discount shops, supermarkets, shopping centres, and hypermarkets while in case of clothing and shoes buying only in 16 % and even mere 8 % of households, respectively. These goods were relatively often purchased in job producers and in brand shops (10 and 12% of clothes and shoes, resp.). Street markets were preferred by 11 and 5% of households as the place of purchase of clothing and shoes, respectively. In second hand shops, purchased their clothes and shoes were purchased by only 2 and 1% of respondents, respectively.

The place of purchase of clothing was statistically only a little correlated with the total annual income of the household (Cramer's coefficient V = 0. 18). Altogether 26% of households with less than 200 thous. CZK per year purchased their clothing in street markets while only 3% of them visited brand shops and/or job producers. On the other hand, households with annual net incomes above 400 thous. CZK did their shopping in brand shops and/or job producers while mere 3% of them purchased these goods in street markets. It is of interest that 1% of them mentioned also second hand shops as the place of their shopping.

A similar situation existed also in buying of shoes. The statistic relationship between the buying behaviour and total annual net income was very weak (Cramer's coefficient V = 0.18). Approximately 18% of households with the annual income > 200 thous. CZK mentioned street markets as their outlets while 18% of those with more than 400 thous. CZK purchased shoes in job producers and brand shops.

Also in this case we tried to analyse how much were the households influenced by the following nine factors when purchasing clothes and shoes. As compared with purchases of foodstuffs, the quality and advertisement were omitted while the fashion trends were added. Basing on the influence on representatives of individual households, these factors could be classified into three groups.

A low impact on purchases of clothes and shoes showed:

- Package (63% of all household mentioned its effect as low), and
- Curiosity and an effort to try an innovation (46%).

Of medium importance were:

- Brand (57% of households),
- Recommendation of other people (57%),
- Fashion trends (50%), and
- Action prices (49%).

The remaining three factors were mentioned as strongly influential:

- Product parameters (61%),
- Habit (52%), and
- Price (50%).

Effect of the net annual income of households under study on changes in the effect of the above nine factors are presented in Tab. 5. Again, the Kendall coefficient tau was used as a parameter of the intensity of effects of these factors.

Table 5 Effects of nine factors on purchases of clothes and shoes in dependence on the annual income of the household

Factor	Kendall coefficient tau
Habit	- 0. 07
Product parameters	0. 08
Price	- 0. 09
Brand	0. 12
Price-off offers	- 0. 04
Package	0. 03
Recommendation of other people	0. 04
Effort to try an innovation	0. 07
Fashion trends	0.12

Table 6 Sources of information about individual groups of products

Source of information	Percentage
Not looking for information	15
Catalogues	29
References provided by other consumers	14
Results of consumer's tests	10
Journals and newspapers	14
Internet	18
Total	**100**

As one can see in Tab. 5, the relationships existing between the net annual income of the household on the one hand and nine aforementioned factors on the other was in the case of buying clothes and shoes very similar to the situation when buying foodstuffs and it is also statistically non-significant. As compared with foodstuffs (where the most intensive relationship was found out between normal and action prices), the strongest relationship was observed between the brand and the latest fashion trends.

Besides, when analysing the frequencies of individual answers it is possible to see that these differences were even stronger. A strong influence of the brand was mentioned only by 8% with the lowest net annual income (i.e. >200 thous. CZK) while nearly one half (49%) of those with more than 400 thous. CZK considered this relationship as important.

Purchases of Home Appliances

This part of this paper deals with purchase of a very wide category of goods, the name of which was defined as home appliances. This category involves above all furniture, brown goods, white goods and also some different types of accessories.

Also in this case we tried at first to ascertain if and where the households looked for information about these products and how they used these data within the process of their decision-making. A summary of responses is presented in Tab. 6.

As one can see, there was a marked decrease in numbers of people not looking for information prior to the purchase of these goods. As compared with purchases of foodstuffs, clothes and shoes when approximately one half of households did not look for necessary information, only 15% of respondents were not interested in such data. This indicated that – from the viewpoint of customers – the purchases of home appliances represented the solution of a limited problem, which required more information than when buying food and/or clothing and shoes. These products can be classified as durable goods (that are used for several years or even decades) and also their purchasing price is much higher (ranging from several thousands to several tens of thousands of CZK).

Proportions of individual sources of necessary information were changed as well. Although the catalogues were in the first place also in this case (29% of answers), the percentages of Internet (18%), professional journals (14%) and personal references (14%) markedly increased. The least interested were results of consumer tests – only one tenth of respondents mentioned also this source of data.

The effect of net annual income on this approach of Czech households to purchases of home appliances was very weak because the value of Cramer's coefficient of association was only 0. 12. However, 23% of households with a low net annual income (> 200 thous. CZK) mentioned that they did not need any data and only 10% of them used Internet. On the other hand, 23% of households with a high net annual income (< 400 thous. CZK) looked for information on Internet.

Table 7 Places of purchase of goods

Place of purchase	%
Second-hand stores	>1
Discount shops, supermarkets, shopping centres and hypermarkets	11
Furniture and home appliances shops	73
Specialised shops, job production	15
Total	**100**

As far as the place of purchase was concerned (Tab. 7), specialised shops selling furniture and brown goods were mentioned as the most frequent outlets (73% of all households). The percentage of specialised shops and job producers was also higher (15%) while the importance of discount shops, supermarkets, shopping centres and hypermarkets decreased (11 %). Second hand shops were entirely marginal and even in households with the lowest net annual income their share was only 0.5%. The same percentage of second hand shops was mentioned also by households with the highest net annual income. However, there is no doubt that in this group the purchases took place mostly in antique shops.

As mentioned above, the place of purchase of home appliances was only a little associated with the household's income (Cramer's coefficient of association = 0. 13). However, there were certain differences also in purchase of this category of goods: altogether 18% and 7% of household with the lowest and the highest net annual income, resp., purchased home appliances in discount shops, supermarkets, shopping centres and hypermarkets. Altogether 24% of households classified into the latter group purchased home appliances in specialised shops and/or in workshops of job producers.

Further we tried to analyse how much were purchases of these goods influenced by factors that were taken into account when buying foodstuffs. Also in this case it was possible to classify these factors into three different categories:

A low effect was mentioned in case of:

- Curiosity and an effort to try an innovation (54% of household mentioned its effect as low), and
- Package (even as much as 64%).

Of medium importance were:

- Action prices (49% of households),
- Advertisement (50%),
- Brand (58 %), and
- Recommendation of other people (59%).

The remaining three factors were mentioned as strongly influential:

- Habit (51%),
- Price (54%),
- Product parameters (68%), and
- Quality (68%).

Effect of the net annual income of households under study on changes in the effect of the above ten factors are presented in Tab. 8. Also in this case, the Kendall coefficient tau was used as a parameter of the intensity of effects of these factors.

As one can see, the relationship between the net annual income and effects of ten factors mentioned above on the buying decision-making of households was statistically non-significant. Even in this group of goods the values of Kendall coefficient tau were a little lower than in the group of foodstuffs.

Table 8 Effects of ten factors on purchases of home appliances in dependence on the annual income of the household

Factor	Kendall coefficient tau
Habit	- 0. 04
Product parameters	0. 07
Price	- 0. 09
Quality	0. 08
Brand	0. 11
Price-off offers	- 0. 06
Package	0. 01
Promotion/advertisement	0. 03
Recommendation of other people	0. 004
Effort to try an innovation	0. 1

However, a more detailed analysis of frequencies of answers indicates that (in spite of the statement mentioned above) these differences are becoming to be more and more apparent. This concerns above all factors showing a strong effect on decision-making when buying home appliances. A strong effect of price was mentioned by 68% of households with the net annual income up to 200 thous. CZK while in the group with more than 400 thous. CZK the share of these answers was only 46%. On the other hand, a strong effect of product parameters was mentioned only in 52% of households with less than 200 thous. CZK p. a. while in that with more than 400 thous. CZK this proportion increased to 77 %. Similarly, a strong effect of quality was mentioned only by 49% of households with less than 200 thous. CZK while in the group with 400 thous. CZK this effect was mentioned in 79% of answers.

Basing on results of this analysis it can be concluded that the annual income of the household reflects to a certain degree the effect of the aforementioned factors on their purchases of home appliances and that the strongest were effects of price, t parameters and quality of purchased products. There is therefore no doubt that the requirements of households with higher annual incomes are much higher.

CONCLUSIONS

Basing on results of this marketing research it can be concluded that when buying foodstuffs and home appliances the quality was the most important. When buying clothing and shoes, above all the product properties (i.e. de facto also its quality) were preferred. Price was mentioned less frequently as a factor influencing the buying behaviour. Although it was not mentioned as a priority, there were some differences, which depended mainly on the income situation of the household.

In contrast to foodstuffs, which were preferably purchased in discount shops, supermarkets, hypermarkets, and shopping centres, clothes and even more shoes and home appliances were purchased mostly in specialised outlets.

As the purchase of home appliances is more complicated and, as compared with the purchase of food, clothing and shoes, represents a more complicated decision-making (i.e. solution of a limited problem), the majority (85%) of customers looked for information in different available data sources, especially in different catalogues.

Results presented in this paper were obtained within the framework of the Research Project, identification code VZ: 62156 48904 “Czech national economy within processes of integration and globalisation and the development of agrarian sector and sector of services under new conditions of European integrated market”, theme 03 “Development of relationships within the business sphere in association with changes in the lifestyle and buying behaviour of citizens and changes taking place in the business environment within the framework of processes of integration and globalisation”, which is implemented with the financial support of the Czech Government through the Ministry of Education, Youth and Sports.

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EXPLICIT AND IMPLICIT ATTITUDES OF CONSUMER ETHNOCENTRISM

KAROLINA ZIEBA
UNIVERSITY OF AGRICULTURE, SZCZECIN, POLAND,

Abstract

The purpose of the paper is to highlight the importance of customer ethnocentric tendencies. Using data from 269 consumers in Poland, the study examines the level of customer ethnocentrism among young people using CETSCALE tool and IAT method. Our approach was to combine explicit and implicit method with behavioral choice designs to further reveal the interrelation between conscious and unconscious information and its impact on consumer behavior.

The results indicate that country of origin does matter when consumers evaluate products, but in the presence of other extrinsic cues, this impact is weak, especially among young people. The findings suggest also that there is a correlation between gender, financial situation and consumer ethnocentrism of respondents. The results support the prediction that consumer ethnocentrism should be considered at different levels because there is a lack of correspondence between implicit and explicit attitudes of consumer ethnocentrism.

Key words: consumer ethnocentrism, consumer behaviour, IAT, CETSCALE

Introduction

In order to develop effective marketing strategies for multinational companies, there is a need to understand varying attitudes and perceptions of consumers in different countries. It is especially important concerning the products which inform about its country of origin. In understanding patterns of consumers' buying decisions it is important to have a consistent measure that could be applicable to various markets.

Brand name and price are factors that generally influence consumers' evaluation of and purchase intentions towards a product. However, the globalization of production and markets has added another factor to the list as more and more companies shift production to other coutries where factors of productions are superior or less costly, and then market their products to consumers around the world. Consequently, for many international consumers a product's country of origin can be an important cue in evaluating both domestic and foreign products.

Literature review

A general definition of consumer ethnocentrism refers to the phenomenon of consumer preference for domestic products. Consumer ethnocentrism represents the beliefs held by consumers about the appropriateness, morality of purchasing foreign-made products (Shimp and Sharma 1987).

Ethnocentrism may be interpreted as that purchasing imports is wrong, not only because it is unpatriotic, but also because it is detrimental to the economy and results in loss of jobs in industries threatened by imports. A series of validity tests conducted in the USA by Shimp and Sharma (1987) indicated that consumer ethnocentrism is moderately predictive of consumers' beliefs, attitudes, purchase intentions, and purchases. They also show that ethnocentric tendencies are significantly negatively correlated with attitudes towards foreign products and purchase intentions.

For non-ethnocentric consumers, foreign products should be evaluated on their own merit and on the basis of the utility and benefit they offer to consumers, rather than based on where they are manufactured or assembled. The consequence of consumer ethnocentricity includes overestimation of the quality and value of domestic products or underestimation of the virtues of imports, a moral obligation to buy domestic products, and intense preference for domestic products.

The strength, intensity and magnitude of consumer ethnocentrism depends on culture / country. In a developing country context, Kucukemiroglu (1999) showed that many Turkish consumers dislike buying foreign products because it hurts the economy and causes unemployment. Marcoux, Filiatrault and Cheron (1997) similarly show that the patriotism aspect of ethnocentrism leads some Polish consumers to prefer Polish products.

A number of studies have been carried out to understand the behaviour of the ethnocentric consumer better (Netemeyer 1991, McLain and Sternquist 1991, Shimp and Sharma 1987, Han 1988, Kaynak and Kara 1996). Among these, an important contribution to consumer research has been the development and international application of the CETSCALE, which is designed to measure consumers' ethnocentric tendencies related to purchasing foreign versus domestic products. Study conducted by Netemeyer et al (1991) showed strong support for the psychometric properties and nomological validity of the scale across for different countries: France, Germany, Japan and the USA. The reported alpha levels ranging from 0.91 to 0.95 across the four countries studied. A strong support for the CETSCALE's unidimensionality and internal consistency was established. However, little research exists which empirically addresses biases encountered in conducting consumer ethnocentrism research. Netemeyer et al (1991) and Kaynak and Kara (1996) strongly recommended that researchers translate the CETSCALE into other languages and use it in other countries and regions.

Results of studies on consumers' perceptions of products are inconclusive for some variables and fairly consistent for others. The summarization of the results of the studies is presented in Table 1.

Recent consumer behaviour studies incorporating the IAT method have found that the IAT predicts behavious. For example, purchase intention, brand preference and perceived brand superiority were all predicted by implicity measured self-brand association (Perkins 2005). Implicit measures have primarily two benefits that make them better predictors: are able to tap into implicit attitudes a consumer may not even be aware they hold and may be especially good predictors of behavior in situations in which an explicit attitude may lead to socially desirable responding. In sum, explicit attitudes that are generated from conscious processes can differ from those generated via implicit processes, further, under some circumstances, implicit processes may better reflect an individual's honest belief.

Material and methods

The main purpose of the study was to examine the extent to which consumer ethnocentrism as measured through the CETSCALE or IAT method can singularly, as well as in combination with selected other variables, influences consumers' buying decisons. Other variables examined were consumer's sex, financial situation, place of origin, personality or even mood. Several research tools have been used:

1. personalisty test – personality inventory NEO-FFI;
2. questionnairre containing questions about consumer's preferences connected with buying Polish / foreign products, their quality, as well as consumer's buying habits;
3. IAT – Implicite Association Test – designed for the study purposes using Inquisit software;
4. CETSCALE – 17 item-tool translated into Polish.

The participants of the study were 300 Polish students of the university in Szczecin, Poland. The targeting of young consumers for products and services has become important to many companies around the world, and many of the East-European countries are no exception. Representativeness was not a major concern of the study. The final sample consisted of 269 persons - 187 females (69.5%) and 82 males (30.5%).

For the purposes of the study three meanings of consumer ethnocentrism have been developed:

- declared consumer ethnocentrism – as measured through questionnaire with direct questions about consumer's buying preferences,
- implicite consumer ethnocentrism – as measured through the IAT method,
- explicite consumer ethnocentrism - as measured through the CETSCALE.

Table 1. Correlation between customer ethnocentrism and demographical variables

Factor	Relationship	Authors
age	positive correlation	Han 1989, Falkowski, Roznowski, Witkowski, 1996, Schooler 1971, Wall 1988, Wang 1978, Good, Huddleston 1995
sex	positive correlation - women	Han 1988, Good, Huddleston 1995
	positive correlation - men	Schooler 1971, Wand 1978
	no correlation	McLain, Sternquist 1991
education	negative correlation	Falkowski, Roznowski, Witkowski, 1996, Schooler 1971, Wall, Heslop 1986, Wang 1978, McLain, Sternquist 1991, Good, Huddleston 1995
	no correlation	Han 1988
income	negative correlation	Falkowski, Roznowski, Witkowski, 1996, Wang 1978, Wall 1990, Good, Huddleston 1995
	no correlation	Han 1988, McLain, Sternquist 1991
city size	negative correlation	Falkowski, Roznowski, Witkowski, 1996

Source: Own compilation.

Implicit consumer ethnocentrism has been measured using the Implicit Association Test (IAT). Implicit measures rely on actual observable behavior such as response time in a computerized task. A particular method for diagnosing the associative structures is provided by the implicit association test (IAT). This computer-based tool assesses the strength of association between concepts in memory. It allows inspecting many implicit cognitive processes including attitude formation, the development of links between brands and the consumer self-concept. The IAT is easy to implement, generates large effects sizes and possesses good reliability (Greenwald, Nosek 2001). The measure is computed as a function of the difference in average response speed between the tasks.

A computerized IAT was used in this study to measure differential association of Polish / foreign brands with the positive / negative attributes. When participants are instructed to use the same response key for highly associated categories (e.g. foreign brand + bad), performance is faster then when less associated categories (e.g. Polish brand + bad) share the same response key. This performance difference represents an implicit measure of differential association of the concepts with the attribute.

In the study we have also examined the role of contextual information in the form of consumer's mood. Prior to the IAT procedure, some of the participants were exposed to a 15-minute video sequence which either induced a happy or a sad mood. The third group of respondents was not exposed to any movie. All participants were tested individually in a quiet room equipped with a computer and VCR.

Explicit consumer ethnocentrism has been measured using the 17-item CETSCALE tool developed by Shimp and Sharma (1987) translated into Polish (a paper and pencil measure). Items were scored on a 5-point Likert scale ranging from "strongly disagree" to "strongly agree". Scores on the CETSCALE measure were summarised to create a single variable measuring consumer ethnocentrism.

The CETSCALE was a subject of a reliability analysis. The results are given in Table 2 which shows overall reliability 0.903 (Cronbach alpha) which can be considered a very high reliability coefficient. It is clearly above the limit of 0.50 suggested by Fornell and Larcker (1981) as a minimum level to support the consistency among items in a scale. Based on the results of the reliability analysis, it can be assumed that all 17 items used are measuring the same construct (ethnocentrism) and, therefore, a summative measure can be used to represent the ethnocentrism score of the respondents.

Table 2. 17-item CETSCALE applied to Polish consumers

	Items	Reliability[2]
1.	Polish people should always buy Polish products instead of imports.	0.898
2.	Only those products that are unavailable in Poland should be imported.	0.899
3.	Buy Polish products. Keep Polish working.	0.906
4.	Polish products, first, last, and forever.	0.897
5.	Purchasing foreign-made products is un-Polish.	0.895
6.	It is not right to purchase foreign products, because it puts Polish people out of a job.	0.895
7.	A real Polish should always buy Polish products.	0.891
8.	We should purchase products manufactured in Poland instead of letting other countries get rich from us.	0.893
9.	It is always best to purchase Polish products.	0.897
10.	There should be very little trading or purchasing of goods from other countries unless out of necessity.	0.896
11.	Polish should not buy foreign products, because this hurts Polish business and causes unemployment	0.895
12.	Curbs should be put on all imports.	0.899
13.	It may cost me in the long run but I prefer to support Polish products.	0.902
14.	Foreigners should not be allowed to put their products on our market.	0.897
15.	Foreign products should be taxed heavily to reduce their entry into Poland.	0.897
16.	We should buy from foreign countries only those products that we cannot obtain within our own country.	0.897
17.	Polish consumers who purchase products made in other countries are responsible for putting their fellow Polish out of work.	0.898

Source: Own studies.

Only two previous studies have been identified that applied CETSCALE in Poland (Good&Huddleston 1995, Marcoux et al 1997). In the Good&Huddleston study no analyses were reported on the dimensionality of the scale, and only one indicator of reliability was given, which showed high internal consistency of the Polish translation of CETSCALE (Cronbach's alpha 0.95). Marcoux et al. submitted their 15-item version of the scale to exploratory factor analysis and discovered a structure with three factors. The factors were labeled "protectionism", "socio-economic conservatism" and "patriotism" and explained 55.3% of the variance.

The following hypotheses had been proposed in the study:

H1: There is a positive relationship between explicit and implicit consumer ethnocentrism.

H2: There is no relationship between implicit and declared consumer ethnocentrism.

H3: There is no relationship between explicit and declared consumer ethnocentrism.

H4: Personality influences consumer's attitude – there is a negative relationship between a level of ethnocentricity and a level of consumer ethnocentrism.

H5: Consumer ethnocentrism depends on sex – females are more ethnocentric.

H6: Consumer ethnocentrism depends on financial situation – people in better financial situation are less ethnocentric.

H7: Consumer ethnocentrism depends on place of origin – people coming from smaller towns are more ethnocentric.

H8: A mood does not influence consumer ethnocentrism.

H9: Consumer ethnocentrism is related mainly to food products.

Results

In CETSCALE, the total score might vary between 17 and 85. The mean scale value is the predictor of the intensity of ethnocentrism (Shimp and Sharma 1987). A higher mean scale value indicates higher consumer ethnocentrism. The mean value for the present study was 46.26. Average level of explicit consumer ethnocentrism for females – was 47.25; average for males – 44.01. Respondents were divided into 3 groups according to their CET score: low level of consumer ethnocentrism (scores 17-39) – 74 individuals (27%), medium level (scores 40-62) – 179 individuals (67%) and high level (scores 63-85) – 16 individuals (6%).

Table 3. Explicit, implicit and declared consumer ethnocentrism versus sex

	Females (N=185)	Males (N=80)
CET – explicit consumer ethnocentrism – mean value	47.25	44.4
% of ethnocentric consumers - IAT	50%	58%
% of declared ethnocentric consumers	53%	59%

Source: Own studies.

Table 4. Explicit, implicit and declared consumer ethnocentrism versus level of explicit consumer ethnocentrism

	Low CET score (N=72)	Medium CET score (N=177)	High CET score (N=16)
CET – explicit consumer ethnocentrism – mean value	33.65	49.47	69.63
% of ethnocentric consumers - IAT	51%	51%	63%
% of declared ethnocentric consumers	33%	62%	75%

Source: Own studies.

Table 5. Explicit, implicit and declared consumer ethnocentrism versus respondents' mood

	Sad mood (N=100)	Happy mood (N=93)
CET – explicit consumer ethnocentrism – mean value	44.5	47.31
% of ethnocentric consumers - IAT	55%	54%
% of declared ethnocentric consumers	58%	53%

Source: Own studies.

Table 6. Explicit, implicit and declared consumer ethnocentrism versus respondents' financial situation

	Poor (N=10)	Medium (N=136)	Good (N=119)
CET – explicit consumer ethnocentrism – mean value	46.3	45.72	47.16
% of ethnocentric consumers - IAT	40%	49%	57%
% of declared ethnocentric consumers	70%	58%	50%

Source: Own studies.

The IAT test was designed to reveal own-country bias for brands. The issue was whether or not Polish brands would be more associated to favorable words than foreign brands as revealed by faster reaction times. An IAT score was formed for each student where higher values indicate more bias. 52% of respondents (138 individuals) got scores showing their implicit consumer ethnocentrism.

The CETSCALE is an explicit measure of ethnocentrism, the IAT an implicit one. We compared it also to consumer's declarations – showing their declared consumer ethnocentrism. The results are shown in Tables 3-6.

In questionnaire respondents were asked about product's features that are important for them when making buying decisions. 51% of individuals declared they look for COO information, including 36% of men and 64% of women. Slight majority (52%) declared their preference for domestic products - 30% of men and 70% of women. These individuals answered that the reasons of their choices are: consumer ethnocentrism (38%), price (37%) and quality of the product (26%). This data is showing that it can be assumed that women tend to be more ethnocentrics than men and more interested in COO information.

In the study gender of respondents was correlated with scores on the CETSCALE, meaning that women tend to be more ethnocentric, whereas IAT was negatively correlated with the open personality and positively correlated with financial situation of respondetns. However, the most important conclusion seems to be correlation between the scores for 3 different meanings of consumer ethnocentrism.

The study showed that 51% of individuals with low level of explicit consumer ethnocentrism (CETSCALE), which could be recognized as non-ethnocentric are still ethnocentric on the implicit level (IAT). 33% of them declared also their preference for Polish products. On the other hand – 63% of individuals with high level of explicit consumer ethnocentrism (CETSCALE) were also ethnocentric on the implicit level (IAT) and 75% of them confirmed that in their declarations.

Conclusions

The study showed relatively low level of consumer ethnocentrism among relatives – young Polish people. It was found that ethnocentrism is related with gender, financial situation and personality of respondents. The study showed that the mood of the respondents does not influence their attitude concerning their choices. It has also been found that there is a possitive correlation between declared and explicit consumer ethnocentrism but no correlation between implicit ethnocnetrism and explicit / declared attitude.

It can be assumed that :

1) hypotheses no: 2, 4, 5, 6, 8, 9 have been confirmed meaning:

H2: There is no relationship between implicit and declared consumer ethnocentrism.

H4: Personality influences consumer's attitude – there is a negative relationship between a level of ethnocentricity and a level of consumer ethnocentrism.

H5: Consumer ethnocentrism depends on sex – females are more ethnocentric.

H6: Consumer ethnocentrism depends on financial situation – people in better financial situation are less ethnocentric.

H8: A mood does not influence consumer ethnocentrism.

H9: Consumer ethnocentrism is related mainly to food products.

Along with increased nationalism and heavy emphasis on cultural and ethnic identity, consumer ethnocentrism will be a potential force in the global business environment in the years to come. Hence, understanding whether the level of ethnocentrism is differentiating customer characteristics for products originating from other countries is useful for the development of marketing strategies for imported products.

To provide a deeper understanding of what consumer nationalism is and how it may affect multinational businesses, further research is needed. Being able to identify consumers that hold ethnocentric beliefs can be a mean for both positioning the home country advantage, or, in the case of exporting, knowing when to diminish coutry-of-origin information.

As the study has focused on the use of students for measuring consumer ethnocentrism, further studies are needed to compare the results with results of actual consumers, on a sample with sufficient power to detect statistical differences.

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DECISION MAKING PROCESS OF FAMILIES

JIŘÍ URBÁNEK
FACULTY OF BUSINESS AND ECONOMICS, MENDEL UNIVERSITY OF AGRICULTURE AND FORESTRY IN BRNO, CZECH REPUBLIC

JANA TURČÍNKOVÁ
FACULTY OF BUSINESS AND ECONOMICS, MENDEL UNIVERSITY OF AGRICULTURE AND FORESTRY IN BRNO, CZECH REPUBLIC

Abstract

This paper tries to identify and find a way how to describe process of decision making among members of household. Thus, in what roles act the individual household members in a purchase process (initiator, influencer, decision maker, and buyer) of specified consumption basket, including general products consumed by households, which were carefully chosen. It is described how decisions among household members differ according to product categories and type of households. In other words how an involvement of each member of a household differs depending on product category and its close environment. It stresses out comparison of results with stereotypes in consumer decision making process and how these factors influence marketing communication with customers.

The secondary objective was to find an approach to this research issue in general, in terms of processing, formulation of the objectives and their methods of fulfilling them. Thus a test of this technique, because of absence of other projects dealing with similar issues (especially division of roles in this context).

Key Words

Decision-making process, roles, purchasing, behavior, household, consumption

Introduction

Family vs. households

First of all, it would be helpful to describe differences between families and households. We will start with definition of a family. Vysekalová (2004:83) defines family as follows: "A family is a group of two or more persons related by blood, marriage, or adoption, who reside together." There are many forms of families, but in general it could be divided to so call "Nuclear family" and "Extended family". Extended family refers to a family which includes, aside from parents and their children, also cousins, aunts, uncles, grandparents. So called nuclear family refers to a family with parents and one or more children (Solomon, 2004).

There are also other possible ways how to divide family, such as differentiation on a basis of origin of a member. The 'consanguine family' or 'family of orientation' refers to the family in which we are born. Other type of family is 'conjugal family' or 'family of procreation', which refers to the family formed by marriage (Solomon, 2004).

Now, we can define a household. Household consists of all persons, related and unrelated, who occupy a housing unit (Solomon, 2004). From consumer behavior and decision making process among household members, different types of influences are possible when various people form households. When we make summarization Solomon (2004) thoughts about a household, we can conclude that many marketers nowadays consider households of partners (also with same-sex orientation) as a family unit.

Economic Role of Families

Becker (1981) analyses the evolution of the family from primitive societies to the late twentieth century and concludes that many of the functions that families performed in traditional societies are now performed by the market or the state. The market has largely displaced the family in some activities, such as food production, and continues to encroach on other activities, such as food preparation. He thinks that families have become less important and the state more important as guarantors of security for persons and property, insurance, care for the disabled, and care and education of children.

As Becker (1981) emphasized, these changes have diminished the role of marriage as a tool for formation family alliances, and increased the importance of love and companionship as a basis for marriage. The instrumental value of children to their parents has continued to decrease. Replaced long ago as primary sources of agricultural labor and of old-age support, children are still important providers of eldercare, but a rapid expansion of government and market substitutes means that the elderly no longer need to depend on their own children (see also Možný, 2006).

Becker's (1981) aim was to use the foundational assumptions of "maximizing behavior, market equilibrium, and stable preferences" to explain the basic empirical patterns of family life. According to Becker, the main purpose of marriage and families is the production and rearing of own children. In his model of marriage, the gains to marriage depend on specialization and exchange within the family. He elaborates, that family could gain from specialization within the household, return of scale and factor substitution. Becker (1981) then stressed out that a unit of private goods consumed by one person cannot be consumed by another. But some goods, such as living space, household heating and lighting are jointly consumed and are best modeled as local public goods which enter simultaneously into utility function of all family members.

Family Decision

Solomon (2004) also divided decisions based on who made a choice in buying process. When one family member chooses a product, it is called an autonomic decision. In a traditional household, it is for example buying cars by men and household decorations by women. Syncretic decisions are made jointly. Solomon (2004) also defined four factors which determine the degree to which decisions will be made jointly or by one spouse:

- Sex role stereotypes – couples who believe in traditional sex-role stereotypes, tend to make individual decisions for sex-products (those considered to be masculine or feminine).
- Spousal resources – the spouse who contributes more resources to the family has the greater influence.
- Experience – couples who have gained experiences as a decision-making unit make individual decision more frequently.
- Socioeconomic status – middle class families make more joint decisions than do either higher or lower class families.

According to Solomon (2004) there are two basic types of joint decisions. In consensual purchase decision, members agree on the desired purchase, but they only differ how it will be achieved. Second type of decision made among family members is consensual purchase decision in which group member has different preferences, priorities, and cannot agree on a purchase that will satisfy the minimum expectations of all members. Therefore, every member has to make compromise, bargaining, to achieve agreement on purchase. Conflict occurs when there is not complete correspondence in family members' needs and preferences.

Objective and Methodology

The main objective is to present results roles divisions in a process of decision making among members of household. Thus, in what roles act the individual household members in a purchase process (initiator, influencer, decision maker, and buyer) of specified consumption basket, including general products consumed by households, which were carefully chosen. The secondary objective was to introduce our approach to this research issue in general. Thus a test of this technique, because of absence of other projects dealing with similar issues (especially division of roles in this context).

Table 1: Structure of sample of respondents

	Number of respondents	Average age	Oldest member	Youngest member
Mother	39	52.79	83	43
Father	31	53.32	65	42
Daughter	32	23.37	58	2
Son	40	22.70	31	2
Wife	17	45.35	64	20
Husband	16	48.75	64	28
Spouse (f)	20	27.95	40	20
Spouse (m)	20	27.75	32	21

As a method of research was chosen a questionnaire in electronic form distributed via email. These questionnaires consisted of two main parts. In the first part, respondents were introduced to the aim of the survey and to necessary information how to proceed with filling out the form. The second part of the questionnaire was directly focused on identification of purchase decision process role of individual household members. Respondent entered each numeric shortcut to four columns which represent decision roles (initiator, influencer, decider, and buyer). Each row represented individual product category from consumption basket. This consumption basket contained twenty-three items. The selected goods were meant to be consumed by a household as a whole, therefore, not for individual consumption. They were chosen carefully according to decision making stereotypes. To be more specific, there were included "typical for women" items, such as groceries, clothes, medicine, hygiene products, interior accessories-decoration and "typical for men" items, such as home maintenance, repairs, electronics, sport equipment, car and finally "joint-decision" items, such as recreation, culture, etc. They are also monitored by Czech Statistical Office and by EUROSTAT, thus we can compare our results with official statistical data.

Respondent was later introduced to roles, which are recognized in consumer buying process:

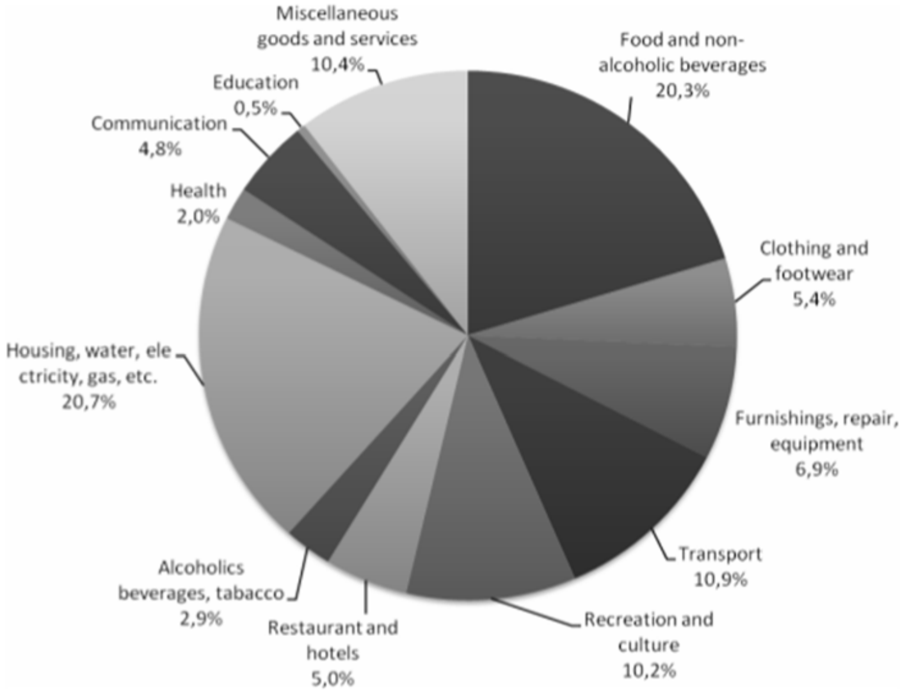
- Initiator/gatekeeper – initiator of family thinking about buying products and gathering information to aid decisions;
- Influencer – individual whose opinions are sought about purchase criteria and which brands fit those criteria;
- Decider – maintain main role in deciding if purchase will be made or not. It could also be a person with financial authority to choose how family money is spent;
- Buyer – person who actually buys products.

Questionnaires were distributed to 75 families. Respondent sample is described in more details in following table 1.

Results

First of all, we analyzed data which were collected by Czech Statistical Office. They provide information about consumption and expenditures on products, which were subject of our research. We will take closer look to structure of household expenditures in 2006 (Figure 1). We can see that most expenses go to categories: housing expenditures (20.7% − gas, heating, water, electricity, etc.), food and non-alcoholic drinks (20.1%), transport (10.9%) and miscellaneous goods and services (10.4%). The smaller amount of household budget goes to categories: alcoholic drinks and tobacco products (2.9%), health (2.0%), and education (0.5%).

Figure 1: Money expenditure structure of households in 2006 (in %)



Source: Czech Statistical Office, adapted by author

We should emphasize that there is a number of factors influencing this process which are playing crucial role for marketers. One of them is the structure of role division within a particular household that shows how the members of households are involved in decision making process. In other words, behind the growth or decline of consumption or expenditures on products, there are important questions, such as are there any shifts in roles division within households taking place?, who is initiating the purchase of this kind of good?, who is influencing this process?, who is making the main decision? and who is buying this product eventually? In following text, these questions should be answered.

After analyzing collected data, we can approach to summarization. From results of our research we can estimate and compare how consumer behavior stereotypes are corresponding with actual decision-making process of household members. We can say that stereotypes are patterns, according to which particular person behaves.

According to stereotypes in consumer behavior we can assign particular purchases to particular groups of persons. We can trace through history and through different cultures certain tendencies in divisions of “typical” female and male activities, which include consumer behavior too. Therefore, from our research we can conclude how women participate on “men typical” purchases and vice versa. If we calculate relative share of men’s and women’s involvement in each product categories (Table 2), we can see which gender is more active in decision-making process about particular products.

Thus, we can say, that grocery products, drugs, shoes, clothes, toys, hygiene products and interior accessories are almost purely domain of women. We can also say that these patterns are similar with patterns considered as stereotypes in decision-making process. But there are also products which are considered (according to stereotypes) “women products”, and men still fulfill the major influencing role. To this category belongs furnishing and cultural events.

Table 2: Dominance of involvement in the research from perspective of gender (%)

	Initiator men/women		Influencer men/women		Main decision maker men/women		Buyer men/women	
Bread	34	66	36	47	18	58	33	60
Meat	24	58	31	43	20	53	26	53
Milk	21	70	35	43	19	63	28	60
Fruit	19	70	29	44	15	61	24	63
Chocolate	36	56	36	42	24	51	30	56
Non-alcoholics	37	52	41	44	35	42	49	39
Alcoholics drinks	45	41	35	37	43	34	48	35
Tobacco products	16	15	9	12	14	14	17	16
Drugs	25	64	32	47	23	58	26	63
Clothes	34	81	50	60	36	79	41	78
Shoes	39	82	56	61	43	80	49	79
Hygiene products	15	75	22	55	8	70	14	69
Furnishing	36	54	50	45	39	46	44	47
Interiors accessories	16	69	44	48	18	67	35	60
Kitchen appliance	31	53	36	42	31	49	46	42
Home maintenance	58	31	38	32	55	20	63	20
Home electronics	63	33	37	51	53	30	59	33
Car	52	25	33	34	53	20	54	23
Petrol	59	23	37	21	53	17	62	22
Recreation	38	58	48	49	40	52	51	54
Cultural events	36	69	48	45	35	64	43	62
Sport equipment	59	43	39	49	51	32	55	37
Toys	16	28	16	19	11	26	17	26

Note: (total number of men n=107 and total number of women n=108)

To another category belong products which are more initiated by women but men are those who are buying them. Women also play roles of main decision makers and influencers during this process. According to our research non-alcoholics drinks and kitchen electronic appliances belong to this category.

We can also mention group of purely “men products”, to which belong home maintenance and purchases car fuel (petrol). In our results we can also see products which are, according to stereotype, typically considered as “men products” where women play the major influencing role. To this category belong alcoholic drinks, car, home electronics and sport equipment.

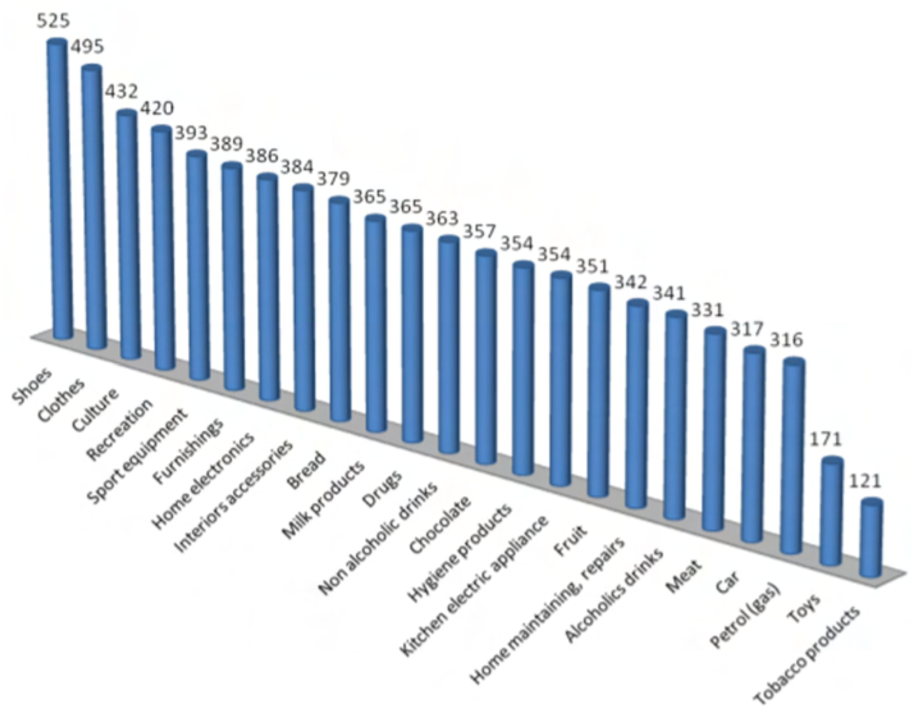
Isolated group was formed by tobacco products, which are represented by similar proportion of involvement of both genders.

When we focus on importance of main decision maker role, we can say that, in general, dominates the gender, as it is assigned by stereotype pattern.

If we sort each product category according to the highest involvement in each role and for each member, we can conclude, that the highest activity of all members can be seen in purchases of shoes, clothes and culture and the lowest in toys and tobacco products. Graphical expression of the results can be found in Figure 2.

The counts represent total number of household members of interviewed households involved individual purchases according to product categories.

Figure 2: Involvement of households in product category purchases



Discussion

If we wanted to evaluate method of this research, we can emphasize, that this research wasn't initiated on any particular basis of similar research, available to authors. In other words, every part of this research was conducted without connection to any previously known existing research and patterns. It is worth of mentioning that this research should show possible ways of how to approach this issue more than to show big numbers of respondents.

As it was mentioned in section Methodology, the authors decided for questionnaire in electronic form as a method of research, distributed via email, with rate of return of answered forms of 12.5%, which represents 215 respondents. Target group wasn't strictly determined, thus questionnaires were distributed to various groups of respondents. For this initial research this sample can be considered as a sufficient. Nevertheless, research could be conducted as a panel research of certain target groups. Thus, time variable will be taken into account, in order to gain global overview, how division of roles among family members is developing through the time.

We can state that we collected interesting data which provided us insight to decision-making process of households, particularly in how roles of each family member are divided during this processes. Nevertheless, we are not able to identify all influencing factors which step in this process. It is worth of mentioning, that we can identify who is making each step in decision-making process, but we cannot estimate if these steps are made in individual or in joint-decision way with other members. We cannot estimate this variable when using recent methodology of our research.

Summary

Family is a basic element in society structure. Its function and aim are still same over generations. Nevertheless, it is flexible and still developing element in terms of importance for its members and also the role of members in family itself. We tried to describe, how these roles are distributed within family circle when conducting family purchase. We described how each member of household is involved in decision-making process during selected purchases.

We can also conclude that identification of roles is important not only because of connection with marketing communication, but also in terms of product itself. Trying to describe factors and variables which are linked with decision-making process will help to adjust products to consumer needs and expectations. Thus, we can say it is useful to describe this variables and their impact on division of roles as detailed as possible. We tried to identify way how to formulate and evaluate approach to decision-making process. It was made by distribution of questionnaires to respondents, who identified their position towards each role in decision-making process when deciding about purchase of products in basket of goods. Data were later statistically analyzed.

When we analyze research itself, we can state that this methodology is effective and it can be also used to research of bigger sample of respondents. As was mentioned above, this research wasn't initiated on any previously known basis of similar research and it is trying to outline possible approach to this issue of decision-making process in households.

We found out, that division of roles among household members doesn't correspond with consumer behavior stereotypes always, thus in some cases, we can see that identification of target group could be difficult. We can see that during some decision-making processes, there exist some disparities in terms of comparison with stereotypes. We can name those products which are influenced by other member of household. It needs to be taken into account that products, such as non-alcoholics drinks and kitchen appliances, which belongs more to the "women products", are purchased by men. Also in furnishing and cultural events, which belong to the same group as previous examples, men are participating in a significant way as influencers. These facts can play crucial role in determining marketing approach to the target group. Not only that this approach has to take into account fulfilling needs of women, but also accommodate purchase to men's purchasing habits and patterns, which are described by merchandizing. Same assumption can be applied in a similar way to the "typical for men" products influenced during decision-making process by women, which consist of products, such as alcoholics drinks, car, home electronics and sport equipment and group of purely "typical for men" products, which consists of home maintenance and car fuel (petrol).

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MARKETING IN WEB 2.0

REINHOLD BEHRINGER
LEEDS METROPOLITAN UNIVERSITY, UK

Abstract

The internet, in particular the World-Wide Web (WWW), has recently undergone a change from a system providing top-down information through hierarchically organised portals to a system with greater user participation, also named as web 2.0. This paradigm has changed the way in which users participate in the WWW: they are now empowered to contribute significantly through blogs (online publishing), sharing knowledge (e.g. Wikipedia), reviews of products and services. Also, new ways of user interaction through novel social networking sites (e.g. FaceBook, Second Life) have shaped the creation of new online communities. These new forms of online participation have created new challenges of marketing to reach their customers through these new paradigms. Direct marketing through email has a very bad reputation and is considered as spam, therefore being filtered and discarded – no reputable company can afford to participate in it. Still, such spam has increased over the years significantly and now accounts for a large part of email traffic. As online sales have steadily increased in past years, it is very important for businesses to have an online presence to harness this market and create revenues – however, it appears to be more difficult to successfully employ marketing strategies in this changing environment. An example of a successful and well implementation of advertisement is the Google-model of context sensitive advertisement and sponsored links: it is perceived to be less intrusive and actually is often appreciated, as providing well targeted access to particular products as results of searches. However, the role of Google is also seen more critical in recent times, as it becomes a very powerful player in the online world through accumulating knowledge about users and their data.

This paper will present some of the new online tools and paradigms of a changing WWW and will discuss the implications for successful marketing in this changing environment.

Keywords: online marketing, internet, web 2.0

Introduction

In recent years, the World-Wide Web (WWW) has undergone a significant change: in the initial stage of the WWW, information was provided in a hierarchical fashion, organised and managed by portals and sites which provided access to sorted and processed information. Examples of such sites were Yahoo and other online portals, where humans provided links to sites on the web after reviewing the site content and classifying it. This allowed newcomers to the web to have points from where to start “browsing” and accessing the vast information space. The role of such portals changed over time: as the number of web sites has been growing seemingly exponentially since 1995 (Netcraft, 2008), it became increasingly unfeasible for human reviewers to organise, sort, and catalogue those sites (according to the February 2008 Survey of Netcraft (2008), there are currently 158,209,426 web sites on the internet, compared to about 16,000,000 in 2000). Instead, search engines which relied on automatically created collections and catalogues of web sites became more dominant. Examples of such search sites were Altavista and later Google.

The evolvement of standardised and widespread web programming languages both client-side (e.g. Javascript) and server-side (e.g.PHP), unified file formats (e.g. XML), and database tools (e.g. MySql) fostered the development of web sites which began to provide a much higher degree of interactivity than previously. Instead of acting simply as information portals in which web masters would provide access to managed information (new site, corporate web sites), new web sites sprung up which allowed users to contribute content to the site and allowed sharing. The first such sites were devoted to music: the music file format MP3 which was developed during the 1980s (Brandenburg, 1989) allowed distribution of music in compressed form, where the files required much less space than the original digital file. One of the first of such music distribution sites was the Internet Underground Music Archive (IUMA) which allowed artists to upload and distribute their music (between 1993 and 2001) an idea which was later taken forward by MP3.COM (1998-2003). While IUMA relied on revenues from sharing in the artists' profit from their music, MP3.COM relied on advertisement income. In the late 1990s, file sharing sites (e.g. Napster for sharing music) became very popular and were the first to truly disseminate content provided by users. The legal problem with such file sharing sites was that the shared content in most cases was not authored by the submitter, and therefore, the copyright of the authors was violated. Nevertheless, file sharing was the immediate predecessor of sites which provide access to user-generated content. The transformation of the WWW into the Web 2.0 was for the first time described at the 1st Web2.0 conference (2004) in San Francisco. Since then, this term "web 2.0" is used for the kind of web sites in which content is created and shared by users. A summary of the basic concepts introduced at that event was given by Tim O'Reilly (2005). In 2006, Time Magazine selected "You" as the person of the year, indicating that the web users in their role as content providers are the ones with an eminent role in shaping the internet (Grossman, 2006). The next generation of the WWW after web 2.0 has been dubbed web 3.0 and refers to the "semantic web" in which the web will be linked not by keywords but by meaning (Metz, 2007), although there are other views which simply refer to it as means of improving web 2.0 (Zeldman, 2006).

As the web 2.0 relies per definition on user-generated content, the advertising on such sites becomes more challenging as it had been on sites with centrally organised content: the user base can change dynamically, the content of the pages can vary as it is driven by users. On the other hand, the high dynamism of web 2.0 sites also has its chances for advertisement and marketing, as advertisement content can be highly targeted towards specific users. In the following chapters, a few of the issues regarding marketing and advertisement in Web 2.0 will be described and discussed.

Existing Web 2.0 Communities

The web 2.0 can be categorised in different types of sites:

- Sites which allow sharing of user-generated content. Such sites allow users to upload their content and share it with the whole web community or selected groups/individuals. Examples for such sites are YouTube (sharing video), Flickr (sharing pictures), Wikipedia (encyclopaedic information repository), and blogging (online publishing).
- Sites which enable interaction of communities and networking. One classic site for this has been MySpace in which individuals (mostly young people) could post an individual profile and network with others. A similar site is Facebook, which originally was only for academic communities and has grown into a very popular tool for staying in contact with peers.
- Web sites for direct interaction and online gaming. One example of an online game community is "World of Warcraft" (WoW) in which players can assume fictional characters and can interact with each other. The interaction can go much beyond just gaming and can consist of taking up a profession, providing some services to other members of this community. Even more away from the classical gaming concept is the virtual online world "Second Life" where the members can assume any role and contribute in this role to the experience of others, imitating aspects of real life and transforming it into this virtual universe.

In addition, search engine have incorporated automatically captured user feedback into their ranking of search results, hereby providing much more accurate results to users' queries. The foundation to such search engines was laid by novel algorithms by Page et al. (1998), one of the cofounders of Google.

Furthermore, product reviews, service reviews, and price comparisons are ways in which user communities participate in providing information about products and share this knowledge with other users of the WWW.

Chances and Opportunities for Marketing in Web 2.0 Communities

According to Fichter (207), marketing is based on the following 4 P's: product, pricing, promotion, and placement. In traditional marketing strategies, a public relation (PR) person delivers a controlled process in a pyramid-like fashion, whereas in web 2.0, this process is inverted and takes place through peer-to-peer communication. This works only if a high trust in such peers is present – and a survey by Edelman (2006) indicates exactly this: that the trust in “a person like me” has increased from 20% (2003) to 68% (2006). The reason for this could be the in the scandals of companies in the early years of the new Millenium (Enron, Worldcom), as a consequence of which the trust in official spokespersons and CEOs has declined. This increase of trust in peers is one of the factors which enabled the success of web 2.0 communities.

Communities with user participation have the characteristic trade that those users are active and engaged about the theme and topics of that community. This results in an audience that is very focussed on certain topics, and this in turn allows a specific marketing of products and services relevant to the community. For example, the Flickr community is devoted to photography and therefore, marketing and advertisement related to products or services in the realm of photography would be welcome on this community – as long as the marketing would be balanced among a range of various products and services.

Automatic context-sensitive marketing has been embedded in the search algorithm employed by searches, where the advertisements that accompany the display of the search results are relevant to the search query that the user submitted. In addition, other Google tools such as Googlemail (Gmail) employ this method to automatically display advertisement which is relevant to subjects or words appearing in the mails – which often creates an uneasy impression to Gmail users as there is the appearance that “Google reads and understands their emails”.

The online gaming communities WoW or virtual communities like Second Life open completely new ways for marketing: companies can develop presences in these communities as counterparts to their real life presence, for example by opening a virtual storefront, allowing users to access their services or products. In addition, participants in these communities can organise businesses themselves which solely exist in this virtual world, for example selling land, renting property, building and scripting, shops. There are several examples of such businesses converting their virtual “Linden Dollars” (the currency in 2nd Life) into real $$ by providing products and services which offered a value to other participants, who then would buy these services with real currency. The International Quality and Productivity Center (IQPC, 2007) organised a conference on the use of 2nd Life to businesses, presenting the various ways of engaging business activities in 2nd Life.

Computer games are another avenue for embedding advertisement. Advertisement can for example be placed in banners along a car raceway or in billboards in virtual cities. A study conducted by Nielsen Entertainment revealed that advertisement in games can contribute positively to a company’s image (Massive, 2007) by improving the familiarity with a brand. However, there is still controversy if gamers actually register and notice advertisements in games (Anderson, 2006)

Finally, companies can employ web 2.0 techniques on their own web site, by providing blogs and forums in which users can provide feedback to products and services offered by the business. Using a blog for announcing new services, features, or general information for the user is perceived by potential customers as more positive than traditional advertisement (Fadner, 2005). This can be very useful to the company, providing direct means for linking to customers and taking their input in improving their next generation products. There is a danger, however, that honest users will provide negative feedback which can reflect badly on the company.

Challenges of Marketing in Web 2.0 Communities

As mentioned before, marketing and advertising in web 2.0 communities faces a number of hurdles: since the content of web 2.0 sites is generated and contributed by users and not by the site owners, it is sometimes difficult to identify the specific market and audience of a particular web site, as it can change over time due to user preferences and user behaviour. Often, user communities do not accept marketing and advertisement when it is perceived to be unbalanced, untrue, or simply intrusive and annoying. Users in these communities have very little tolerance towards marketing that is perceived by them to distract from the overall mission and vision of the particular community.

Methods for Overcoming the Challenges

Carton (2005) has identified the following "rules" in utilising web 2.0 communities for marketing, with the goal of avoiding pitfalls and optimising the benefit for the business:

- Accept the rules of the community. Avoid spamming and misleading information.
- Strike balance between authentication and anonymity, when capturing user data and profiles. Too intrusive questionnaires will make users turn away.
- Be courageous and accept public criticism from users as they post on forums. Engage critics in a positive way.
- Avoid spin and PR platitudes.
- Identify if web 2.0 fits to your business strategy.
- Be prepared for a long-term commitment of labour and resources. Web 2.0 content needs to be updated regularly.

Gantenbein (2008) pointed out the different approaches of marketing activities for the various web 2.0 sites: social networking sites (Facebook, MySpace) allow access to young audiences who are not easily being reached by traditional advertising. There are good opportunities for creating unique and original advertisement campaigns, but advertisers need to be aware of the fact that members of these communities are easily getting disgruntled by overly aggressive and intrusive advertisement. Blogs are an excellent and inexpensive tool –especially for small and midsize companies without large marketing department – to keep an informal dialogue with customers, for example by providing information about new product ideas. But they need to be updated regularly, needs to be unique (considering that there is a large number of blogs online – in July 2005 their number was given at 70 Million (Riley, 2005)) and need to be honest – if a blog is discovered to be a simple marketing ploy, it can harm the reputation of the company. Similar to blogs are the traditional press releases, which with the blog-related technology of RSS (real simple syndication) allows subscription as a feed. Such feeds can be embedded within online news sites very easily. Due to the large number of such news feeds, care needs to be taken to make the news release to stand out. Further it is important to create credible and compelling storylines which are appropriate to the customers. Podcasts are audio or video clips which originally were intended to be played on the Apple iPod (hence the name), but the term is now used as a synonym for any MP3/MP4 recording that is intended to be similar like a radio/TV program, with a clear message and audience. Most viewers would not voluntarily download and watch such podcasts if they were simply advertisement programs. Instead, podcasts would need to be clever and attractive to the audience, without any direct link to the business product or service, and keeping the attention of the audience like a book, a TV or a radio programme. An successful example is the podcast by the US home appliance manufacturer Whirlpool (2008). While such a podcast does not directly sell the company's products, it contributes to a positive modern company image. Targeted advertisement which provides advertisement on the web based on the web site content can address the site context or the geographical location of the reader. Often such advertisements are paid based on the number of clicks on them – the danger here is that these clicks not necessarily are generated by true users.

Conclusions

Marketing in Web 2.0 allows businesses to communicate more directly with their customers. This opens new possibilities and opportunities especially for small and medium sized enterprises, with the clear option to provide targeted and immediate links to customer communities. The challenge is to keep those customers engaged and interested – this requires a consistent commitment towards the web 2.0 interaction paradigms such as frequent blog updates and sincere and honest news distribution. As the internet is still growing, traditional advertisement media will become less meaningful and are being overtaken in relevance by online marketing. The highly interactive component of web 2.0 sites puts the main responsibility for content on the side of the user – and this highly active role needs to be considered in marketing strategies. It will be interesting to observe how web 3.0 (semantic web) will transform the web again – the implementation of future marketing strategies would then have to become even tighter linked to meaning and content, as the users might be enabled to filter out any advertisement.

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COMPETITIVE ENVIRONMENT - MODERATOR OF DEVELOPMENT OF PETROLEUM PRODUCTS RETAILING IN CROATIA

NATAŠA RENKO
UNIVERSITY OF ZAGREB, CROATIA

RUŽICA BUTIGAN
UNIVERSITY OF ZAGREB, CROATIA

ANTE VULETIĆ
UNIVERSITY OF ZAGREB, CROATIA

Abstract

Purpose of research: The liberalization of retailing market of petroleum products in Croatia is proceeding slowly, with the increase of the number of foreign and new participants who are engaged in the market. The majority part in the control of fuel still belongs to the State monopoly which is characterized by stable presence of state limitations and wide and relatively inefficient retail network. The market is dominated by the home-company INA, Plc, but the foreign participants (OMV, MOL, Petrol) succeed in getting new attractive locations. Therefore, although INA, Plc. has a long-term presence, the rivals are in the position to use the shortcomings in the planning of retail network, deep-rooted in the approach "quantity before quality", which is a characteristic of the previous monopolies owned by the State.

Methodology:

Methodology which was used in the process is based on secondary (desk) and primary (field) research. Within the framework of secondary research, the relevant domestic and foreign literature with the topic of marketing strategy, competitive advantage, and the five competitive forces model of Michael Porter was used. Within the framework of primary research, the method of testing by way of thorough interview with the experts within the Croatian industry of petroleum retailing who were acquainted with the objectives and hypotheses of the research was applied.

Objectives:

- to analyze the influence of competitive environment on the development, creation, and selection of corresponding marketing strategy in the market of petroleum product retailing

Result: The existing and foreign rivals who are rapidly penetrating the market are pointing out: differentiation strategy, strategy of leadership in costs, strategy of geographical expansion, and strategic alliances.

- to analyze the attractiveness of the Croatian industry of petroleum products retailing using Porter's Five Forces Model for industry analysis, and analysis of structural terms of reference of all forces,

Result: We confirmed the hypothesis that the attractiveness of the Croatian retailing market is of medium intensity with strengthening tendency.

- to identify the key factors necessary for the success of Croatian industry of petroleum products retailing.

Result: rationalization of portfolios and harmonization of not only different markets (by focusing on more attractive markets), but also within the market (by identifying the type of station which achieve the largest profit in relation to necessary investment)

- maximization of revenue from products/ services, and not only from petroleum products
- reduction of operational costs by using the economy of volume, and by maximizing turns on the stations
- consideration of strategic partnership with successful retail chain - supplier of goods of final consumption

Conclusion:

As answer to wider demographical, social, and political development, the retail stores within the petrol stations are also going through dramatic changes. Auxiliary services in such stores show daily growth, considering that – as it was shown by west European markets – the components which do not include fuel, such as the sale of goods of final consumption and carwash, and the offers of various types of services, represent the way of increasing normally low margins on the fuel. The investment in the locations with the biggest potential, rather than the expansion of retail network, is the key element for new, as well as for already existing, participants in acquiring firm base in one of Europe's regions with the fastest development

Key words: competition, petroleum products, retailing, marketing strategy

INTRODUCTION

Methodology, which was used in this paper, is based on secondary (desk) and primary (field) research. Within the framework of secondary research, the relevant literature with the topic of competitive advantage and the Five Competitive forces Model of Michael Porter were used. Within the framework of primary research, the in depth interviews with the experts within the Croatian industry of petroleum retailing were conducted.

The industrial analysis, as an important part of strategic analysis, should help in understanding strategic differences between industrial competitors and provide the answer on attractiveness of the industry for various business endeavors.

The price of petroleum, its production and consumption, have a direct impact on the national and world economy. The petroleum industry represents an unavoidable factor in modern economy and stimulus of economic growth. Petroleum became ''a lifeline'' of world economy without which today's civilization is unimaginable .

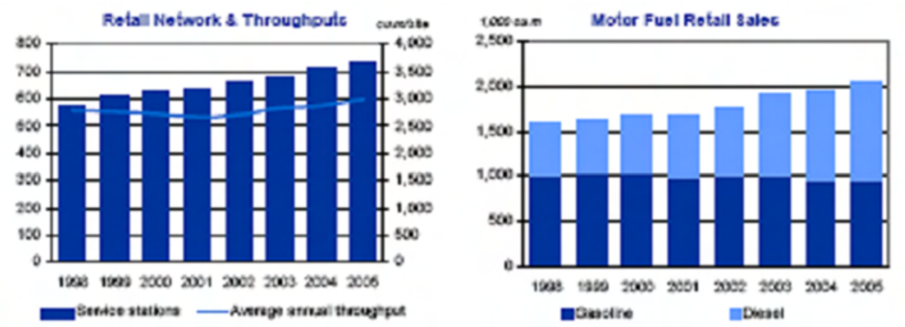
The sales network of petrol stations is of special importance for market position of every vertically integrated petroleum corporation . It is the basis for its own sale. Without the sales network of petrol stations in a particular country, the corporation does not have a secure market position.

The retail industry of petroleum products in Croatia will be analyzed in the first part of the paper. In the second and third part of the paper, the author will try to prove the hypothesis that the Croatian market of petroleum products is very attractive to ''the Majors'' and EU integrated petroleum corporations because of: high growth rate of the product sale, insufficient number of petrol stations and constant growth of number of personal cars. The key factors of success of the Croatian industry of petroleum product retailing will be analyzed in the fourth part of the paper. Final considerations will be given in the fifth part of the paper.

THE INDUSTRY OF PETROLEUM PRODUCT RETAILING IN CROATIA

In the field of petroleum product retailing in Croatia, the real competitive battle is yet to come for INA/MOL and OMV. The process of competition development in the countries of Central Europe from 1991 to this day serves as an important and useful experience for Croatia and INA, Plc. and how to prepare for the arrival of the largest and the most effective competitors – the Majors. Their "attack" is that much more dangerous because the network of petrol stations in Europe has been gradually decreasing for more than twenty years so there is no other space for expansion and growth of networks in Europe, except in the markets of former Eastern Europe and the countries of ex-Yugoslavia . The large petroleum companies have recognized the need for capturing larger parts of retail market in Croatia in order to improve the general erosion of corporate profitability caused by the inflation of costs (workforce, necessary ecological investment, computerization, promotion costs) and by squeezing the margins due to price competition on the protected European markets. However, petroleum companies attach higher importance to the growth of revenue (and profit) because it ensures necessary investment in environmental protection and increasingly more sophisticated and more expensive IT equipment at petrol stations.

Figure 1 Growth of retail network and annual throughput per petrol station and Petroleum product retailing in the Republic of Croatia



Source: Author according to - Petrofinance, Downstream Monitoring Service Europe (2006), Country Profile Croatia, p. 40.

Table 1 Development of petroleum product retail network in the Republic of Croatia

Number of petrol stations	1999	% of total	2000	% of total	2001	% of total	2002	% of total	2003	% of total	2004	% of total	2005	% of total
INA	402	66,3	402	64,3	397	62,6	403	61,2	405	59,3	410	57,3	410	56,1
OMV - Istrabenz	21	3,5	22	3,5	25	3,9	30	4,6	30	4,4	37	5,2	41	5,6
Tifon	-	-	-	-	-	-	5	0,8	7	1,0	26	3,6	26	3,6
Energopetrol	23	3,8	23	3,7	27	4,3	22	3,3	22	3,2	22	3,1	22	3,0
Europetrol	10	1,7	10	1,6	30	4,7	18	2,7	20	2,9	20	2,8	20	2,7
Petrol Ljubljana	-		4	0,6	6	0,9	9	1,4	15	2,2	19	2,7	19	2,6
INA (Osijek/Crobenz)	21	3,5	7	1,1	6	0,9	17	2,6	17	2,5	17	2,4	17	2,3
Petrol Commerce Zagreb	-	-	-	-	-	-	7	1,1	12	1,8	12	1,7	12	1,6
MOL	1	0,2	1	0,2	1	0,2	1	0,2	1	0,1	1	0,1	1	0,1
Ostali	128	21,1	156	25,0	142	22,4	146	22,2	154	22,5	151	21,1	163	22,3
Total	606	100	625	100	634	100	658	100	683	100	715	100	731	100

Source: Author according to: Energy institute ''Hrvoje Požar'', Annual, 2005, p. 120. *value for 2006 INA, 2006

In Figure 1 it can be seen that the average of petrol stations network in Croatia from 1998 increased by more than 35%, which is the result of economic recovery and deregulation of the market. With intensified growth in recent years and because of strong growth of road and traffic, the turnover of fuel per petrol station increased by 1.5% during 2004/2005. Figure 1 also shows that the petroleum product retailing in Croatia continued to grow by 4.5% during 2004/2005, whereas the recorded annual growth rate in Central and Eastern Europe is 2.8% . The average of fuel turnover is far above the average of Central/Eastern Europe and the EU .

As it is shown in Table 1, INA, Plc. still has nearly 60% of total number of retail locations in the country and the largest share in petroleum product retailing per quantity sold, although they no longer have a monopoly on the petroleum product distribution in Croatia.

With only 741 petrol stations in Croatia, the average turnover of fuel of 2.9 million liters per petrol station annually is a relatively high in relation to the standards of Central and Eastern Europe, similar to the Czech Republic, but slightly lower than in neighboring Slovenia. The network of INA, Plc. achieves average turnover per petrol station of more than 3 million liters per year, which is slightly better than the average of industry in European countries .

Table 2 Retail indicators in Croatia

RETAIL INDICATORS	1999.	2000.	2001.	2002.	2003.	2004.	2005.	2006.
Total number of petrol stations	606	625	634	658	683	715	731	741
Petrol stations per 1,000 vehicles	0,46	0,45	0,42	0,42	0,42	0,42	0,41	0,4
Petrol stations per 1,000 sq. km	10,71	11,04	11,2	11,63	12,07	12,63	12,92	12,96

Source: Author, Petrofinance, Downstream Monitoring Service Europe (2006), Country Profile Croatia, p. 40.

The density of network with approximately 0.40 petrol stations per 1000 (Table 2) cars is at the level of European average . We can notice that within the recent years Croatia has had a moderate growth of petroleum product retailing market. This is primarily due to limited margin and to the fact that the participants were waiting for development course of INA, Plc. privatization process and the high prices of petrol station construction (up to 1.6 million EUR per station) have additionally rendered the development difficult. In spite of this, 10% expansion of retail network has been noticed in 2005/2006, and new motorways are also under construction on which new petrol station will be constructed as well, so the efficacy will be improved with more modern petrol stations (with reconstructing old locations).

Supported by growing economy in Croatia, constant growth of vehicle number continues with the increase of diesel vehicles by nearly 6% and gas vehicles by 3% . The number of newly registered vehicles has started to stagnate because of significant reduction of prices of used vehicles, and withdrawal of privileges for war veterans, the police, and military employees. Despite the fact that the number of personal vehicles continues to grow and figures out at nearly 30 cars per 100 inhabitants, there is still enough space for improvement .

ANALYSIS OF COMPETITIVE ENVIRONMENT OF PETROLEUM PRODUCT RETAILING INDUSTRY

The most renowned framework for analyzing competitiveness is the Five Competitive Forces model of M. Porter, prominent economist from the Harvard University. According to Porter, competitiveness in a certain activity depends on 5 basic forces and these are :

- strength of rivalry among the firms which operate within the observed industry – the Rivalry among the industry competitors
- existence of firms which are ready to enter the market if industry profitability is high enough – the Threat of New Entrants
- transfer of buyers to substitute products if the same receive their preference of choice – the Threat of Substitute Products or Service
- the Bargaining Power of Buyers
- the Bargaining Power of Suppliers

The Five Competitive Forces model describes the process of attempting to shift the industry toward economic conditions of perfect competition .

Rivalry among the industry competitors

The strength of rivalry in a certain industry is the function of at least three factors: (1) competitive structure, (2) demand criteria, and (3) exit barriers .

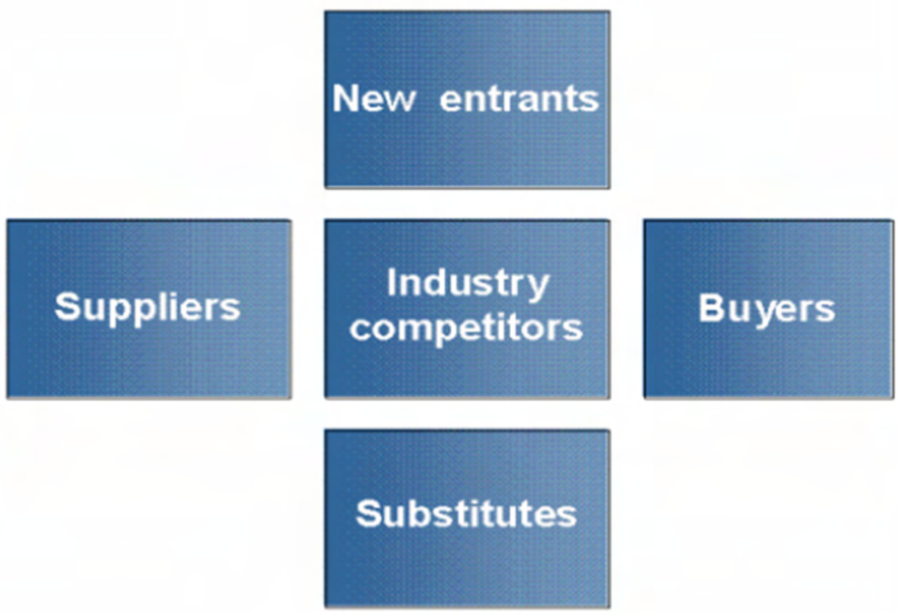
Competitive structure and industrial concentration

As to the Croatian industry of petroleum product retailing, we can determine the market supervisory power over decisions on the price and production, owned by only one or a very small number of firms, by way of:

a) concentration relationship

b) Herfindahl-Hirschman index

Figure 2 Five Competitive Forces model of M. Porter



Source: author, according to: Porter, M.E. (1998), Competitive Strategy, Techniques for Analyzing Industries and Competitors. The Free Press, New York, p.6.

From Table 1 the concentration relationship of leading participants of Croatian industry of petroleum product retailing is obvious, and it figures out at 69.2% in 2004, 68.3% in 2005, and 69.9% in 2006. The concentration relationship of four leading participants of Croatian industry of petroleum product retailing is progressive, with its height pointing to oligopolistic structure of the industry with increasingly larger lagging of other participants behind the leading four. It is important to stress that the firms can have an impact on the market price even if they are mutually dependent.

b) Herfindahl-Hirschman index (HHI-a) is a measure of industrial concentration . Industrial concentration reflects the number and the size of firms in one industry by way of held market shares. Herfindahl-Hirschman index measures industrial concentration by adding squares of market shares of certain firms in the industry. This index can hold value up to 10,000. If the index aims at smaller numbers, then in the industry there are a big number of firms with very small market share (fragmented industry); but if the index equals 10,000, it means that the industry consists of only one firm-firm which has a monopoly. The concentrated industries have indexed higher than 1800. The calculation of HHI for Croatian industry of retailing per petroleum product sales activity in 2006 is the following:

$$HHI = 55.5^2 + 6.9^2 + 4.2^2 + 3.0^2 + 3.2^2 + 2.6^2 + 2.3^2 + 1.6^2 + 0.1^2 + 20.6^2 = 3\,603.72$$

Herfindahl-Hirschman index confirms the concentration of Croatian industry of petroleum product retailing with its value over 1,800. Based on the concentrated indexes of industry concentration, it can be concluded that the Croatian industry of petroleum retailing is a consolidated industry, which is dominated by INA, Plc. as leader of the industry whose majority owner is the Republic of Croatia, and other competitors adopt the strategy of ''followers''.

Industrial growth

As we have seen in the first part of the paper, petroleum product retailing in Croatia continues to grow; the average of fuel turnover is far above the average of Central/Eastern Europe and the EU, while the density of network is at the level of European average . We assume that the network shall remain proportionally stable in the following period, although new motorway are under construction on which new petrol station will be surely constructed as well (the widening of motorways Zagreb-Split, Zagreb – Sisak, Split-Ploče is ongoing, and the completion of EU corridor, V-c. is underway as well). At the end of 2005, the Croatian motorway network was 792 km long, after 742 km in 2004 .

Relation of fixed costs and costs of storage as against added value

High fixed costs and unused capacities lead the firms into temptation to lower the prices of their products for the purpose of filling up production capacities.

Additional costs calculated in the mechanism of determining prices of petroleum products include storage costs, numerous government taxes and fees (including the import duty). Excise taxes, road-toll, and motor-fuel tax are included as well. Fixed costs and storage costs have medium impact on the level of competition among the existing participants in the Croatian industry of petroleum product retailing.

Diversity of competitors

The targets of firms which the industry in question consider as the secondary market, that is market for placement of their foreign products are different from the targets of firms to which the market in question is primary .

The difference of INA, Plc. in relation to other competitors in Croatian industry of petroleum product retailing is in the fact that INA, Plc. owns refineries in Rijeka and Sisak, followed by omnipresence of retail network across the entire territory of Croatia, its well-developed wholesale trade, and development of retail network in the neighboring countries. OMV Croatia wants to become one of the most successful and respected firms on the Croatian market, by offering high-quality products. Tifon, which was bought by the Hungarian MOL, is planning further expansion to the retail network in all regions of the Republic of Croatia in the next period. The Slovenian operator Petrol has been expanding on the Croatian market of petroleum product retailing for six years in a row, and they are planning to start the wholesale trade again. There is a high degree of impact of competitors' diversity on the overall degree of intensity of competition among the existing competitors in the Croatian industry of petroleum product retailing.

Lack of products' differentiation

The differentiation analysis in the Croatian industry of petroleum product retailing will be carried out through its functional, price, distributive, and psychological component.

Functional differentiation (fuel as liquid) – Nearly all vehicles in the world use the same fuel which means that the quality standards are those of the world, and the content of sulfur is especially emphasized for as less damaging emission of exhaust gases for environment as possible. Croatia is still lagging behind the European Union and neighbors from Central and Eastern Europe in terms of fuel quality specifications. However, with or without specifications stipulated by the Government, Croatia is moving towards adoption of fuel quality in accordance with the EU, because the neighboring countries are increasingly applying stricter quality standards.

Price differentiation –The petroleum product retailing industry can differentiate the supply of fuel by introducing premium diesel and gas fuels. The types of high-quality fuels can be sold at higher prices than the standard products. Price differentiation cannot be visible among the fuels of the same distributor, but among several distributors. In Croatia, we can notice a relatively low degree of price differentiation of petroleum products, and the main reason is the insufficient differentiation of premium types of products and the restriction of prices by the government.

Distributive starting points of petroleum product differentiation – As a consequence of non-existence of a higher degree of differentiation according to previously mentioned and explained starting points, the conclusion can be reached about differences in market shares of certain petrol stations as a consequence of additionally offered services and the supply of non-petroleum assortment (the entire assortment of oils and lubricants, car wash, checking tire inflation pressure, purchase of car cosmetics and expendable parts for cars, bottled gas, and several thousand various consumer goods such as food-stuffs, refreshing beverages, cigarettes, and newspapers, as well as other products which could be useful while traveling).

Table 3 Basic characteristics of competition

NAME	STRATEGY	COMPETITIVE ADVANTAGES
INA	▪ To retain market share ▪ To remain the leader on the retail market of Croatia (target share 40%) ▪ To capture 10% of retail market of Slovenia ▪ To significantly increase the share in petroleum ▪ product retailing in Bosnia and ▪ Herzegovina, which is being realized with ▪ the purchase of Energopetrol ▪ The return of INA, Plc. retail locations in Serbia and Kosovo (ongoing negotiations)	▪ Excellent coverage of Croatian market with petrol stations ▪ Currently within the retail network there are 414 petrol stations in Croatia, 108 in Bosnia and Herzegovina (INA 41+67 Energopetrol), and 6 in Slovenia, with 55% share on the retail market of Croatia ▪ The share of INA, Plc. on the wholesale market of Croatia is 84%, on the market of Bosnia and Herzegovina the share is 60%, and on the Slovenian market 5% ▪ INA, Plc. is well-positioned in the region where the strong economic growth is further expected, and with this, the growth of demand for refinery products as well
OMV	▪ To become the key player in the region ▪ To have 100 petrol stations by 2009 ▪ To capture 20% of market by 2010 ▪ To construct new refinery in Romania ▪ To buy a refinery from NIS	▪ Size and financial power ▪ Network of 2500 petrol stations (51 in Croatia) ▪ Tank of 60,000 m³ on the island of Krk
tifon	▪ To expand the retail network ▪ To strengthen position on the wholesale market ▪ The orientation on public tenders for procurement	▪ Network of 33 petrol stations ▪ Warehouse in Zagreb - possible delivery by railroad ▪ No fixed refinery costs
PETROL	▪ To expand the retail network in Croatia, ▪ Bosnia and Herzegovina, Serbia, and Kosovo ▪ To have 10% market share and 50 petrol ▪ stations by 2010 ▪ To strengthen significantly in the area of wholesale	▪ Retail network of 348 modern petrol stations (18 in ▪ Croatia) ▪ Tank of 60,000 m³ on the island of Krk ▪ No fixed refinery costs

Source: INA (September 2006), Presentation of the Commercial Sector, p.16.

New unit of sales capacity

If the new unit of sales capacity comes in great volume, there will be high intensity of competition among industrial participants due to high costs.

Despite the price of construction of more modern petrol stations (1.6 million EUR, shown in the first part of paper), the expansion of retail network occurred. With the development of Croatian economy, the market is opening up for larger foreign investment as well, so the further expansion of retail network can be expected. With regard to the market of the Republic of Croatia, it has been estimated that the aforementioned market will be able to support the opening of more than 100 new retail locations until 2020, which would mean that the number of petrol stations would come up to more than 800 .

High strategic investments of certain areas have an impact on the growth of rivalry among the competitors .

Strategic investments in the Croatian industry of petroleum product retailing can be rated as high for several reasons:

a) attractiveness of the Croatian market of petroleum product retailing has been proved by (co-)ownership of the largest European petroleum companies and their interest for strategic associating and acquisition of domestic petrol stations (MOL, OMV, Petrol - Lukoil);

b) high growth rate of petroleum product consumption and large turnover of motor fuels per petrol station in Croatia in relation to the EU, but lower operating margins due to government restrictions;

c) failure on the Croatian market can be negatively reflected in the overall image of foreign companies in the entire region, and especially in the Eastern part of Europe,

d) the market is consolidated, and a smaller number of competitors share the majority of industrial profit,

e) Croatia has rather high per capita consumption of petroleum products, and it is a developed country with regard to tourism .

High exit barriers are economic, strategic, and emotional factors, which retain the firms even when they are showing below average or even negative investment return.

Large investments into infrastructure of a petrol station can be hardly used for some other activity different from the petroleum product retailing, because it is the matter of specific equipment and property. However, all of the above mentioned can hardly be applied to global, world petroleum companies. They see their global interests from a broader aspect and not only at the level of one particular market (e.g., Shell and ENI exited the Slovenian market because of low and controlled margins, and they sold petrol stations which they constructed at minimum losses or even without them).

In general, we can conclude that the exit barriers in the Croatian industry of petroleum product retailing are not major.

The threat of new entrants

The new entrants can change industrial structure with market expansion (with the entrance into completely new market or with quality expansion of the existing one), production expansion (with transfer of technological and marketing knowledge from some other industry), upward or downward integration into the industry, and expansion of property, knowledge, and skills of corporation into close or related industries .

Threat of entrance of minor competitors

The Croatian market of petroleum and petroleum products is not completely liberalized, and equal terms for all firms cannot be completely applied to it. Currently three legal regulations are in force, which put small private owners in more unfavorable market position and hinder their development. Small competitors in the petroleum product industry present ''white petrol stations'', and currently there are 165 such petrol stations in Croatia. In relation to European standards, it can be concluded that the number of white petrol stations in Croatia is exceptionally high, and that there is no more space for such competitors. The world practice shows the trend of acquisition of minor petrol stations by large companies.

Threat of entrance of major competitors

The threat of entrance of major competitors is a threat that has the highest prospects for transformation from a minor item to the biggest threat to the existing competitors. The relative stabilization of political situation and the stabilization of market with decrease of risks for foreign investors make the Croatian industry of petroleum product retailing especially attractive for the entrance of foreign investors in the recent years. The three largest participants of the petroleum product retailing industry in the Republic of Croatia are co-owned or owned by the leading European petroleum companies. The three aforementioned companies achieve approximately 80% of market share from which the attempt of foreign investors' entrance into the Croatian market can be discerned. The global position of foreign owners shows a high degree of knowledge, and high threat of their entrance into the Croatian industry of petroleum product retailing.

The source of barriers to entry to new competitors is the following:

The economy of scale

The need for investing large financial resources in order to compete on a particular market at all indicates a high barrier to entry. It particularly refers to the cases that require investment of large resources into research and development, as well as advertising.

The connection of capital requirement with other barriers to entry becomes clear in the following:

- initiation of petroleum product retailing requires the installing of a large number of petrol stations and harmony for the purpose of achieving economy of scale
- in order to achieve a functional and psychological differentiation, significant investments into research, development, and advertising are necessary
- high costs are related to the entrance into distribution channels, and the financing of buyers or possible construction of proper distribution channel

The necessary capital investments for competing on the Croatian market of petroleum product retailing are extremely high if the capital is determined as high barrier to entry. The somewhat difficult or impossible access to the existing distribution channels very often presents an insurmountable barrier to the new competitors.

Government restrictions

The prices of petroleum products on the domestic market, which were previously controlled by the government, are almost or completely deregulated. According to this formula, INA, Plc. determines the prices every two weeks in relation to Platt's quotations and exchange rate in relation to the U.S. dollar. The wholesale margin, which covers storage costs and handling charges, as well as retail margin is added to that basic price.

The bargaining power of suppliers

The suppliers can be a threat to the firms in a specific industry in terms of increasing price and/or lowering quality of their raw materials, that is, (semi) products. In this way, all above-average profits in the industry can be transferred to the suppliers.

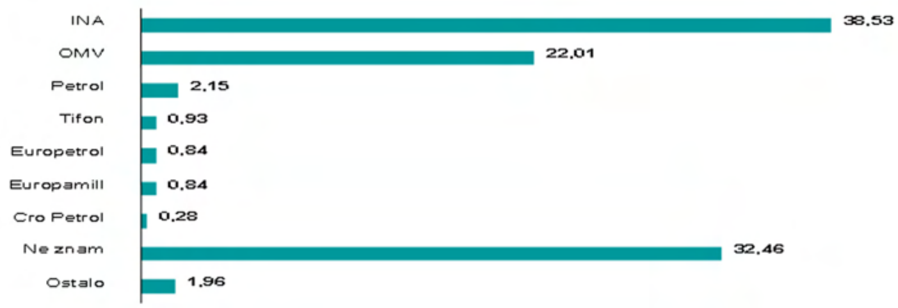
The supplier of petroleum products for retailing is the wholesale trade. The wholesale trade procures petroleum products from the refineries so in this review we will consider refineries as the suppliers. While doing so, it is worth mentioning that out of all Croatian companies only INA, Plc. owns petroleum refineries in Croatia and on the Croatian market they act as the suppliers for the fuels of lower quality to OMV, Tifon, Petrol, and Europetrol. Due to partially non-competitive INA, Plc. petroleum refineries, the supplier for the fuels of the EU quality to the Croatian companies of petroleum product retailing is the wholesale trade of Austrian OMV and Hungarian MOL, as well as the spot market. The suppliers can be other participants of petroleum market as well, but the condition is the possession of warehouses and strategic stocks in Croatia. Croatia, to a large degree, depends on the petroleum import. Since 2005/2006, petroleum products have mostly been imported to Croatia from Hungary, Romania, and Bulgaria. The import of petroleum products, after double increase in 2002, once again showed significant increase in 2005 by more than 15% .

The suppliers of petroleum products create a high degree of force of their bargaining powers because major investment is necessary for the construction of new refinery and because they supply the goods that are available in limited quantity which realize a low degree of substitutability. However, the suppliers in the Croatian industry of petroleum product retailing are selling the products to a concentrated industry by which their bargaining powers are additionally diminished. Thereby, in addition to the aforementioned rating for every single input, the general rating of the degree of bargaining powers of suppliers can be evaluated as medium.

The bargaining power of buyers

Within the industry, the buyers compete by lowering prices, negotiating for better terms of payment, higher quality or more services and turning the competitors against each other. All of the abovementioned is achieved at the expense of industrial profitability.

Figure 3 The market research with regard to fuel quality in the Republic of Croatia – petrol station with the best fuel quality %



Source: Roland Berger (2006), Strategija branda, p. 106.

The changes in motor fuel prices are a constant phenomenon in the petroleum industry with recorded and unseen growth in the recent years. Consumption is not decreasing, which means that the buyers simply cannot do without them. The same situation is with the drivers, as well as with growing industry.

Size and concentration of petroleum product buyers is reflected in the number of vehicles. Supported by the growing economy, the increase in the number of vehicles in Croatia continues.

Transfer costs from one supplier to another, as a parameter in the rating of the bargaining powers of buyers, presents a differentiation reflection.

For the buyer of petroleum products, transfer costs from one supplier to another are low. The buyers of Tifon motor fuel without any problem and costs can transfer to OMV, INA and others. The buyers' loyalty can be won with constant promotional activities.

Importance of product's quality

As to quality of petroleum products in Croatia, it can be seen from Figure 3 that to the buyers INA, Plc. is in first place.

Profitability of buyers

Personal cars have the largest share in registered motor vehicles in the Republic of Croatia (80%) and the freight vehicles pool had high increase (6.3% per year) in the observed period as well, which is an important consumer with regard to covered annual mileage and average consumption . The increase in that part of the motor pool shows increased economic activity. The Card Management Sectors should approach planned action of acquiring legal entities that dispose of particular freight motor pool. The level of profit, which would be achieved by the buyers, would be based on the wholesale prices and quantities.

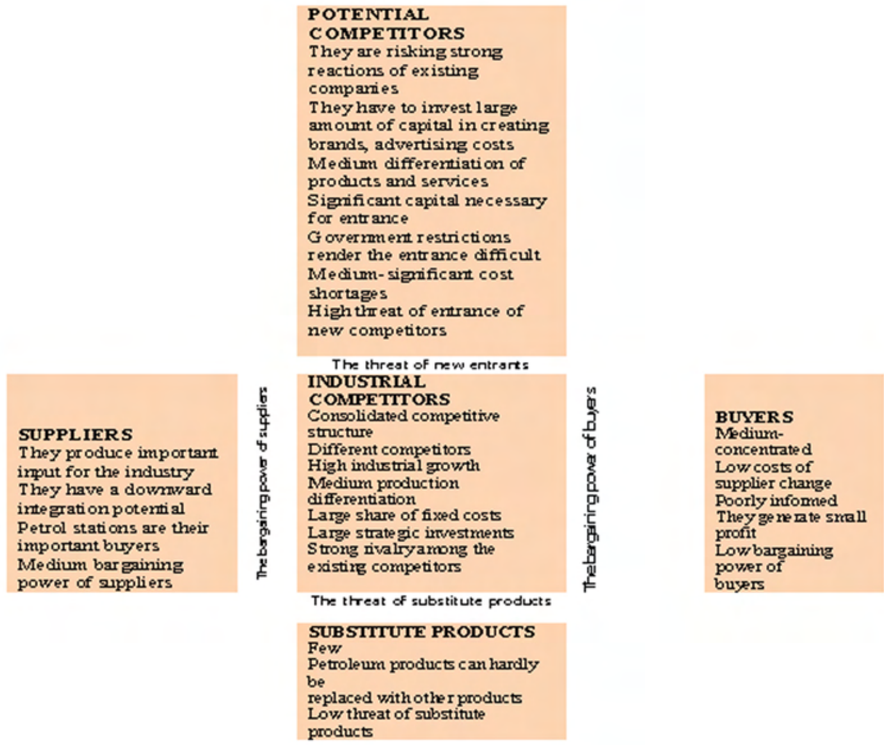
Level of information of buyers

Due to complexity of production process and petroleum products refining, the buyer does not have complete information on the same, and in this way, the completeness of information does not represent an item which has a positive impact on the level of the bargaining power of buyers.

The threat of substitute products

The substitute products are products of direct or indirect competitors which have equal function as the products of industrial company, that is, which fulfill the same needs of consumers, only in a different way.

Figure 4 The Five Competitive Forces model in the petroleum product retailing industry in the Republic of Croatia



With the number of substitute products, it is necessary to define the categories. As to alternative fuels acting as motor drive energy, there is an entire spectrum of possibilities. We will mention only some of the most familiar alternative fuels, which are in use and which have a potential to partly cover the traffic needs. With that participate in creating conditions for partial or complete petroleum independence: natural gas, liquid natural gas, propane gas, Fisher-Tropsh diesel (more known as GTL diesel), electric power drive, fuel cells, and hydrogen (frequently called fuel of the future), and the so-called «clean», biofuels: biodiesel, ethanol, methanol (obtained from biomass).

The important restrictive factor in Croatia is the shortage of agricultural resources for production of oilseed, the main ingredient for biodiesel. The political steps are increasingly focused on the development of use and production of biofuels for traffic, with the emphasis on biodiesel, which represent an attempt to meet the targets of EU consumption (5.75% by 2010, increasing up to 10% by 2020) . Pursuant to the aforementioned, it can be concluded that the way, in which the substitute products fulfill the need of a consumer, does not have an impact on the threat of substitution with industrial products due to limited availability.

After a detailed application of the Five Competitive Forces model of M. Porter, the general evaluation of attractiveness of the Croatian petroleum product retailing industry is medium. As it is shown in Figure 4, this is a consequence of high rating of rivalry intensity level among the existing competitors, high rating of threat of the entrance of new competitors, medium rating of the bargaining power of suppliers, low rating of the bargaining power of buyers and low rating of threat of substitute products.

IDENTIFICATION OF KEY FACTORS OF SUCCESS NECESSARY FOR THE SUCCESS OF CROATIAN INDUSTRY OF PETROLEUM PRODUCT RETAILING

The rivalry among the industrial participants is in fact a battle for competitive advantage in which the firms are competing in order to attract the buyers and consumers and to try to gain positional advantage. Therefore, it is necessary to explore competitive advantages in the industry, that is, to identify the key factors of success. Those are the skills which a company must have in order to be successful in a particular industry, that is, the activities which it has to perform in the best manner.

Pursuant to the strategic analysis that was carried out, it can be concluded that the key factors necessary for the success of the Croatian petroleum product retailing industry are:

- rationalization of portfolios and harmonization of not only different markets (by focusing on the more attractive markets) but also within the market (by identifying types of petrol stations which have the largest turnover in relation to necessary investments)
- maximizing revenue from products/services, and not only from petroleum products, as well as creating possibilities for generating such revenue and margins (with the ownership of retail property)
- reduction of operational costs by using the economy of scale and maximizing turnover at the petrol stations which in most cases this would mean the inclusion of powerful distributor, retaining property in company's ownership, in order that the logistics and marketing services are used in a more efficient manner
- Since the supply of non-fuel products is obviously one of the key factors of success , the strategic partnership with a successful retail chain – distributor of consumer goods (e.g. Konzum) should be reconsidered , which would create petrol stations' image of a shop as any other store which owns assortment of consumer goods

Not only that the participants on the Croatian market have to be ready to invest into the petroleum product retailing industry, but also the quality in the shops which form part of petrol stations has to be high enough to be able to compete in the future with the newly arrived participants in the region – supermarkets. The growing popularity of supermarkets, such as British Tesco in Hungary and Poland or German Kaufland in the Czech Republic – where the supermarkets are currently realizing 6% of total quantity of sold fuel, is an element of the market which must not be ignored by the petroleum product small retailers .

Since the market is still in the process of consolidation, only the petroleum companies with a strongly developed network of petrol stations, wide retail supply of petroleum products, consumer goods and a very profitable business can survive despite the competition of powerful retail associations. In some cases, new mergers of retail petroleum companies can be expected in which process new retail associations would be created.

CONCLUSION

Under the conditions of different economic, demographic, social and political events, the petroleum product retailing on the Croatian market is undergoing constant, almost dramatic changes. All the participants of this volatile market division, the existing and the new ones, have to be familiar with all features of the market and products and at the same time trying to keep up with the competition. A detailed analysis of structural determinants of Porter's model shows that the Croatian petroleum product retailing industry presents a high threat of new entrants, and that the intensity of rivalry among the existing competitors is high. The bargaining power of buyers and the threat of substitute products are low, while the suppliers in the Croatian industry of petroleum product retailing have medium bargaining powers. Investments into locations with the biggest potential, structuring of a corresponding supply of petroleum products and consumer goods are key factors of success of the petroleum product retailing industry in acquiring firm stronghold in one of Europe's regions with the fastest development.

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USING THE INTERNET FOR BLENDED LEARNING

SUE CURLAND
LEEDS METROPOLITAN UNIVERSITY, UK

Abstract

Technological advances in recent years has meant that the use of the internet in learning has become more and more prominent.

This paper reflects on the developmental stages in the use of blended learning to adopt a flexible approach for first year undergraduate studies. .This initiative is as a result of several years' research into students' progress and any perceived difficulties using other learning methods.

Project work has been ongoing with a selected group of students over the past year to introduce support mechanisms by way of on-line availability of material that can be accessed via their study portal at any time and any place they may choose. The portal also forms links to other on-line facilities including discussion groups, assessment and referencing checking.

With the change over the year from Web CT to X-stream, more development has been undertaken to make full use of the more advanced features that have become available. Also with the increased availability off site of access to this repository of information, it has enabled our students to make full use of their time and to build their studies around their other commitments such as work, leisure and home life.

Evaluation has taken place on a systematic basis to monitor results of this initiative and to ascertain a selection of viewpoints with the use of qualitative research on line at regular intervals. The final phase of this is the end of December 2007.

Findings so far indicate that this advancement is being very well received and utilised by the majority of the intended audience. It makes the process much more interactive and is in line with modern day use of technology.

What the final results of the research will aim to measure is to what extent the use of the internet can be incorporated into the learning environment and how it enhances the student experience. Earlier literature into this area will be reviewed. Primary research will include comparisons from questionnaires issued on line at various stages of the process.

These results will be incorporated into this paper and be available for discussion at the CIRCLE conference in March 2008.

Introduction

(Davis & Fill, 2007) comment that "institutional practices are still geared to support more traditional approaches". This is with reference to the move towards the use of technology to a greater extent in education. However, (Briggs, 2005) had already said that "the changes in higher education including changes in funding, competition amongst institutions , increased use of technology and a shift to learner-centred education are combining to change the roles of both universities and academics". (Motschnig-Pitrik, 2005) supports this as "the availability of learning material on the Internet has initiated rethinking about the instructor's role in general"

This is further confirmed by (Kitchenham, 2006) who reported on the results of his investigation into how academics responded to e-learning and confirmed that "all the teachers reported that they had adopted new ways of acting in relation to educational technology" So the big changes are not just affecting how the students learn but also how their tutors present and deliver the learning. (Lawhon, 2003) also commented on the learners in that "the student body of today is considerably different from the one of past decades"

Another dimension is added to by (Riggert et al., 2006) who say that "universities can no longer assume that the majority of students will be able to give their full-time attention to academic endeavors". (Cho, Schmelzer and McMahon, 2002) went a stage further and linked education with JIT "Just-in-time (JIT) education refers to Web-based education that students may access at any time and in any place" This would appear the availability that students want and (Lawhon, 2003) reported on the advisability and practicality of reaching planning students and other interested parties by technology-enhanced distance learning. This is debatable as the shift towards the use of technology to enhance education seems to be moving at a fairly slow pace in relation to the advances that technology brings and especially over the past five years.

We shall revisit the students views on e-learning later but if we look at the academic staff who are being confronted with these new demands of keeping pace with the technological developments we can see as in (Briggs, 2005) that there is a need to "balance traditional workloads and pressures with the new pressure of online delivery" Briggs goes on further to add "thus engagement in online learning poses significant challenges for academics and universities"

Changes that have taken place

It has been suggested by (Lawhon, 2003) that "universities pursue distance education as a panacea for the increasing costs of the traditional university"

Furthermore, (Briggs, 2005) comments that "Technology-enhanced learning has been a catalyst in accelerating learner-centred education" and goes on to say that "web-based delivery has expanded learning environments and evidenced significant shifts from previous distance and campus based teaching"

Differing viewpoints are expressed by (Lawhon, 2003) who gives a "pedagogical model for distance education that reinforces the 'education anywhere, anytime' idea in reaching the non-traditional student" but contradicts this by saying that "the educational experience found in the traditional classroom cannot be duplicated via the Internet or airways"

This is added to by (Rogers, 2004) who also asks "does learning technology really made a difference to the development and quality of students' learning in the subject" (Clarke, 2007) seems to think so: "E-learning offers many opportunities to provide learners with more choice, learning experiences related to their personal needs, access to support, information, advice and guidance"

(Crutsinger et al, 2005) confirm this by reporting that "non-traditional students expected Web-based instruction to help them balance the multiple demands of their busy schedules, and they valued the convenience offered through this delivery mode"

An added comment by (Eaton, 2003) says that "many schools are exploring other innovative methods of incorporating technology to benefit pedagogy"

Views of Students

If we then look at the views of the students we see that they are receptive to the changes that have taken place even if they are acceptable to them as being the norm.

(Kitchenham, 2006) reports that his students "approached technology based tasks, especially internet-related activities, as a way of exploring the world beyond text-books and movies". One of the responses from his students was - "I wanted to learn the technology at my own pace"

An extra advantage is purported by (Lawhon, 2003) who adds that "some students lose their in-class timidity on the Web and thus benefit in some ways through threaded discussion boards on the Internet"

Research carried out by (Crutsinger et al, 2005) agrees with this that "overall student comments were positive with direct implications for incorporating Web-based activities into the traditional classroom format"

Views of staff

Earlier in this paper, it was commented on that academic staff were having to face the challenges these new methods of learning would bring. (Briggs, 2005) commented on this as a conclusion from his research showing that "responses indicated that it is the ongoing demands on the online academic which differentiate the online environments". He further commented on the difficulties in managing time online which was a recurrent theme and that over 50% of the tutors asked were concerned that online work could place the tutor on a 24/7 treadmill.

One of the advantages that comes with the investment of time in developing the technology is that which is commented on by (Kitchenham, 2006). He says feedback from some tutors were that "I used to resent the time needed for technology and feel guilty but now I accept the time needed as I see the pay-off with the students" He also had further very positive comments that "I love technology, so I will always be looking to see what I can do and every year I do add something new"

Added to this, (Kitchenham, 2006) also found that "four out of the ten participants commented on how they were initially worried about using the technology but eventually became more comfortable as they assimilated their new experiences"

Conversely, (Lawhon, 2003) found that tutors felt that "responding to distance learning e-mail, establishing and answering threaded discussions via the Web, and placing material on a web site all take a tremendous amount of time and increase as the class size increases" (Davis and Fill, 2007) received more positive attitudes from tutors that "in many e-learning projects the initiative for the undertaking has arisen from teaching staff keen to innovate and improve their teaching"

(Davis and Fill, 2007) also felt that there was a need to "bring emerging technologies and available digital content into core teaching and learning". They also confirmed that "a learning activity should consist of at least one learning objective, instructions to students on how to carry out the activity, the resources necessary to support students in carrying out the activity" Furthermore, these developments could then "be loaded into JORUM" which enables sharing of material and learning objects with others and institutions.

Methodology

Developments at Leeds Metropolitan University have progressed considerably over the past five years with the introduction of increased technological initiatives. By identifying through the literature what has taken place elsewhere in the world of education, it is useful to compare the status at Leeds. The views of a cohort of first year students have been collated purposely from open ended questions to allow them to interpret using their views of technology and advancements. These have been analysed and will be compared with what the literature is saying.

Developments at Leeds Metropolitan University

What has been the main focus is creating an encouraging environment that is not intimidating in any way. That students can engage, take charge of their learning and to some extent control the outcome.

It has taken approximately three years of development work to achieve the standard of what can be provided by way of support and on line learning but within the context of a classroom. All these factors have been incorporated into the module being accessed by the students at Leeds.

All the student work and feedback is stored on line and can be assessed at any time by the student, tutors and external examiners. It encourages students to be aware of the benefit of the feedback that is available and not just to receive a mark. The development stage for this mode of study began with the transfer of the sessions from a classroom without technology to a computer lab with between 24 and 30 computers. It is important that each student has a computer to work on individually in class, so students were not allowed to share computers.

The largest part of the work for the module leader was the transferring of all the teaching and support material into a format that could be loaded onto the VLE (virtual learning environment). Blackboard seems to be the system that is universally used for this and x-stream that has been introduced is just one form of this.

As first year students, they have no preconceived ideas as to what to expect and accept that this module uses a blended learning approach. Many will not have come across this approach before and so some introduction into how this system operates and the anticipated advantages is needed. It is also acknowledged that some students will find it difficult coping with the technology.

Module Development

Students set their own pattern of how they would utilise the support packs, lecture notes and guidance material, which had all been produced to be online. There seemed to be something for everyone and over the semester most of the resources were accessed many times. One of the features of x-stream is that a tracking advice allows the tutor to monitor how often and for what length of time individual students are on line accessing the module. It also shows which of the resources gets their attention. This was very useful prior to the exam as it showed which students had put in the time to revise.

After a few years of developing, monitoring and evaluating the success of how the module operated it became important to give this work the focus and motivation it needed. A pedagogic research project was undertaken during 2007 culminating with the final evaluation completed by the sample cohort of students.

The project focused in the September semester on the cohort of students, total 50 first year undergraduates enrolled either on the Higher National Diploma or the degree in Club and Casino Management. This semester research has been carried out with a smaller cohort of Retail Management students.

Evaluation with the students

Reviewing the literature for this research identified that wherever similar work had been undertaken, some form of survey or evaluation was carried out with the students. This was the methodology that was identified as a major part of the project and the final evaluation was distributed to the cohort at the end of their summative exam whilst still under exam conditions.

The results of the evaluation from both cohorts, semester 1 and 2, has been analysed under the main areas that were questioned and the results are now presented in this paper and will form a major part of the final report for the project lead body.

By using these cohorts for the sampling at Leeds, there was a natural mix of students of differing backgrounds, ability, gender, ethnic origin, and age. All the students were under 30 years of age with the majority coming direct from school or college.

Initially the students were asked if there was anything new they had learned about IT and what else did they feel could be included? Responses ranged from: " was a bit out of touch but soon got back into it", "Haven't really learned anything about IT, already knew it before" and then: "No, more time should be spent on showing us how to use excel and do formulae"

It is interesting to see that their views are very mixed and there is no way of ensuring that they are being completely truthful. Technology expertise can become a status level amongst young people.

Questionnaire analysis

The cohort of students in semester 2 were asked to focus on six areas regarding technology. The first one was encompassed in the question: to what extent have you found the use of technology built into your study mode?

A selection of comments were: "I think it's helpful and I'm learning new things on excel that I didn't know before", " I think there is too much technology in my course as I have never studied IT, it just adds pressure on top of my degree", "I use the internet for my study everyday – with the use of x-stream, Mintel, online library and submitting work".

Most of the comments were positive but the students who had not used technology to a greater extent before were more inclined to find it added pressure to their studies. This negative aspect did not appear in the literature reviewed.

The students were then asked: does the use of technology help or hinder your progress and why?

Comments ranged from: "Yes, as it will help me in the future", "It hinders me as I struggle and need help and makes my work twice as long", "It definitely helps as it makes it easier to find sources and information for work. The use of the internet has made it easier to find out general information", "Helps – get extra information, easier to get in contact with tutors"

Again the comments are mainly positive but some reservations about the use of technology and the students' abilities. The last comment of it being easier to get in contact with tutors was a fear expressed in (Briggs, 2005) that tutors were concerned that they could find themselves on a 24/7 treadmill. If handled carefully, students can be guided into good and productive use of the system to the benefit of both tutors and students.

In order to see whether the students would prefer to go back to the traditional systems, they were asked whether: they would prefer all their classes to be paper based without the use of technology?

Eight responded 'no' without any further qualification, but others made fuller comments, some of which are identified below: "No, I like using both", "I enjoy technology assisting me with work – for example I learn well from taking notes in lectures but also prefer researching with technology. A mix is best" "No, however I would like some balance between technology and paper based", "No, I think it helps a lot as all materials are also on the internet – x-stream",

"No, makes for easier learning", "Yes". We can see from this that the majority would like to use both but one firm answer responded that yes they would like to revert back to paper based classes and this illustrates that the technologically advanced generation is not unanimous, technology for some is not ideal.

The first year students had been at the University since September so they were asked what changes they had noticed since they started their studies last September? Several responses were advising that not many changes had taken place and this could be because most of the systems were ready for the start of their studies. Other comments included: "I am using computers much more", "Not much change because used similar technology at college", "Becoming more familiar with online learning", "Find it easier to use computers in order to find resources online".

Next they were asked: What further developments would you welcome?

This included some answers as follows: "None, it is fine as it is", "More online interaction with students/ lecturers", "More with technology, submitting through x-stream, turn it in".

The last question was purposely left completely up to the respondents' interpretation of technology and the future advancements. They were asked: What part do you think technology will have to play in your studies over the next few years? Give as much detail as you can.

As no specification or criteria were put onto the interpretation of technology that the students should take, it was interesting to see the viewpoints and similar patterns to emerge. Feedback

ranged from: "Lots, word processing, flexible learning will be used the most", "A lot as I will be using computers for everything", "All work is submitted on computer and obviously the internet is very useful for research", "A big part, as everything seems to be going that way, online learning seems to be increasing all the time", "A major part, more technology will be used in next few years. Nearly everything will be done with technology"

All the students seemed to believe that the technology that was in place and being used daily now would be advanced and used a great deal more in the future.

Conclusions:

- Technology has become an integral part in the provision of blended learning
- The research shows the diverse nature of the students' previous ability and why the use of technology can appeal to the mixed ability classes.
- The changes in students' needs has led to a change in the provision required by students to accommodate these needs
- The student's external constraints on the amount of time and mobility for learning has become an issue recently and students want to be able to study at a time and location of their choice
- The learning environment is important in the provision for students
- Any new programme or style of delivery needs to be developed over a period of time and each stage needs to be evaluated on an ongoing basis
- There were very few non submissions of coursework or non attendance for the exam – students had worked consistently towards this end

- What had one time been perceived as a difficult subject to learn took on a new perspective as students were pleased with their success
- The old paper based system did not allow for the flexibility in the delivery or indeed for the students to work at their own pace
- Students were able to take control and responsibility for their learning

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PRODUCTION OF CROATIAN HALAL PRODUCTS AS A RESULT OF MONITORING CONSUMER BEHAVIOR

OLIVERA JURKOVIĆ MAJIĆ
ZAGREB SCHOOL OF ECONOMICS AND MANAGEMENT, CROATIA

MAJA MARTINOVIĆ
ZAGREB SCHOOL OF ECONOMICS AND MANAGEMENT, CROATIA

IVANA BUŠLJETA BANKS
ZAGREB SCHOOL OF ECONOMICS AND MANAGEMENT, CROATIA

Abstract

Experts in the field of food marketing today recognize the growing importance of the Halal certificate even in those countries (like Croatia) that are not primarily Muslim. The certificate serves in those countries as an important attribute and provides added (new) advantage in positioning a certain product on the food industry market. The process of certification, that some Croatian companies have already completed, serves as yet another proof of their quality and commitment to fulfill their customers' needs, even on new markets. The production of Halal products means a lot more than merely filling a market niche for the Croatian food industry, as well as for the small and medium producers of food products. It provides an opportunity to enter larger market segments, in the region, as well as on the global market. In addition, by producing Halal products, Croatian companies enrich the gastronomic offer of the region, which is very important for Croatia as a tourist destination.

Certified Halal products carry an added meaning based on the certificate, and the buyers will buy them because they express the buyers' positions and desires. The Halal certificate plays an important role in building and maintaining the image of the consumer.

Key words: Halal food, Halal certificate, consumer behavior, Croatian products

Introduction

A person's religion and religious affiliation contribute to a great extent to not only his/her behavior, values, positions, understanding, and life-styles, but also to the wider community's as well. Although many of its aspects cannot be rationally and empirically viewed, the influence of religion in daily and business activities of an individual determines his/her actions and behavior. Being aware of this fact, marketing experts make sure not to neglect its influence on marketing activities and marketing communication.

Religious affiliation determines many differences in patterns of behavior. It demands adjustments in planning and conducting business activities. Religious taboos and limitations demand numerous adjustments when dealing with religious consumers , both of the actual product or service itself, and of the sales, promotion, and distribution activities. Religious institutions might make it more difficult, or in some other cases easier, to launch a certain product on the market. The influence of religious leaders on acceptance of certain products and services can prove to be the dominant force.

Religious consumers' daily life is greatly determined by their religious affiliation, especially when we are talking about their diet and the ceremonies and rituals connected with food. Adjusting food items (in addition to many other types of products) to the needs of religious consumers, both on the part of food producers and their marketing experts, can greatly contribute to a new level of quality in communication with the consumers, conquering new segments, and expanding to new, so far unconquered, markets.

Food products that bear the Halal certificate are very emotionally important to religious consumers, who are emotionally connected to a brand. This is a very important step in creating loyalty in consumers. Although there are no universal solutions in monitoring consumer behavior, the Halal certificate definitely is a mark that will influence the behavior of Muslim consumers who are very careful when deciding which products to buy and use. Fashion and current trends bear less importance to these consumers when deciding to buy a certain product since religion, regardless of their age, income, gender, or regional affiliation, plays a much greater role. The certificate, as a guarantee of quality of food products, communicates with the rational component of consumer behavior, and from the religious point of view, it communicates with their sense of belonging and the emotional component.

Today, many Croatian companies adjust their already existing brands of food products to the needs of religious consumers, primarily to those of Muslim faith, respecting their religion and tradition. This simultaneously opens the opportunity of creating a market of current dietary trends, known as the “healthy food” market.

History as a “magistra vitae”

The influence of religion on a person’s life and on the forming of his/her identity, life-style, actions, behavior, etc., has been constant through civilizations. The text of the oldest advertising message, found among the ruins of the Egyptian city of Memphis, and designed according to the will of the Gods, states: “Enter under my roof. I, Renos of Crete, according to the will of the Gods, interpret your dreams!”. On the global market, the consumer is a sort of an «animal rationale», «zoon politikon», «homo economicus», but also an «ens religiosum». In other words, the consumer is defined not only by rationality, politics, or the economy, but also by his/her religious views, which guide him/her through many decision-making processes.

The ways of producing food, as well as sources from which we got our food items, have constantly been changing through centuries. The availability of food and the way of preparing it, as well as religious laws connected with food, differ from state to state. The influence of religion on food was noticed early on and has remained as strong as ever to this day. This influence can be seen in rituals of communicating with God (food used as sacrifice or to offer thanks), in displaying religious affiliation through acceptance of its dietary rules and of the ritual of strengthening faith through fasting, and in dietary restrictions regarding food that can or cannot be consumed, as well as the rules and ways of producing and preparing food.

The cult of food was highly developed in the old Rome, where hedonism and lack of moderation ruled. This was in complete contrast to the much more moderate Greek culture. In Egypt there were great differences in dietary habits between the rich and the poor. Pharos filled their tombs with food supplies and statues of cooks and bakers. Manufacture and trade appeared as a result of a surplus in food production.

The industrial revolution also brings about changes in the production and preparation of food. Storing food in tin cans that prevent the intrusion of outside air, which first appeared in England, enables the availability of certain foods throughout the year. This in turn, enables mass production and distribution of food products.

All major religions in the world give symbolic importance to food, aware of its importance for the survival of the human race, as well as of all living beings. For Christians, for example, the statement made by Jesus, “I am the bread of life” (John 6:24-35), holds great importance. The most important symbols in Christian traditions are those of bread and wine, symbolizing the body and blood of Christ, i.e. his sacrifice on the cross. As Christians believe that all good things are gifts from God, they thank God for these gifts before each meal. There are also other food products that carry symbolic meaning in Christianity, such as eggs, lamb, milk, and honey.

The Christian faith is divided into three different religions: Roman Catholic, Orthodox, and Protestant. All three celebrate and practice numerous holidays, with which they connect specifically determined foods and ways of eating. One of such examples is fasting, during which certain types of food must be avoided. Some Protestant denominations also have specific dietary habits. For example, Latter-Day Saints and Adventists are instructed to avoid consummation of alcohol, caffeinated beverages like tea and coffee, and certain herbs, as well as to limit the consumption of certain meats, especially pork.

Hindus avoid consummation of meat, although it is not fully forbidden. The consumption of beef, however, is, as cows are considered sacred animals in their religion. Most of them are actually vegetarian, also due to their concept of “ahimsa”, which forbids violence over animals. They also consider any food that stimulates the senses, such as onions or garlic, to be inappropriate, due to their sense of spiritual composure. On the other hand, some types of food, such as milk and dairy products, are considered naturally pure and clean, and their consumption is recommended.

Buddhist dietary traditions, however, differ from sect to sect, although most of them abstain from the eating of beef, and follow the principle of non-violence towards animals.

The Islamic religion puts a lot of weight on food, considering the consumption of food to be a religious issue. Islam forbids gluttony and misuse of food, which is considered to be a gift from God. Since Qur’an emphasizes the importance of purity, consumption of exclusively Halal foods is considered to be each Muslim’s duty. Halal is an Arabic word that means “allowed” or “not forbidden”. As an expression, Halal is often used to signify something spiritually or religiously “pure” and “clean”. In the context of food and beverages, Halal signifies those items that Muslims are allowed to consumer. Pork and all products that contain it, meat from sick animals that were not slaughtered in the name of Allah, as well as alcohol and all its derivatives, are expressly forbidden and their consumption is considered to be a sin. In addition to forbidding the consumption of pork, the Muslim faith also proscribes many other rules of preparation of meat products. To conduct a Halal slaughter properly, the animal must be healthy, its well-being must be taken into account (for example, it mustn’t be slaughtered in front of other animals, the butcher must be a Muslim, the process itself cannot be violent, and numerous standards of hygiene must be followed. According to Muslim belief, those who do not eat only Halal food are consciously committing a sin, unless in situations in which the survival of the person in most dire of circumstances is in question. Apart from meat, the issue of many other foods that contain certain types of preservatives, added to make food last longer or to give it a certain color, is also very problematic. Often these additives contain pork/animal lard, or even some types of insects.

Influences of the brand and consumer behavior on each other

The recent appearance of Mecca Cola (Halal Coca Cola) on the market can be explained as an answer to the perceived supremacy of American companies, even through globalization processes, and to the attempts of imposing American culture and life-styles. Coca Cola is definitely perceived by many consumers as the typical representative of such trends.. It is interesting to note that Mecca Cola, which has many brand-identity elements similar to those of the Coca Cola, still manages to transmit the exactly opposite message. Mecca Cola was launched in France in 2002, with the slogan “Don’t drink stupidly any more; drink with confidence”, which can be found on its packaging, the company’s web site, and in all other printed promotional materials. From total profits made by selling this beverage, 10% is donated to Palestinian children and an additional 10% to local charitable causes and non-governmental organizations. The value of the Mecca Cola brand is certainly not comparable to that of Coca Cola, but who knows what the future will bring. Mecca Cola is definitely on the way to becoming a global brand because it is consumed by consumers all over the world, and currently has the highest sales in France. This example shows how brands/products can be used to engage in some other struggles..

Brands also carry a social, cultural, political and religious influences. Both the phenomenon of projection of the brand on the owner, and the reversed phenomenon are very strong. Brand are an integral part of the society; therefore, as the society changes, so do the brands. The functional component of a product has been emphasized throughout history, with little attention paid to its psychological, social, or emotional component. More attention was paid to the ability of a product to satisfy a generic need. Due to the current circumstances, this is changing, with more attention being directed towards determining what the brand means to the client or what it says about him/her as a member of a certain society. The purchase and use of certain brands implies communication with the society and the need for the sense of approval. The symbolic meaning of the brand is under great influence of the people with whom the owner of the branded product comes into contact. In this way, the brands that carry the Halal certificate capitalize high added value due to the very symbolism they carry (just like Mecca Cola in Arabic countries).

Considering the big picture of the numerous social roles, the brands that carry the Halal certificate enable the user and buyer to take the desired position and transmit the desired message. Certified Halal products carry an added meaning based on the certificate, and the buyers will buy them because they express the buyers' positions and desires. The influence goes both ways: brands affect the image of the consumer, but the consumers also affect the image of the brand. Everyone has a perception of oneself and one's image, and in this sense the Halal certificate plays an important role in building and maintaining the image of the consumer. When they receive a positive reaction from the group they belong to or strive to belong to (religious and aspirational group), they feel that their image has been improved and their religious affiliation manifested.

In his book The Lexus and the Olive Tree, Thomas L. Friedman presents the theory of the golden arches in prevention of conflict, which states that "when a certain country reaches the level of economic development in which the middle class is large enough to sustain a network of McDonald's restaurants, that country becomes a McDonald's country. And people in McDonald's countries don't like to wage wars anymore; they prefer to stand in line for hamburgers." . McDonald's restaurants all over the world adapt their offer and products to the wants and needs of the target consumers. Therefore, in Muslin countries McDonald's sells Halal products, and in Saudi Arabia it closes five times a day for prayer. The examples of most recognizable global brands mentioned above show that brands influence consumers, but also that, if the companies pay attention to the demands of the market, the consumers can greatly influence the brands.

Halal food and certificate

Marketing of food can generally be defined as "the sum of all business activities integrated into the process of food production, from the beginning agricultural production to the final consumer" . This article examines one of the off-shoots of food marketing, Halal food or products for the end consumer, which respect the consumers' religious affiliation and dietary habits that result from it. Halal foods under Islamic regulations signify foods that are allowed to be consumed by Muslims. For example, to have Halal status, dairy products must not contain forbidden ingredients and additives. The degree to which a certain food is allowed is determined according to the status of additives that can be: halal (allowed), haram (forbidden), and meshbuh (suspicious). When establishing a system of Halal food production, the preventive proactive approach is used. For the validation of the process, analytical methods are used to prove the origin of the food. The existence of additives in the food that undergo chemical changes during the process is specifically checked.

The Halal certificate guarantees a specific standard of the raising of the animals, the way of slaughtering them, and the technological processing of the meat and meat products in accordance with the demands of Halal quality, taking into account the cultural and religious values of the Islamic community. Not only are the conditions of raising of the animals, ingredients, and conditions of the slaughter strictly monitored, but so are the preparation and processing of the meat, the warehousing conditions for the ingredients and additives, packaging, labeling, and warehousing and transportation of the finished products. The Halal certificate guarantees to the consumers that the strictest hygienic standards and rules demanded by Islamic laws have been followed in the processing and the production of the food, simultaneously with the highest quality demands.

Figure 1: Halal quality trademark

Source: Islamic community in Bosnia and Herzegovina, Agency for certification of Halal quality: http://www.halal.ba/; retrieved January 7, 2008.

The Riaset of the Islamic community in Bosnia and Herzegovina founded in February of 2002 an agency charged with issuing Halal certificates to products that meet the standards of the Muslim consumers, under the name "Agencija za certificiranje halal kvalitete" (Agency for certifying Halal quality). The agency considers itself a relevant service for certifying products according to the "Basic Halal Quality Standard BASS", and it will also certify products in Croatia and Slovenia. The Standards Committee and the management of the Agency have joined forces, consulting other experts as well, to devise a basic Halal standard and to come up with procedures and regulations that are used to determine the Halal status of products. The Agency can issue a Halal certificate to all producers who meet the regulations and pass the checks of the standards, procedures, production rules, monitoring and control of the production process, should they choose to seek Halal certification. The Agency also undertakes academic and scientific work, by organizing conferences and seminars, conducting scientific and laboratory analyses in their own and outside laboratories, and supporting the production of healthy and Halal foods. The Agency has also designed a registered trademark for Halal quality, which will be used to label Halal certified products (Figure 1).

In case of deviations from the Halal standard of any kind, the Agency will withdraw the certificate from the market and start the appropriate proceedings for such cases. During the process of drafting the regulations, the Agency made sure that they are in accordance with other globally recognized standards, such as ISO, HACCAP, and CODEX ALIMENTARIUS. The Halal certificate is a certificate backed by international standards, signifying that a product bearing the Halal logo has been strictly scrutinized to simultaneously meet international health and sanitary codes and quality and standards set by Islamic regulations. The main goal of this project is to ensure the existence of a relevant service which could certify products according to the "Basic Standards of Halal Quality BASS" for the needs of consumer, producers, and the market, as well as to enable companies in the food production industry, pharmaceutical and cosmetics industry to place their products on those markets in the world in which the Halal certificate is the main precondition for doing business. In addition to their primary role in certifying Halal products, the Agency is also active in the field of educating and informing consumers about Halal foods. They have access to the Halal database and the list of allowed and forbidden substances and materials that can be used in production of food and ingredients.

To achieve Hala quality, a producer must prove the production process they wish to certify, from he beginning to the end, follow the preset conditions of Sheriat laws. This is the first quality standard recognized by religious and state authorities in Europe. The certificate is issued for the period of four years, with three announced and three unannounced inspections conducted during the year. One of the Agency's goals is to keep pace with global trends and achievements in the filed of production, and process and content control of Halal products. The Agency achieves this goal by establishing and maintaining active communication and cooperation with similar institutions operating in other countries and by participating in international conferences, seminars, round-tables, and trade fairs for Halal products.

Halal Product Markets

International food trade on the global market is increasing from year to year. The growing versatile offer of food products available on the global market enables the consumer to chose from numerous different food products. The global market, however, contains various barriers to international food trade in form of tariffs and non-tariff barriers. Some of these measures exist to protect the consumers' health while others have no real reasons for existence. A joint committee of the UN Food and Agriculture Organization (FAO), called the FAO/WHO Codexs Alimentarius Commission was founded with the goal of easing international food trade . The Commission has drafted a large number of food norms and guidelines and recommendations for food trade. These Codex documents offer a unique basis for determining measure for protection of global consumers' health. Regardless of where in the world they live, consumers should have equal protection from consequences of bad food products. Many ideas and recommendations for approaching risk assessment have been written into the Codex texts, with the goal of ensuring healthy foods an ingredients for all. One of such approaches is the system entitled Hazard Analysis and Critical Control Point- HACCP. In order to achieve the regulations on openness, each country member of the WTO must determine the procedure in charge of enacting national standards on food trade. To make this easier and more transparent, each WTO member founded the so-called Enquiry Point, in charge of all the questions of interested members regarding the afore-mentioned issues. Considering the constantly increasing presence of and demand for Halal products on the global market, and the increasing international trade of such goods, the need for Halal standards that would enable the placement of these products on the relevant markets has arisen.

To achieve all of that, it is necessary to take into account the demands connected with the legislature, standards, and recommendations given by the WTO and religious leaders. Respecting all of these factors, the Islamic community in Bosnia and Herzegovina has began the drafting of Halal standards. As a working basis for the standards, the following documents were used:

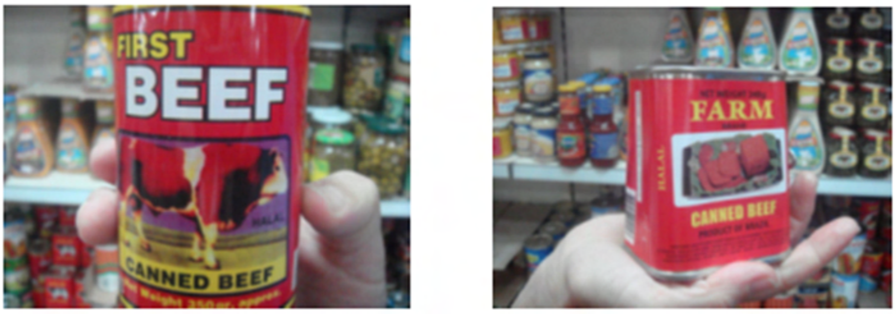
1. CAC/GL 24-1997, General guidelines for use of the term Halal
2. CAC/RCP 11-1993, Codex recommendation for Fresh Meat,
3. BAS ISO 22000: 2006, Food safety management system – Requirements for any organization in the food chain,
4. BAS ISO 9000: 2001 Quality management systems – fundamentals and vocabulary.

All of this means that the products that do not carry the Halal certificate will be ignored by Islamic customers. And just how large is that market?

The global Halal products market has been constantly growing, resulting in an increasing number of petitions for achieving Halal status for food products. The Halal market is the fastest growing market in the world. In the year 2005 this market totaled 550 billion dollars, out of which 150 billion went to food products. By the year 2006, this number grew to 210 billion USD.

The largest shopping chains in the world today have their own standards and insist on their own quality norms . The companies that work for them must, therefore, meet their demands because they would not be able to survive on the market otherwise. Most of these markets have separate shelves for Halal products, like the ones seen in Figure 2, which shows to competing canned beef products from the selves of a grocery store in Tripoli, Libya. Even in Croatia, large chains like the Slovenian Mercator or the Croatia Getro, have specially separated places on their shelves for Halal products. The largest Croatian grocery chain, Konzum, intends to do the same in the near future.

Figure 2: Halal canned beef at a grocery store in Tripoli



In 44 countries of the world, only food prepared according to Sheriat laws may be eaten. Approximately 1 237 654 000 Muslims live in those countries. If we add all the Muslim minorities all over the world, this number reaches over 72 million people. After Christians, who comprise 33.5% of the world's population, Islam is the second largest religion in the world, with 18.2% of the global population.

It is estimated that some 50 thousand Muslims live in Croatia. At first glance, judging by the statistical data, one might conclude that there is a rather small number of potential consumers in the Republic of Croatia. However, guided by the marketing philosophy of thought, these market segments could become profitable niches, both on the domestic market, and on the tourist market. There is even potential for export. . According to recent research studies, in Europe in the last decade the Muslim population has increased by 140% , and it is estimated that the number of Muslim citizens will increase to three billion. Mobility of people is increasing daily, and since Croatia is a tourist country, the fact that Halal products will increase its tourist offer in of no small importance.

First Halal products made by Croatian companies

Within the last decade, some 20 Croatian companies have been awarded the Halal certificate, enabling them to sell about a thousand of their food products on the large Arabic markets. The fact that this is a completely new trend in the Croatian export strategy is witnessed by the fact that even the largest Croatian companies, such as Podravka, Agrokor, and Kraš, have joined a number of medium and small companies, as well as family-owned honey and sugar producers and ostrich farms, in the race to enter the Muslim markets with their products. All of them have adapted their production plants and product to the conditions of Sheriat laws governing Halal standards in a short period of time. The Agency for certifying Halal quality from Bosnia and Herzegovina, through its subsidiary at the Islamic Meshihat in Zagreb, conducts supervision over these companies and issues them the Halal certificates. Many of these companies are negotiating with their Arabic business partners deals for exporting Croatian Halal products. It is expected that the export of Croatian goods into Arabic countries, which in 2006 reached 450 million kuna, will be significantly higher in the near future. .

The seemingly simple rules of Halal in certain cases actually demand significant changes in the production process: some companies had to upgrade their production plants and separate Halal warehouses and plants from the rest of the factory, and in some cases the entire way of production or product ingredients had to be changed in order to meet Halal standards

Since the Agency was founded in February of 2006, the first Croatian company to be awarded the Halal certificate was Stella Croatica. Their business partners required them to obtain the Halal certificate in order to place their delicacies and confectionery on the Kuwaiti market. Stella Croatica from Split is a producer of delicacies and Mediterranean food items. They are a successful exporter of authentic jams, olive oil, dried figs, etc. to the choosy Europen markets. In February of 2006, they were awarded the HACCP certificate, without which no contract on export of food products to the EU can be signed. Stella Croatica is the first Croatian food producer that was able to satisfy the Halal certificate standards for their food products exported to the Middle East and the United Arab Emirates.

Stella Croatica has promised to produce its product lines Stella Mediterranea andi Divina according to the religious Halal standards and use specially adapted recipes. .They signed the Statement of commitment that states they are familiar with Sheriat laws, the Halal standards, and all the limitations thereof. As their product line includes dried fig liquor, which is an alcoholic beverage, they had to build a new warehouse to get the Halal certificate. In that warehouse the Hala products are physically separated from Haram (forbidden) products. The Haram products they produce are, thus, stored in a separate warehouse. They clean their production plant very thoroughly, in accordance with the proscribed regulations. The ingredients they use are separately declared, and they demand a statement from their suppliers that the ingredients have not come in contact with any Haram products. Their production process is constantly monitored by the Agency. It is important to note here that confectioners who use gelatine in their products, which is produced from pork, will not be able to meet the Halal standards.

Viro, a Croatian producer of sugar, has decided to follow the example set by Stella Croatica. They petitioned for Halal certification for their entire production. IN addition to their crystal sugar products, they were also awarded the Halal certificate for their fodder beat strips, which they are now able to export to Morocco. In the year 2007, Viro increased their production capacities by approximately 40% compared to 2006, and their Halal certificate offers them a guarantee that they will have no problems selling the results of such an increase.

Croatian company Domins was awarded their Halal certificate for the production of ordinary and creamy honey, comb honey, honey with walnuts, almonds, and peanuts, and propolis. They plan to attend trade fairs from Sarajevo all the way to Dubai. Their business strategy is focused more on the quality than on the quantity of the product.

The largest Croatian food producer, Podravka, aware of the consequences it could face on the market, primarily in Bosnia and Herzegovina, but also in other Islamic countries (since products that do not have the Halal certificate may be ignored by Muslim buyers) received their Halal certificate so that they would be able to place their products on those markets. The certificate was awarded to Podravka's meat product line Danica and to their bakery Koktel. The certificate was awarded for the veal, beef, and poultry-based meat products, as well as for the powdered dairy pudding products. Introduction of Halal standards into these two production plants made it necessary to also communicate with the suppliers of ingredients because the certificate demands that all the ingredients used in production must also bear Halal certificates.

These examples were followed by other Croatian companies. Vindija, Kraš, PIK Vrbovec, and Perutnina Ptuj – Pipo Čakovec have all already received their Halal certificates, and it is expected that some of the most famous Croatian brands will soon be launched on the market in their Halal versions – Halal Vegeta, Halal Bajadera, and Halal Jana water.

Halal certificate as a product quality management tool

When marketing experts decide on a product, they use the quality of that product as one of the positioning tools. Quality is closely connected with the value of the product and customer satisfaction. The most appropriate definition of quality for Halal products would be that they products that "lack deficiencies". Here we mean that these food products have no deficiencies in the context of religious rules, regulations, and traditions. Through such a definition, we can arrive at a wider definition of quality, directed towards consumer satisfaction. Considering the strict procedures of getting the certificate, a lack of applying the principles of product quality (which is frequently a problem with many companies), which would not result in customer satisfaction, is actually out of the question.

Croatian food producers who have been awarded the Halal certificate can use these certificates as a powerful marketing tool that communicates to the consumer the consistent, yet profitable, management of customer satisfaction. Companies that have the certificates can be sure that they also posses the level of quality that will satisfy the needs of the target market. This level of quality has been assessed by relevant forces (people) of that target market. For the purpose managing the quality of products that possess the Halal certificate issued by an appropriate body (e.g. the Agency for certifying Halal quality), product labeling regulations demand that the label include the appropriate logo, which shows that the product has been produced in accordance with the standards of the consumers belonging to a particular religion. Labeling instructions are proscribed by law so as not to be able to mislead the consumers. It can, therefore, be used as an important marketing tool.

Marketing experts often encounter problems regarding standardization and adjustment of products to various cultures, beliefs, purchasing styles, and regulations on the use of language on product labels on the international market. The existence of a standardized product labeling regulation and the Halal certificate makes their jobs in this respect considerably easier since products that have the Halal certificate are standardized for the target market segment all over the world. The Halal certificate functions as yet another practical marketing and promotion element for Croatian food producers who have received it. Not only that, but it also symbolizes the company's commitment to communicate with and fulfill the promise given to the target segment. The top Croatian companies, the leaders in food production, have, consequently, recognized, within the framework of their quality assurance strategy, these certificates as a tool for achieving total customer satisfaction in the target market segment. They also realized the much wider opportunities the Halal certificate provides, especially in the segments of consumers of the so-called healthy food or of consumers who must adhere to a particular dietary plan due to medical restrictions.

Research shows that food items that carry the Halal certificate are often perceived by consumers as healthy food, dietary food, low-calorie food, etc. For that reason many consumers who are not Muslim choose to buy food that carries the Halal certificate.

Conclusion

Production of food has a strategic importance for the economy of any country. The choice on which foods to buy for some segments of customers is determined by their religious regulations and external signs of quality, certificates, which signify and guarantee that a certain product is acceptable and recommended for consumptions by members f a certain religion. Food-related laws and regulations proscribed by various religions (Islam, Judaism, Hinduism, Christianity) were devised a long time ago, but are still very much in place. They constitute an important part of the identity of individuals, but also of states and countries. A religious consumer places great importance on religious laws and traditions, seeing them as not mere respect for traditions, but also as an integral part of his/her life and consumer culture. In addition to that, products bearing the Halal certificate are also perceived by many as healthy, and can therefore be sold to a much wider circle of consumers, not just religious Muslims. The number of Muslim people in the world is very high, and is increasing daily. It is, therefore, not surprising that many global brands, such as McDonald's and Coca Cola, as well as, for example, producers of meat in Australia and the United Kingdom, have recognized the importance of offering Halal products, dismissing remarks that they satisfy the needs of a small market segment.

Religious affiliation, as a factor that identifies a potential target market, can become an important factor to food producers in a complex mix of perceptions, impressions, and feelings that the consumer has regarding a certain product, in comparison to its competition. Marketing experts are, therefore, today faced with a challenge that they could answer by striving to win over the loyalty of those consumers who put a lot of importance on their religious identity to those brands for which they have already won the loyalty of their existing customers. Experts in the field of food marketing today recognize the growing importance of the Halal certificate even in those countries (like Croatia) that are not primarily Muslim. The certificate serves in those countries as an important attribute and provides added (new) advantage in positioning a certain product on the food industry market. The process of certification, that some Croatian companies have already completed, serves as yet another proof of their quality and commitment to fulfill their customers' needs, even on new markets. The production of Halal products means a lot more than merely filling a market niche for the Croatian food industry, as well as for the small and medium producers of food products. It provides an opportunity to enter larger market segments, in the region, as well as on the global market. Once they are awarded the Halal certificate, their products become marketable to consumers on the Southeastern European market, and wider, which should enable them to gain trust on the markets with a high percentage of Muslim population, where the Halal certificate is not merely a trend, but a necessity.

In addition, by producing Halal products, Croatian companies enrich the gastronomic offer of the region, which is very important for Croatia as a tourist destination. By receiving the Halal certificate for their food products, and through a more aggressive marketing approach, Croatian producers of food may be able to work around the basic barriers of agricultural protectionism of some countries, and ease penetration of Croatian food items on the markets ruled by laws of predetermined agricultural politics and intraregional trade. The application of differentiated and concentrated marketing enables the food producers who are awarded the Halal certificate to produce highly diversified products with a recognized certificate as proof of quality, and even a recognizable brand, at a rather low cost to them. In today's global economy, countries must brand themselves if they do not want to lose and important part of their profits that comes from export, tourism, and foreign investments. A good step towards building a brand of a country is branding of its most recognizable products, which then make the country itself recognizable to consumers outside its borders.

It is a fact that none of the most valuable global brands of today come from a Muslim country. This, however, should not discourage marketing experts, who need to keep in mind that the Muslim population base their purchasing decisions on their religious affiliation, which is equally strong in their life-styles, regardless of their age, geographic location, education, or gender. This is very important for marketing experts, faced with answering the question how to, in today's modern world, implement food regulations connected with religious sentiments of the consumers into the system of values, benefits, satisfaction, and, finally, profitability.

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CONSUMER PERCEIVED VALUE OF BANKING SERVICES IN CROATIA

TIHOMIR VRANEŠEVIĆ
UNIVERSITY OF ZAGREB, CROATIA

IRENA PANDŽA
UNIVERSITY OF ZAGREB, CROATIA

SANDRA HORVAT
UNIVERSITY OF ZAGREB, CROATIA

Abstract

According to many researchers consumer perceived value is multidimensional concept, which reflects a tradeoff between benefits and sacrifices of supplier's offering perceived by customers. Concept of consumer value begins to emerge in the 1990s and it is recognized as one of the most significant factors in the success of an organization and as the very important source of competitive advantages for firm. According to the representative research projects higher level of perceived value lead to higher levels in satisfaction of customers, greater levels of customer loyalty and to a greater success of organizations. Due to this, firm has to identify the factors of consumer perceived value in order to offer the value which consumers want, rather than the value which firm perceived. The banking business has undergone changes in the regulation of the sector, changes in consumer' demand for services, technological changes and the entry of the new competitors from business outside banking. Therefore, it is necessary for the bank to work on perceived value improvements which lead to creating, maintaining and growing long term relationships with clients. In most models of client evaluations of banking services the focus has been on a comparative judgement of expectations versus perceived performance resulting in judgements of perceived service quality and client satisfaction. Clients form expectations prior to their encounter with the bank employee, they develop perceptions during the service delivery process and subsequently they compare their perceptions to their expectations in evaluating the outcome of service. The research analyzed the consumer perceived value in the Croatian banking sector using the changed GLOVAL scale of measurement of perceived value. According to that research, the most important dimensions of perceived value in banking services are functional and emotional value. The functional aspects include valuations of the establishment, the contact personnel the quality of services and the price. Emotional value consists of the feelings or affective states generated by the experience of consumption. The research results show that the most important role for clients has the functional value of contact personnel - personnel's knowledge, kindness, confidentiality.

Key words: perceived value, consumer, banking services, GLOVAL scale

Introduction

According to different authors (e.g. Zeithaml, Oliver, McDougal and Levesque, Roig and others, Sanchez-Fernandez and others, Snoj and others) consumer perceived value is a multidimensional concept, which presents a trade-off between benefits and sacrifices perceived by consumer in a suppliers' offering. The term "perceived value" is usually referred to a post-purchase situation, where the consumer evaluates the purchased product or rendered service. But generally, the consumer's perception is phenomen that can appear in any stage of the purchase decision process, pre-purchase and post-purchase.

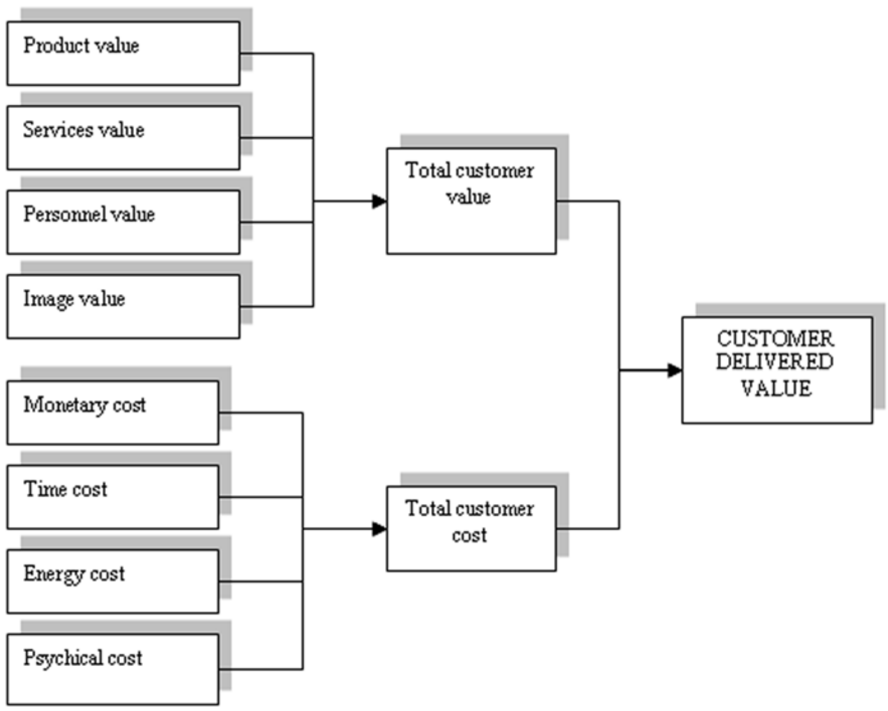
Analysis of different definitions of consumer value and existing convergences and divergences in those definitions results with basic thesis of consumer perceived value:

- Value for a consumer is related to his/her expertise or knowledge of buying or using the product/service.
- Consumer value is a subjective concept related only to the individual consumer and can not be objectively defined by a seller.
- Consumer value is comparative nature i.e. consumer perceived value of suppliers' offer is result of comparation with competitors' offerings.
- Consumer perceived value is multidimensional concept.
- It presents an exchange between what the consumer received and what he/she gave up to acquire and use the product/service.

The consumer has a perception about product/service before, during and after purchasing, but in post-purchase phase he/she compares the received value with expected value before the buying process.

Kotler (2001, pp. 38) emphasizes that customer delivered value presents the difference between total customer value and total customer costs. According to Kotler, total customer value is based on four sources – product value, service value, personnel value and image value, while on the other side total customer cost is consisted of monetary cost, time cost, energy cost and psychical cost (Figure 1).

Figure 1 Customer delivered value



Source: Kotler (1997), translation 2001, pp. 39

Perceived benefits are combination of different product attributes (tangible and intangible; intrinsic and extrinsic), available in relation to a particular buy and use situation, while perceived sacrifices present combination of a nominal price and all other costs of product acquisition and its use (Zeithaml, 1988; Ulaga and Chacour, 2001, Snoj et al., 2004).

When investigating the concept of perceived value, two major approaches to the dimensionality of perceived value can be defined. Those two approaches are related and create the same concept of perceived value.

The first approach defines perceived value as a construct configured by two parts - one are benefits received (economics, social, relational) and another sacrifices (price, time, effort, risk, convenience) made by consumer (Cronin et al., 2000). The benefits component, or what a consumer receives from the purchase, would include the perceived quality and other psychological benefits (Zeithaml, 1988). The quality is a fundamental element of perceived value and it is the most difficult thing for competitors to imitate. From that we can conclude that quality creates a base for differentiation and competitive advantage. The sacrifice component is formed by monetary and non-monetary prices, i.e. money, time, energy, effort etc. Concerning the price it is important to stress that monetary price can be seen as part of benefits, because when the price is high the consumers assume that the quality is also high.

The second approach is based on the conception of perceived value as a multidimensional concept which incorporates the functional and affective dimension. This approach was used in defining the perceived value of banking services in Croatia and the research results showed that the functional value of contact personnel - personnel's knowledge, kindness, confidentiality were the most important elements for clients.

Perceived value of services

Services have four distinctive characteristics: intangibility, inseparability, variability and perishability and that is why it is more difficult to define the quality and perceived value of service in comparison with product's quality and value. During each contact between service firm and client, the consumer creates the perceptions about service and each time when he/she meets the contact personnel the quality perception can be increased or reduced (Ozretić-Došen, 2002, pp. 63).

Simplified, perceived value of service is the difference between the quality of that service and the costs of service use. Perceived value increases when quality is higher or costs are lower. According to Heinonen (2004), the time and location are important dimensions which influence the perceived value of service.

It is important to stress that the factors that contribute to perceived value differ for products and services. Here are some important differences in the nature of products versus services that may cause those differences in value perceptions (Groth and Dye, 1999):

- Tangible vs. intangible. Products are physical and observable at the time of consumer evaluation and formation of perceptions. Products allow better opportunities for evaluation and comparison prior to decision making. Products often offer to the customer the opportunity to see, touch, feel, taste, compare and measure it and on the other side the services do not provide these opportunities.
- Definable, observable vs. Perception dependent. Products allow „seeing is believing", until services require „imagining is believing". Products allow direct observation and comparation that influence the perception of needs-products match. Services require that consumer first perceive the services and then precipitate the perceived value.
- Time dependent or time expiring event. Time dependency exists for most services and that inhibits flexibility.
- Returnable vs. Non-returnable. A consumer can often return or exchange defective product or a product that ex post does not match ex ante perceptions of need-match. In many services, although the provider may offer a full refund, the service is not returnable, considering that service elements are intangible.
- Need-match uncertainty. Product attributes are usually observable, but service attributes are more uncertain. This difference causes the variance of match between perceived needs and services to be greater than the

variance of perceived need-product match. The greater ex ante uncertainty increases the risk of divergence between ex ante and ex post perception of service.

- Interpersonal. Perceptions and expectations for services are often the result of interaction with people rather than with the service itself. Therefore, human factors can have a great influence on ex post perception of service. Services are more likely than products to provide opportunities for human interaction that affect how the product/service meets needs.
- Impersonal vs. Personal. Costumers view services as more personal in nature than products, for example unkindness of a clerk in bank can be taking personally, unlike the defective product.
- Psychical vs. Utilitarian factors. For service, physical factors, emotional, can have more influence on perception than quality of service.

Concerning the specific attributes of services, the human factor (contact personnel) is very important for the consumer perception of quality and value of service. The service is often evaluated according to behavior of employees (Ozretić-Došen, 2002, pp. 120), and also contact personnel influences has the highest influence on the image of service firm in general public.

The importance of perceived value for banking sector

In the last ten years there have been important changes in the business of financial services. The main characteristic, that has marked the evolution of the financial system, has been increased competition in the sector. The banking business has undergone changes in the regulation of the sector, changes in consumer' demand for services, technological changes and the entry of the new competitors from business outside banking (Roig et al., 2006). According to Jacoby and Chestnut (1978, according to Roig et al., 2006), firms should strive to maintain long term relationships with their customers in order to obtain clientele loyal to the firm.

Therefore, it is necessary for banks to work on perceived value improvements which will lead to creating, maintaining and growing long term relationships with clients (Berry, 1983, according to Roig et al., 2006). The literature of financial services indicates that banks should focus their efforts on three points: shareholder value, employee value and consumer perceived value (Reidenbach, 1996; Kelly, 1998; Marple and Zimmerman, 1999, according to Roig et al., 2006). Consumer perceived value will be analyzed in the research presented in this article.

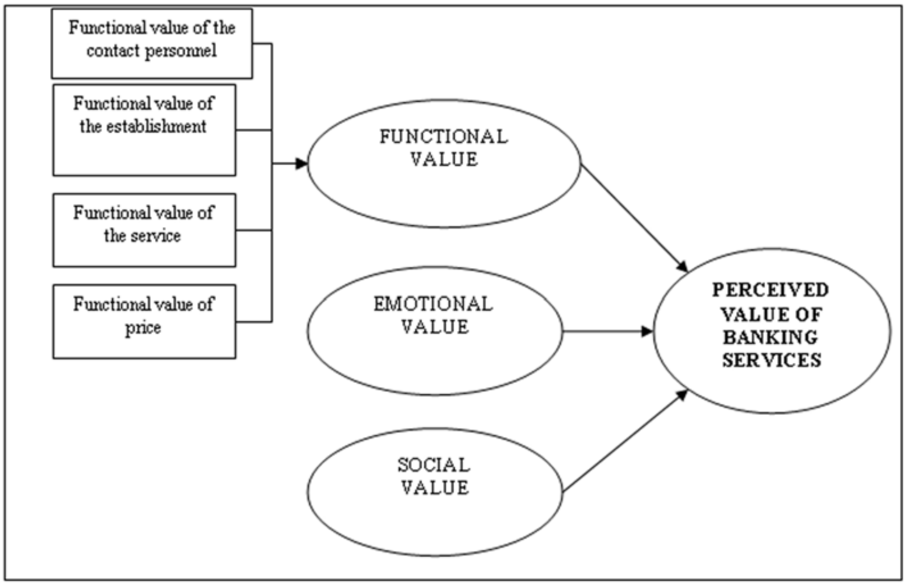
According to Johnston (1997), although the banks have taken much interest in generating perceived value for the customer, they have also experienced high level of dissatisfaction on behalf of one part of users. That is because although banks are aware how important it is to compose an offer of value to the customer, they did not fully understand what the consumer perceived value is. For many banks the term «perceived value» is used to refer to the value that customer generates for them, rather than the value that they can offer to their users.

Measurement of consumer perceived value of banking services

In most models of client evaluations of banking services the focus has been on a comparative judgment of expectations versus perceived performance resulting in judgments of perceived service quality and client satisfaction (Bloemer et al., 1998). Clients form expectations prior to their encounter with the bank employee, they develop perceptions during the service delivery process and subsequently they compare their perceptions to their expectations in evaluating the outcome of service.

Sanchez et al. (2006) developed the GLOVAL scale for measurement of perceived value in tourism sector and Roig et al. (2006) replicated it in the banking services sector for measuring perceived value of banking services.

Figure 2 Model of consumer perceived value in banking sector according to Roig et al. (2006)



GLOVAL scale measures the overall perceived value of purchase, where the consumer evaluates not only the consumption experience but also the purchase experience. This scale considers the perceived value of the service acquired, together with perceived value of facility where the purchase was maid and of the customer service personnel. The GLOVAL scale takes into account functional and affective aspects in measuring the perceived value. The functional aspects include valuations of tangible elements, the contact personnel, the quality of service and the price. The affective dimension includes an emotional dimension (relating to feelings) and a social dimension. These dimensions – functional, emotional and social include all different aspects of perceived benefits and perceived sacrifices, including the quality of banking service, consumer's emotions during the purchasing process, social elements, service's price and non-monetary costs.

The concept of perceived value is closely linked to other concepts as are consumer satisfaction, loyalty and profitability.

Measuring the value of banking services in Croatia

According to research of Roig et al. (2006), GLOVAL scale was used for analyzing the value perceived by consumers in banking sector of Croatia. The model was modified and upgraded by adding factors found in others relevant researches of perceived value and by adding the dimension of image. Also this scale was modified and adopted for measuring, not only perception in a post-purchase, but also in a pre-purchase phase. It was assumed that expected and received value is constituted from following dimensions:

1. Functional value which includes functional value of the establishment (buildings, interior, equipment), functional value of the contact personnel, functional value of the service, functional value of the price
2. Emotional value
3. Social value
4. Image of the bank

When we compare these value dimensions and its factors with SERQUAL scale (Parasuramann, Zeithaml i Berry, 1988) for measuring quality of service, we can conclude that functional value of the establishment, functional value of the contact personnel and functional value of service are part of quality of banking service. Functional value of the price is seen as perceived sacrifice of service, according to perceived value definition.

Table 1 Average marks of different value factors

No.	Factor	Mean
1	The personnel should know their job well	4.91
2	The personnel knowledge should be up to date	4.78
3	Bank should have good credibility and high security of business	4.76
4	The personnel should provide each service effectively and reliably	4.75
5	The personnel should always be kind	4.74
6	The personnel should have the knowledge of all services offered by the bank	4.71
7	The bank should keep its promises, to have a good reputation	4.68
8	The personnel should be dedicate to my needs and always willing to solve my problems	4.66
9	The total costs should be real and justified	4.65
10	The waiting time in a bank should be acceptable	4.65
11	Bank should use the modern technology	4.61
12	The personnel behaviour should provide security and trust	4.59
13	The bank should be tidy and well organized	4.57
14	The bank should be accessible, easy to find	4.53
15	I should have a feelings that personnel is working in my best interest	4.47
16	The bank should offer the financial convenience in keeping with client's requests and needs	4.32
17	The level of service quality should be higher in comparation with other banks	4.27
18	The bank should be able to create services according to individual client's needs	4.26
19	The bank should have a good image	4.22
20	The rates and commissions should be lower in comparison with other banks	4.18
21	The bank interior reflect confidentiality and privacy	4.17
22	There should be wide assortment of services	4.16
23	In the bank I should feel comfortable and relaxed	4.06
24	The client should have possibility to choose the time when the service will be provided	4.03
25	The bank interior should be spacious and modern	3.77
26	The bank should support the society	3.67
27	The bank should have long tradition	3.33
28	The friends or family should recommend that bank	3.11
29	The fact that I go to the that bank should leave a good impression on the people I know	2.8
	Total mean	4.29

In marketing theory image is considered to have the ability to influence customer's perception of the goods and services offered (Zeithaml and Bitner, 1996), and that is why it is important to research what impact the bank image has on value of banking service. According to the most important factors of image of financial sector firm, the bank image was analyzed through: reputation, credibility and security, relationship with society and modern technology.

The field research was carried out during the July 2007 by interviewing 210 clients of different Croatian banks. The sampling procedure was intentional and study took place in Zagreb. Structured questionnaire was used as a measuring instrument, with closed questions and 5-point Likert type response scale.

For analysis of the perceived value of received services it is important to see what factors define the customer's value expectations, since value perception of received services depends on expectations in pre-purchase phase.

Dimensions of expected value of banking services

The following table shows how important are different value factors for the client's expectations of banking services.

We can conclude that the most important factors for consumer's expectations are business capacity and expertise, and then effective and reliable service providing, credibility and business security. In literature credibility was recognized as part of corporate image in banking sector and also as part of service quality. In this study, credibility was taken as image factor, although it is important to recognize that in many aspects the service quality is overlapping with image of the service firm.

The consumer does not consider every attribute which defines a product/service, but he/she takes a decision about quality and value based only on a few factors most important for him/her. Therefore, the most important is to analyze the factors evaluated with the highest mark by examinees. In this research we can find that the most important factors of expected service value are: all contact personnel factors, some factors of image (credibility and security, technology), service costs, bank accessibility and bank arrangement.

From these preliminary results, we can conclude that the contact personnel is the most important dimension of expected value perceived by consumers.

Analyzing perceived value dimensions – functional, emotional, social and image, we can conclude that factors of functional value have the strongest influence on consumer expectations, then come emotional value and image, whereas social value is not relevant for consumer perceptions (evaluated with the lowest mark by examinees).

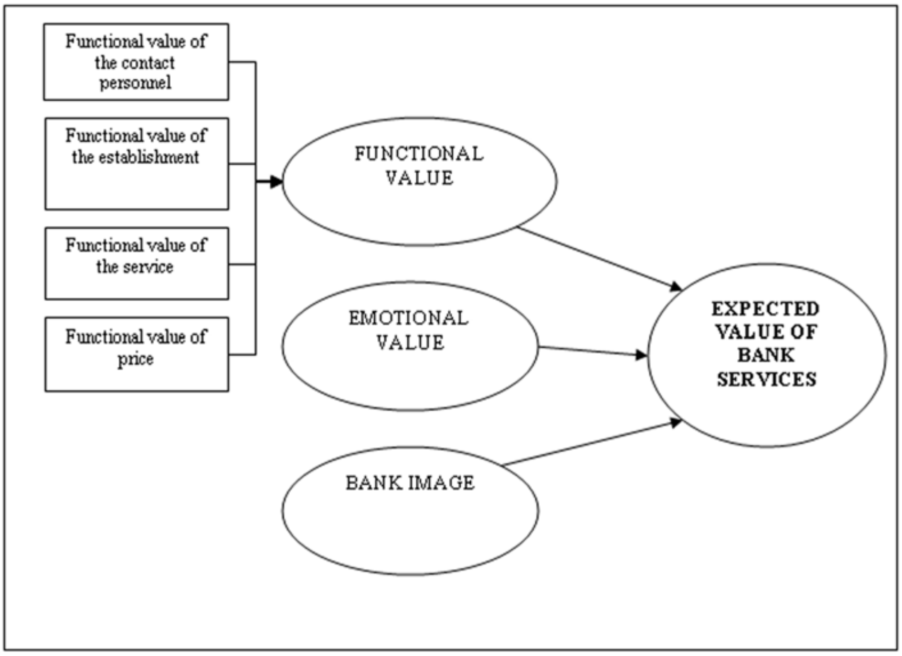
Table 2 Factors of expected value of banking services

Factors of expected value	Mean
Functional value	4,48
Emotional value	4,37
Bank image	4,21
Social value	2,96

Table 3 Elements of functional value

Functional value	Mean
Functional value of the contact personnel	4,67
Functional value of the service	4,38
Functional value price	4,38
Functional value of the establishment	4,26

Figure 3 Model of expected value of banking services



Descriptive statistic analysis shows that functional and emotional values are the most important and relevant for consumer in defining service value, when social value is not significant. Also, within functional elements the contact personnel has the highest influence on value perception.

According to presented results of expected value measuring we can design the Model of expected value of banking services (Figure 3).

Dimensions of consumer perceived value of received services

After analysis of expected value it is important to see which factors determine the consumer perceived value in post-purchase phase. In order to accurately define the relationship between different factors and perceived value, the regression analyses was used. In regression coefficient of correlation (r) and coefficient of determination (R2) are important for result interpretations.

We created the multiple regression models where the 18 factors, the most important in descriptive analysis, are correlated with consumer perceived value of received service. Results demonstrate the strong relationship between those independent variables and dependent variable - coefficient of correlation was 0,80 and coefficient of determination was 0,65. In regression model independent variables which had the strongest influence on perceived service value were analyzed (Table 4).

Table 4 Independent variables in regression model

No.	Independent variables
1	The personnel know their job well
2	The personnel knowledge is up to date
3	The personnel have knowledge of all services offered by the bank
4	The personnel are always kind
5	personnel are dedicate to my needs and always willing to solve my problems
6	The personnel provide each service effectively and reliable
7	The level of service quality is higher in comparison with other banks
8	The bank is able to create services according with individual client's needs
9	The rates and commissions are lower in comparison with other banks
10	The time of waiting in bank is acceptable
11	The bank offers the financial convenience in keeping with my requests and needs
12	I feel comfortable and relaxed in the bank
13	I have a feelings that personnel work in my best interest
14	The personnel behaviour provides security and trust
15	The total costs are real and justified
16	The bank interior reflect confidentiality and the privacy of dealings
17	The bank seems tidy and well organized
18	It is easy to find bank, it is accessible

According to F-test all 18 factors are relevant for defining consumer perception of received services value.

Table 5 ANOVA printout

ANOVA(b)						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	137,595	18	7,644	18,800	0,000
	Residual	77,662	191	0,407		
	Total	215,257	209			

Model hypotheses:

H0: ß1= ß2= ß18= 0

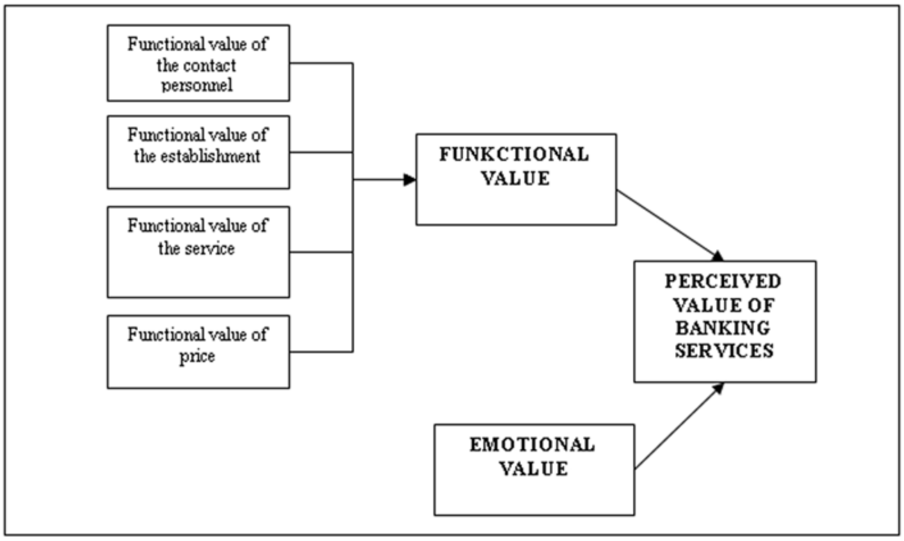
H1: ßj≠ 0, j=1,2…,18

Conditions required:

$F < F\alpha \rightarrow H0$

$F > F\alpha \rightarrow H1$

Figure 4 Model of consumer perceived value of banking services



From the ANOVA printout we found that computed F-value is 18.8, while tabulated F-value ($F\alpha$) is 1.57 (α=0.05). When we compare the calculated F-statistics with a tabulated F value, we can conclude that we would reject the null hypothesis. Also, the observed significance level for the test is given next to F-value as 0.00, which means that we would reject the null hypothesis at any α value selected. So, we can conclude that chosen independent variables are significant for dependent variable i.g. received value of service.

On the other side, analysis of correlation between received service value and factors of bank image shows that image has a weak influence on perceived value i.e. the relationship between variables is weak. The multiple regression model, where image factors as independent variables are correlated with consumer perceived value of received service, was considered. According to F-test image of bank is not relevant for defining consumer perception of received services value.

According to these results we can create a model of consumer perceived value in banking sector (Figure 4). Comparing it with model established by Roig et al. (2006.), this research shows that social value has insignificant role in creating consumer perception of banking services value.

This research points out that bank image has a significant influence on consumer's expectations, but on the other side it does not have direct influence on perceived value in post-purchase phase.

Conclusion

Creating the model for measuring the consumer perceived value is very important process which allows the banks to recognize how clients evaluate their services. When the bank improves the factors which clients consider as very important, that leads to service quality, service value and client satisfaction increases.

Since there is no compatibility between different authors about perceived value definition, it is necessary to analyze the conceptual framework of consumer perceived value. The most researchers agree that consumer perceived value presents the difference between the prospective consumer's evaluation of all benefits and all costs of an offering and perceived alternatives. Also, it is important to underline that the consumer's perception is phenomena that can appear in any stage of the purchase decision process, pre-purchase and post-purchase. Clients form expectations prior to their encounter with the bank employee, they develop perceptions during the service delivery process and subsequently they compare their perceptions to their expectations in evaluating the outcome of the service.

For the service firm it is important to determine which factors create the higher level of value perceived by consumer and to work on improvements which lead to creating, maintaining and growing long term relationships with clients (Roig et al., 2006). The literature of financial services indicates that banks should focus their efforts on consumer perceived value (Roig et al., 2006) to achieve service differentiation and to create competitive advantage.

According to conducted research, the most important dimensions of consumer perceived value in banking sector are functional and emotional values. Functional value includes the contact personnel aspect (knowledge, efficiency, kindness etc.), the establishment (bank's interior, accessibility), the service (quality, innovation, conformation to client) and the price (rates, commissions, time of waiting). Emotional dimension presents the clients' feelings caused by contact personnel and process of service providing. From all mentioned factors of banking services value, employees have the most important role in client's perception - their knowledge, kindness, confidence and willingness to help. In marketing literature we can also find other authors who recognized the importance of contact personnel. In this way Nguyen and Leblanc (2002) underline contact personnel as key factor for client's perception of service firm. According to that bank management should invest primary in employees who communicate with clients, organize additional education to improve their expertise, convince them that kindness and politeness are highly important.

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DETERMINANTS OF CUSTOMERS' PERCEPTIONS OF ELECTRONIC SERVICES. AN ANALYSIS IN THE GREEK BANKING INDUSTRY

EVANGELOS TSOUKATOS
DEPARTMENT OF FINANCE AND INSURANCE, TEI OF CRETE, GREECE

Abstract

This study attempts to identify the main determinants of customers' perceptions of electronic banking services and assess the impact of these determinants on customer satisfaction. Evidence is drawn from the Greek banking industry.

A research instrument based on previous literature and on proposals of two focus groups of customers and bank employees was used for data collection in a convenience sample of 250 customers of electronic banking. In order to qualify for the sample, respondents had to have used at least one electronic banking service during the previous month.

The study identifies the factors of service experience, and their underlined attributes, that fall into the quadrants of the importance-performance grid. Hence, it recognizes service delivery areas that are critical in terms of allocating resources and provides guidance for aptly directing resources in order to maintain and/or improve the level of service offered to customers. Further, by assessing the impact of factors of service experience on customer satisfaction the study provides to financial institutions valuable tools for decision making related to the prioritization of resource allocation.

The scope and size of its sample are the main limitations of the study. However, its methodology and conclusions provide a solid basis for future research. Financial institutions can utilize the methodology described in this paper to assess their customers' overall banking experience and keep up with their changing needs and preferences.

Keywords: Banking, Electronic Service Delivery, Customer Satisfaction, Greece

Introduction

Electronic service delivery has been widely adopted by banks as an alternative service/sales channel to traditional banking (Nath et al., 2001). Significant advantages of e-banking including cut-down transaction costs (ECB, 1999), decreased front-office staffing needs and elimination of time/place constraints seem to be paramount for banking institutions (Polatoglu and Ekin, 2001; Howcroft et al., 2002; Pikkarainen et al., 2004). Few would dispute the positive effects of e-banking on business success (Ibrahim, 2006) especially in highly deregulated and competitive financial markets where banks are striving to improve their operational efficiency (Lymberopoulos and Chaniotakis, 2005), attract more customers and encourage their loyalty (Ibrahim, 2006)

The potential of electronic service delivery in enhancing business success has attracted much research attention (e.g. Zeithaml et al., 2000, 2002; Ibrahim et al., 2006; Kuan et al., 2008). However, the understanding of customers' perceptions of the quality of electronic services and their effects on customer satisfaction is far from complete (Lee and Lin, 2005; Ibrahim et al., 2006). Intense competitive pressures from globalization, deregulation and technology advancements (Lymberopoulos and Chaniotakis, 2005; Ibrahim et al., 2006) have compelled banks to seek alternative channels to interact with customers and match their ever evolving requirements (Singh et al., 2002; Lee and Lin, 2005). As customers become more demanding, e-service delivery appears to be implicit for banks in their quest to increase customer base and encourage loyalty (Lee and Lin, 2005; Semeijn et al., 2005). Understanding customers' responses to electronic services is of great importance for bank managers as e-banking brings customers just a "click" away from competition (Gommans et al., 2001).

The study aims at expanding the knowledge on this research area. It recognizes salient attributes of e-banking quality, identifies its key quality dimensions, assesses the effects of service improvements factors on customer satisfaction and finally evaluates customers' perceptions of their banks' performance regarding key quality areas. Evidence is drawn from Greek retail banking. It is hoped that this study will be considered as a valuable contribution to the service literature. Cross-cultural research examines differences among target populations on what is perceived as good service and may lead to the development of universal marketing models that will allow for the effects of cultural differences.

The remainder of this paper is organized in six sections. The following section reviews the literature on two distinct areas: electronic banking and its implications and service quality and its assessment. Section three explains the methodology of the study while section four presents and briefly discusses the analysis results. Section five describes the implications of the study's findings, followed by section six containing the study's limitations and recommendations for further research. Conclusions are offered in section seven.

Literature Review

Electronic Banking and its Implications

A consequence of advances in technology based service delivery, e-banking has influenced the ever increasing competition in financial services (Sathye, 1999; Banks, 2001). In their quest for success in highly deregulated and competitive markets, banks must increase their effectiveness in a multitude of ways. Operational efficiency must be improved and costs must be cut, while customer satisfaction and loyalty must be encouraged and new customers must be attracted (Polatoglu and Ekin, 2001; Pikkarainen et al., 2004; Ibrahim, 2006). The industry has recognized the potential of e-banking as a facilitator of improved performance (Ibrahim, 2006).

"Electronic banking" refers to the new way that banks have made available to their customers to access their accounts, pay their bills, manage their money and use various other services. The term includes any banking activity that is accessed via electronic means such as the internet, ATMs, telephones, etc (Zask, 2001; Simpson, 2002). Mu (2003) defines e-banking as "the provision of retail and small value banking products and services through electronic channels as well as large value electronic payments and other wholesale banking services delivered electronically".

Lymberopoulos and Chaniotakis (2003) summarize the implications of e-banking to the efficiency and overall performance of banks under a number of headings: Cost reduction –e-banking can reduce transaction costs by as much as 99%, Bank image – e-banking enhances the organization's reputation for innovation. Customers are more likely to trust proven innovators, Innovators' advantage - competitive advantage is determined by a bank's ability to be among the first to master e-banking, Queue minimisation – queuing in bricks and mortar facilities is expected to fall, Increased sales – alternative distribution channels increase sales, Improved customer service and satisfaction – e-banking users tend to be more satisfied and loyal than non-users, Decreased number of employees – the largest expenses of banks are related to branches and front-office staff. E-banking is expected to complement rather than replace traditional banking, Foreign competition –e-banking in deregulated markets may increase foreign competition, Increased non-bank competition - competition from banks and non-bank institutions may be intensified, Price competition – internet increases the ability of consumers to make price comparisons. Prices and margins are expected to be pushed down, Service differentiation – banks cannot maintain competitive advantages solely on product differentiation. Distribution is increasingly important, Market transparency – internet makes it easier for consumers to search and compare competitive offerings, Increased risk - the overall risk profile of banks is affected. Some risks are increased while others reduced.

Service Quality and Service Quality Assessment

Marketers perceive service quality as the level of service needed to make it acceptable in the market place. For customers, service quality is the level of service required to satisfy their needs (Lewis and Booms, 1983). Marketers try to define service quality in advance while customers make "during" and “after use” evaluations (Marwa, 2005). Unlike products, service quality is evaluated by customers not only by the core service but also by the service experience (Zeithaml and Parasuraman, 2004).

Service quality (Grönroos, 1982, 1984; Parasuraman et al., 1985, 1988) is usually defined as the result of the comparison between perceived and expected service in either of two perspectives: The Nordic perspective (Grönroos, 1982, 1984) that defines service quality as a function of “what” service the customers get and “how” the service is delivered and the American that defines service quality as the discrepancy between expected and perceived service through five dimensions (Parasuraman et al., 1985, 1988). An alternative perspective is assessing service quality by performance only rather than performance minus expectations models (e.g. Cronin and Taylor, 1992).

Several quality assessment instruments have been developed following the debate on disconfirmation (Grönroos, 1982, 1984; Parasuraman et al., 1985, 1988) vs. performance-only measurement (Cronin and Taylor, 1992) with a number of researchers defending the main stream perspective (SERVQUAL) and others disputing it (mostly in favour of SERRVPERF) (Buttle, 1996). In any case service quality is treated as a phenomenon that requires multi-item measures. However, there is no unanimity on exactly which items are related to service quality (Zeithaml, 1988). An additional assessment method is importance-performance analysis (Martilla and James, 1977) that views service quality as a function of importance and performance perceptions related to a battery of salient attributes. IP analysis identifies service areas that should be emphasized or de-emphasized, and guides the deployment of resources to minimize mismatches between importance and performance (Graf et al., 1992; Slack, 1994; Skok et al., 2001).

E-service attracted the interest of many quality researchers and the terms electronic or automated service quality (e.g. Zeithaml et al., 2002; Santos, 2003) and electronic banking service quality (e.g. Al-Hawari and Ward, 2006) soon appeared in the literature. Existing scales, such as the SERVQUAL and SERVPERF, were customized and new were introduced to assess the quality of electronic services (e.g. Wolfinbarger and Gilly, 2001; Parasuraman et al., 2005; Ibrahim et al.; 2006 etc). With few exceptions however (e.g. Ibrahim et al., 2006) research up to date has treated electronic services as synonymous to internet or web services. The present study broadens the perspective by including services delivered by a multitude of electronic means (e.g. Internet, ATMs, Telephones, etc).

Methodology

Setting

The Greek banking industry consists of 62 banks; 22 foreign branches and 40 established in Greece. It operates through 3,805 outlets and 64,667 employees. Business concentration is heavy, with the top six banks controlling more than 70% of total assets (HBA, 2007).

The system is highly deregulated and competitive. The entry of Greece into the European Monetary Union (EMU) has compelled banks to improve their efficiency in order to defend their market shares from foreign competition and their profits from pressures on interest rates spreads (Lymberopoulos and Chaniotakis, 2005). Banks are striving to modify their organizational structures and change their traditional ways of conducting business. A gradual transformation of outlets from large, inflexible facilities to smaller service and sales oriented units is evident. The 20.05 employees per outlet of 2001 have been reduced, by almost 15%, to less than 17 in 2006 (HBA, 2007).

E-banking is widely adopted in service delivery. From 2000 to 2005 the number of ATMs has been almost doubled from 3,605 to 6,258, with offsite ATMs practically tripled from 758 to 2,250 (HBA, 2007). Although the usage of internet in the country is among the lowest in the EU and only 13% perform online banking transactions (Observatory for the Greek IS, 2007), most major banks invest on internet service delivery to protect or improve their innovator image (Valakas and Chaniotakis, 2000) as customers are more likely to trust proven innovators (Jayawardhena and Foley, 2000). For similar reasons major banks also offer phone services, although security issues related to phone banking are not fully resolved yet (Marinakis and Karanikolas, 2007).

Research Instrument and Data Collection

Data was collected through a questionnaire survey. The survey instrument consisted of five sections. Section one dealt with respondents' demographics while section two was concerned with customers' experience and trust in using e-banking. Section three explored the importance attached by respondents to salient service attributes and section four measured respondents' perceptions of their bank's actual performance regarding the same attributes. Both importance and performance scores were measured in 7-point Likert scales. Finally, section five measured customer satisfaction regarding e-banking.

The battery of service attributes was developed through a two stage process that involved a literature review on service quality and its measurement and conducting two focus groups, of customers and banking employees. The first stage produced a list of service items from the literature (e.g. Parasuraman et al., 1985, 1988; Cronin and Taylor, 1992, 1994; Bahia and Nantel, 2000; Lociacono et al., 2000; Zeithaml et al., 2000, 2002; Wolfinbarger and Gilly, 2001; Ibrahim et al., 2006; Tsoukatos and Rand, 2006) that was presented to the focus groups to: a) identify those items that best represent e-banking services in Greece, b) propose possible rewording of items to become functional in Greek and c) propose new items from their experience. The resulting scale was translated several times back and forth from Greek to English, to ensure equivalence, before being incorporated into the survey instrument which prior to its use was piloted on 20 e-banking customers.

A convenience sample from the sampling areas of wider Athens and Crete regions was surveyed. Eligible for the sample were adult Greek residents who had performed at least one e-banking transaction during the previous month. 302 usable questionnaires were collected by employing the "mall intercept" technique (Rice and Hancock, 2005). Although e-banking is non-personal in nature, the method of personal interview was chosen as superior in perceptual or attitudinal surveys (Groves, 1989). In addition, face-to-face administration maximizes response rates and makes researchers available to answer to respondents' questions (Ibrahim et al., 2006).

Data Analysis

Data analysis involved: a) exploratory factor analysis for the identification of key e-banking service factors (Table 1.), b) regression analysis for the examination of the effects of service improvements on customer satisfaction and c) importance-performance analysis of the data.

The n=302 sample was adequate for factor analysis as consisting of more than 300 cases and the ratio of cases to items exceeded 10. Further, the KMO measure of sampling adequacy was 0.91 and the Bartlett's test of sphericity was significant at $p<0.001$, both indicating sample adequacy (Nunally, 1978; Tabachnick and Fidell, 2001). As the analysis involved relations between variables, the R-type approach was employed for factor analysis (Stewart, 1981). For initial factor extraction and for rotation, the principal components and the varimax methods were used respectively (Tabachnick and Fidell, 2001). The number of factors to retain was decided on the basis of combining the roots criterion with the scree test (Stewart, 1981). The threshold for meaningful factor loading was set to 0.45 as loadings below this size are considered poor (Tabachnick and Fidell, 2001). The internal consistency of the factor structure was examined by employing the Cronbach's alpha coefficient (Pallant, 2001).

The effects of service improvements on customer satisfaction were examined by regressing satisfaction scores against average performance scores of underlying quality dimensions. The regression model also provided an assessment of the scale's predictive validity (Tabachnick and Fidell, 2001).

Finally an IP analysis of the data was conducted (Martilla and James, 1977; Hemmasi et al., 1994). IP analysis is performed by drawing importance-performance (IP) maps placing each service element in a two-dimensional grid with coordinates mean "performance" and "importance" ratings. A four-quadrant matrix, identifying areas needing improvement and areas of effective performance, is produced by dividing the horizontal and vertical dimensions into "high" and "low" areas using the grand means of observed importance and performance ratings (e.g. Martilla and James, 1977; Hemmasi et al., 1994; Aigbedo and Parameswaran, 2004). Alternatively, the dimensions are divided by the mean values of the scales employed for measuring importance and performance (e.g. Evans & Chon, 1989). This study has adopted the grand means of observed values approach.

The High Importance/Low Performance quadrant, labelled "concentrate here", contains elements that should be given top priority (Graf et al., 1992). The High Importance/High Performance quadrant is labelled “keep up the good work” and contains quality strengths calling for a maintenance posture (Graf et al., 1992). Elements positioned in the Low Importance/Low Performance quadrant, labelled “low priority”, do not require immediate (Crompton and Duray, 1985). Finally, the Low Importance/High Performance quadrant labelled “possible overkill” contains elements that, although not important for customers, are over-resourced suggesting that quality resources could be diverted elsewhere. IP maps assist managers in improving the deployment of resources by identifying attributes that should be emphasized or de-emphasized (Graf et al., 1992; Skok et al., 2001). An extension of the method is the iso-line, an upward 45° line from the grid’s origin, on which importance equals performance. The area above the line is that of quality challenges where the larger the distance from the line the greater the priority (Skok et al., 2001).

Results

Factor Analysis

Based on the roots criterion (Stewart, 1981), exploratory factor analysis of variables reflecting performance perceptions produced a five factor structure explaining 63.7% of the variance. However, the fifth factor explained only 4.3% of the variance and loaded on only three variables, of which two also loaded on the fourth factor, leading to interpretational difficulties. Based on the scree test (Stewart, 1981), the analysis ended-up with a four factor solution that explained 59.4% of the variance.

The communalities of 88.5% of variables were in excess of 0.50. Communalities below 0.50 are considered “too low for having sufficient explanation” (Hair et al., 1998). The internal consistency of the structure was examined by the Cronbach’s alpha coefficient, ranging from 0.85 to 0.87 for all four dimensions. According to Nunnally, (1988) alpha coefficients in excess of 0.70 indicate good internal consistency. Cross-loadings were observed in only two cases, suggesting good discriminant validity of the solution (Hemmasi et al., 1994). Table 1 contains the 26-item battery of e-banking service quality attributes, the four underlying dimensions, factor loadings, reliability coefficients and percentage of explained variance. The four dimensions of e-banking services can be identified as:

Table 1. Effects of Service Improvement on Customer Satisfaction

Personalized Service	(16.47% of variance) - providing personalized services and caring for customers’ personal needs.
Innovation	(14.59% of variance) – offering technologically advanced services to customers.
Accessibility-Convenience	(14.23% of variance) – having e-service outlets easily accessible and ensuring convenience in using them.
Transaction Security	(14.08% of variance) – taking all measures to instil confidence to customers in using electronic banking services.

To assess the effects of service improvement in the four dimensions on customer satisfaction (Cus_Sat), the latter was regressed against variables Per_Ser_P, Inn_P, Acc_Con_P and Tran_Sec_P, representing average performance scores along the four factors. With an R2 = 0.29 the regression model explained a significant (p=0.000) proportion of the variance. The regression coefficients of individual factors were 0.29 for Acc_Con_P (p=0.000), 0.28 for Tran_Sec_P (p=0.000), 0.11 for Inn_P (p=0.062) and -0.06 for Per_Ser_P (p=0.438). These indicate that respondents' satisfaction is influenced primarily by improvements in Accessibility-Convenience and Transaction Security. Improvements in Personalized Service and Innovation have statistically insignificant effects. The regression model also indicates good predictive validity of the scale (Tabachnick and Fidell, 2001).

Importance – Performance Analysis

Factors A - Personalized Service and B-Innovation fell into the "low priority" quadrant while factors, C-Accessibility-Convenience and D-Transaction Security, into the "keep up the good work" quadrant. These placements indicate that respondents perceived: a) dimensions C and D as more important than dimensions A and B and b) the customers' perceptions that the industry gives priority in deploying resources where they are needed most. Further, these placements provide support for the findings that only service improvements in Accessibility-Convenience and Transaction Security affect significantly respondents' satisfaction.

A more detailed picture was taken by positioning the four factors and the individual service attributes in the same IP grid and drawing the iso-priority line (Figure 2). All four factors and the complete battery of items fell in the area above the iso-line, an indication of unfavourable respondents' perceptions of service performance. The distances from the iso-line of the 26 quality items (Table 2.) are significantly >0 indicating quality challenges.

Certain items, despite being associated with factors lying in the "low importance" or "keep up the good work" quadrants, fell into the "concentrate here" quadrant (Figure 2.), an indication that they should be given priority in resource allocation. These are listed, in descending order of their distance from the iso-line, in Table 3.

Management Implications

This study identified a salient e-banking attributes, in four distinct dimensions: Personalized Service, Innovation, Accessibility-Convenience and Transaction Security. IP analysis exposed unfavourable respondents' perceptions regarding banks' performance in all service areas. A detailed examination of the IP maps (Figures 1 and 2.) revealed alternative strategic responses to particular service areas. This chapter discusses the implications of findings.

First, a general point regarding respondents' perceptions is that Greek banks are expected to do better in upgrading e-banking quality in order to enhance customers' perceptions and increase its usage. This would contribute towards cutting-down transaction costs and reducing staffing needs (Lymberopoulos and Chaniotakis, 2003). E-banking improvements also augment the innovator's image of banking institutions. This may have positive effects as e-banking customers are attracted by proven innovators (Jayawardhena and Foley, 2000). Further, a holistic upgrade of electronic services would favourably affect corporate image. This is critical in highly competitive financial services markets that increasingly attract powerful foreign players (Ibrahim et al., 2006).

Second, the placement of Accessibility-Convenience and Transaction Security in the "keep up the good work" quadrant must be appraised in combination with the significant effects of improvements in these dimensions on customer satisfaction. Banks should continue to explore possible technological and organizational solutions to improve their performance in these specific areas. As the economy advances, customers are expected to become more cash-rich but time-poor (Ibrahim et al., 2006); hence, the importance of Accessibility-Convenience is expected to increase further. Transaction Security will always be important on the basis of customers' cultural characteristics. Previous research (Hofstede, 1980, 1991; Tsoukatos and Rand, 2007) has shown that the Greek society is top of the list regarding the cultural characteristic of uncertainty avoidance and customers with high uncertainty avoidance are intolerable of risk-taking in their transactions (Furrer et al., 2000; Tsoukatos and Rand, 2007), especially when there is no face-to-face interaction. Hence, banks should take all appropriate measures to improve their customers' feeling of security and trust to e-banking transactions.

The individual service attributes IP map (Figure 2) reveals that although Accessibility-Convenience is placed in the "keep up the good work", two of its attributes esQ16-provide secure services (ATM) and esQ5- provide brochures to new users, fall into the "concentrate here" quadrant. This indicates that in improving Accessibility-Convenience priority should be given to the physical security of ATM installations and providing information on how to use e-banking. All items of Transaction Security fall into the "keep up the good work" quadrant, indicating respondent's perceptions importance of these attributes has been recognised by service providers. The challenge for banks now is to further enhance their services to match customers' needs.

Third, the placement of Personalized Service and Innovation into the "low priority" quadrant, in combination with the non-significant effects of improvements in these areas on customer satisfaction, indicates that the deployment of resources in these specific dimensions is of lower priority. The relative unimportance of Personalized Service can be interpreted on the basis of customers' cultural characteristics. The Greek society is high in Power Distance (the extent to which social inequalities are tolerated and expected) (Hofstede, 1980, 1991; Tsoukatos and Rand, 2007). At the same time retail banking customers are weak in relation with their banks that are powerful financial institutions. Relatively weak customers with high Power Distance view themselves as unimportant to powerful service providers (Furrer et al., 2000) and they do not expect personalised service (Donthu and Yoo, 1998). However, as societies move forward cultural characteristics are changing. Greek banks should always be prepared to confront a discreet customers' shift towards placing more importance in Personalized Service. A closer look to the individual service attributes IP map (Figure 2) reveals that attributes ebS11 - Provide special services for the elderly/disabled (System), ebS12 - Adequately satisfy complaints within 24 hours (System) and ebS17 - Provide special services for the disabled (ATM) already fall into the "concentrate here" quadrant. Greek banks must take discreet actions towards improving their performance in these particular service areas although currently such improvement may not have a direct effect on customer satisfaction but only to their corporate image.

The relative unimportance of Innovation may be attributed to low e-banking usage and even lower usage of phone banking. However, banks must be prepared to confront challenges in this area. Internet usage grows fast in the country and customers' security concerns are relaxed as technological solutions become available (Marinakis and Karanikolas, 2007). The individual service attributes IP map (Figure 2) reveals that attribute ebS21- Immediate connection to the service (Internet, Phone) already falls into the "concentrate here" quadrant, indicating that banks should take all appropriate technological measures to prepare themselves for possibly increased internet and phone banking demand.

Overall, Greek banks need to keep giving priority attention to the dimensions located in the "keep-up-the good-work" quadrant, i.e. Accessibility-Convenience and Transaction Security. Special priority should be given in improving security in ATM banking and educating new users. The placement of both these attributes in the "concentrate here" quadrant indicates that customers expect visible improvements. Although Personalized Service and Innovation are currently located within the "low priority" quadrant, Greek banks should be prepared to face significant quality challenges regarding these dimensions. Deploying resources to improve their recovery records and services to handicapped citizens would enhance their corporate image for social responsibility. Further, improving connection to the service speed in Internet and Phone banking would also increase their innovator image.

Finally, Greek banks must be aware that service quality is not static. Pressures from technological, economic and social trends affect customers' preferences and needs (Furrer et al., 2000) that in turn may affect both importance and performance ratings. Frequent monitoring of customers' perceptions would contribute towards removing any errors related to being synchronized with their customer base (Tsoukatos and Rand, 2007).

Limitations and Directions for Future Research

Although due care was taken regarding methodological considerations, the study suffers a number of limitations which may also be viewed as opportunities for further research. First, the study was focused on a single industry. Given earlier research findings on the limited generalizability of quality measurement scales (e.g. Buttle, 1996), future research should encompass multi-industry settings to examine a wider combination of situational variables. Cross-national repetitions will enhance managers' understanding on the effects of culture on e-service quality.

Second, although the sample size was found adequate convenience sampling, common in management studies (e.g. Brady et al., 2002; Wang et al., 2004; Semeijn et al., 2005), was used for data collection. Therefore, issues such as location and representativeness may have affected the generalizability of findings.

Third, although the battery of items was considered appropriate for measuring e-banking quality and a set of easily interpretable dimensions was produced, more research is needed to assess the replicability of findings. The stability and reliability of service quality scales (including SERVQUAL and SERVPERF) have been challenged by previous research (e.g. Buttle, 1996). The ever increasing impact of technology results in rising expectations as a consequence of escalating levels of service delivery (Heskett et al., 1990). Such changes need longitudinal research.

Fourth, the study adopted a rather generalised approach and did not explore the impact of specific technology forms (ATMs, Internet, Phone banking, etc), on customers' performance perceptions. Future research should examine whether such effects exist. The same generalized approach neglected the impact of respondents' demographics on customers' demands and preferences. Future research should examine possible variations in importance and performance perceptions of demographically dissimilar customers' segments and identify the need of varying responses from banking institutions.

A final limitation is associated with the use of IP analysis for assessing service quality. The appropriateness of the technique is testable (Oh, 2001) and should be the subject of further research.

Conclusions

This study contributes to both academia and practice. With regard to academia it builds on previous research on the assessment of the quality of electronic services, especially in the relatively under-researched area of e-banking. Conclusions on the cross-cultural applicability of quality models are of particular research interest especially because the setting of this study is culturally different from the Anglo-Saxon service settings (Hofstede, 1980) from which most marketing literature originates.

With regard to practice, the study provides useful decision making tools for managers to assess the quality of e-banking services and accordingly allocate quality improvement efforts and resources to enhance customer satisfaction and loyalty and improve corporate image.

Although the combination of situational variables in Greek retail banking may be different from other industries, the methodological framework of the study is applicable to every service setting. Hence, a variety of industries may benefit by replications of this study.

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DETERMINING DIFFERENCES BETWEEN STORE PERCEPTIONS OF LOYAL AND NON-LOYAL CUSTOMERS OF A MAJOR SUPERMARKET RETAILER IN TURKEY

ZEHRA BOZBAY
ISTANBUL UNIVERSITY, TURKEY

Abstract

In recent years, retail competition has been intensified as a consequence of fast changes, new technologies and more sophisticated management practices. In today's highly competitive business world, retailers strive harder than ever to keep their customers loyal.

Retail management efforts to keep customers loyal are also becoming increasingly commonplace in Turkey. There are too many supermarket retailers in today's marketplace. Increasing competition in Turkish retailing industry is pressing supermarkets to search for new ways to differentiate themselves and have a better competitive position in the minds of customers to gain store loyalty.

However store loyalty is one of the major challenges for retailers, how customers develop loyalty to a particular store and how that loyalty can be maintained are question marks. An understanding of customers' store perceptions is an important basis for the identification of optimal retailer actions. Gaining competitive advantage in retailing requires knowledge of customers' store loyalty and understanding of their store perceptions. Besides, it is likely that loyal customers have different motives and perceptions from non-loyal customers.

This article examines store perceptions of loyal and non-loyal customers of a major supermarket retailer in Turkey. The goal is to determine store perceptions of loyal customers and non-loyal customers and examine the key variables differentiating these two customer groups. Data was collected from 600 supermarket customers via questionnaire. Discriminant analysis was employed to differentiate loyal and non-loyal customers. It is indicated that store perceptions of loyal customers are significantly different from store perceptions of non-loyal customers. The important store attributes differentiating the two groups are predicted by using customers' store perceptions. It is also confirmed that loyal and non-loyal customers differed in terms of their demographic characteristics.

This research clearly provides retailers with an incentive to examine ways to make non-loyal customers loyal to their stores. It also provides actionable focus to the managers in their pursuit of competitive advantage.

It's believed that the study makes valuable contribution by underlining the importance of store loyalty and understanding store perceptions of loyal and non-loyal customers.

Key Words: Store Loyalty, Store Perceptions, Supermarket, Discriminant Analysis.

Introduction

Retailers want to attract and hold customers who spend more money in their stores. Heavier expenditure in a store occurs either because a customer generally spends more or because he / she concentrate his / her spending on that store, in other words being loyal.

There are some basic benefits of keeping customers loyal. Firstly, the cost of customer acquisition should go down because retailer does not have to replace as many customers who have defected (Graham, 1995). The cost of acquiring new customers -as opposed to retaining existing ones- is generally high. Researchers have shown that a five percent increase in customer loyalty can produce a profit increase of 25 percent to 85 percent (Kandampully and Suhartanto, 2000). Secondly, a long-standing customer is likely to be less price sensitive, so the margins retailer can make will be higher (Thiele and Mackay, 2001). Besides, a long standing customer will be likely to be more responsive to the suggestion of buying a greater variety of products or services from that retailer (Graham, 1995). In addition, Dick and Basu (1994) suggest that loyal customers are likely to provide new referrals through positive word of mouth, buy more and resist competitive pressures.

Retail management efforts to keep their customers loyal are becoming increasingly commonplace in Turkey in order to motivate the customers to spend more in one store group and less in others. However, absolute customer loyalty at store level is not a realistic proposition for retail marketers. While a consumer, conceivably, may retain the services of the same bank throughout his / her working life, possibly at the exclusion of all others, it is inconceivable that they would show comparable loyalty to a grocery supermarket or clothing chain (Knox and Denison, 2000).

Although a number of loyalty studies have identified in Turkey, only a few studies have considered the most crucial aspects to retailers, namely store loyalty. Gaining store loyalty in retailing requires knowledge of customer perceptions about the store attributes. This article proposes to help retailers understand how customers' store perceptions differ according to their loyalty levels.

Literature Review

Store Loyalty and Measurement

There are so many definitions of store loyalty in the literature. Knox and Denison (2000) define store loyalty as the consumer's inclination to patronize a given store or chain of stores over time. Store loyalty is a customer's predominant patronage of a store, based on favorable attitude (Sheth, Mittal and Newman, 1999). That is the customer shops at the store more than at any other store for a type of merchandise and has a more favorable attitude toward the store.

Store loyalty is the biased behavioral response expressed over time, by some decision making unit with respect to one store out of set of stores, which is a function of psychological (decision making and evaluative) processes resulting in store commitment (Bloemer and Ruyter, 1998). The critical part of the definition of store loyalty is store commitment which is a necessary condition for store loyalty to occur. Store commitment is the pledging or binding of an individual to his / her store choice (Bloemer and Ruyter, 1998). As a result of explicit and extensive decision making as well as evaluative processes, a consumer becomes committed to the store and therefore, by definition becomes store loyal. In addition, Reynolds and Arnold (2000) define store loyalty as the commitment and intention to continue dealing with the particular store.

In the literature, store loyalty has been operationalized and measured in many different ways. Some researchers have been originally developed for assessing brand loyalty, others are more original and tailored to store behaviour (Knox and Denison, 2000). In a sense, the fact that multiple measures exist at all reflects the lack of a coherent definition.

The quantification of the degree of store loyalty has been carried out in different ways. The first behavioral measure consists in measuring the proportion of the buyer's spending in each store. The second one consists in measuring the proportion of visits made by a consumer to the same store. The higher the proportion of visits to the same store, or the lower the number of different stores visited by a consumer in a period, the more loyal the shopper. Hybrid measures that combine both indicators have also been considered. However, as is to be expected, various studies have confirmed the existence of a close relationship between both types of indicators, so that the consumer who visits the same store with more frequency also spends a higher proportion of her or his budget in that store (Flavian, Martinez and Yolanda, 2001).

On the other hand, Knox and Denison (2000) had classified the various measures into four categories. Patronage measures focus on the number of shopping visits made in one store relative to others whilst the switching ratio reflects the degree of successive visits made to the store and subsequent switching patterns. Budget measures is the proportion of total expenditure devoted to a preferred store and finally the fourth category of store loyalty, composite measures combine these three measures.

Store Perceptions and Store Loyalty

Previous research revealed that consumers have perceived stores regard to store attributes. A growing body of empirical research has dealed with perceptions of store attributes. Tangible store characteristics -such as merchandise assortment, store design and service- and loyalty intentions of supermarket customers appear to be related. Favourable perceptions of service quality, price, merchandise quality and value lead to higher loyalty intentions (Sirohi, Mclaughlin and Wittink, 1998). Besides, when store atmosphere is positively evaluated, spending levels, amount of time spent in the store and willingness to visit again increase (Donovan and Rossiter, 1982).

On the other hand, one of the main stream retail theories, the central place theory, emphasizes location to be the most important factor in attracting patrons to a shopping area (Kim and Jin, 2001; Craig, Ghosh and McLafferty, 1984; Bruner and Masson, 1968; Nevin and Houston, 1980). But Burns and Warren (1995) report that the consumer may visit a more distant retailer to express his / her uniqueness. Similarly, other research suggests that there are more important factors associated with shoppers' selection of retail stores. These factors include store images (Martineau, 1958; Lindquist, 1974; Bearden, 1977; Nevin and Houston, 1980) and store attitude (Macintosh and Lockshin, 1997; Yoo and MacInnis, 1998), which subsequently affect store satisfaction and store loyalty (Bloemer and Ruyter, 1998). In summary, customers' store perceptions depend upon customer and the type of the store.

Methodology

Research Model & Hypotheses

The purpose of the study is to identify loyal and non-loyal customer groups and examine how store perceptions of loyal customers differ from non-loyal customers. A descriptive research model with three main variable groups namely customers demographic characteristics, store perceptions and store loyalty are developed.

Figure 1

In the study, store perceptions are operationalized in order to differentiate store loyalty based segments. Thus, it is hypothesized that store loyalty based groups differ in terms of their store perceptions.

H1: Loyal customers' store perceptions differ significantly from non-loyal customers' store perceptions.

Customers' demographic characteristics have also been widely used to profile loyal and non-loyal groups. Income, education, age and family size are the most widely used identifiers for loyal customers and non-loyal customers. Loyal customers are thought to have different levels of income, education, age and family size. Therefore, the following hypotheses are established.

H2: Store loyalty based segments will differ in terms of demographics.

H2a: Store loyalty based segments will differ in terms of income.

H2b: Store loyalty based segments will differ in terms of education.

H2c: Store loyalty based segments will differ in terms of age.

H2d: Store loyalty based segments will differ in terms of family size.

Table 1

Age	n	%	Income (YTL*)	n	%
18-25	91	15.2	300 YTL and less	11	1.8
26-33	147	24.5	301 YTL-600 YTL	69	11.5
34-41	96	16.0	601 YTL -900 YTL	146	24.3
42-49	157	26.2	901 YTL - YTL	108	18.0
50 and over	109	18.2	1200 YTL -1500 YTL	88	14.7
Total	600	100	Over 1500 YTL	178	29.7
			Total	600	100
Family Size	**n**	**%**	**Occupation**	**n**	**%**
1-3 people	243	40.6	Self employed	145	24.2
4-6 people	344	57.3	Merchant	18	3.0
7-9 people	13	2.1	Tradesman	24	4.0
Total	600	100	Worker	62	10.3
Education	**n**	**%**	Civil Servant	149	24.8
High school and lower	298	49.7	Retired	72	12.0
University and over	302	50.3	Housewife	120	20.0
Total	600	100	Other	10	1.7
			Total	600	100
Distance to the Store	**n**	**%**	**Car Ownership**	**n**	**%**
Walking distance	281	46.8	Own a car	417	69.5
Car drive	319	53.2	Doesn't own a car	183	30.5
Total	600	100	Total	600	100
Marital Status	**n**	**%**	**Gender**	**n**	**%**
Married	420	70.0	Male	264	44.0
Single	180	30.0	Female	336	56.0
Total	600	100	Total	600	100

*1.2YTL= 1$

In order to test these hypotheses, a survey was administered to consumers living in Istanbul. A total of 600 surveys were completed on a voluntary basis. From the demographic data in Table 1, respondents were from both gender (males 44 percent and females 56 percent), and had an age of 42-49, mostly civil servant and self-employed and had 4-6 people family size. Approximately, half of the sample had university and over grade, the other half of the sample had high school and lower degrees. The sample was represented by high income level and most of them had their own car, so being a car drive distance to the store did not form a problem.

Based on a review of the relevant literature, five point Likert statements were used to measure store perceptions of respondents. Customers' store perceptions scale including 22 items was drawn from McGoldrick and Andrea (1997). Store perceptions of customers were measured by the items such as "It is convenient to access the store.", "It is an attractive store to shop in.", "The store is neat.", "The products are of high quality.", "The store is spacious to move around with cart.", "Staff has knowledge to answer customer questions.", "The store is well designed.", "The store offers low prices.", "There are enough special offers.", "Staff is willing to help customers at all times.", "The price label of products in the store is accurate.", "Wide variety of store brands is available.", "It has good parking facilities.", "Shelves are always full.", "The price is reasonable for value.", "The store has fair return policy.", "Shelves are well laid out.", "It takes less time to be checked out.", "The operating hours are convenient to all customers.", "There is wide variety of products.", "Staff is cheerful to customers." and "There are lots of proper brands.".

The store loyalty scale was drawn from Jacoby and Chestnut (1978) and more recently Knox and Denison (2000). Jacoby and Chestnut (1978) noted over fifty operational definitions of loyalty; an idea which is central to many of these definitions is that loyalty is indicated by the proportion of expenditure devoted to a specific brand or store. Thus, the store loyalty was measured by the proportion of shopping from the supermarket among the other supermarkets.

Hypotheses Testing

The reliability of the customers' store perceptions scale was assessed by computing Cronbach's coefficient alpha. The store perceptions scale adapted from McGoldrick and Andrea (1997) established reliability of alpha = 0.80 which indicates an acceptable reliability level of □ = 0.70 (Hair, Anderson and Black, 1995).

In the study, discriminant analysis was used in order to test the research hypotheses. Once the discriminant function was formed, discriminant analysis was also used to find out differences between store perceptions of loyal and non-loyal customers.

As seen in Table 2, canonical discriminant function explained 100 % of total variance. The chi-square was significant at p = 0.000 (see Table 3). Therefore, first research hypothesis was mostly accepted. Store perceptions of loyal customers were significantly different from store perceptions of non-loyal customers.

Table 4 listed 22 perception variables of which eight variables were determined as significant at 0.01 and ten variables were determined as significant at 0.01 significance level (see Table 4). The most significant differences between two groups at p = 0.01 resulted from the store perceptions such as "The products are of high quality", "It is convenient to access the store.", "The store is neat.", "It is an attractive store to shop in.", "The store is well designed.", "The store is spacious to move around with cart.", "Staff has knowledge to answer customer questions." and income level.

The store perceptions such as "The store offers low prices.", "The price label of products in the store is accurate.", "There are enough special offers.", "The price is reasonable for value.", "Wide variety of store brands is available.", "It has good parking facilities.", "Shelves are always full.", "Staff is willing to help customers at all times.", "The store has fair return policy." and family size were significant at p = 0.05.

Table 5 listed 22 store perceptions and four demographic measurements of 600 respondents and their function coefficients. The structure matrix showed the most powerful discrimination variable was income level and the statements like "It is convenient to access the store.", "It is an attractive store to shop in.", "The store is neat.", "The products are of high quality", "The store is spacious to move around with cart.", "Staff has knowledge to answer customer questions" and "The store is well designed.".

In Table 6 the groups' store perceptions were examined in detail. It shows the differences between store perceptions of loyal and non-loyal consumers. The mean of loyal customer perceptions related to "The store offers low prices.", "The price label of products in the store is accurate.", "There are enough special offers.", "The price is reasonable for value.", "Wide variety of store brands is available." "The products are of high quality." "It is convenient to access the store." "It has good parking facilities." "The store is neat." "It is an attractive store to shop in.", "The store is well designed.", "The store is spacious to move around with cart.", "Shelves are always full.", "Staff is willing to help customers at all times.", "Staff has knowledge to answer customer questions." and "The store has fair return policy." were higher than the mean of the non-loyal customer perceptions. Besides, loyal customers' income level was higher than the non-loyal customers' income level whereas the family size of non-loyal customers was higher than the family size of loyal customers.

To test the predictive power of discriminant function, a classification table was formed in Table 7. It is indicated that 67.2 % of non-loyal customers and 68.5 % of loyal customers were correctly classified. Only 32.8 % of non-loyal customers and 31.5 % of loyal customers were classified wrongly. Thus out of 600 loyal and non-loyal customers, 67.5 % were correctly classified and only 32.5 % were classified wrongly.

"Table 2 here"

Table 3

Function	Eigenvalue	Variance %	Cumulative %	Canonical Correlation
1	0.152	100.0	100.0	0.364

Table 4

Test of Function	Wilks' Lambda	Chi-Square	df	p
1	0.868	82.942	26	0.000

Table 5

	Wilks' Lambda	F Values	p
The store offers low prices.	.990	5.846	.016
The price label of products in the store is accurate.	.991	5.432	.020
There are enough special offers.	.991	5.598	.018
The price is reasonable for value.	.993	3.927	.048
Wide variety of store brands is available.	.991	5.388	.021
The products are of high quality.	.984	9.833	.002
It is convenient to access the store.	.975	15.222	.000
It has good parking facilities.	.993	4.422	.036
The store is neat.	.984	9.992	.002
It is an attractive store to shop in.	.980	12.397	.000
The store is well designed.	.988	7.023	.008
The store is spacious to move around with cart.	.985	8.976	.003
Shelves are always full.	.993	3.948	.047
Staff is willing to help customers at all times.	.991	5.593	.018
Staff has knowledge to answer customer questions.	.986	8.268	.004
The store has fair return policy.	.994	3.866	.050
Income	.934	42.345	.000
Family Size	.993	4.477	.035

Table 6

	Function 1
Income	.682
It is convenient to access the store.	.409
It is an attractive store to shop in.	.369
The store is neat.	.331
The products are of high quality.	.329
The store is spacious to move around with cart.	.314
Staff has knowledge to answer customer questions.	.301
The store is well designed.	.278
The store offers low prices.	.253
There are enough special offers.	.248
Staff is willing to help customers at all times.	.248
The price label of products in the store is accurate.	.244
Wide variety of store brands is available.	.243
Family size	-.222
It has good parking facilities.	.220
Shelves are always full.	.208
The price is reasonable for value.	.208
The store has fair return policy.	.206
Age	.183
Shelves are well laid out.	.177
It takes less time to be checked out.	.177
The operating hours are convenient to all customers.	.173
There is wide variety of products.	.172
Staff is cheerful to customers.	.163
There are lots of proper brands.	.136
Education	.134

Since discriminant analysis generated high correct classification ratio of 67.5 % which was significantly higher than the random classification ratio of 50 % even at p = 0.000. Thus, this discriminant function could be used for predicting group membership of customers. It can be accepted that discriminant function correctly assigned loyal and non-loyal customers to their true classes.

Finally, Table 8 shows the hypotheses tested along with the conclusions whether the hypotheses are supported or not.

Conclusion

This research was conducted in order to determine store perceptions of loyal and non-loyal customers and examine the key differentiating store perceptions and demographic characteristics of these two customer groups. The results of the study indicated that store perceptions of loyal customers were significantly different from store perceptions of non-loyal customers. Out of 22 store perception measurements 16 statements were found significant to differentiate loyal customers from non-loyal customers. Among these differentiating store perceptions, the most critical attributes were “The products are of high quality”, “It is convenient to access the store.”, “The store is neat.”, “It is an attractive store to shop in.”, “The store is well designed.”, “The store is spacious to move around with cart.” and “Staff has knowledge to answer customer questions.”.

Table 7

	Loyal Customers	Non-loyal Customers
The store offers low prices.	2.8710	2.6092
The price label of products in the store is accurate.	3.9758	3.7500
There are enough special offers.	2.8790	2.6660
The price is reasonable for value.	3.7661	3.5651
Wide variety of store brands is available.	3.4839	3.2689
The products are of high quality.	4.2339	3.9601
It is convenient to access the store.	4.0000	3.6345
It has good parking facilities.	3.5403	3.3067
The store is neat.	4.1210	3.8508
It is an attractive store to shop in.	4.0081	3.6933
The store is well designed.	3.9758	3.7458
The store is spacious to move around with cart.	3.9274	3.6366
Shelves are always full.	3.9758	3.7920
Staff is willing to help customers at all times.	3.8306	3.6303
Staff has knowledge to answer customer questions.	3.7419	3.5168
The store has fair return policy.	3.7177	3.5273
Income	4.9516	4.0189
Family Size	3.4919	3.7605

(5 : Strongly Agree, 1: Strongly Disagree)

Table 8

	Predicted Group Membership		
	Loyal Customers	Non-loyal Customers	Total
Original Group	**156 (%32.8)**	**320 (%67.2)**	**476**
Membership	**85 (%68.5)**	**39 (%31.5)**	**124**

According to results, loyal customers' store perceptions were higher than non-loyal customers' store perceptions. Loyal customers agreed the statement of "The store offers low prices." more than non-loyal customers. They also agreed the statement of "The price is reasonable for value." more than non-loyal customers. It can be easily predicted that non-loyal customers were more price conscious customers than loyal customers. Loyal customers agreed the statements of "The price label of products in the store is accurate." and "There are enough special offers." more than non-loyal customers. Loyal customers believed that the store was offering wide variety of store brands and high quality products more than non-loyal customers. Loyal customers found their store more convenient as location and parking facilities than non-loyal customers. Loyal customers gave more importance to the cleanliness, attractiveness, spacious atmosphere and design of the store than non-loyal customers. They agreed the statement "Shelves are always full." more than non-loyal customers. Loyal customers' agreement level of the statement that the staff is knowledgable and helpful were higher non-loyal customers'. Lastly, loyal customers agreed with the statement of "The store has fair return policy." more than non-loyal customers.

In addition, loyal customers were significantly different from non-loyal customers by their income level and family size. Loyal customers had higher income levels compared to non-loyal customers. Loyal customers were formed by small sized families whereas non-loyal customers were formed by large sized families.

This research clearly provides retailers with an incentive to reexamine ways to make non-loyal customers loyal to their stores. First action of the supermarket retailer is to improve its price policy in order to keep existing customers loyal and attract new ones. Besides, the retailer must explore new approaches for customer segmentation based on customers' loyalty levels in order to retain customers having different loyalty levels. The study also provides actionable focus to the retail managers in their pursuit of competitive advantage.

It's believed that the study makes a valuable contribution to knowledge by underlining the importance of store loyalty and understanding store perceptions of loyal and non-loyal customers. Knowledge of the perceptions of loyalty groups would also be important for competitive positioning, loyalty schemes and customer retention rates, encouraging customer conversions from other stores as well as having implications for new product and store designs.

Limitations

As is the case with any research, the study presented exhibit limitations that should be considered. First, the study is limited to the store investigated in this research. Further research can extend this study by including the other types of stores.

In addition, it is limited to the sample examined. Thus, how loyalty might vary between different demographic groups might be interesting as well as examining whether different segments of loyalty exist.

Finally, future research may take a longtitudinal approach and trace how customers' loyalty levels and the store perceptions change over time.

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CUSTOMER PERCEPTIONS OF THE DINING MARKET OF EAST LONDON, SOUTH AFRICA

DINESH VALLABH
WALTER SISULU UNIVERSITY, SOUTH AFRICA

DIMITRI TASSIOPOULOS
WALTER SISULU UNIVERSITY, SOUTH AFRICA

Abstract

The consumers dining experiences and the quality of service provided are an important element of a tourism destination. The literature reviewed for this study found that most tourists partake in dining tourism when visiting a tourism destination. The study found that much emphasis is put on tourist attractions, but little attention is directed towards consumer behaviour in the dining market. Consumer behaviour and service levels in the dining market can have a significant impact on destinations.

When people dine out they are not only looking for the services provided at dining venues, they are also looking for a memorable experience, which can be achieved through service excellence. The paper deals with the demand side of the dining market of East London, located in the Eastern Cape Province of South Africa. The research design was exploratory and used structured questionaires. Non- probability sampling, in particular, quota sampling was used. The respondents included in the study were mostly (57%) black female South Africans. The study further found that the respondents could be characterized as being professional and unmarried. The majority (37.6%) was aged between 26 and 35 years and were Xhosa speaking. The size of the dining party was groups of two or five. The results show that the majority (60.4%) of people dine out to relax in a good atmosphere and (54.7%) of the respondents indicated that their reason to dine out was to have a good time. The research findings further show that 88% of the respondents would recommend the dining venue to their friends and family. Most (63.3%) had heard about the dining venues from friends or relatives. Hence, the importance or strength of word of mouth must not be overlooked in any business as 95% of respondents in this study heard about dining venue from friends or relatives. The results of the study indicate that it is vital for dining venues to provide their customers with sustained quality service as this will give them a unique identity and advantage.

It is recommended that in order to improve service levels, restaurant owners should listen and act positively on customer suggestions. The study found that diner needs were only being met, therefore, levels need to be improved and employees should be continuously trained in order to exceed expectation. Professionalism and expertise is what the industry needs in order to flourish. The results of the study will enable management to know how their customers feel about the venue and what customers would really like to experience when they dine out. It is important for management to take the research findings seriously if they are to remain competitive. The significance of this study lies in its expected contribution to the existing body of literature on the South African dining market.

KEY WORDS: dining market, service levels, perceptions, South Africa.

INTRODUCTION

The White Paper on Tourism Development (South Africa, 1996) outlines a clear vision to develop the tourism sector as a national priority, in a sustainable manner, so that it will contribute significantly to the improvement of the quality of life of every South African. The government is committed to ensuring and maintaining high standards of service and facilities by encouraging all establishments, particularly smaller establishments and previously neglected entrepreneurs, to upgrade their standards of service. Against this background, one also has to take into cognisance the recent, post-1994, period of history of South Africa, its unequal society and the impact on tourism and disposable income levels as disadvantaged groups began prospering due to better employment prospects and improved economic conditions.

Consumer behaviour and service levels in the dining market can have a significant impact on destinations. The quality of service is an important factor that contributes to the success of a hospitality business. Service quality has always been an issue in the hospitality business, especially in cultures where service is held in high esteem. Destinations are successfully starting to take quality of service in their hospitality industry very seriously, as highlighted by Wolf (2002). The hospitality industry in South Africa is a growing business and a dominant aspect of the tourism industry. East London, a city situated in the heart of the Eastern Cape Province, has many hotels, restaurants and bed and breakfast establishments that cater for its residents and tourists.

LITERATURE REVIEW

The term 'hospitality' is used to refer to the sector of the tourism industry that provides food and shelter to the tourist. The hospitality sector comprises two main parts: accommodation, and, catering (or food and beverage) services. The food and beverage industry earns some fourteen percent of the expenditure of tourists at a destination and is the second largest category of expenditure of both business and holiday tourists (Keyser, 2006). Williams (1994) indicates that even though hotel rooms provide the major source of income for a hotel, a quality food and beverage operation can often be its best advertisement, directly influencing the results of the rooms division of a hospitality operation. Furthermore a quality food and beverage operation calls for excellence in both preparation and service. Powers (2006) states that in a restaurant, this involves not only the food served, but, the way the waitron and guest interact as well as the atmosphere of the place. It is further indicated by Powers (2006) that the hospitality product is actually about delivering the guests' experience. "When a person buys a service, he purchases a set of intangible activities carried out on his behalf, but, when he buys an experience, he pays to spend a time enjoying a series of memorable events that a company stages." (Pine & Gilmore, 1999: as in Kalala, 2007: 2-3).

Customer service includes both what customer services is, and how it is provided. Customers pay for service and, therefore, they care about which services are provided and how they are delivered. Every customer anticipates efficient service; however, as observed by Van Der Wagen (2003), customers tend to differ in the level of formality and friendliness they seek. The same view is expressed by Schiffman and Kanuk (1994), who states that "People usually see what they expect to see based on familiarity, previous experience or preconditioned sets" (Kalala, 2007: 2-3). When customers are happy with the service they get, they will most likely return for more.

There are various reasons why people eat out. Customers may be eating out not to satisfy hunger at all, although in most cases they will be, but to satisfy other needs such as social contact, status and curiosity (Jones, 1988). Furthermore, when people dine out they are not only looking for the services provided at the dining venues, but they are also looking for a good experience. This kind of service can be made possible by ensuring that the waitrons have the necessary training as highlighted by George (2001).

The purpose of the study was to analyse the perceptions of East London's dining market and to determine the diners' service experience. The objectives of the study were to determine whether the service delivered meets diners' expectations and further to determine how satisfied the diner is with the overall experience.

Table 1: Intercept points and number of respondents participating in the study.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Café Avanti	58	38.7	38.7	38.7
	Chandlers	35	23.3	23.3	62.0
	Garden Court Restaurant	57	38.0	38.0	100.0
	Total	150	100.0	100.0	

RESEARCH METHOD

Before discussing the research method employed, it is important to highlight that this study is the first of its kind in East London. The research was exploratory by nature and structured questionnaires were used. The research was quantitative in nature and the researcher used a questionnaire survey as the data collection method as it gives reliable results, the information is relatively easy to obtain and the results are easy to process. Non-probability purposive sampling, in particular, quota sampling, was used. The research population included in the survey were the diners of selected East London dining venues, i.e. Garden Court Hotel Restaurant, East London, Café Avante Restaurant and Chandler's Guest House Restaurant which represents distinctive styles of restaurant dining, namely restaurants within large hotels, the Al Fresco style restaurants and Restaurants within Guesthouses, respectively. Table 1 depicts the afore-mentioned research dining venues along with the respective number of respondents who participated in the study at each intercept point.

The questionnaire consisted of 7 sections, each with 25 pre-coded questions. A computer program known as SPSS (Statistical Package for the Social Sciences) was used for data processing. Close-ended questions were used, in the main, to determine consumer expectations and service actually received. Some open-ended, qualitative questions allowing diners the opportunity to make suggestions were also included in the questionnaire.

Given that the population size was unknown, a 95% confidence level and a sample size of 150, the margin of error for the study was estimated at about +/- 8%:

$$\underline{-8\% \qquad\qquad +8\%}$$
$$X$$
$$X = \text{result } (\%)$$

PRESENTATION OF RESULTS

GEO-DEMOGRAPHIC INFORMATION

The demographic characteristics, focussed on various components, namely, age, home language, gender, marital status, household income, education, occupation etc. The findings indicate that (52%) of diners reside in the East London area with most of the diners either professionals (23.6%) or non-employed (18.9%), were self employed (15.5%) and owned family businesses (0.7%). People dined out as couples, and most (94%) diners did not include their children.

The findings suggest that the majority (37.6%) of diners were aged between 26 and 35 years. The results also depict that the majority (36.7%) of the respondents were Xhosa language speaking and that the majority (58%) of diners were female and 42% were male. The question relating to marital status revealed that the majority (46.7%) of respondents were single, while (44%) indicated they were married. The section on household income indicated that only (4%) of the respondents earned ZAR500 000 and above annually.

TRAVEL PARTY CHARACTERISTICS

The majority (22.8%) of respondents dined in two's while (16.8%) dined on their own. The study highlights that the majority (70%) of diners, did not have children under the age of 18 in their dining party. Those who did (16.7%), included one or two children in their party.

Table 2: Characteristics of dining venue and food rating

	Extremely satisfied		Reasonably satisfied		Satisfied		Reasonably unsatisfied		Extremely unsatisfied	
	N	%	N	%	N	%	N	%	N	%
Colours	52	34.7	48	32.0	37	24.7	7	4.7	2	1.3
Furnishing	43	28.7	52	34.7	37	24.7	8	5.3	3	2.0
Lighting	46	30.7	37	24.7	23	15.3	2	1.3	0	0
Air conditioning	35	23.3	44	29.3	43	28.7	10	6.7	9	6.0
Reception	44	29.3	41	27.3	39	26.0	7	4.7	8	5.3
Menu knowledge of waitron	45	30.0	44	29.3	33	22.0	9	6.0	2	1.3
Promptness of service	40	26.7	38	25.3	43	28.7	16	10.7	5	3.3
Waitron patience when taking order	54	36.0	44	29.3	36	24.0	9	6.0	1	0.7
Food order	52	34.7	46	30.7	35	23.3	5	3.3	4	2.7
Availability of sauces, utensils, napkins, etc	43	28.7	49	32.7	37	24.7	6	4.0	3	2.0
Problems dealt with professionally	22	14.8	32	21.5	33	22.0	3	2.0	3	2.0
Waitron spoke clearly	54	36.0	39	26.0	38	25.3	8	5.3	11	7.3
Menu board was easy to read	48	32.0	50	33.3	40	26.7	12	8.0	0	0
Professionalism and friendliness of waitron	52	34.7	34	22.7	38	25.3	7	4.7	2	1.3
Music was enjoyable	40	26.7	34	22.7	33	22.0	10	6.7	4	2.7
Music was clear	34	22.7	34	22.7	36	24.0	11	7.3	5	3.3
Food served hot and fresh	54	36.0	41	27.3	33	22.0	10	6.7	3	2.0
Quality of food/drink	59	39.3	41	27.3	28	18.7	11	7.3	3	2.0
Texture of food	50	33.3	45	30.0	38	25.3	5	3.3	2	1.3
Prices	39	26.0	41	27.3	44	29.3	9	6.0	4	2.7
Good variety on menu	42	28.0	39	26.0	47	31.3	9	6.0	4	2.7
Food tasty and flavourful	47	31.3	50	33.3	36	24.0	5	3.3	3	2.0
Staff grooming	46	30.7	43	28.7	40	26.7	8	5.3	6	4.0
The equipment	50	33.3	36	24.0	39	26.0	6	4.0	4	2.7
Environment of room itself	48	32.0	44	29.3	39	26.0	6	4.0	4	2.7
Parking area	41	27.3	41	27.3	44	29.3	8	5.3	5	3.3
Place is safe and secure	38	25.3	49	32.7	42	28.0	7	4.7	4	2.7

DINING VENUE FACILITIES AND FOOD

This section assesses a variety of factors concerning the dining venue, for example, service, music, food, cleanliness of dining venue, parking and security. Respondents indicated their levels of satisfaction as follows:

In terms of dining venue colours, the results as depicted in Table 2, show that (34.7%) of the respondents were extremely satisfied, with a further (32%) who were reasonably satisfied. with the colours at the dining venues. The majority (34.7%) of the respondents were reasonably satisfied with the furnishings. As far as venue lighting was concerned, the majority (30.7%) of respondents felt extremely satisfied while (24.7%) were reasonably satisfied with this aspect of the dining experience.

The research findings concerning service revealed that the majority (29.3%) of the respondents were extremely satisfied with the way they were received by the dining venue. As far the menu knowledge was concerned, the results indicate that (30%) of the respondents were extremely satisfied with the menu knowledge of the waitron while a further (29.3%) of the respondents were reasonably satisfied with the menu knowledge of the waitron and (22%) were just satisfied, while the majority (36%) of the respondents were extremely satisfied with the waitrons patience when taking orders.

The majority (34.7%) of respondents according to the results were extremely satisfied with the waitrons professionalism and friendliness. Regarding food, even though the majority (36%) indicated that they were extremely satisfied with the fact that food was served hot and fresh, (22%) were just satisfied. Regarding the quality of food and drink, the majority (39.3%) of the respondents were extremely satisfied with the quality of the food and drink.

Respondents expressed their satisfaction regarding staff grooming as (30.7%) as extremely satisfied, while (28.7%) were reasonably satisfied. As far as the environment was concerned, the majority, (32%) said that they were extremely satisfied, while (29.3%) were just reasonably satisfied.

The majority of respondents, that is, (29.3%) were satisfied regarding parking at the dining venue, while the majority, (32.7%) of respondents were reasonably satisfied with the venue being safe and secure.

The results suggest that the dining venues need to strive towards creating a good ambience; make improvements to décor, staff and the food itself as only (0.7%) of the respondents identified each element as strengths.

The results revealed a clear difference in the way males and females felt about the level of professionalism and friendliness of the waitron. The results suggest that females were extremely satisfied (43.7%) while only 34.9% of males were reasonably satisfied.

The cross tabulation results for promptness of service by gender revealed that just over 30% of males were reasonably satisfied whilst 31% of females were extremely satisfied.

The study found that 30.2% of males were only satisfied whilst 22.1% of females indicated that they were reasonably satisfied when they were asked about how problems were dealt with professionally.

The results showed that (27.1%) of the African population were reasonably satisfied, whilst 24.4% of the white population indicated that they were just satisfied regarding problems dealt with professionally.

The results suggests that almost 32% of the African population were extremely satisfied regarding professionalism and friendliness of waitrons, whilst just over 33% of the white respondents were just satisfied.

Table 3a: Cross tabulation of professionalism and friendliness of waitron by gender

Cross Tabulation of professionalism and friendliness of waitron by Gender: N (%)							
	Extremely Satisfied	Reasonably Satisfied	Satisfied	Reasonably Unsatisfied	Extremely Unsatisfied	No Comment	Base
Males	14 (22.2)	22 (34.9)	18 (28.6)	3 (48)	0 (0)	6 (9.5)	63 (100)
Female	38 (43.7)	12 (13.8)	20 (23)	4 (4.6)	2 (23)	11 (12.6)	87 (100)

Table 3b:Cross tabulation of promptness of service by Gender

Cross Tabulation of promptness of service by Gender: N (%)							
	Extremely Satisfied	Reasonably Satisfied	Satisfied	Reasonably Unsatisfied	Extremely Unsatisfied	No Comment	Base
Males	13 (20.6)	19 (30.1)	16 (25.3)	10 (15.8)	2 (3.1)	3 (4.7)	63 (100)
Female	27 (31)	19 (21.8)	27 (31)	6 (6.8)	3 (3.4)	5 (5.0)	87 (100)

Table 3c: Cross tabulation of problems dealt with professionally by Gender

Cross Tabulation of problems dealt with professionally by Gender: N (%)							
	Extremely Satisfied	Reasonably Satisfied	Satisfied	Reasonably Unsatisfied	Extremely Unsatisfied	No Comment	Base
Males	8 (12.7)	13 (20.6)	19 (30.2)		3 (4.8)	20 (31.7)	63 (100)
Female	14 (16.3)	19 (22.1)	14 (16.3)	3 (3.5)		36 (41.9)	86 (100)

Table 3d: Cross tabulation of problems dealt with professionally by Population Group

Cross Tabulation of problems dealt with professionally by Population Group: N (%)							
	Extremely Satisfied	Reasonably Satisfied	Satisfied	Reasonably Unsatisfied	Extremely Unsatisfied	No Comment	Base
African	9 (10.6)	23 (27.1)	19 (22.4)	2 (2.4)	3 (3.5)	29 (34.1)	85 (100)
Coloured	5 (35.7)	1 (7.1)	1 (7.1)	0	0	7 (50)	14 (100)
Asian	0	1 (20)	2 (40)	0	0	2 (40)	5 (100)
White	8 (17.8)	7 (15.6)	11 (24.4)	1 (2.2)	0	18 (40)	149 (100)

Table 3e: Cross tabulation of professionalism and friendliness of waitron by Population group

Cross Tabulation of professionalism and friendliness of waitron by Population Group: N (%)							
	Extremely Satisfied	Reasonably Satisfied	Satisfied	Reasonably Unsatisfied	Extremely Unsatisfied	No Comment	Base
African	27 (31.4)	20 (23.3)	20 (23.3)	5 (5.8)	2 (2.3)	12 (14)	(100)
Coloured	9 (64.3)	2 (14.3)	2 (14.3)	0 (0)	0 (0)	1 (7.1)	(100)
Asian	3 (60)	0 (0)	1 (20)	1 (20)	0 (0)	0 (0)	(100)
White	13 (28.9)	12 (26.7)	15 (33.3)	1 (22)	0 (0)	4 (8.9)	(100)

Table 4: INFORMATION SOURCES CONCERNING THE DINING VENUE

	YES	NO	
	N (%)	N (%)	Base
Friends and relatives	95 (63.3)	52 (35.4)	147 (100)
Internet	5 (3.4)	142 (96.6)	147 (100)
Radio	4 (2.7)	143 (97.3)	147 (100)
Television	11 (7.5)	136 (92.5)	147 (100)
Random Decision	42 (28.0)	105 (71.4)	147 (100)
Brochure/ Pamphlets	31 (21.1)	116 (78.9)	147 (100)
Other Promotional material	11(7.5)	136 (92.5)	147 (100)

INFORMATION SOURCES

The findings of the research indicated that 63.3% of the respondents had heard about the dining venue from their friends or relatives. The study further determined that all other forms of promotions were poor sources of information in selecting a dining venue.

The study determined likely information sources concerning the dining venues, and found that almost 69% of the African respondents had heard of the dining venues from friends and relatives, whilst 58% of both white and coloured populations and 80% of the Asian had heard from same source.

MEETING AND EXCEEDING OF EXPECTATIONS

EXPECTATIONS MET

The results in the above table clearly indicate that just over 89% of diners indicated that their dining experiences were met.

The cross-tabulated results, as depicted in Table 7, suggest that African respondents were the prominent (48.3%) group whose dining expectations were met whilst a further 28.2% of the white population indicated that their dining expectations were met.

EXPENDITURE

The study determined basic spend by respondents at the dining venues. The results indicate that the majority (43.3%) of the respondents spent ZAR200.00 or less on food. The mean average spend for the study was determined to be ZAR222.39 per dining party.

Table 5: Cross tabulation concerning hearing of dining venues from friends and relatives by Population groups.

	YES	NO	
	N (%)	N (%)	Base
Friends and relatives	95 (63.3)	52 (35.4)	147 (100)
Internet	5 (3.4)	142 (96.6)	147 (100)
Radio	4 (2.7)	143 (97.3)	147 (100)
Television	11 (7.5)	136 (92.5)	147 (100)
Random Decision	42 (28.0)	105 (71.4)	147 (100)
Brochure/ Pamphlets	31 (21.1)	116 (78.9)	147 (100)
Other Promotional material	11(7.5)	136 (92.5)	147 (100)

Table 6: Cross tabulation of dining experience expectations were met.

Cross Tabulation of Learning of dining venues from friends and relatives by Population Group: N(%)		
	Yes	No
African	58 (68.2)	27 (31.8)
Coloured	8 (57.1)	6 (42.9)
Asian	4 (80)	1 (20)
White	25 (58.1)	18 (41.9)
Base	95 (100)	52 (100)

Table 7: Cross tabulation of dining expectations met according to population

My dining experience expectations were met					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	133	88.7	89.3	89.3
	No	16	10.7	10.7	100.0
	Total	149	99.3	100.0	
Missing	System	1	0.7		
Total		150	100.0		

Table 8: Motivation to dine out

Population group cross tabulation							
			Population group				
			African	Coloured	Asian/Indian	White/Caucasian	Total
My dining experience expectations were met	Yes	Count % within Population Group % of Total	72 84.7% 48.3%	14 100.0% 9.4%	5 100.0% 3.4%	42 93.3% 28.2%	133 89.3% 89.3%
	No	Count % within Population Group % of Total	13 15.3% 8.7%			3 6.7% 2.0%	16 10.7% 10.7%
Total		Count % within Population Group % of Total	85 100.0% 57.0%	14 100.0% 9.4%	5 100.0% 3.4%	45 100.0% 30.2%	149 100.0% 100.0%

Table 9a: Cross tabulation regarding having a good time for dining out as a reason by population group

	Absolute Yes	Relative Yes	Absolute No	Relative No	
	N	%	N	%	Total
Nostalgia	29	19.3	121	80.7	150 (100)
Escapism	35	23.3	115	76.7	150 (100)
To have a good time	82	54.7	68	45.3	150 (100)
Satisfy self image	19	12.7	131	87.3	150 (100)
Impress friends	5	3.3	145	96.7	150 (100)
Save time	39	26.0	111	74	150 (100)
Relax in good atmosphere	90	60.4	59	39.6	150 (100)

MOTIVATION TO DINE OUT

In this section respondents were asked their reasons for dining out. The results of the cross tabulation shows that of the respondents who indicted yes, the majority (62.2%) of the Black African population dine out to have a good time, while almost 25% of whites dine out to have a good time.

The results of table 9b indicate that almost 64% of Africans dined out to relax in a good atmosphere, while almost 28% of the White population felt the same.

DISCUSSION OF RESULTS

The majority (52%) of respondents live in East London. The study found that (16.0%) of the diners who originated other South African provinces with 6.7% of respondents originating from the Western Cape Province. Results further suggest that only 2% represented the international market in the study. These results suggest that East London as a destination is attracting a relatively limited number of international tourists.

The majority (34.6%) of the respondents identified service and the facility or dining venue as a whole as being areas of improvement. Furthermore, the results indicated that 8.7% of the respondents believed the product or food should be improved.

The research findings indicate that dining expectations of almost 90% of the respondents were met. The research findings further show that 88% of respondents would recommend the dining venue to their friends and family.

Research indicates that customers tend to rely heavily on word of mouth recommendations from others. Most service providers in travel and tourism industry can benefit from this strategy. They must, however, go out of their way to delight customers in order to encourage positive word of mouth from them (Bennett, 2000).

The results suggest that the typical demographic profile of the diner is as follows: they are in the age group of 26 to 35 (and to a lesser extent the 18 to 25 year old group), and mostly of Black African descent and originate from East London.

Table 9b: Cross tabulation of dining out to relax in a good atmosphere as a reason by population group

	Absolute Yes	Relative Yes	Absolute No	Relative No	
	N	%	N	%	Total
Nostalgia	29	19.3	121	80.7	150 (100)
Escapism	35	23.3	115	76.7	150 (100)
To have a good time	82	54.7	68	45.3	150 (100)
Satisfy self image	19	12.7	131	87.3	150 (100)
Impress friends	5	3.3	145	96.7	150 (100)
Save time	39	26.0	111	74	150 (100)
Relax in good atmosphere	90	60.4	59	39.6	150 (100)

An age-based sub-culture can be described as a generation of people who have experienced a common social, political and economic environment. Generations can be roughly sub-divided into 20-year blocks and can help to explain different consumer behaviours, (Tassiopoulos et al 2004) and (Tassiopoulos et al 2007). The 18 to 25 year group can alternatively be called Generation Y'ers who were born from 1979 to 1994 (13 to 28 year old). In the context of the South Africa tourism industry, it is suggested that they represent the new upcoming target market that requires continual research. Generation Y'er is the largest generation to hit global markets since the Baby Boomers. "In South Africa, the impact of Generation Y is important. Generation Y'ers make up (64%) of the local population and spend ZAR200 billion a year. Marketing campaigns are beginning to target younger and younger audiences making Generation Y'ers an ideal target market because they have a basic desire for anything new, fresh, and increasingly able to influence their parent's spending habits". The Generation X, often referred to as the baby bust generation, was born between 1965 and 1978. The study is characterised by almost (60%) of diners that were younger than 35 years of age. Many Generation X'ers do not believe in sacrificing time, energy, and relations to the extent the boomers did for the sake of economic advancement (Hawkins, 2001:178). Today's 22 year olds are the leading edge of the next generation. It is a significant for our society. This group has grown up with divorce as the norm, AIDS, terrorism, drug abuse, parents losing employment due to downsizing. The traditional mass marketing approaches that were so successful with older generations don't work well with Generation X and are even less effective with Generation Y (Hawkins, 2001:179). The 45 to 55 year old and 55 to 64 year old age groups indulge in luxury travel, restaurants, theatre, fashionable clothes and jewellery.

They do not cook at home as often as their parents did (Blackwell, 2001: 197).

The results suggest that owners or managers of dining venues need to make an effort to attract male diners. Further, the findings, suggest that the majority (46.7%) of respondents described themselves as being single, while (44%) indicated that they were married and (7.3%) were divorced and (2%) were widowed.

Management should ensure that their customer expectations are not just met, but exceeded. Research findings indicated that expectations of the majority of the respondents (51.9%) were not exceeded. The findings conclusively showed that more needs to be done in order to improve the current situation as far as exceeding customer expectations is concerned. In order for East London to improve as a tourist destination, the results clearly showed that service levels, as well as the levels of professionalism should be improved. It is important to provide the customers with quality services to save time in dealing with problems. This clearly explains the need to ensure proper training of staff for the dining market. It is crucial that dining staff participate in dining market workshops as to develop an in-depth understanding of customer relations and efficient service levels.

The employees role in service delivery is crucial and companies with thorough internal marketing programmes including staff recruitment training, and motivation are more likely to be successful than those without. Satisfied employees equal satisfied consumers because satisfied employees deliver a quality service (George 2001). Furthermore, the role of word of mouth can have a positive impact on sustainability of service delivery.

Research indicates that the quality of a company's offerings is the most important factor for success, relative to perceptions of competitors. The Profit Impact of Market Strategy Study (PIMS) found that those companies who are perceived as being quality service providers showed improved results in terms of profitability and market share. Quality is, therefore, one of the keys to success and has become a tool that can be used by tourism and hospitality companies to gain a competitive advantage in the marketplace (George, 2001).

The benefits of service quality to a tourism and hospitality company can be summarized by four points according to Kotler (1999) (as in Bennett, 2000) keeping consumers, keeping good employees, avoidance of price competition, reducing costs. The tourism and hospitality marketer's role is to provide physical evidence or tangibles cues of the standard of service provided. For example, the food in a restaurant must be of an acceptable standard and the surroundings clean and comfortable as postulated by George, (2001).

A service blueprint can be defined as a picture or map that accurately portrays the service system so that the various employees involved in delivering a service can understand and deal with it objectively. Managers should use service blueprints to plan new services or standardize service delivery for existing services. Service blueprints can also indicate failure points, that is, points where things typically go wrong (Bennett, 2000). Benefits of blueprinting are widespread and can assist employees as to what they can do and help to facilitate training as well as orientation of the employees.

RECOMMENDATIONS AND CONCLUSIONS

The above study has limitations in that it is a pilot study and follow up studies can be conducted. The sample is limited and relatively small as 150 respondents were interviewed in the East London area. In addition, the sample size was determined in part by budget constraints, which inherently impeded the study.

The results have important implications for local restaurants to provide their customers with quality service as this will provide such products with a unique identity from their competitors. It is imperative from the above study that customers be treated with the highest level of professionalism.

Good relationships must always be evident among all the stakeholders, management, customers and employees. Expertise, in service levels is what the industry needs to flourish. Mediocrity is a danger to any business and the dining industry is no exception. The significance of the study lies in its expected contribution to the existing body of literature on the dining market of East London. It is evident that customers anticipate efficient service.

The customer is the most important asset of a dining venue, therefore, every customers' needs should be treated with utmost care and customers' complaints attended to. The dining market contributes towards the sustainability of employment in East London. Furthermore, local consumers' perceptions of the market will influence visitors' perceptions of the market and so affect the marketability of East London as a tourist destination.

The study thus recommends that more research be executed, for example, the gathering of data as an integral part of the dining market. This will assist both the Eastern Cape as well as Buffalo City Tourism Boards with marketing and positioning of the dining market in the Eastern Cape, and more specifically, East London. There is a lack of appropriate market research into dining research in South Africa, and this needs to be rectified. The dining market is seen to be of growing importance as an emerging market within South Africa.

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ATTITUDES TOWARDS FOREIGN MADE PRODUCTS: RELIGIOSITY INFLUENCE IN CONSUMER BEHAVIOUR

KHAIRUL ANUAR MOHAMMAD SHAH & MD NOR OTHMAN
UNIVERSITY OF MALAYA, MALAYSIA

Abstract

Animosity can arise due to many reasons such as previous and ongoing military events, economic events and political disputes. This current study, examines if animosity exists between Malaysian Muslim consumers toward US products. In the past few decades, the US has taken military actions against some Islamic countries such as Iraq and Afghanistan in the pretext of fighting terrorism and weapon of mass destruction. Generally this may have an influence on Muslim consumers all over the world and Malaysia specifically. The inclusion of consumer ethnocentrism construct is important to see how the emotions of consumers can contribute to the negative attitudes toward foreign made products, specifically US made products. Furthermore, religiosity of the consumers is a major concern in this study. This study explores the correlation of Muslim religiosity construct with consumer animosity and consumers' ethnocentric attitude.

In examining the relationship between religiosity and consumer animosity, the results indicate that the former has a significant positive impact on the later. These results illustrate the relationship between the religiousness of Malaysian Muslim consumers and their levels of animosity towards US products. Furthermore, between religiosity and consumer ethnocentrism, it is demonstrated that the more religious a consumer is, the more he/she becomes ethnocentric. It was observed that consumers with more religious tendencies tend to be more sensitive and socialize more with people who are religious like them and consequently they care more about what is happening to the surroundings and the community. Finally, in determining the effects of consumer animosity and consumer ethnocentrism towards the willingness to purchase US made products, the results indicate that both of the constructs are negatively correlated to the purchase willingness. This indicates that the hostility feelings and ethnocentric attitudes among consumers in Malaysia do affect the willingness to purchase products from "enemy nation".

It can be concluded that the action taken by one country can actually influence the attitude of consumers in other countries. This study has made important contributions to managers and researchers by filling gaps in this kind of study. It specifically contributes to the existing practical business applications in terms of the marketing strategies and tactics as concerns of consumers' usage on foreign made products. The inclusion of religiosity in this study contributes to the theory of consumer behaviour.

Keywords: Religiosity, Consumer Animosity, Consumer Ethnocentrism and Purchase Willingness.

Introduction

The increased of interdependence among nations in the world now is irrefutable and the most common word to describe this phenomenon is globalization. Daniels, Radebaugh and Sullivan (2007) define globalization as deepening and broadening interdependence among people from different parts of the world, and especially among different countries. One of the most common results of economic globalization is the rise of the multi-national corporations (MNC's). In World Investment Report by United Nation Conference on Trade and Development (UNCTAD) 2002, there were 65,000 multi-national corporations worldwide with 850,000 foreign subsidiaries and global sales amounting to US $19 trillion. Together the hundred largest MNC's control about 24% of global foreign assets, employ 10.5 million workers and account for 34.5% of all world sales.

The growth of international trade and business, various products from different national origins is now available in many countries throughout the world. This has resulted in greater interest in examining consumer attitudes towards products of different national origins. Schooler (1965) conducted a study in Guatemala to examine the attitude of the consumers towards products made in Guatemala, El-Salvador, Costa Rica and Mexico and concluded that the country of origin of a product can have an effect on a consumer's opinion of the product. Since then, Cerviño, Sánchez and Cubillo (2005) reported that almost 800 hundred major publications in this area had been established including books, chapters in edited books, journal papers and other reports. Furthermore, the negative attitudes towards foreign made products arise from a number of sources such as consumer ethnocentrism (Shimp and Sharma, 1987) and consumer animosity (Klein, Ettenson and Morris (1998).

Literature Review

Religiosity

Religion has been identified as one of the critical elements in the cultural environment (Hunt and Vitel, 1986; Sood and Nasu, 1995) since religion affects the way in which people behave (Sadler, 1970). Being an element of culture, religion has considerable influence on people's values, habits and attitudes, and it greatly influences lifestyle, which in turn affects consumer decision behaviour (e.g. Delener, 1994; Delener, 1990 and Hirschman, 1982).

Lindridge (2005) defines religiosity as the beliefs and behaviours in an external God and not in a specific religion. Religiosity is related to the concept of religion which generally contains a set of beliefs, practices, customs and rituals that are rooted into culture. Religiosity is also related to the connection of a person with the universe. Ingersoll (1994) argued that religiosity is a sign of behavioural commitment. It is an expression of beliefs through behaviours and rituals which form the basis of an organized environment. From the Muslim perspectives, Ashiq (2004) defines Muslim religiosity as the awareness and tendency of an individual to strive for a harmony between the worldly desires and the compliance with the divine commands of God. According to Haddad (2002), Islam is not a religion; it is a complete way of life.

Religiosity and Consumer Behaviour

The roles of religiosity remain under-research in consumer behaviour research (Cutler, 1991; and Essoo and Dibb, 2004). Religiosity has been recognized as a potential important socio-cultural factor in predicting individual differences in various aspects of personality and behaviour (e.g.. Gorsuch, 1988; and Lau, 1989). One of the possible explanations on how religion directly affects individual behaviour by the rules and taboos it inspires (Harrell, 1986).

Delener (1990) explored the effect of religious and religiosity on the perceived risk in purchase decision among Catholic believers and revealed that religiosity influenced the perceived risk in purchase decision. Meanwhile, Essoo and Dibb (2004) examined the influence of religion on consumer choice of Hindus, Muslims and Catholics in Mauritius. The results showed that casually religious respondents were found to differ in their shopping behaviour in comparison to their devout counterparts, implying that religious norms and religiosity apparently impact upon consumer behaviour.

Hamza, Osman and Muhammad (1999) argued that the effects of Muslim religiosity on consumer behaviour are still under studied and it was rarely been investigated. In Islam, one of the basic elements of the Islamic religion is Akhlaq (moral and values) that providing a framework to shape the behaviour of Muslims in the conduct of all aspects of their life (Abd Halim, 1990) and consequently it will play significant roles in the lives of Muslims including purchase behaviour (Amber and Khairol, 2002).

Consumer Animosity

Klein et al., (1998) define the animosity construct as the remnants of antipathy related to previous or ongoing military, political, economic events – will affect consumers' purchase behaviour in the international market place. They classify animosity into two types, i.e., war and economic animosity. War animosity results from acts of aggression or warlike behaviour by a country or nation-state and economic animosity results from feelings of economic dominance or aggression (Klein et al., 1998). These feelings may result in negative attitudes towards products from the ‘‘aggressor’’ country, and reluctance to buy products from that country (Nijssen and Douglas, 2004). Furthermore, the economic animosity might also because of the abundance of foreign products and brands at the expense of displaced domestic brands and industries (Klein et al., 1998).

Another construct that is frequently used in the consumer animosity study is the willingness of consumers towards buying foreign products from a specific country (Klein et al., 1998; Shin, 2001; Klein, 2002; Ettenson and Klein, 2005; Hinck, 2005; and Shoham, Davidow, Klein, and Ruvio, 2006). They find that the level of animosity will negatively directly influence the willingness to buy products from the “enemy nation”.

Consumer Ethnocentrism

Shimp and Sharma (1987) define consumer ethnocentrism as the appropriateness, indeed morality, of purchasing foreign-made products. They also developed the CETSCALE (Consumer Ethnocentric Tendencies Scale) in their research. From the perspective of ethnocentric consumers, purchasing imported products is wrong because, in their minds, it hurts the domestic economy, causes loss of jobs, and is plainly unpatriotic; products from other countries (i.e., out groups) are objects of contempt to highly ethnocentric consumers.

Several researchers have revealed that people from developed and more modern nations, tend to be less ethnocentric than their counterparts in developing and emerging nations (e.g. Lindquist, Vida, Plank, and Fairhurst, 2001; Sharma, Shrimp, and Shin, 1995). Abdul Razak, Safiek, and Md Nor (2002) had conducted a research to assess the ethnocentric tendencies among Malaysian consumers. They found that the consumers’ attitude in making choice of products in the marketplace is greatly influenced by their ethnocentric sentiment.

Suh and Kwon (2002) found a strong statistical evidence for the direct negative link between consumer ethnocentrism and willingness to buy foreign products. Similarly, a study by Shin (2001) found similar result. Other studies [Shimp and Sharma (1987), Sharma et al. (1995) and Klein et al. (1998)] also found high ethnocentrism scores negatively related to willingness to buy foreign made products.

In term of the distinction between consumer animosity and consumer ethnocentrism, Klein et al. (1998) suggested that the CETSCALE (ethnocentrism) measures beliefs about buying foreign products in general, whereas animosity is a country-specific construct, i.e., the negative effect only exist for products from “enemy nation”.

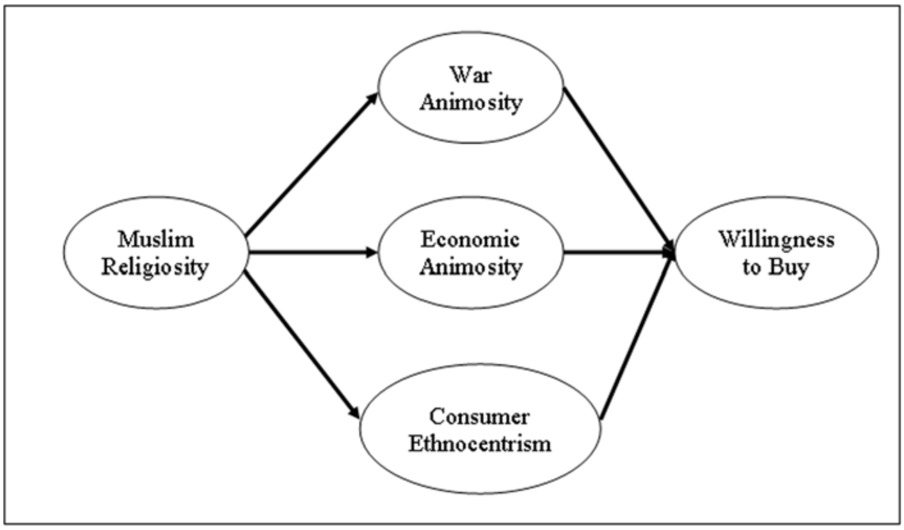
Relationship between the US and Muslim World

When the target population in the research is Muslims, it is important to make sure that the issues will directly give effect to the target group. In this case, it can be argued that the current relationship between Muslims and the US as a whole can influence all Muslims to express their dissatisfaction toward the US by using their purchasing power.

For example, the dissatisfaction can be seen by referring to the statement by one of the most prominent scholars in the Muslim world, Dr. Yousef Al-Qaradawi; “To buy US goods is to support tyranny, oppression and aggression. Buying goods from them will strengthen them; our duty is to make them as weak as we can.” “American goods are forbidden. It is also forbidden to advertise these goods”. Furthermore, Al-Qaradawi added “the time has come for the Islamic Ummah (people) to say “No” to America, “NO” to its companies, and “NO” to its goods, which swamp our markets” (Waheed, 2002).

Meanwhile, the Assistant Secretary of State for East Asian and Pacific Affairs, James A. Kelly, responded when he was asked a question on whether anti-American feelings among Muslims which resulted from the US invasion of Iraq, would change with the US helping tsunami victims including in Indonesia and Malaysia, he said, “The US is not looking to change the anti-American sentiments of people in Indonesia and other Muslim countries by helping tsunami victims” (The Star, 2005: 10).

Figure 1: Research Framework



This shows that the feeling of victimization and dissatisfaction among Muslims in the world toward the US exists and the result of this feeling could bring towards the expressions of anger by boycotting products produced by the US companies. Thus, after identifying, considering and assessing several countries, the US has been chosen as a foreign country that is used in this study by applying the animosity model of foreign product purchase.

Research Framework

Based on the in-depth review of the literature, the model developed for this study is presented in Figure 1.

Hypothesis

The research examines the animosity model of foreign products purchase by the Malaysian Muslims on willingness to buy US made products. Consumer ethnocentrism construct is also included in this study, as suggested in the consumer animosity model. This study also explores the effect of devoutness of the consumer on consumer animosity and consumer ethnocentric tendencies. Building upon previous literatures, the following hypotheses are derived:

H1: Muslim Religiosity will have positive effect on war animosity.

H2: Muslim Religiosity will have positive effect on economic animosity.

H3: Muslim Religiosity will have positive effect on consumer ethnocentrism.

H4: War animosity will be negatively related to willingness to buy US made products.

H5: Economic animosity will be negatively related to the willingness to buy US made products.

H6: Consumer ethnocentrism will be negatively related to willingness to buy US made products.

Methodology

A self-administered questionnaire was used using the drop off method of survey. The researcher will drop off the questionnaires and pick them a week after the distribution. Out of 1000 questionnaires distributed, 710 were received back within the period of twelve weeks, which is a 71 percent response rate. Only 663 of the respondents completed all the questions.

All the constructs in this study were adapted from previous studies and measured using a 7-point Likert scale, anchored by 1 = strongly disagree and 7 = strongly agree. For the religiosity construct, items from Rusnah (2005) were used. Both animosity constructs, i.e., war and economic, items were taken from Klein et al., (1998). For consumer ethnocentrism construct, the items were adapted and modified from CETSCALE, developed by Shimp and Sharma (1987). Lastly, for the purchase willingness construct, the questions were adapted from the study conducted by Darling and Arnold (1988) and Klein et al. (1998).

Data Analysis

Statistical Package for the Social Sciences (SPSS) Version 12 and Analysis of Moment Structure (AMOS) Version 6 were used for data analyses. The initial analyses included the calculation of descriptive statistics (such as means, standard deviations, and distribution frequency) for each of the variables measured. Assessments of scale internal consistency were also conducted. To test the hypotheses, structural equation modeling (SEM) were used. The SEM has the advantage over standard regression analysis of explicitly considering the measurement error in the observed variables and simultaneously estimating a system of structural equations (Hoyle and Panter, 1995).

Results and Discussion

The demographic profiles of the respondents are presented in Table 1.

In terms of gender, almost the same proportions of male and female respondents were represented (51.9 percent male and 48.1 percent female). In terms of age, almost 60 percent of the respondents were in the 30 – 49 years old group. For those who were 29 years old and younger, the total respondents from this group were almost 30 percent and the 50 years old and above, consisted of approximately 10 percent. For the level of education, 26.6 percent of the respondents from the low educated group, 33.3 percent from the middle educated level and majority of the respondents, i.e., 40.1 percent were from higher education level. For the total household income, almost the same percentage of the groups was represented. 50.5 percent of respondents received the monthly income of RM2999 or below and 49.5 percent earn monthly income of above RM3000. The distribution of the respondents in terms of their regional area, 140 or 21.1 percent from Northern region, 160 or 24.1 percent from Southern region, 156 or 23.5 percent from East Coast and 207 or 31.2 percent from the Central region.

The reliability analysis is performed using the reliability coefficients (Cronbach Alpha) to determine the internal reliability among items. According to Nunnally (1967), the alpha values that are above 0.5 can be considered as an adequate reliability. Reliability for the studied constructs are: Muslim religiosity (10 items) α = 0.775; war animosity (5 items) α = 0.778; economic animosity (5 items) α = 0.545; consumer ethnocentrism (6 items) α = 0.699; and purchase willingness (6 items) α = 0.789.

Hypotheses Testing

As recommended by Hoyle and Panter (1995) and Anderson and Gerbing (1988), SEM must have a two-step analytic procedure, measurement and structural model. In the measurement model, the fit of the indicators to the construct was assessed. This is important to ensure the unidimensionality of the constructs. All the items used as indicators must have significant path from the construct and the residuals must be low. The entire fit index must indicate a good level of model fit.

Results presented in Table 2 explain a high level of model fit for all constructs. Further analysis on the AMOS output also shows all the indicators for all constructs have significant paths from the constructs. In addition, the residuals for all the indicators have low residuals. It shows that the model resulted in an acceptable fit; therefore we can proceed with the structural model. Hair, Black, Babin, Anderson and Tatham (2006) suggested that the value of Goodness of Fit (GFI), Adjusted Goodness-of-Fit Index (AGFI), Comparative Fit Index (CFI) and Tucker-Lewis Index (TLI) above 0.9 indicated good level of fit. Meanwhile, the Root Mean Square Error of Approximation (RMSEA) must below 0.08 as an indicator of a good fit.

The results of structural model show that the model achieved a good level of fit (x^2 / df = 1.810; p-level = 0.000; RMSEA = 0.035; GFI = 0.938; AGFI = 0.927; CFI = 0.938; and TLI = 0.932). Results of the hypotheses are displayed in Table 3.

Table 1: Demographic Characteristics of Respondents (N=663)

Demographic Characteristics	Frequency	Percentage
1. Gender		
• Male	344	51.9
• Female	319	48.1
2. Age		
• 29 yrs and below	196	29.5
• 30 to 49 yrs	397	59.9
• 50 yrs and above	70	10.6
3. Education Level*		
• Low	176	26.6
• Medium	221	33.3
• High	266	40.1
4. Income		
• RM2999 and below	335	50.5
• RM3000 and above	328	49.5
5. Region		
• North	140	21.1
• South	160	24.1
• East Coast	156	23.5
• Central	207	31.2

**Low = High School; Medium = A-Level/College Diploma; High = University Graduate*

Table 2: Results of Measurement Model

Construct	χ^2	*df*	p-level	RMSEA	GFI	AGFI	CFI	TLI
Muslim Religiosity	97.768	27	0.000	0.063	0.967	0.946	0.929	0.906
War Animosity	27.588	6	0.000	0.074	0.984	0.961	0.972	0.953
Economic Animosity	3.883	1	0.049	0.066	0.996	0.977	0.980	0.940
Ethnocentrism	13.049	5	0.023	0.049	0.992	0.977	0.986	0.973
Willingness	24.941	9	0.003	0.052	0.987	0.970	0.987	0.978

Table 3: Results of Hypotheses Testing using Structural Model

	Hypotheses	Std Reg. Weight	Sig.
H1	Muslim Religiosity → War animosity	0.688	0.026*
H2	Muslim Religiosity → Econ animosity	0.364	0.000**
H3	Muslim Religiosity → Ethnocentrism	0.295	0.000**
H4	War animosity → Willingness	-0.096	0.000**
H5	Econ animosity → Willingness	-0.007	0.886
H6	Ethnocentrism → Willingness	-0.785	0.000**

* $p \leq 0.05$
** $p \leq 0.01$

From Table 3, H1 is supported and significant at 0.05 level and four hypotheses (H2, H3, H4 and H6) significant at 0.01 level. Only hypothesis 5, i.e., the negative effect of economic animosity towards the willingness to purchase US made products was not supported. As expected, the Muslim religiosity will positively influence the war animosity, economic animosity and consumer ethnocentrism construct among Malaysian Muslim consumers. All the hypotheses (H1, H2 and H3) were significant at least at 0.05 level. This indicates that the devoutness of the consumers can directly influence their attitudes in terms of their consumer animosity and consumer ethnocentrism.

Findings on the willingness to purchase the US made products, war animosity (H4) and consumer ethnocentrism (H6) indicates a very strong negative correlations. It shows that the war animosity and consumer ethnocentric tendencies will negatively influence the willingness of Malaysian Muslim consumers towards buying US made products. This finding is consistent with previous studies result (Klein et al., 1998; Shin, 2001; Nijssen and Douglas, 2004; and Ettenson and Klein, 2005).

Lastly in H5, between economic animosity and the willingness to buy US made products, no significant correlation was found. There maybe because there is no big argument and issues on US economic policy towards Muslim community as a whole. Additionally, the complexity of the economic issues might also influence the outcome of the research. But, in war animosity, the result clearly showed that US policy and their recent involvement in the war against Iraq and Afghanistan had affected the attitudes of the Muslim community in purchasing their products.

Conclusion and Future Research Directions

The results show strong support for extending the animosity model from the direct conflict (e.g. between China and Japan) to the indirect conflict (between Muslim world as a whole and US), especially on war animosity. Consistent with previous study, the war animosity are negatively correlated to the willingness to buy products made in “enemy” nation. Furthermore, the study also found that consumer ethnocentric tendencies will negatively affects the willingness to purchase the US made products. Consistent with previous literatures, the ethnocentric attitude of Malaysian Muslim consumers will negatively influences their behaviour towards foreign made products. For them, purchasing foreign made products will only contributed to negative outcome. So that, foreign international marketers and manufacturers should come out with effectives means to overcome the negative effects of animosity and ethnocentrism.

Finally, for the future research directions, concept of domestic (internal) animosity also can be implementing in this type of research as suggested by Hinck (2005). In this case, the economic animosity might be more appropriate because at the moment, the Malaysian economic is much controlled by Chinese than Malays. Furthermore, The relationship between Malaysia and other countries such as Japan (due to the World War 2 incident), Singapore (relationship between Malaysia and Singapore always in tense) and Thailand (where in Tak Bai case, hundred of Muslims killed by the State Army in Southern Thailand) can also be considered to see how the animosity will influence consumers to purchase products from such countries. Finally, as the result of this study suggested that the animosity and ethnocentric tendencies among Muslim consumers in Malaysia have a significant negative correlation with their willingness to purchase US made products, others Muslim countries such as Indonesia, Brunei and Middle East countries might replicate this study and revealed neither studies in other Muslim countries would produce the same results.

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DEVELOPING CUSTOMER RELATIONS – THE RESULT OF INCREASED COMPETITION BETWEEN BANKS OR THE SOURCE OF BANKS' COMPETITIVENESS; AN EXAMPLE OF THE POLISH MARKET

EDYTA RUDAWSKA
FACULTY OF ECONOMICS AND MANAGEMENT, UNIVERSITY OF SZCZECIN

Abstract

At present a lot of subject literature is dedicated to the necessity of establishing customer relations. Moreover, a lot of research is carried out on factors determining these relations. There are also attempts at describing the influence of customer relations on the companies' position on the market and their financial performance. The aim of this article is to assess to what extent efforts made by companies in order to establish customer relations are forced by the market and treated as a sine qua non for the remaining on the competitive market and to what extent they are perceived as a key tool used to establish the companies' competitive advantage.

The banking services market in Poland is the focus of the analyses conducted in the article. Gaining and maintaining the competitive advantage on the market seems to be a particularly important issue but it is also a difficult task for banks to accomplish. On the one hand, the banking sector is one of the most important elements of the market economy. Its functioning is hedged with numerous regulations due to the fact that banks function as a factor stabilizing the economy and their aims are connected with security of entrusted resources.

Deregulation of the Polish financial market resulted in a removal of barriers limiting competitiveness on financial markets, especially in the banking sector. These phenomena resulted in a considerable increase in the level of competitiveness and changed the bank from a safe intermediary and an institution of public trust into an aggressive company functioning on the global market and expecting the maximization of profits and an increase in shareholder value. An increased competitiveness within the homogeneous European market forces Polish banks to be more competitive by expressing their greater concern for the customer. Banks which have been operating on the market since 1989 have been concentrating mainly on the advertising campaigns aiming at the creation of the right image among their customers. In Polish practice most banks have used a few key associations such as reliability, tradition, modernity, availability. However, with time these practices became so common that they did not make the companies distinctive and could not serve as the source of an increase in the banks' competitiveness. Because of that, banks are currently seeking opportunities for establishing their lasting position on the market by developing customer relations. This trend is confirmed by the analyses of banks' strategies and missions as well as by numerous market research.

Customer relations-oriented activities can be also considered from a different point of view. Observation of the market provokes reflection that such activities have been forced by market changes. An increase in competition and a resulting increase in the market maturity have limited the possibilities of attracting new customers. It has led to the necessity of maintaining the proper balance between attracting new and keeping current customers. In this situation banks have begun to perceive establishing long-lasting customer relations as a requirement of the modern market and a necessary condition for their existence on the competitive market.

Theoretical deliberations presented in the article will be enriched with the presentation of the findings

of the all-Poland research carried out by the author as part of the grant financed by the Scientific Research Committee in Warsaw (Komitet Badań Naukowych w Warszawie).

Key words: customer relations, competitiveness, banking services in Poland

Introduction

At present a lot of subject literature is dedicated to the necessity of establishing customer relations. Moreover, a lot of research is carried out on factors determining these relations. There are also attempts at describing the influence of customer relations on the companies' position on the market and their financial performance. The development of the idea of marketing has been a consequence of popularization of an opinion that the cardinal rule governing company's activities should be establishing mutually advantageous relations and strong ties with individually treated customers. Nowadays marketing is presented as "an organizational function and a set of processes which create, communicate and provide value to customers as well as manage customer relations in a way which is mutually advantageous for a company and other interested subjects (Keefe, 2004; Beaton, Beaton, 1995).

The aim of this article is to assess to what extent efforts made by companies in order to establish customer relations are forced by the market and treated as a sine qua non for the remaining on the competitive market and to what extent they are perceived as a key tool used to establish the companies' competitive advantage.

The banking services market in Poland is the focus of the analyses conducted in the article. In order to achieve the aims of the article, direct research was conducted between January and April 2007. The research was carried out by means of an individual survey with a questionnaire form as a measuring tool. Surveys were conducted among presidents of banks or entitled and competent people designated by them. The choice of samples for the research was deliberate and included all the banks quoted on the Stock Exchange . After preliminary verification three banks were rejected from the research. One of them, i.e. Bank Austria Creditanstalt (BACA) did not operate on the Polish market then, whereas the remaining two (GETIN Bank and DZ Polska) did not give their permission for taking part in the research.

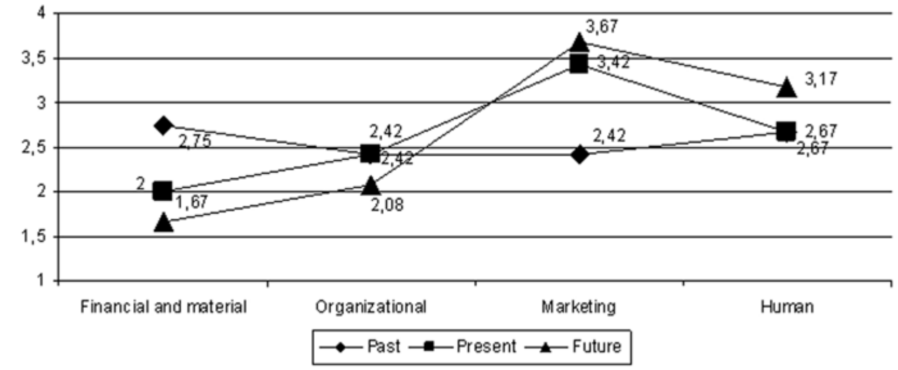
Customer relations as a source of competitiveness

The issue of competitiveness has been the subject of a wide-ranging discussion among authors of works on management since the beginning of the 20th century. The notion of competitiveness is ambiguous and debatable. Such a situation is a consequence of methodological disputes, the notion's location in different theoretical concepts as well as a wide notional range of the definition of "competitiveness". The literature discusses various definitions of competitiveness and approaches to its measurement. From the most general perspective, competitiveness can be defined as an ability and competitive skills resulting in the survival in a competitive environment (Stępień, 2004). Another approach to this notion emphasizes that competitiveness is an ability to maintain a long-term and effective growth. The components of competitiveness include efficiency, dynamics and flexibility of a studied subject understood as the subject's ability to adjust (Bakier, Meredyk, 2004).

At various stages of the economic development, characterized by different rules of competitiveness, both in theoretical discussions and in practice, sources of competitiveness are sought in various factors. In general, they can be presented in two groups. The first group includes traditional factors comprising material and financial assets of a bank. The effects of managing these assets can be expressed by quantitative indexes, therefore enabling a quick assessment of the efficiency of activities. These factors include the amount of assets, income from sales, market share, chain of branches, technical and technological equipment or geographical location. The second group currently comprises the so-called non-traditional factors of a competitive advantage based on non-material assets. The observation of the market leads to findings suggesting that the latter ones enable banks to stand out from their competitors as non-traditional factors are difficult, or in some cases impossible, to copy or reconstruct by competitors. At the same time they are not directly reflected in financial reports. Therefore, they are impossible or very difficult to measure. The role of non-material sources of company's competitiveness is universally emphasized in deliberations by researchers working in different disciplines ranging from marketing or management to finances and economy. There are different ways of defining those factors and similarly there are different examples of them. A review of concepts popularized by authors of publications on this field lets us claim that among these factors, apart from organizational and human resources, marketing variables become significant (Panfil, Szablewski, 2006; Stalmach 2005; Hall, 1992; 1993; Doyle, 2003; Marcinkowska, 2000; Aaker, 1989). They are generated due to remarkable skills at creating proper relations between a company and a wide-understood environment. The following, among others, assumes a great importance: the skill at conducting marketing and market research, the ability to identify the target group correctly, skills at diversifying a company, abilities to attract customers and establish profitable relations with them as well as the skill at creating partnership with other subjects. In the group of these factors the following requires attention: the company brand and image, distribution systems (their efficiency and uniqueness), attractiveness of products, owned brands and the level of their distinctiveness, price policy (level of prices, ways and nature of price diversification), communication policy (the degree of integration of particular tools, originality), the structure and value of customers, the information system and databases of customers, the market position and marketing company culture.

The self-study carried out by the author confirms the key role of non-material factors (in this research grouped in organizational, marketing and human factors) in the process of an increase in the competitiveness of banks operating in Poland at present and in the future (graph 1).

Graph 1. The meaning of individual groups of factors in the process of an increase in banks' competitiveness (average assessment*)



* A four-degree scale was used, where 4 indicated the maximum value.

Source: The study based on the research conducted by the author.

In the course of the survey banks representatives declared that in the future at the fall of significance of material variables (= 1,67) and organizational variables (= 2,08) an increase in significance of human resources (= 3,17) and a considerable increase in significance of marketing resources (= 3,67) will be present. Received replies allow us to state that in the future marketing factors will play the biggest role in the process of an increase in competitiveness of banks and in their case, the biggest dynamics of an increase in significance in time. The most spectacular increase in significance of these variables was noted in Fortis Bank Polska S.A., PeKaO S.A., Citibank Handlowy S.A., Kredyt Bank S.A. and BR E BankS.A. In six institutions, i.e. Nordea Bank S.A., BPH S.A., Millennium S.A., PKO BP S.A., BZ WBK S.A. and ING Bank Śląski S.A. the role of marketing has been always recognized as the most important or one of the most important. In only one bank, i.e. BOŚ S.A. marketing plays a relatively minor role (= 1,7, in a four-degree scale).

Table 1 The meaning of marketing factors in the process of an increase in banks' competitiveness

Item no.	Marketing activities	Significance assessment ($\overline{X}$)		
		Past	Present	Future
1.	Positioning of offer in customers' consciousness, diversification skills	0,75	1,42	1,25
2.	Market segmentation	1,25	1,17	1,00
3.	Promotional activities	1,83	1,42	1,08
4.	Price policy	1,75	1,17	1,25
5.	Long-term customer relations (customer loyalty)	**3,33**	**4,00**	**4,08**
6.	Developed, unique distribution network	0,67	0,92	1,17
7.	Ability to conduct market research	0,75	1,00	0,75
8.	Innovative character of services	1,50	2,17	2,25
9.	Good knowledge of market and competitors	1,17	1,08	0,67
10.	Partnership with cooperating subjects	0,58	0,58	0,67
11.	Bank image, brand	**3,25**	**3,33**	**3,08**
12.	Customer structure and value	1,25	1,17	2,25
13.	Information system and databases of customers	1,08	1,17	1,42

Source: The study based on the research conducted by the author.

The detailed analysis of marketing factors carried out in the further part of the research proved that according to bank managers, two variables underlie marketing sources of an increase in competitiveness. At present, the analyzed banks search opportunities to strengthen the competitive position in establishing lasting and long-term customer relations and creating bank image and brand (table1). However, it should be noticed that whereas in the past significance of both factors was almost equivalent (= 3,33 i = 3,25 respectively), nowadays their role is increasing, but in the case of the customer relations factor, the increase has been more rapid comparing to the bank image. This trend will be also visible in the future but significance of the second discussed factor will decline slightly.

In the assessment presented in the above table, there is a wide range of opinions about the subject of the influence of marketing carriers on the bank's competitive position. Ranks received by the key variables, considerably diverge from significance of the remaining analyzed factors. In the future, long-term customer relations will be perceived as absolutely the most important marketing determinant deciding on bank's competitive abilities. These conclusions coincide with the findings of the Polish edition of research carried out by CapGemini Ernst & Young. Among non-financial parameters which are most closely connected with the market position of a bank there are marketing parameters, i.e. customer relations and the company image.

The analysis of the banks' operation strategy is the confirmation of managers' declarations. It allows us to notice that in reality all banks to a greater or lesser extent consider establishing and maintaining lasting customer relations as a source of their competitiveness increase. Establishing lasting customer relations occupies a dominant position in the strategy to build the competitive position of the following institutions participating in the survey: Millennium S.A., BRE S.A., Nordea Bank S.A., ING Bank Śląski S.A., BPH S.A., BZ WBK S.A. oraz PeKaO S.A. Other banks, i.e. Fortis Bank Polska S.A., PKO BP S.A., and BOŚ S.A. estimated their significance at the level of 4 points. In strategies developed by these institutions there is a lot of information on activities undertaken in order to "promote long-term customer relations", "strengthen ties with customers", "inspire loyalty and attachment", or "develop customer relations" to gain competitive advantage and an increase in profit.

Customer relations as a result of an increase in competition

Customer relations-oriented activities can be also considered from a different perspective. The observation of the market provokes reflection that such activities have been forced by market changes including the development of competition. Competition is one of the key elements of market processes. At present it is a common phenomenon in the economic life of companies operating on the market. On the one hand, definitions of competition presented in literature on management emphasize its aspect relating to the process of rivalry among individuals or groups. On the other hand, they emphasize the aim of competition, which is most often equated with gaining benefits that other market participants seek.

In the banking sector, the phenomenon of competition appeared later than in traditional industrial sectors (Pietrzak, 2003). Nevertheless, nowadays it is developing rapidly and taking on a more aggressive form. Deregulation of the Polish financial market (reduction of institutional and legal limitations) as well as its liberalization (removal of barriers against free capital flow) after 1989 resulted in a removal of barriers limiting competitiveness on financial markets, especially in the banking sector. These phenomena resulted in a considerable increase in the level of competitiveness and changed the bank from a safe intermediary and an institution of public trust into a service provider operating on the global market and expecting the maximization of profits in the long term and establishing a lasting competitive position. Analyzing competitiveness of the banking sector in Poland, it should be noted that these subjects are currently functioning under conditions of the so-called extended competition (Korenik, 2002). It is connected with non-bank financial agencies such as savings funds, savings and loans funds, insurance institutions, pension funds, investment funds or agencies providing financial services. The development of these subjects, parallel to the development of commercial banking is characterized by high dynamics resulting from a highly-market approach to customer service. Suffice it to say that their activities in the field of identification of new market segments are innovative and they offer an increase in the availability of financial services for households.

An increased level of competitiveness within the homogeneous European market and the resulting progressing degree of the market maturity forces Polish banks to be more competitive by expressing their greater concern for the customer. For many years banks have been undertaking activities which have concentrated on the striving for an increase in the share in the developing market by overtaking a part of customers from their competitors, or by attracting customers who have never used a given service. On account of that, banks which have been operating on the market since 1989 have been concentrating mainly on the advertising campaigns aiming at the creation of the right image among their customers. In Polish practice most banks have used a few key associations such as reliability, tradition, modernity, availability. However, with time these practices became so common that they could not serve as the effective tool in the struggle for the customer. Additionally, increasing competition and the resulting increase in the degree of the saturation of the banking sector in Poland led to a situation, in which possibilities of attracting new customers have become very limited. Along with the increase in the degree of market maturity, banks have faced new challenges. On the mature market the primary aim has been to keep a proper balance between attracting new customers and keeping the current ones. It is especially important to keep existing customers, establish lasting customer relations and win their loyalty. At a present stage of development of banks operating in Poland, attracting new customers is undoubtedly an important task. However, there is a necessity of anticipating changes on the market and planning long-term activities aiming at attracting new loyal customers in order to keep and strengthen the gained advantage (Rudawska, 2005). In this situation banks start to perceive lasting customer relations not only as a source of an increase in their competitiveness but also as a requirement of the contemporary market and as a sine qua non for existing on the competitive market. This trend is confirmed by the analyses of banks' strategies and missions as well as by numerous market research.

The self-study carried out by the author proves that the competition is the key factor influencing the shape and nature of banks in Poland (table 2, p. 1).

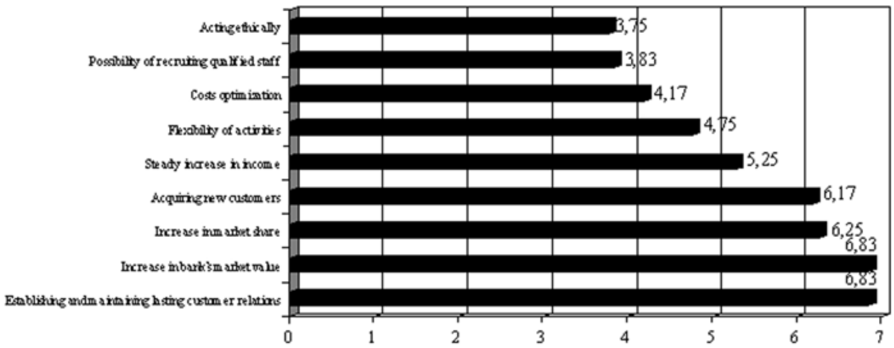
The research conducted by the author show that increasing competition leads to the situation in which winning and keeping customer loyalty is a major challenge that banks operating on the market face. The participating bank managers considered it as one of the two most important challenges that their institutions face (graph 2).

Table 2

Item no.	Factors	Very big	Big	Neutral	Small	Very small
		Number of indications				
1.	**Increase in level of competition**	**10**	**2**	-	-	-
2.	Expansion of private capital and system changes	1	5	5	1	-
3.	Development of capital markets	3	7	2	-	-
4.	Increasing customer requirements	9	3	-	-	-
5.	Development of IT and telecommunications technologies	7	5	-	-	-
6.	Globalization	3	4	3	2	-
7.	Spreading phenomena of concentration and consolidation	3	6	2	1	-
8.	Increasing tender force of banks' stakeholders, e.g. employees, shareholders, local communities	1	6	4	1	-

Source: The study based on the research conducted by the author.

Graph 2. Challenges faced by banks operating on the Polish market ( )



Source: the study based on the research conducted by the author

Among banks which ranked establishing of lasting customer relations highest, there is Nordea Bank Polska S.A., Bank Przemysłowo-Handlowy S.A., Citibank Handlowy S.A. and Bank Zachodni WBK S.A.

Summary and further research

The observation of tendencies in Polish banking indicates that in the last three decades banks experienced dynamically increasing competitive pressure. In response to that pressure banks undertake various activities including establishing and strengthening customer relations.

Presented research results convince us that banks operating on the market, where offered price conditions and access to services are comparable and relatively easy to copy, direct their efforts to developing lasting customer relations. Banks see their chance of gaining a competitive advantage and achieving aims declared in their strategies in such relations. At present these strategies seem to be effective in case of the banking services market. The research shows that on the one hand, customers want banks to undertake activities aiming at establishing lasting relations. But on the other hand, it indicates that developing close relations is possible because customers of banking services in Poland are characterized by a relatively high degree of attachment to their service providers (Więcław, 2007; Szczepaniec, 2003). Purchasers of banking services in Poland, especially individual customers, are attached to their service providers. Only 3% of the respondents resigned from services offered by their banks last year , whereas 42% of the respondents intend to use their services in the future. According to financial advisers and banking services market analysts, the existence of strong customer relations are caused by a high level of satisfaction derived from the services quality.

Conclusions presented in this study do not exhaust the analyzed issues and provoke further search. As competition on the market of banking services is limited by the market structure, the policy of the biggest institutions in the sector as well as state interference, it would be interesting to verify mechanisms which make it necessary to establish customer relations in other businesses. In order to develop a strategy to establish relations with consumers and a competitive position of a company it is crucially important to understand what kind of relations customers expect. Research considering subjects functioning on markets of various degrees of maturity might also be worth further and detailed analyses.

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THE CASE OF A NEW PRODUCT LAUNCH IN AUSTRIA. THE THEORETICAL APPROACH.

CLAUDIO VIGNALI
LEEDS METROPOLITAN UNIVERSITY, UK

CLAUDIA RASSICCI
UNIVERSITA' POLITECNICA DELLE MARCHE, ITALY

ELENORA PANTANO
UNIVERSITY OF CALABRIA, ITALY

Abstract

This paper depicts a fictitious case study, which is based on a real company which at the moment is not in the market place.The authors try to explain the importance of marketing in reference to new markets. Business becomes more and more global and so it is mandatory not just to enter new markets but to find a systematically approach. Marketing provides a lot of helpful models or systematically approaches respectively.

Introduction

The company which the authors use is Tamanohikari Sake Brewery Corporation. The company was founded in 1673, is located in Fushimi/Kyoto and is one of the top sake producers. The authors considered a new product for a new market, which refers to diversification. The product is an Alco pop made of sake, as these Alco pops are very popular at the moment. The chosen market is Austria, since it could be seen as a test market for Germany. The authors will give an overview how such a market entry can be planned in particular with the SOSTAC model. The following article will cover the internal and external analysis, whereas the internal analysis is based on assumptions, as the authors have no contact to the Tamanohikari Sake Brewery Corporation at all. After that the objectives for the market entry will be stated, followed from the strategies. Especially segmenting, targeting, observing and positioning will be covered. After the strategies the authors will give an overview about the tactics, like the marketing mix or the chosen entry method. The article will be finished with the conclusions.

Situation Analysis

External Situation Analysis

PEST-Analysis

A scan of the external macro-environment in which the firm operates can be expressed in terms of the following factors:

- Political
- Economic
- Social
- Technological

The acronym PEST (or sometimes arranged as "STEP") is used to describe a framework for the analysis of these macro environmental factors.

Political Factors

Political factors include government regulations and legal issues and define both formal and informal rules under which the firm must operate.

Austria — one of the smaller European countries with an area of 83.845 square kilometres (32,373 square miles) and 8 million inhabitants — is situated in the very heart of the continent. With no immediate access to the sea, Austria shares its borders with eight countries: Switzerland, Liechtenstein, Germany, the Czech Republic, Slovakia, Hungary, Slovenia and Italy.

Austria's main advantages lie in its economic and political stability, social and labour harmony, reliable internal security and extensive integration into the world economy (membership of the EU and the Euro-Zone, gateway to the new EU member states which joined in 2004 and their neighbours to the east and south). Additional benefits are well-developed cultural attributes (sports, music, nature, etc.), a dependable legal system and a low crime rate.

Since joining the European Union (EU) in 1995, Austria has embarked on an ambitious programme of structural reforms that included privatisation in banking and industry as well as the liberalisation of the telecom and energy sectors. The surge of cross-border mergers and acquisitions — particularly in retail, construction and banking — also provided a new means of finally relaxing and altering traditional structures.

The foreign trade of the EU can be considered as principally liberalised. There are, however, certain exceptions and restrictions in the form of import-quotas, surveillance measures, as well as antidumping and anti-subsidiary measures etc. In addition, trade embargoes decided by the UN and the EU — must be respected.

The Austrian customs tariff is based on the TARIC (Integrated Tariff of the EU). In principle the customs duties have to be paid at customs clearance. The average import duty applied by the European Union amounts to only 4 per cent; roughly 60 per cent of the merchandise from outside the EU is imported duty-free into the European Union.

Corporate profits are subject to a corporation tax at a rate of 34 per cent. In 2005 Austria's tax system will be even more attractive: the corporation tax rate will be lowered to 25 per cent and a very attractive group taxation system will become effective. Austria has signed double taxation treaties with many countries following the OECD Model Convention.

The most common method for importing goods into Austria is to sell through wholesale importers, many of whom are also engaged in exporting. Some importers deal with goods from all over the world. Others are specialised in certain regions or countries. Sometimes an importer will exclusively sell the products of one particular foreign supplier and will therefore consider additional products only if they can supplement the established line of business.

It is important to know that the Austrian business code allows imports not only to wholesalers but also to retailers. Large chain stores, mail-order companies and department stores are also major importers, in particular from overseas countries. In addition to trading agents, some industries and smaller manufacturers are also engaged in import activity.

Economic Factors

Economic factors affect the purchasing power of potential customers and the firm's cost of capital.

With a per capita gross domestic product (GDP) — the typically internationally comparable wealth indicator — of EUR 23,170 (USD 27,803), Austria is ranked fifth in the EU (behind only Luxembourg, Denmark, Ireland and the Netherlands) and fourteenth in the world.

In general and absolute terms Austria does not represent a huge market, but should be considered as an open and rewarding opportunity in the heart of the 'New Europe'.

Open because of the country's traditional role as a meeting and trading place between East and West, North and South and its full participation in the common economic and monetary policies of the European Union since 1995.

"To overlook Austria would be to overlook one of the world's richest nations, on a per capita basis. Austria is a good test market for products or services and is often used as such by companies seeking access to broader European markets. Doing business in and from Austria definitely has its advantages."

To give you a quick overview about the Austrian alcohol market please take attention to the following tables:

Table 1: Stefan Bruckbauer (2005): Austrian Economy

Austrian Economy

	2001	2002	2003	2004	2005 (Forecast)	2006 (Forecast)
(real growth in %)						
GDP	**0.7**	**1.2**	**0.8**	**2.0**	**1.7**	**2.4**
Private consumption	1.0	0.9	0.8	1.4	2.1	2.9
Public consumption	-1.4	1.1	0.4	1.2	0.2	0.0
Gross fixed capital formation	-2.7	-4.2	6.7	1.4	4.4	3.1
Exports	6.8	3.8	1.4	6.6	4.5	6.1
Imports	5.0	-0.2	4.9	6.3	5.1	6.4
CPI (change in %)	2.7	1.8	1.3	2.1	2.4	1.7
HCPI (change in %)	**2.3**	**1.7**	**1.3**	**2.0**	**2.3**	**1.7**
Current account (Euro bn)	-4.1	0.7	-1.1	0.0	-0.2	-0.2
as % of GDP	-1.9	0.3	-0.5	0.0	-0.1	-0.1
Employment in ´000s	3148	3155	3185	3201	3223	3258
change in %	0.5	0.2	0.9	0.5	0.7	1.1
Unemployment rate (EU def.)	**3.6**	**4.2**	**4.3**	**4.5**	**4.4**	**4.2**
General gov. deficit as % of GDP	**0.3**	**-0.2**	**-1.1**	**-1.3**	**-2.1**	**-1.7**
GDP in Euro bn	215.6	221.0	226.1	233.7	242.2	252.2

Table 2: Representative Survey 1993/94. Page 53

Average alcohol consumption on sex and age								
Women & Men	16–19	20–29	30–39	40–49	50–59	60–69	70–99	16–99
Average litres alcohol per year	7,4	14,8	14,8	18,5	15,7	11,6	12,0	14,3
Sample size	591	2364	2250	1778	1619	1750	798	11150
Männer	16–19	20–29	30–39	40–49	50–59	60–69	70–99	16–99
Average litres alcohol per year	11,6	23,6	23,6	28,6	24,5	21,3	23,6	23,6
Sample size	295	1226	1108	906	793	727	275	5330
Frauen	16–19	20–29	30–39	40–49	50–59	60–69	70–99	16–99
Average litres alcohol per year	3,2	5,5	6,9	7,9	6,9	5,1	5,5	6,0
Sample size	296	1139	1142	873	826	1023	522	5821

Table 3: Statistik Austria (2004): Handbook Alcohol - Austria.

Average alcohol consumption per year (15-99 year old Austrian)									
year	Under 15 years old	litres		Litres pure alcohol					Gram pure alcohol per day
		Beer	Wine	Spirituous	Beer	Wine	Cider	total	
1955	22,1%	76,9	17,4	0,9	3,8	2,0	0,4	7,2	15,5
1960	22,3%	93,3	24,1	1,4	4,7	2,8	0,6	9,4	20,4
1965	23,6%	120,9	35,2	1,2	6,0	4,0	0,7	12,0	25,9
1970	24,4%	130,4	45,4	1,6	6,5	5,2	0,9	14,2	30,7
1975	23,2%	134,7	45,5	2,1	6,7	5,2	0,9	15,0	32,4
1980	20,4%	130,2	44,7	2,0	6,5	5,1	0,9	14,5	31,4
1985	18,3%	133,9	41,8	1,8	6,7	4,8	0,8	14,1	30,6
1990	17,4%	145,9	42,1	1,8	7,3	4,8	0,9	14,9	32,2
1995	17,5%	138,6	38,7	2,0	6,9	4,5	0,9	14,3	30,9
2000	16,7%	136,9	37,1	2,1	6,8	4,3	0,8	14,1	30,4
2001	16,8%	132,0	37,1	1,5	6,6	4,3	0,8	13,2	28,5
2002	16,3%	131,1	36,0	1,5	6,6	4,1	0,5	13,0	28,1

Table 4: Statistik Austria (2005) Internet: http://www.statistik.at/konsumentenerhebung/ergebnisse.shtml

Monthly expenditures of private households Results consumption research		
	in Euro	in %
total	2.437,3	100,0
food, non-alcoholic beverages	322,9	13,2
alcoholic beverages, tobaccos	66,4	2,7
alcoholic beverages	28,1	1,2
tobaccos	37,5	1,5
clothing, shoes	160,3	6,6
habitation	572,6	23,5
furniture's	172,5	7,1
health	57,8	2,4
transportation	365,6	15,0
communication	64,8	2,7
leisure	300,5	12,3
education	6,4	0,3
restaurants	135,4	5,6
others	212,4	8,7

Social Factors

Social factors include the demographic and cultural aspects of the external macro environment. These factors affect customer needs and the size of potential markets.

Austria's socio-economic model embraces an extensive social security and welfare system. On the one hand, it operates according to the insurance principle, by which all employed persons and most of their dependants continue to receive a stream of income in spite of absence from work due to illness, accident, maternity, unemployment or retirement. On the other hand, the system also encompasses state, provincial (regional) or municipal (local) welfare transfers for those citizens whose status or situation is not covered by the public social insurance system. Employer and employee contributions jointly finance this extensive and costly network. The compulsory medical insurance, which includes coverage for children and, in some cases, spouses ensures that practically the entire population has access to the excellent nationwide medical care regardless of where they are situated. In addition, private medical insurance schemes are also available.

Technological Factors

Technological factors can lower barriers to entry, reduce minimum efficient production levels, and influence outsourcing decisions.

Austria's gross domestic expenditure on R&D in 2005 (i.e. the sum total of expenditure on R&D performed in Austria) is set to reach 2.35% of the Gross Domestic Product (GDP), an increase of 8.0% over the previous year's figure. According to STATISTICS AUSTRIA forecasts a total of € 5.77 billion will be spent in Austria this year on research and experimental development (R&D).

As in recent years the three main sources of financing for R&D in Austria in 2005 are therefore the business enterprise sector (43.0%), the public sector (36.6%), and abroad (20.1%). Most of the financing from abroad (around € 1.16 billion) comes from European multinational enterprises which are associated with Austrian enterprises and which have chosen Austria as their research location; it also includes return flows from EU framework programmes for research, technological development and demonstration, which in 2004 and 2005 will amount to as much as € 70 million per annum.

Structure and Trends of the Market

Overview

In the year 2002 approximately 34 million litres spirituous beverages were sold and the spirituous beverages massively growth especially in this year in which high-percentage spirituous beverages decreased steadily.

Chart 1: Bacardi-Martini GmbH (2002): Market Report. Spirituous Beverages Market.

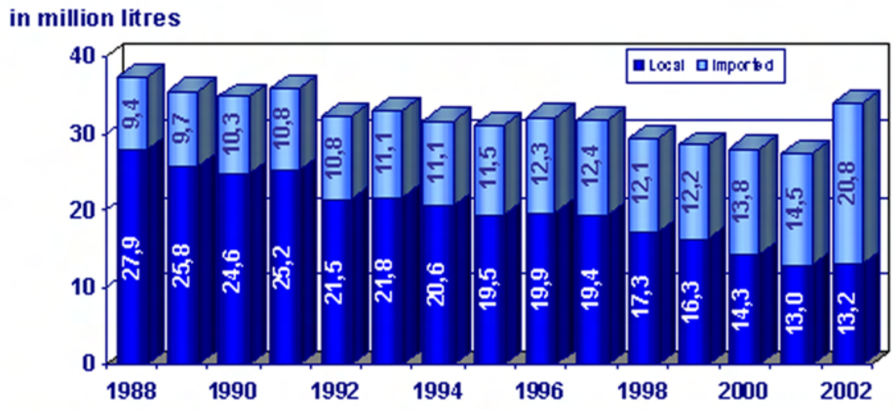


Chart 2: Bacardi-Martini GmbH (2002): Market Report. Sales headed by distribution channel.

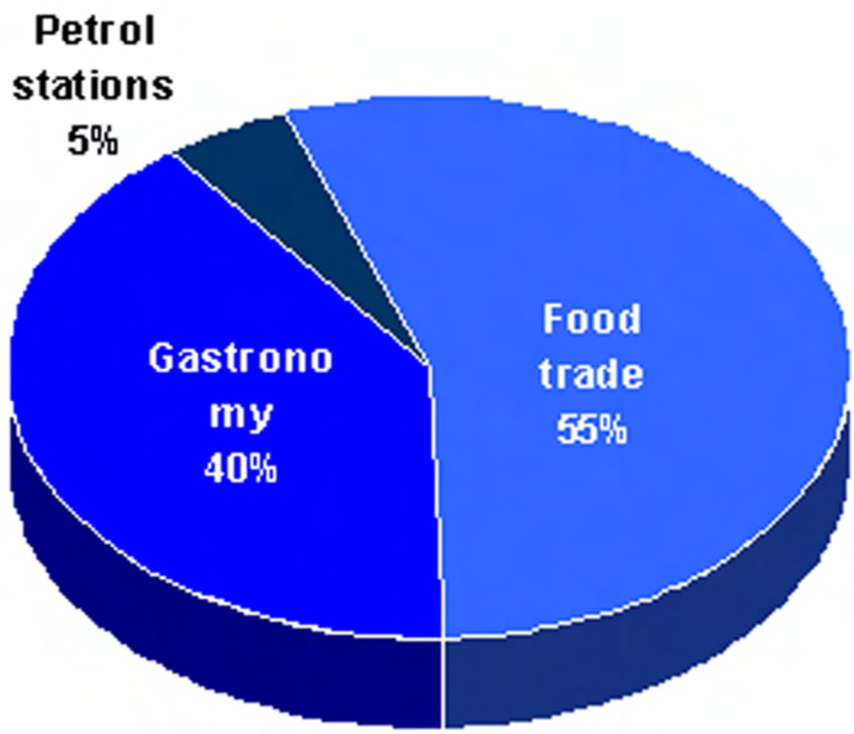
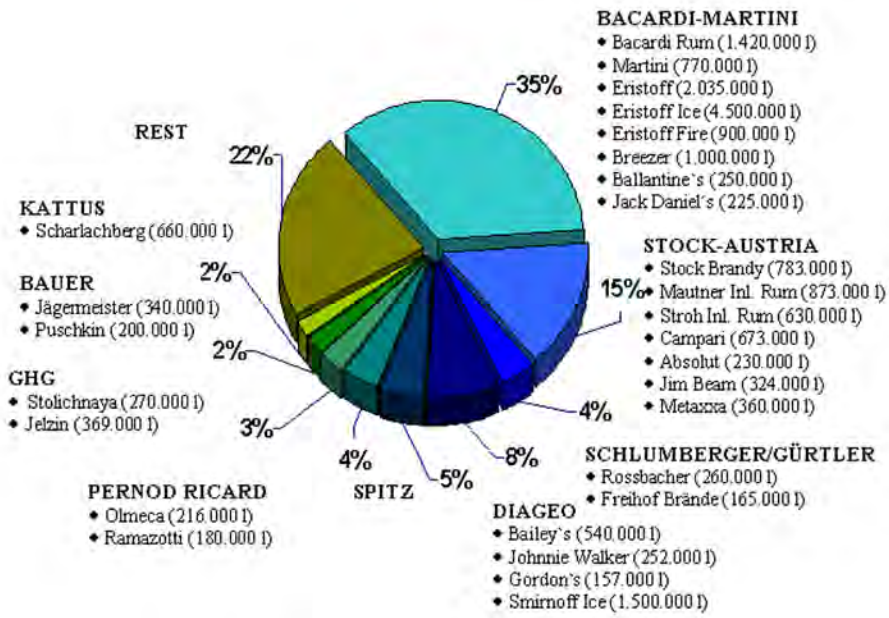


Chart 3: Bacardi-Martini GmbH (2002): Market Report. Market Share headed by Company.



The imported spirituous beverages increases by about 120% in the years from 1998 to 2002 and had a market share of around 60% at this time. In the same length of time Local spirituous beverages decreased 53%.

The mixed spirituous beverages showed in 2002 that they are able to increase their market share by three times. The market share in the year 2002 was 27%.

Distribution Channels

The classical distribution channels of spirituous beverages are the food trade (retail) and the gastronomy, which plays an important role in the Austrian economy.

Opportunities

- member of the European Union
- high standard of living
- attractive test-market
- important role of gastronomy in Austrian economy
- trend of mixed beverages (“Alco-pops”)

Threats

- dominant key player with Bacardi
- negative image of Alco-pops

Internal Analysis (assumptions)

Strengths

As written in the introduction the internal audit is based on assumptions, as the authors have no contact to the sake brewery. It is assumed that the company is in very good financial situation, as they are one of the top sake producers. This refers also to the top quality of their products. So the core competence of the Tamanohikari Sake Brewery Corporation is their high quality and experience. Strength is that it is completely new on the market. The company is able to increase economies of scale and creates an added value for their core product, sake itself.

- very good market position
- very good financial situation

- top quality product
- production know-how of the company
- production facilities of the company
- Good reputation (article in the New York Times on the 18th of March 2005)
- Increase of the reputation for sake itself

Weaknesses

The Austrian market as well as the product is completely new for the company. Sake is produced in Japan, which means high distribution costs. Diversification can be very risky; however, the innovation rate and the very strong R&D department should be a guarantee for success.

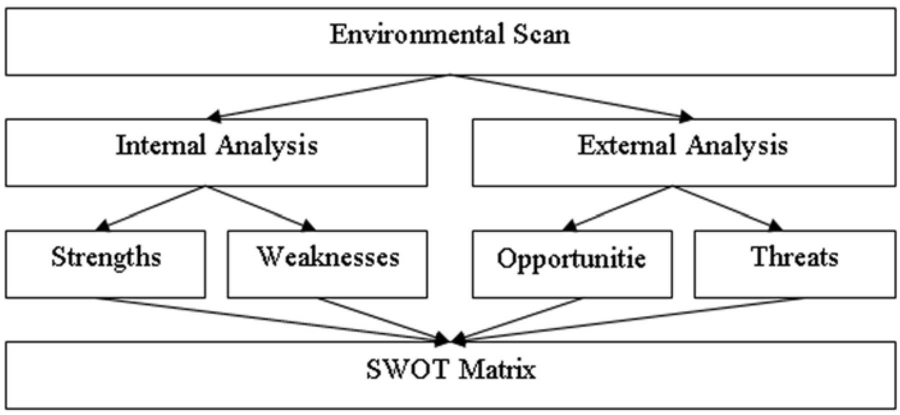
- no experience with the Austrian market
- no experience with the product
- distribution costs
- diversification always risky

SWOT Analysis

A scan of the internal and external environment is an important part of the strategic planning process. Environmental factors internal to the firm usually can be classified as strengths (S) or weaknesses (W), and those external to the firm can be classified as opportunities (O) or threats (T). Such an analysis of the strategic environment is referred to as a SWOT analysis.

The SWOT analysis provides information that is helpful in matching the firm's resources and capabilities to the competitive environment in which it operates. As such, it is instrumental in strategy formulation and selection. The following diagram shows how a SWOT analysis fits into an environmental scan:

Chart 4: SWOT Analysis Framework



The SWOT Matrix

A firm should not necessarily pursue the more lucrative opportunities. Rather, it may have a better chance at developing a competitive advantage by identifying a fit between the firm's strengths and upcoming opportunities. In some cases, the firm can overcome a weakness in order to prepare itself to pursue a compelling opportunity.

To develop strategies that take into account the SWOT profile, a matrix of these factors can be constructed. The SWOT matrix is shown below:

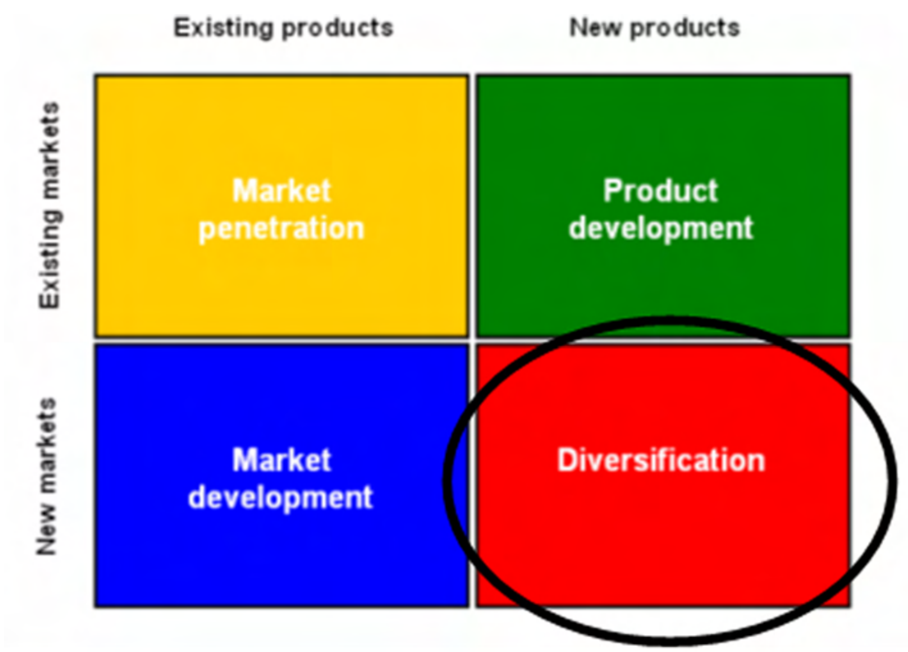
Objectives

Marketing objectives are concerned with what is sold (products) and to whom it is sold (markets). There are four possible combinations of products and markets (Ansoff-Matrix).

Chart 5: SWOT Analysis Matrix

Strengths	Weaknesses
very good financial situation top quality product high innovative research and development department very successful with new sake variations first sake product combined with an Alco pop approach Economies of scale Increase of the reputation for sake itself	no experience with the Austrian market no experience with the product Distribution costs diversification always risky
Opportunities	**Threats**
member of the European Union high standard of living attractive test-market important role of gastronomy in Austrian economy trend of mixed beverages ("Alco pops")	dominant key player with Bacardi negative image of Alco pops

Chart 6: Ansoff-Matrix



The mission of TAMANOHIKARI is to develop a new market for new kind of sake drinks.

As TAMANOHIKARI intends to sell new product to a new markets, therefore we are clearly talking about "diversification". This means that new customer groups have to be found and all operations have to be adapted to the new Austrian market. A diversification strategy is very risky and generally has a very low rate of success. TAMANOHIKARI is conscious of this one. But due to the preceded analyses it seems to have view of success such a strategy of diversification.

The above mentioned SWOT shows some key figures that lead to the following objectives:

Name-recognition and reputation:

The market research displayed that the company BACARDI-MARTINI (35% market share) and STOCK-AUSTRIA (15% market share) are the market Leader's. All brand's of BACARDI-MARTINI (Eristoff, Breezer, Ballatine`s) and STOCK-AUSTRIA (Campari, Jim Beam, Metaxxa) have a very high publicity. So it is very important to have a good name, as the consumers are very brand-aware. For TAMANOHIKARI it is important to achieve a name-recognition of 40%, which means that in the next survey we want to be familiar for 40% of the people within the first three brands.

Comparative market share

The “top 5 brands” sell more than 90% of the volume at the mixed drinks. TAMANOHIKARI wants to achieve a comparative market share of 5% within the first three years - that mean around 1’600’000 million litre or around 6,4 million bottle’s (0,25 litre) of sake per year.

Distribution Channels

It was already mentioned before; the classical distribution channels of spirituous beverages are the food trade (55%) and the gastronomy (40%).

Therefore, in the first stage TAMANOHIKARI will concentrate on the sale about the gastronomy. Over this distribution channel 68% of the mix-drinks are sold. Within the first three years TAMANOHIKARI wants a distribution net in Austria of 90% of the gastronomes. In the second stage it’s possible to reach more customers over the food-trade channel.

Sales and profit

The wholesale price for products of the market leader lies average by 0.70 - 0.80 -- euros/bottle. TAMANOHIKARI wants to place his product high-priced and strives for a wholesale price of 0.90 euros/bottle. The company wants on this price base within the only three years an annual turnover of approx. 5.76 million euros. In addition, on the defined annual turnover, the company will a net-profit of at least 10% generates.

Strategies

Segmentation and Targeting

It isn’t appropriate to carry out segmentation only after demographic features, because for example young or also old people or also men or women like to drink the same kind of beverage. However, the drinking behaviour depends strongly whether the drink is alcoholic, and if yes, how strong the alcoholic content is.

The following segmentation arises from this. The broad product-market for alcoholic drinks and on the other hand the broad product-market for non-alcoholic drinks. These two markets can be subdivided into the following segments.

TAMANOHIKARI will concentrate on the segment of the Spirits. Customers can be described by many specific dimensions. The target group or the target market of TAMANOHIKARI has the following features:

Demographic

- age 18 – 30
- sex male + female
- Tendency single

Psychographic

- In general they like life style.
- the target group want to be trendy,
- they takes care for themselves
- people of this target market allowing themselves something

Chart 7: Bacardi-Martini GmbH (2002): Market Report. Share of the different Spirituous in the gastronomy.

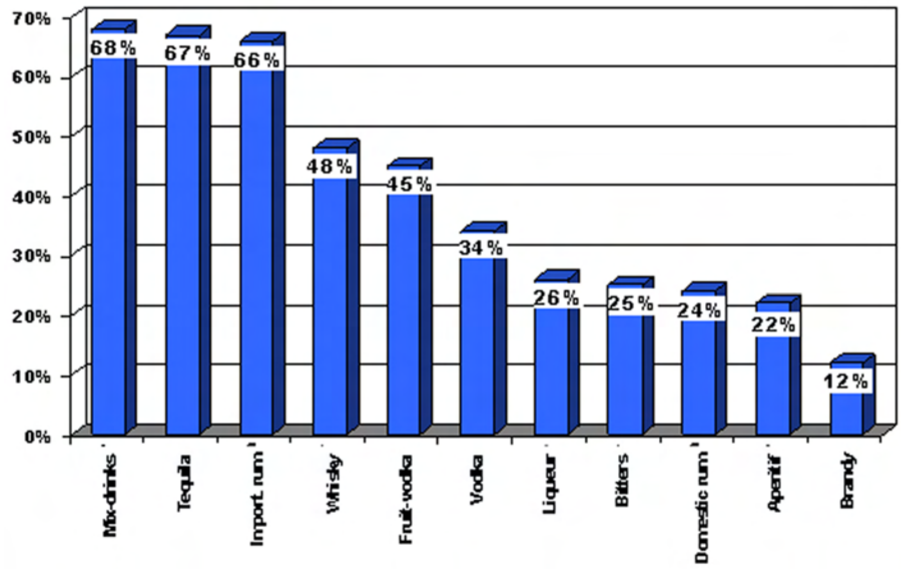


Table 5: Segmentation of Alcoholic and Non-alcoholic drinks

Alcoholic drinks	Non-alcoholic drinks
Spirits	Water
Wine	Energy drinks
Beer	Fruit juices
Champagne / Sparkling wine	Hot drinks (Tea, coffee ...)

Positioning

It was mentioned before that the core competence of TAMANOHIKARI is their high quality and their experience of over 300 years in distillation of original Japanese sake. By the century long presence in the Asian market TAMANOHIKARI is a much known brand. This publicity exclusively refers however on sake drinks sake. The European market was supplied with Sake only over wholesalers till now and therefore this brand has no brand known in the European at the consumers. The aim of TAMANOHIKARI however isn't to sell originally Sake in Austria but to sell a new manner of drink in the Austrian market. This kind of drink shall an absolutely new alcoholic mix drink. Sake serves as base, however, is completed with special taste substances. Fell the product therefore into the segment of liquors. In this market BACARDI-MARTINI is the market leader and has known brands such as Eristoff, Breezer or Ballatine`s. All of these brands are positioning as young, trendy, cool and cheap Alco-pop drinks.

To drink Sake has a millennium old tradition and is a fix component of the Japanese culture. This culture became strongly stamped of princes, emperors, scholar and samurais. These people had a very high education and were in many things superior compared of normal people. Sake is valid as healthy and agreeable drink in the Asian room. At the market entry in Austria this features are taken into account. Therefore the new drink shall not be placed as a reasonably Alco-op drink, but as high-quality feeling-drink. It should be a good drink for the spirit and the body, a drink for people that will be superior of the other people. People, who dispose a high intellectual standard and have great self-control,

In the name of the brand this philosophy shall be recognizable. The new product therefore shall not be sold by TAMANOHIKARI under the brand but shall be imported as new brand. Sensei is Japanese and means masters. The attribute and the positioning can be communicated optimally under this brand name and should be a good differentiation against the competitors.

Price/Quality-Strategies

Arises that for a successful market entry a premium strategy is aim leading and must be pursued consistently.

Tactics

Market Conditions, Economic, Political/ Legal and Cultural Environment

The standard of living in Austria is very high and the population is stable at around 8 million inhabitants and with a growth rate of 0, 5 % per year. Austria should be a test market for our product and therefore a direct investment is too expensive. Austria is a member of the European Union and has a highly developed economy with an annual growth rate of around 2, 5% per year. Because Austria is a social state the average labour costs are very high for Europe. Therefore Austria is too expensive for production. The political system is stable and there are no significant entry barriers for foreign companies, this means Austria has the same regulations for Imports as all other European countries. Most Austrians grow up with Catholic values and alcohol is a well established drug in the society.

Austrians consume 34 million litres of spirits per year and the market share of imported spirits increased by about 120% in the last four years and amounts now to 60% market share. There are strong competitors like Bacardi with Alco-pop drinks on the Austrian market but they have an other quality level and a younger target group.

Entry Method

On the basis of the decision model the entry method for Austria is direct exporting. The main reasons for that entry strategy are the cheaper production costs in Asia and the small market in Austria which do not justify a direct investment. Also it is not certain that local companies have enough know-how, in Sake distillation, for licensing. If our drink is successful in Austria there could be a reason for direct investment in the second stage. In this case expansion into one of the new European Union member countries should be considered.

Marketing P`s

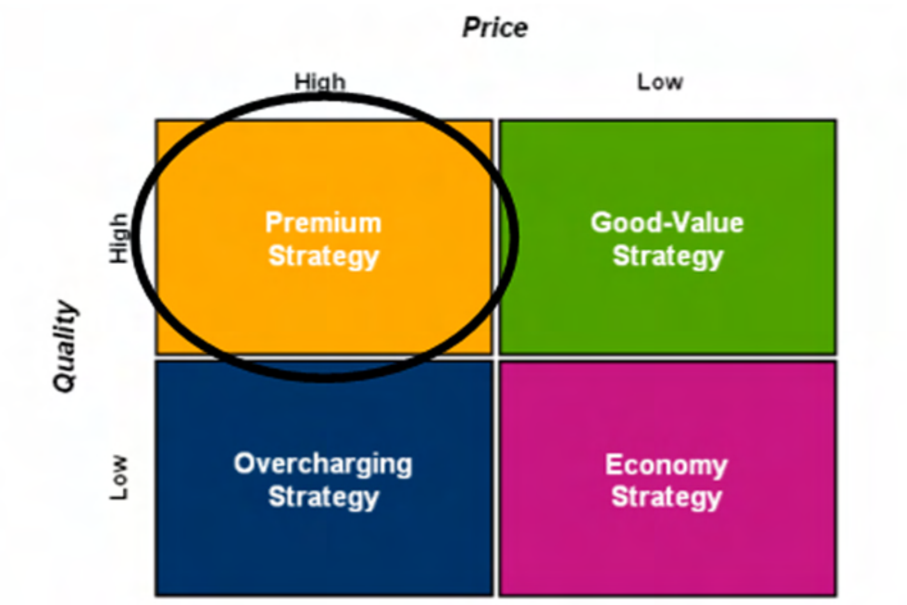
Product

Our product is an absolutely new alcoholic mix drink in high quality and with a very stylish conditioning. The taste of our “sake-flavour-drink” should be bittersweet with only a slight sense of the original sake. The taste is adapted for the European, especially for the Austrian market. Because of our special target group the taste should not be that sweet like our competitors “Eristoff Ice”. We decide to do the premium strategy and so our product has to be higher in quality than our competitors drink. It starts with the high quality content and ends up with a very stylish appearance and packaging of our drink. Our customers have to know that they drink the best and then they are willing to pay for that.

Place

First we will go into the gastronomy witch means we have to be listed in the wholesale shops like AGM, Wedel, Metro, where the gastronomy is buying from. This is the way we want to distribute our product because to build up our own distribution network is too expensive. We believe that bars, discos and nightclubs in the high end segment (like hangar 7 in Salzburg or the Planthers in Vienna) are the right environment to bring our customers in first contact with our product. Also we would like to reach restaurants witch work in the Asian fusion segment or classical high end Asian style restaurants. Secondly we want to be listed in retail and fancy food stores with Asian influences.

Chart 8: Price/Quality-Strategies



Price

Our prices reflect the "premium strategy" and are on the high end compared to those of our competitors. Because of the "pull-strategy" we want to make special discounts for the gastronomy (buy 10 get 15, for example) to give the bar owners a special incentive, to sell our product, in the beginning. Trough that, we believe we can generate publicity in the gastronomy.

Promotion

For the first year of the promotion we want to create a promotion team, which drive through Austria with a special "Sensei-Truck". This truck should be in the same style as our bottles. The promotion team, especially girls (Sensei-Bunnies), should have an extra "Sensei outfit". With this truck we want to organize special "Sensei-Parties" with trendy and hip bars and discos with bigger volume. At these parties the Sensei girls should sell our drink for half price and the owner gets the extra earnings. For that incentive the owner has to buy a minimum of 500 bottles which he than has an interest to sell. In addition to that we want to reach special cultural and sports invents like the Bregenzer Festspiele, Porsche meetings, new BMW launch, skirace Kitzbühel or Jazz festivals where we can sell our product with our truck as well as sponsoring to generate PR in radio, TV or newspapers.

Another part of our promotion is classical advertising with billboards in urban areas and advertising in trendy newspapers.

We also want to make a lottery with numbers on the inside of the labels of our bottles where people can win some units of our product and the main prize is an all paid trip to Japan including an inspection of our brewery. To know who has won a prize they have to go on our homepage where they can check the winning numbers. With this we can also enhance the attraction of our homepage and give more information about us to our customers.

Conclusion

The Sostac-system is a good way to prepare a market entry. In the situation analysis, which includes the external as well as the internal audit companies gets an overview about the macro and the micro environment. In the next part a company has to decide the objectives which should be specific, measurable, achievable, realistic and timely. After the objectives the strategy will be defined. In this paper the authors used the STP-model as well as the Price/quality strategy. Within the tactics an enterprise decides how to follow the strategy to achieve the objectives. The actions would be the tactics in more detail. At the end a company would control the overall plan, that it will be a success. Nowadays it is the most important thing to observe the market in advance, otherwise companies can not succeed.

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COMPARISON OF BRAND EQUITY BETWEEN TWO SIMILAR GLOBAL AND NATIONAL BRANDS

IHN HEE CHUNG AND IN GUK KIM
KUMOH NATIONAL INSTITUTE OF TECHNOLOGY, KOREA (SOUTH)

Abstract

Globalization is one of the mega-trends across the entire industries. Especially, globalization in the field of textile and apparel is faster and wider than that in the others. Globalization is on the way not only in the area of production but in that of retailing. Nowadays, with regard to selling or purchasing the apparel fashion products, the national boundaries are meaningless. While "already-globalized" fashion brands are trying to improve their global market share, "yet-unglobalized" brands are seeking to be the global ones.

Korea had once been called the world's "Big 3" in the textile and fashion industries in the 1970s. However, it lost its competitiveness due to the ever-changing international environments. To survive in the global fashion society, which is divided into the huge high-end western companies and the low-price producers in China, India, etc., Korean fashion industry has to find some solutions such as building brand power. "Bean Pole" is a leading casual wear brand in Korea, which was launched by "Sam Sung" in 1989. It aims to compete with "Polo Ralph Lauren," a giant global brand.

The purpose of this study was to compare the brand equity of Bean Pole and Polo Ralph Lauren in the aspect of Korean consumers' perception. How different are these two brands in their brand equity? The results may bring Bean Pole some insights to achieve the position as a global brand.

A questionnaire was developed to measure brand equity including brand recognition, brand preference, perceived quality, and brand association. During the summer 2005, 1,014 sample data of the consumers aged from 15 to 34 were collected in Seoul area, a center of fashion retailing in Korea. The data were analyzed using SPSS 10.0.1.

From the aspect of brand recognition, Polo Ralph Lauren (13.6 %) was higher than Bean Pole (13.3%) in the top-of-mind citation, but Bean Pole (46.1%) was higher in the percent of brand recall than Polo Ralph Lauren (40.5 %). Polo Ralph Lauren (15.2%) was more frequently mentioned as the most liked one than Bean Pole (9.5%). The perceived quality and the brand association show almost no statistically significant difference between the two brands, but Polo Ralph Lauren was evaluated as having a somewhat more affirmative and differentiated image. The brand images of both brands were highly neat, simple, natural, and sophisticated.

Bean Pole was fairly good in its competitiveness according to the brand equity compared to Polo Ralph Lauren, but the latter was highly valued in consumer's preference. Concerning all of the sub brands, the total sales volume of Bean Pole has been higher in the Korean market for several years. However, Polo Ralph Lauren showed high growth rate again in 2007 thanks to its localized product strategy. The brand preference might bring Polo Ralph Lauren great brand power. It is needed for Bean Pole to form strong brand preference among the consumers in order to be a global brand. And by developing global channels, it will be able to reach global consumers.

Key words: brand equity, Polo Ralph Lauren, Bean Pole

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Introduction

Globalization is one of the mega-trends across the entire industries. Especially, globalization in the field of textile and apparel is faster and wider than that in the others. Globalization is on the way not only in the area of production but in that of retailing. Nowadays, with regard to selling or purchasing the apparel fashion products, the national boundaries are meaningless. While “already-globalized” fashion brands are trying to improve their global market share, “yet-unglobalized” brands are seeking to be the global ones.

Korea had once been called the world’s “Big 3” in the textile and fashion industries in the 1970s. However, it lost its competitiveness due to the ever-changing international environments. Currently many imported or licensed brands are seen in the Korean retail market, not only in the area of woman’s wear, where trend is very important, but in the area of traditional casual wear. Among them, Polo Ralph Lauren has been doing its business highly well leading its position to the top of the market.

To survive in the global fashion society, which is divided into the huge high-end western companies and the low-price producers in China, India, etc., Korean fashion industry, which does not have any global brand, has to find some solutions such as building brand power.

Actually Bean Pole is a leading casual wear brand in Korea, which was launched by “SamSung” in 1989. It aims to compete with Polo Ralph Lauren, a giant global brand, and has been making its best marketing effort to be a global brand. Accordingly the Korean consumers’ perception of it is quite similar to that of Polo Ralph Lauren.

The purpose of this study was to compare the brand equity of Bean Pole and Polo Ralph Lauren in the aspect of Korean consumers’ perception. How different are these two brands in their brand equity? The results may bring Bean Pole some insights to achieve the position as a global brand.

Literature Review

Traditional Casual Wear Brands

The portion of casual wear in fashion market has been increasing in Korea since the 1980s, the beginning of global cultural period. Especially due to the sports and leisure boom affected by the Seoul Olympic Game, which was held in 1988, everyday wear has changed to the westernized and simple casual style. Casual wear is the largest category regarding sales volume in the total Korea fashion industry (Kim & Do, 2002; Jeong et al., 2005).

According to Chung and Kim (2007), casual wear style could be divided into 6 categories concerning emotional expression and price level. They were traditional luxury, stylish jean, sports original, modern traditional, natural character, and rational volume. Both Polo Ralph Lauren and Bean Pole were classified as traditional luxury brands. Both of them claim to be of British origin and set high-class customer as their target.

Generally, traditional casual brands are credited as unfashionable and not trendy. The fact of over 50% of recently-launched casual brands being traditional reflects the phenomenon that the new generation’s lifestyle is more product quality and simple basic images oriented.

Brand Stories of Polo Ralph Laurent and Bean Pole

Polo Ralph Lauren started its business by selling men’s ties with the name of ‘Polo fashions’ (Naver Encyclopedia, 2008). It is famous for its logo of traditional polo game. During more than 30 years, Polo Ralph Lauren has built its high grade brand image through Polo shirts, British country look, and Ivy league look (Shin, 2002). When people wear Polo, they are full of pride and happiness (Shin, 2002). Although it extended its product range to include men’s casual wear, women’s casual wear, children’s wear, sports wear, golf wear, and home collection, a large part of sales volume was composed of men’s casual wear (Shin, 2002). Polo Ralph Lauren was introduced in Korean fashion market in 1986, and since 1998, a major company Doosan has been producing Polo Ralph Lauren with the license agreement (Naver Encyclopedia, 2008).

Bean Pole was launched by “SamSung” to challenge Polo Ralph Lauren’s empire in 1989, the year when Polo expanded Korean casual wear market to the sales volume of 26 thousand million won (Jeon and Kim, 2005). Even though Bean Pole started with the price zone of 20 % lower than Polo Ralph Lauren to penetrate the market, it is currently executing a high quality, high price strategy similar to that of Polo Ralph Lauren. The brand name Bean Pole implies the region of Bean Town in Boston, and Bean Pole uses its logo of a gentleman riding a bicycle with the association of the story of “Daddy Long Legs” (Song, 2007). The copy of the advertisements of Bean Pole is "her bicycle came inside my mind," which forms a more feminine image compared to Polo Ralph Lauren. Recently Bean Pole employed Gwyneth Paltrow, a Hollywood actress as an advertising model to develop global market (Song, 2007).

Brand Equity

Brand equity refers to the marketing effects or outcomes that accrue to a product with its brand name compared with those that would accrue if the same product did not have the brand name (Aaker, 1991). Regarding the concept of brand equity, the researchers of fashion marketing field has focused mainly on the measurement of brand equity, especially on the components of brand equity from the perspective of consumers (Kim & Rhee, 1999; Kim & Lim, 2002; Kim & Lim, 2004; Choi & Rhee, 2004). However, congruent constructs or dimensions specific to fashion brands has not been suggested yet.

Normally, brand loyalty, brand recognition, perceived quality, brand association, mentioned by Aaker (1991), have been considered as essential components of brand equity. Thus, these elements have been used usefully in the fashion marketing area, too. This study also introduced these 4 dimensions of brand equity. In addition, with some resultant findings of Kim and Rhee's (1999) study applied, perceive quality was dealt as a variable including the concept of general quality, confidence, and appropriate price, and brand association was dealt as a variable including affirmative image, differentiated image, and pride.

Methodology

Measurements

A questionnaire was developed to measure brand equity including brand recognition, brand preference, perceived quality, and brand association. Brand recognition is measured by 3 items: Top-of-mind citation, recall percent, and recognition score. Brand recognition score was evaluated on 4 point scale. 4 expressions were given from "I have never heard of this brand name before," "I know the brand name only," "I know the product of this brand," to "I know this brand very well." Brand loyalty is measured by brand preference score. A question which requires respondents to scribe 3 brands in the preferred order was given to every sample. 3 brands were scored 3 point to 1 point according to the preference rank. Measurement of perceived quality and brand association included 3 items respectively, which were borrowed from Kim and Rhee (1999), on 7 point scale. Additionally, in relation to brand association (Kim, Chung and Sung, 2002), 9 brand persona adjectives were also measured on 7 point scale.

Data Collection and Analysis

Data used for this paper was originally from the same source of Chung & Kim (2007). During the summer 2005, 1,014 sample data of the consumers aged from 15 to 34 were collected in Seoul area, a center of fashion retailing in Korea. Convenient quota sampling regarding age variable was applied reflecting the characteristics of casual wear consumer. Therefore, the portions of high school students, collegiate students, and working persons were guided as 2: 2: 1 respectively. Brief profiles of respondents were as showed in Table 1. Among 1,014 samples, 426 responded Polo Ralph Lauren and/or Bean Pole as preferred brand. A part of statistical analysis was conducted on these cases.

Results and Discussions

Brand Recognition and Loyalty

The result of brand recognition was showed in Table 2. From the aspect of brand recognition, Polo Ralph Lauren (13.6 %) was higher than Bean Pole (13.3%) in the top-of-mind citation, but Bean Pole (46.1%) was higher in the percent of brand recall than Polo Ralph Lauren (40.5 %). Brand recognition score was also higher for Bean Pole (3.61) than Polo Ralph Lauren (3.47). This result signifies the salience of brand power of Polo Ralph Lauren. Nevertheless consumers know Bean Pole brand well, when they were required to remember only one casual brand, they recalled Polo.

As showed in Table 3, Polo Ralph Lauren (15.2%) was more frequently mentioned as the most liked one than Bean Pole (9.5%). And the brand preference scores of Polo Ralph Lauren and Bean Pole were 695 and 531 respectively. From both results, it was considered that strong brand loyalty has been formed toward polo.

Perceived Quality and Brand Association

Table 4 showed the perceived quality and the brand association of two brands, which did not show any statistically significant differences between them except unique image. Polo Ralph Lauren was evaluated less unique than Bean Pole. This result can be explained in consideration of the strong brand loyalty of Polo. In the case of traditional casual brand, it is considered that the unique image give a negative effect on brand preference and brand loyalty. And Polo Ralph Lauren was evaluated as having a somewhat more affirmative and differentiated image. These elements could give a positive effect on brand loyalty of Polo, too. The brand images of both brands were highly neat, simple, natural, and sophisticate. Commonly, Korean collegiate students like these images in the context of attending classes (Chung, 2004).

In the Table 5, the comparison of perceived quality and brand associations between two brands were showed based on the data from the respondents preferring both brands. The significant differences were derived solely from two opposite adjectives, feminine and manly. Bean Pole was evaluated more feminine compared to Polo while Polo was evaluated more manly than Bean Pole. Actually Bean Pole has set its position to appeal feminine image, and this positioning was confirmed by the consumers.

Conclusion

This research intended to compare the brand equity of two similar global and national brands classified as traditional casual wear category. From the surveyed data, we could achieve the following insights.

Bean Pole was fairly good in its competitiveness according to the brand equity compared to Polo Ralph Lauren, but the latter was highly valued in consumer’s preference. Concerning all of the sub brands, the total sales volume has been higher in the case of Bean Pole in the Korean market for several years. However, Polo Ralph Lauren showed high growth rate again in 2007 thanks to its localized product strategy. The brand preference might bring Polo Ralph Lauren great brand power.

It is needed for Bean Pole to form strong brand preference among the consumers in order to be a global brand. Will it be helpful to use its worldly famous group brand name “SamSung” to make its name on the world or not? This issue could be dealt in the aspect of brand extension. On the other hand, it will be useful to analyze the marketing mix 4Ps of Polo Ralph Lauren in relation to the brand preference for it. Even though the product and price strategies of two brands could be similar, the promotion and place strategies have been remained different. Specifically, by developing effective global channels, Bean Pole will be able to reach global consumers.

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Table 1. Profiles of the Respondents

Variable	Category	Frequency (Percent)
Gender	Male Female	479 (47.2 %) 535 (52.8 %)
Age	15~19 20~24 25~29 30~34 n.d	508 (50.1 %) 227 (22.4 %) 209 (20.6 %) 66 (6.5 %) 4 (0.4 %)

Table 2. Brand Recognition of Polo Ralph Lauren and Bean Pole (N = 1,014)

Variable	Measurement	Polo	Bean Pole
brand recognition	top-of-mind citation	138 (13.6 %)	135 (13.3 %)
	brand recall percent	397 (40.5 %)	452 (46.1 %)
	brand recognition score	3.47	3.61

Table 3. Brand Loyalty of Polo Ralph Lauren and Bean Pole (N = 1,014)

Variable	Measurement	Polo	Bean Pole
brand loyalty	most preferred brand	154 (15.2 %)	96 (9.5 %)
	brand preference score	695	531

Table 4. Difference of Perceived Quality and Brand Association between Polo Ralph Lauren and Bean Pole

Variable	Measurement	Polo (N=298)	Bean Pole (N=232)	t-value	p
perceived quality	general quality	5.89	5.90	-.076	.940
	confidence	5.97	5.92	.501	.616
	appropriate price	3.35	3.51	-1.276	.202
brand association	affirmative image	6.02	5.91	1.088	.277
	differentiated image	5.20	5.00	1.638	.102
	pride	4.86	4.87	-.063	.950
brand persona	feminine	4.11	4.20	-1.012	.312
	manly	4.36	4.27	.961	.337
	unique	3.64	3.88	-2.315	.021
	simple	5.74	5.64	1.056	.292
	neat	5.96	5.81	1.556	.120
	natural	5.72	5.55	1.694	.091
	sophisticated	5.33	5.38	-.383	.702
	intellectual	5.17	5.34	-1.478	.140
	animated	3.99	3.88	.914	.361

Table 5. Difference of Perceived Quality and Brand Association between Polo Ralph Lauren and Bean Pole Evaluated by the Respondents Preferring Both Brands

Variable	Measurement	Polo (N=104)	Bean Pole (N=104)	t-value	p
perceived quality	general quality	5.88	5.93	-.464	.643
	confidence	6.00	6.01	.092	.927
	appropriate price	3.66	3.69	-.291	.771
Brand association	affirmative image	6.04	5.98	.598	.551
	differentiated image	5.25	5.12	.957	.341
	pride	4.92	4.91	.083	.934
brand persona	feminine	3.97	4.23	-2.687	.008
	manly	4.43	4.22	2.175	.032
	unique	3.78	3.96	-1.526	.130
	simple	5.78	5.72	-.445	.657
	neat	5.88	5.89	-.094	.926
	natural	5.71	5.63	.695	.489
	sophisticated	5.36	5.42	-.619	.537
	intellectual	5.18	5.32	-1.062	.291
	animated	3.89	3.97	-.582	.562

CULTURAL AND RELIGIOUS RITUALS AS AGENTS OF TOURISM DEVELOPMENT IN SOUTH AFRICA: A CASE STUDY OF THE SACRED LAKE FUNDUDZI (PRELIMINARY TITLE, DEPENDING ON OUTCOME OF FIELDWORK)

FELICITÉ FAIRER-WESSELS
UNIVERSITY OF PRETORIA, SOUTH AFRICA

Abstract

Lake Fundudzi is the only natural inland lake of southern Africa. It is situated in the north east of the Limpopo Province not far from the Zimbabwe border, in the upper catchment of the Mutale River (22 51'S and 30 19'E). As a result of its uniqueness the lake receives remarkable cultural attention by its surrounding communities that mainly belong to the Venda tribe (also including the Lemba people, or so-called "black Jews" that constitute a sub-grouping of the Venda tribe). The Venda attribute mystic spiritual meaning to the lake and it is the centre of ancestral worship, rituals and superstitions.

Purpose: Within the wider context of religious tourism this study aims to investigate the tourism potential of the lake as a unique cultural and natural heritage attraction to be developed within the niche area of religious or spiritual tourism. Currently the lake remains underdeveloped owing to community conflicts over ownership, traditional and superstitious belief and the otherwise slow process of tourism development in this region. Claims that initiatives are underway are investigated in this study, as the lake is under threat of degradation which may require management intervention.

The Fundudzi valley however also has many natural features such as rivers, the lake itself, waterfalls, swamps, forests, traditional villages and beautiful scenery that form a valuable asset for the local community. All these features could serve as a catalyst for tourism development and bring about considerable income to the surrounding communities.

Method: A case study method is adopted in assessing, within the religious tourism context, obstacles towards tourism development in the region and assessing the possibility of developing a religious tourism route to the lake. Actual visits and fieldwork are being conducted at the tourism nodes of the area interviewing especially spiritual leaders of the larger surrounding communities. The survey also aims to assess the spatial nature of the tourism product including physical attributes such as the lake as an attraction, accessibility, accommodation and other support services.

Results: Fieldwork pending. Most of the literature accessed on the lake is grounded in its mythical nature which in the past has served as a marketing strategy to attract tourists to this region, although little has been forthcoming. This study, although largely descriptive, attempts to focus on the role of tourism in the development of the region as a religious tourism destination.

Conclusion: The development of the Fundudzi lake and valley region as a unique religious tourism 'space', both mythically and otherwise can be utilized to negotiate community differences to reach common ground and develop sustainable tourism practices in this region.

Keywords: Religious tourism, Venda tribe, South Africa

Introduction

Lake Fundudzi is the only natural inland lake of southern Africa. It is situated in the north east of the Limpopo Province not far from the Zimbabwe border. As a result of its uniqueness the lake receives remarkable cultural attention by its surrounding communities that mainly belong to the Venda tribe. The Venda attributes mystic spiritual meaning to the lake and it is the centre of ancestral worship, rituals and superstitions. The surrounding Fundudzi valley has many natural features such as rivers, the lake itself, the Phiphidi waterfalls, swamps, the Thathe Vondo Forest and Sacred Forest, traditional villages and beautiful scenery that form a valuable asset for the local community. All these unique features could serve as a catalyst for tourism development and bring about considerable income to the surrounding communities.

The Venda people migrated south from the Great Lakes of Central Africa and their history dates from the 9th century with the Mapungupwe Kingdom. This iron age Kingdom declined from 1240 and the centre of power and trade moved north to the Great Zimbabwe Kingdom. Although a shifting of focus to the Zimbabwe empires followed, the Venda culture continued to flourish south of the Limpopo river with Venda pottery styles developing in the 14th and 15th centuries. Stonewalled ruins in the Soutpansberg mountains appear to show a link to Great Zimbabwe, but nothing comparable in size.

The Venda can be divided into two groups: an eastern group and a western group whose king was believed to be able to protect his people from attack by beating a special drum (also called the drum of the dead) (Schutte, 1978:112-113) that would strike terror in the hearts of the enemy causing them to flee. One of the most interesting and distinct groups of people who later joined the Venda are the African Semites, the Lemba. They are believed to be the descendants of the Semitic (Arab) traders who entered Africa around 696AD. The Lemba themselves believe to be Black Jews, descendants of the lost tribe of Israel. Ceremonies of circumcision, purification and initiation are adhered to and Passover, Pesah and other rituals are followed (le Roux, 2003: 162-187). The Lemba however do not use Lake Fundudzi for their religious rites and ceremonies (and will therefore not be discussed in further detail in this paper), whereas popular Venda culture is rooted in a vibrant belief system with Lake Fundudzi featuring as one of their most sacred sites.

Sacred ceremonies and festivals associated with The Lake

The Venda have several places of special cultural significance, one being Lake Fundudzi that has been regarded as sacred from time immemorial, greatly enhanced by all the tales and superstitions connected with it.

According to Venda folklore it was very dry when they originally arrived in the area. A search party looking for water discovered Lake Fundudzi which had enough water for man and beast. When the tribe arrived at the Lake they saw an exceptionally white crocodile among the others, whereupon the medicine men declared that the spirits of all the dead Venda chiefs reside in this crocodile and that these spirits had led them to discover the Lake Fundudzi. In earlier times ten to twenty young girls were sacrificed to the white crocodile in the Lake each year, but in recent years animal meat and beer have been offered instead (Wilson, 1999:86).

The Lake and surrounding valley have since been proclaimed the dwelling place of the ancestral spirits and is essentially connected with the ancestor spirits of Netsthiavho, who is the guardian of the lake and the bones of the Tshiavho chiefs who were cremated on the banks of the lake (Stayt, 1968:212, 237).

Many strange beliefs and supernatural phenomena are associated with the Lake: at times the waters are supposed to rise and fall at irregular intervals, and often early in the morning trees and shrubs are said to be seen rising out of the water high into the sky and then returning again. A curious feature attributed to the Lake is the fact that the spirits will catch any article thrown into it and cast it out on the bank, there it will be discovered the following morning. Although the Lake teams with fish, no one has ever succeeded in landing a fish caught there. Water, if carried away from the Lake in any open container, simply vanishes. Water sealed up for a day or two will burst the container which holds it leaving a curious characteristic odour. No man dare wash or swim in the Lake, as he will be dragged under by the spirits. Music, sounding like the music of the Venda flutes is often heard coming from under the water. Netshiavho and his linage must be particularly careful not to offend the dwellers in the lake or they will show their anger by hurling stones out of it on to their village. If Netshiavho does not perform his harvest duties correctly the water will rise and animals leap into the lake, to be found the next day cast onto the banks (Stayt, 1968:116-120).

The Venda as cultural group is largely a homogenous nation with the majority living in rural areas in Limpopo Province. The Venda people live together as family groups under the authority of various chiefs or hereditary leaders that represent the different reigning dynasties.

The Venda is extremely proud of their national identity and the preservation of their culture can be attributed to their historical, social and economic isolation. They are therefore largely a closed community and have succeeded in maintaining many of their traditional ceremonies and rites, a few of which will be discussed.

The Harvest Thanksgiving (tevula) ceremony is one of the most important events of the year and differs considerably from other ethnic groups. It is essentially an affair of lineages with the rites expressing the unity of this important social grouping. It is of special interest in that the offering is to be "devoured" by the spirits themselves, where the graves of the ancestors are visited by some male members of the lineage, where they tidy up the graves, and then pour beer over them, thanking the ancestors for all their help and asking that the help may be continued in the coming year (Stayt, 1968:56-257); Chief Netshiavho, custodian of Lake Fundudzi, takes beer down to the waters and offers it to his ancestors.

A related legend mentions the Lake as the home of the python, the God of Fertility, and that at the beginning of Spring millet beer must be offered to the ancestral spirits in the water to determine whether it is going to be a good season or not. Sending a maiden with a pot of beer into the lake does this, she must then pour the beer into the water and if the water and beer mixes it is going to be a good season. If not, then other measures must be employed to enlist the help of the ancestral spirits to have a good season.

Initiation rites are an important part of attainment of adult life amongst the peoples of Africa, also for the Venda, which culminates in the Domba dance. For girls the initiation lasts for three to nine months and takes place in a Domba school. Here the young girls are taught humility and submission which is an integral part of her cultural life. At the same time they receive sex education to prepare them for marriage, education in the cultural customs and beliefs and traditional dance.

The principal dance they learn is the Domba dance or as it is sometimes called, the "python" dance. This dance imitates the movement of a huge snake as the girls move around the fire in a long sinuous line in a rhythmic rolling motion depicting the movement of a python. Their teeming song voices are accompanied with the strong beat of the Domba drums that are rhythmically played around the fire by their tutors. This dance may last for hours until the dancers are totally exhausted.

Rain ceremonies are also closely associated with the python. It is taboo for any python to be killed at the time when rain begins to fall, or during the following six months which is the time of the planting, growth and ripening of the crops. During the other six months of the year, although the python may be killed, it is taboo to peg out its skin to dry like the skins of other animals. Its head and tail are always buried in the cattle kraal to ensure fertility of the cattle, and the carcass dragged to the river and thrown into it. A chief, on hearing of the slaughter of a python will send a messenger to satisfy himself that the python has been thrown in the river as otherwise rain will certainly not fall. Schutte (1978:115) mentions Venda chiefs approaching Modjadji, the Rain Queen, to ask for rain in a year of particular bad drought. Modjadji and her female linage is notorious for rain making ceremonies, and Modjadji Cycad Nature Reserve with its age old cycads in north eastern Limpopo could be included in a religious tourism route with the Lake Fundudzi together with Zion City of Moria Church, geographically close to the Modjadji Reserve, and boasting the country's largest Christian affiliation.

Rural tourism in South Africa

Tourism in South Africa has a poor history of involving local communities and previously neglected groups in tourist related activities. The essence of South Africa's conservation policies under the apartheid government was largely a programme of selecting interesting biological complexes and bestowing a distinct status on them resulting in a large element of failure because rural communities had been bypassed and alienated from the conservation effort (World Bank, 1995).

In the past rural communities regarded themselves as passive participants in tourism and considered themselves as objects for tourists to view. Rural people rightly felt disenfranchised from tourism and conservation activities (Mafunzwaini & Hugo, 2005: 253). The challenge has recently been to rectify the imbalances of the past and open the tourism industry for participation of previously disadvantaged citizens for the benefit of tourism and conservation, and of the rural community. That is promoting a new form of tourism, namely rural tourism. Since 1999 the Limpopo Provincial Government (1999) has identified eco-tourism as the official tourism product of the province. While here are many similarities between eco-tourism and rural tourism, eco-tourism is viewed as an approach rather than a product (Mafunzwaini & Hugo, 2005: 254). Eco-tourism principles can be practiced in different forms of tourism such as adventure tourism, urban tourism, and of course rural and religious tourism. Religious tourism within a rural context can be seen as eco-rural tourism with a religious focus and the Limpopo province with the sacred Lake Fundudzi is well suited for this form of tourism.

More and more tourists are requesting an authentic African experience. Limpopo province is “the land of legends…” with exciting destinations such as the ancient African kingdom of Mapungupwe and Makapans Valley, both with World Heritage status (Limpopo Parks and Tourism Board, December 2002). The Limpopo Province attracts only approximately 8 per cent of domestic tourists (Annual Domestic Tourism Report, 2005:12) and marginally less of the international tourism market. Statistically this province lags behind others, despite being rich in rural and religious tourism resources. The potential exists to develop exciting new spiritual experiences that can offer the tourist a taste of the rich and diverse culture of this province.

Issues impacting on tourism development in Venda

Spatial isolation: The northern part of Limpopo Province, including the Lake Fundudzi area, has many features of insularity that are commonly associated with islands. This region is physically isolated by sheer distance from the economic core of South Africa. This region is also bypassed by the main transport and tourist routes from the south to Zimbabwe and the Kruger National Park. Natural barriers such as the Soutpansberg mountain range cause lack of accessibility to the north, the south-east and the west. Although the region boasts some smaller perennial streams it is subject to severe droughts, however the tropical climate with high average summer daily temperature is associated with malaria and typhoid fever as life-threatening diseases (Wilson, 1999:81).

Economic isolation: The economy of the region is weak and vulnerable. Tourism is seen as a sector that has large potential to contribute to economic production and employment (Wilson, 1999:83). Thohoyandou is the most important node serving the northern region of the Limpopo Province and is located at the centre of a constellation of settlements and all-weather routes linking the northern and southern side of the western Soutpansberg Mountains.

Environmental issues - land degradation: The region that the Venda people reside in has some of the worst cases of land degradation in the country. Apartheid policies of land grabbing, forced eviction and resettlement of evicted people are largely to blame for the serious degradation in this area.

Solid waste disposal: Improper waste disposal methods, or the total lack of waste management policies or initiatives have resulted in the problem to rise to almost crisis levels in places such as Thohoyandou which was the administrative headquarters of the Independent Venda, during the Apartheid rule, and now of the northern region of the Limpopo Province. In this urban area few open places are not covered by heaps of litter. The solid waste problem has caused most of the areas in the region to lose their aesthetic appeal and the heaps of waste, some of which are non-biodegradable, occupy valuable land that could otherwise be put to productive use. This improper disposal of waste creates the breeding ground for numerous diseases (Saidi, 1999:31-32).

Unfortunately many rivers and streams in Venda also serve as sites for dumping solid wastes. This pollution causes the disturbance of the aquatic ecosystems making the water undrinkable for human consumption leading to a water shortage, and for the rivers to lose their natural beauty (Nembudani, 1999: 35-44).

Invasion of alien plant species: The problem of alien species invasion is gaining momentum in Venda where hundreds of hectares of forestland are already affected. The problem with alien species is that most of them have no socio-economic value and are actually ecologically undesirable in that they suppress the growth of other useful species. They also require more water and more of other resources than ordinary plant species. Most of them are also poisonous to stock and/or humans. Similarly the spread of alien species might result in a major loss of biodiversity that in turn might lead to more environmental problems (Saidi, 1999:32).

Mining related land dereliction: Permanent damage is caused to the landscape by derelict copper and coal mines in Venda. Tip-heaps around existing and old mines and shafts at abandoned mine sites create a polluted and derelict environment. Unfortunately mining companies do not take the rehabilitation of old mine land seriously with contaminated sources of water supply.

Tourism potential of the region

Thohoyandou is the capital of Venda and is named after a historical chief of the Venda nation literally meaning “head of the elephant”. It is the commercial, administrative and legislative centre of the Vhembe district and lies halfway on the main road between Louis Trichardt and the Kruger National Park along an important tourism corridor with a developed physical infrastructure. Agriculture is the area’s primary economic activity, with banana plantations, acres of sub-tropical fruit, tobacco and maize lands, with coffee and tea plantations on the higher slopes lining the area with a lush green backdrop, framed by the Soutpansberg Mountain Range.

Thohoyandou is also a historical and functional hub of a vibrant cultural region with numerous diverse culturally embedded resources, and possesses an immense potential for heritage tourism. Tourism development and promotion in and around Thohoyandou, including Lake Fundudzi, was almost non existent both in its formal and informal manifestation in commercial, retail and services enterprises until about a decade ago. However the development of the Spatial Development Corridor based on tourism and agriculture which links the N1 development corridor in the west to the Ivory Route in the west along the Kruger National Park and running parallel to the Limpopo river, has provided great opportunities for the economy of the region in general, and for sustainable informal enterprise development at the Business Area in particular.

The African Ivory Route of 1500km was one of the first tourism initiatives, while the Open Africa NGO has focused on developing routes symbiotically linked to conservation in marginalized and rural areas with the aim of creating jobs for locals by unveiling authentic experiences for travelers. Both initiatives briefly link routes with the Lake Fundudzi but have not investigated the potential of a religious tourism niche route that can compliment the existing ones.

Proposed Religious tourism as niche area

The preliminary findings of the pilot study are inherently limited and exacerbated by half (50%) of the respondents not willing to be interviewed. Literature on the Lake Fundudzi focuses on its value as a wetland resource with selected texts grounded in its mythical and spiritual nature which can serve as a marketing strategy to attract tourists to this attraction as a religious tourism destination.

The current under development of the Lake Fundudzi is mainly caused by local community conflicts over ownership of the lake and the threat of degradation of the lake. These issues impact negatively on progressive tourism development, although the Ivory Route and Open Africa are the two current flagship tourism initiatives, their ‘routes’ can be diversified by focusing on “cultural experience destinations” with a spiritual and religious focus.

The Lake Fundudzi wetland’s degradation is now being addressed by “community-based wetland management” that can be defined as a process of empowering local communities through education awareness, capacity building and training, information and participation, as the custodians, owners and beneficiaries of the wetland resources (Silima, 2007:143). In addition stake holder’s projects such as the Lake Fundudzi Conservation Project; the Lake Fundudzi wetlands resource management project; and the Mondi Wetlands Project aim to protect the lake. However, from a holistic perspective a national policy on wetlands would provide an opportunity for ensuring the integrated management of wetland resources such as Lake Fundudzi (Silima, 2007: 244).

Conclusion

The study's preliminary findings, although only in its pilot phase indicate that the development of the Lake Fundudzi and valley region as a unique religious tourism 'space', both mythically and otherwise, can be utilized to negotiate community differences to reach common ground and develop sustainable religious tourism niche practices in the region.

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Autobiographical note:

Felicite Fairer-Wessels graduated with a PhD in Information Science. For the past decade she has been involved in the tourism industry and is currently a senior lecturer at the Department of Tourism Management at the University Of Pretoria, South Africa. Her fields of tuition are events and attractions management, entrepreneurship; and fields of interest are cultural festivals and religious tourism and traveling to world heritage sites.

PERCEPTION OF TYPICAL PRODUCTS: THE CASE STUDY OF GERARDO SACCO'S PRODUCTS AS HERITAGE OF THE ANCIENT MAGNA GRAECIA

PANTANO ELEONORA
UNIVERSITY OF CALABRIA, TALY

Abstract

The research contributions related to consumer behaviour established the main factors influencing the consumers' perception of a generic product. The researches suggested that consumers' perception of a product is influenced by internal and external cues. Internal cues are: consumers attributes (predispositions to buy), consumers expectations and culture (values, behaviour, ideas, opinions). External cues are related to physical characteristics of the product (colour, weight, shape, packaging, size, price and quality) and of the store (location, design, environment, size).

We suppose that perception of typical products is influenced by different elements which, so far, have not been investigated. In particular we suppose that these elements are related to the culture, the image and the identity of a specific territory.

Calabria is a region rich of cultural, natural and archaeological resources and its typical products show and underline this heritage, especially the influence of the Greek colonization between VIII b. C. and I b.C. centuries. Many products remind the ancient production and manufacturing processes or archaeological relics related to design and illustration. As a consequence, the relationship between archaeology and jeweller's art, gastronomy, wine-making, weaving and ceramics is relevant.

Calabrian resources are not exploited to promote tourism and economic development. In fact, effective territorial marketing, communication strategy and a high level of entrepreneurial ability are still missing, so the economic and social development is weak.

In a territorial marketing contest, it is really important to investigate the consumer's perception of typical products and this issue is of critical concern for a region as Calabria where this kind of products has a millenary history.

The purpose of this research is to analyze the case study of Gerardo Sacco in order to understand the key factors influencing consumers' perception of typical products. It could be an important example for the calabrian producers of typical products coming from the Magna Graecia heritage.

Gerardo Sacco products emphasize the relationship with the Magna Graecia culture, because they resemble shape and style of Greek archaeological relics, myths and symbols. This is a powerful example because of the share of market of the firm, the level of the export, brand awareness and brand identity. So we investigate the key success of Gerardo Sacco by analyzing his strategies and his products and in order to propose similar strategies for territorial development.

Keywords: consumer perception, typical products, Magna Graecia, Gerardo Sacco

Introduction

Calabria is a region rich of cultural resources, not always exploited in an efficient way (Reitano et al., 2007). It is possible to create new strategies for a territorial develop focused on Calabria resources as its typical products. A critical element to develop the strategies could be individuate the factors influencing consumer perception of typical products.

Perception is characterized by cerebral processes which allow to elaborate sensorial information

(Gray, 2004), these information is elaborated until we obtain a meaning.

Consumers are bombarded with several stimuli, so that they not always can perceive every message (Roberts, 2005) or they can perceive a message in a way which is quite different from the initial message (Solomon & Stuart, 2005).

Solomon & Stuart (2005) characterize the 3 basic aspects of consumer perception of a product: exposure, perceptive selection and interpretation. During the exposure, the consumer perceives stimuli which the product sends him by using his sensorial receptors. During perceptive selection, consumers pay more attention to particular stimuli, in particular this could happen if these stimuli remind some, consumer needs of that moment. During interpretation consumers give stimulus a meaning, which can be influenced by an special association that the consumer makes.

The research contributions related to consumer behaviour establishes the main factors influencing the consumers' perception of a generic product: consumers' internal and external cues which can have a positive or negative influence (Teas&Agarwal, 2000). Among internal ones we can recognize mood, expectations and cultural influences, otherwise among external we can recognize physical attributes of product, (colour, weight, design, packaging, other), point of sale, brand, price and quality.

Relating to typical product, we suppose that in the perception process other factors related to territory where the product is made, are also involved.

Calabria is a region rich of cultural, natural and archaeological resources and its typical products show and highlight this heritage, especially the influence of the Greek colonization between VIII b. C. and I b.C. centuries. Many products remind the ancient production and manufacturing processes or archaeological relics related to design and illustration. As a consequence, the relationship between archaeology and local products for example jewellery, weaving, ceramics, gastronomy, and wine-making is relevant.

Calabrian resources are not exploited to promote tourism and economic development. In fact, effective territorial marketing, communication strategy and a high level of entrepreneurial ability are still missing, so the economic and social development is weak.

In a territorial marketing contest, it is really important to investigate the consumer's perception of typical products and this issue is of critical concern for a region as Calabria where this kind of products has a millenary history.

The purpose of this research is to analyze the case study of Gerardo Sacco in order to understand the key factors influencing consumers' perception of typical products. It could be an important example for the calabrian producers of typical products coming from the Magna Graecia heritage.

In this paper we want to analyze the case study of an important calabrian artist, whose products are strongly related to ancient Magna Graecia. In this paper we show how the consumer perception, which is determinant for the success of the brand, is strongly connected to the territory which the typical products summarize.

Perception of typical products

We suppose that perception of typical products is influenced by different elements which, so far, have not been investigated. In particular we suppose that these elements are related to the culture, the image and the identity of a specific territory.

Typical products are strongly connected to a territory, they represent its authenticity, culture, tradition. Because of this, their perception is influenced by territorial image and authenticity in the consumer mind and this relationship is especially underlined in the packaging and in the atmosphere of the point of sale.

This kind of product is the main good, which a consumer buys during holiday. Indeed, one of the main activities of tourists is buying typical goods of that destination (Oh et al., 2004; Stynes&White, 2006; Yuksel, 2004), both for the emotional experience lived in the place and to meet the local culture of destination (Moscardo, 2004).

We suppose that also in the perception process of typical products are involved consumers' internal and external cues. The internal ones are territorial image and authenticity, emotional experience lived in the place (Ahmed&D'Astous, 1995; Yu&Litterel, 2003; Konecnik&Gartner, 2005); the external ones are quality of the product, point of sale, packaging.

Usually typical products are more expensive than the others, because of the high quality and the traditional manufacturing products and the brand with a very little share of voice (because they are sold in a niche market). In the case of typical products the packaging is very important, more than the other physical characteristics, because the packaging reminds the relationship with the territory.

Methodology of research

In this paper we decided to adopt a qualitative method by analyzing a case study to value the factors which influenced the success of the brand. In particular we made a SWOT analysis (Strengths, Weakness, Opportunities and Threats) of the firm and an in-depht interview of the marketing director.

According to Vinten (1994) the choice of a qualitative research, is useful because it allows “the respondents’ perspective to emerge”, it allows “to gain cognitions, attributions and emotions relating to specific situations”, it allows “to explore the way in which a particular group of people understand a common-sense term” and to compare people’s interpretations of their experiences.

“When the objective is to achieve the greatest possible amount of information on a given problem or phenomenon, a representative case or a random sample may not be the most appropriate strategy […] Atypical or extreme cases often reveal more information because they activate more actors and more basic mechanism in the situation studied” (Flyvbjerg, 2006). Gerardo Sacco represents exactly this condition: he is the first producer of typical products coming from Magna Graecia, relating to the share of market and share of voice.

The principal objective of the case study research is “achieving deep understanding of processes” (Woodside&Wilson, 2003). The case study of the firm shows how Gerardo Sacco realized and communicated his products, so that it is possible to analyze how consumers perceived those strategies. This analysis can be a preliminary useful before the quantitative research begins (Beatty et al., 2004).

Gerardo Sacco is a powerful example of Calabrian typical products coming from ancient culture of Magna Graecia, by using the results of this research we can develop strategies of improvement, development and distribution of the other typical products which have less success than Gerardo Sacco’s ones.

In this research we utilized the techniques described in Yin (2003) individuated to analysis of case study: we valuated Gerardo Sacco firm by both observing main characteristics and interviewing top management (in particular the director of Marketing of the firm).

The case study of Gerardo Sacco

Gerardo Sacco is a powerful example of success of a brand related to typical products. Gerardo Sacco products emphasize the relationship with the Magna Graecia culture, because they resemble shape and style of Greek archaeological relics, myths and symbols. This is a powerful example because of the share of market of the firm, the level of the export, brand awareness and brand identity. So we investigate the key success of Gerardo Sacco by analyzing his strategies and his products and in order to propose similar strategies for territorial development.

Gerardo Sacco comes from Crotone where he opened his first shop in the 1966. Since this happening the firm is growing steeply, because of the high-quality of his products and the attraction of the history of the ancient magna Graecia.

He tries to use the traditional techniques, shapes and materials used by the ancient population of the Mediterranean, renewing them with modern knowledge. In this way he differentiates his production from the current art of the goldsmith.

Since 2001, his daughter is the CEO of the firm.

At the moment the firm celebrated its 50th birthday, with 3 product lines and more than 50 important jewelleries in Italy.

The marketing mix gives a perspective of Gerardo Sacco activities and strategies (Kotler, 2004; Vranešević et al., 2006): product, price, place, promotion.

Product

The main production lines are: jewels, silver necklace.

Most of products are inspired by greek culture, myths, legends, archaeological relics. For example apotropaic masks of ancient theatre, ellenic symbols, greek sphinx or scenes from myths. The masks were used by actors and then used as talismans to place over doors to turn away bad presences and to attract good luck, health and happiness;

Silver reminds the shape of ancient utensils used by greek (amphora for some food, jugs for water, other) which were found during archaeological findings or they portray apotropaic masks and greek styles.

Necklaces are inspired by ancient myths o mythological characters of the greek era; ancient coins which were the symbols of the Magna Graecia cities; tripode of Croton, which reminds the myth of foundation of the city.

Time by time packaging lost its exclusive function of transport container, because it became a useful advertising tool for firms (Calver, 2004; Iasevoli, 2002), consumers perceive the brand through the product packaging (ibid., 2004).

Each Gerardo Sacco product is placed into a particular monochromatic cotton bag. This bag has the logo in one colour which is totally different from the colour of the bag. The bag is closed with a ribbon of the same colour (products are placed in a cotton bag instead of a box). The shopping bag, is also only one colour and has no pictures, only the logo Gerardo Sacco.

The initial letters of the name of Gerardo Sacco are combined to create the logo (see Figure 1). Colour is the colour of the most precious metal, utilized to make the most expensive product. Near the letters there is a particular sign which gives idea of a shining logo, so that it seems precious, and portraits the lavish characteristic on the products.

Price

Price is similar to the other competitors in the sector.

Gerardo Sacco products are luxury products, so that the value of elasticity has this particular trend: demand increases little only after a reduction in price, this strategy happens only sometimes and it is not market driven.

The consumers of this kind of products is high. This is because of the brand, and this brand is more important than the material in which product are made of (i.e. Gerardo Sacco Silver jewels are more expensive than other gold jewels without brand). Furthermore the high price of the jewels is perceived as guarantee of high quality and puts it in the segment of exclusive products.

The market is rising both for the increment of the sales in Italy and for the increasing level of exportation in 2006 (FIAMP, 2006); as well the market is rising because of the entry in new sales area as man or teen-agers, which prefer branded jewels in silver or steel.

In the end the products of Gerardo Sacco are sold especially in the South of Italy, because of the relationship with Calabria. This relationship has sometimes a negative territorial image which influences the consumer behaviour. On the other side a big part of this jewels is sold out of Italy, because consumers don't pay attention to the region (if Calabria, Sicily or another one), but are very interested in the country, because of their perception "Made in Italy" products as quality goods.

Place

Most of Gerardo Sacco products are sold in the South of Italy (Sicily, Basilicata, Campania and especially Calabria), in Gerardo Sacco official store or in franchises.

The store where the products are sold are located in the main streets or in the very busy points (i.e. the store in the international airport of Lamezia Terme in Calabria).

Store atmosphere is refined and elegant to underline the preciousness of the products inside it. Store is bright, furniture and walls are white. Jewels are on display in special furnishings, where corners are round to give consumers a sensation of a comfortable environment (see Figure 2). Furthermore the modern environment of the store is in contrast with the ancient image of the jewels.

Furthermore, each store has a reserved area, where most expensive and particular jewels are shown and sold, for a limited target.

Promotion

The slogan of Gerardo Sacco is “Culture, art, tradition”, and underline this concept in each product which always reminds calabrian territory in shapes and style.

Gerardo Sacco advertises his products only on specialized magazines or newspapers delivered in the South of Italy. In the first case it is done to achieve new retailers, in the second one to strengthen consumer loyalty in Southern Italy.

Product is communicated mainly through fairs and exhibitions (in Italy and outside) or creating new jewels for movies or theatre.

Usually Gerardo Sacco participates with his own stand to VICENZAORO (the most important exposition of jewels organized every year in Vicenza, Italy) and OROGEMMA (a similar exhibition organized in Vicenza, Italy), where he presents his creations and his brand. The goldsmith participated in both national and international exhibitions, in particular he participated in 2007 to the stand of Calabria region at BIT (International Exchange of Tourism) in Milan. At the moment Gerardo Sacco products are shown at the Italian Institute of Culture in Madrid (Spain).

Relating to theatre and cinema, many directors asked Gerardo Sacco to create jewels for their works, in particular when characters where plunged in historical scenario. Recently he realized jewels for movie “N” (2007), dedicated Napoleon.

Another communication tool of the firm is the newsletter (first published in 2005). Consumer can download the digital version on the official web site, or take it on paper directly from the jewellery store. The aim of the quarterly is to inform about important news inside the firm, exhibitions and fairs, new product lines and new services offered (i.e the opportunity to prepare a list of the wedding presents available in the store).

The SWOT analysis is an important marketing tool to “examine the nature of strengths, weakness, opportunities and threats which a company can encounter” (Vranešević et al., 2006; Vignali et al., 2003). Relating it to Gerardo Sacco, the SWOT analysis is listed below:

Strengths

- Brand. Gerardo Sacco is now an important and esteemed brand;
- originality of products;
- quality of products;
- relationship with the ancient culture which products remind;
- the main calabria producer of jewels coming from Magna Graecia;
- several production line to satisfy several targets;
- out of Italy Gerardo Sacco products have the good reputation of all the “Made in Italy” products, which is guarantee of good quality;

Weakness

- limited spread of advertising;
- distribution of the products not in all Italy;
- low web usability and a complex interface;
- only Italian version of the website, so that the audience is only Italian;

Opportunities

- increase of share of market in Italy;
- increase of share of market out of Italy;
- increase of brand awareness and share of voice, of this firm is symbol of a millenary culture;
- becoming leader of production of this kind of jewels also in international market;

Threats

- the strong relationship with the territory. If the territorial image is not positive one, the imagine of the products could be perceived as not positive;
- big number of firm in the sector of jewellery and the consequential threat of new ones. In these years many firms which produced other kind of good (as clothing, shoes, toys) decided

to enter in the market of jewellery, so that the numbers of competitors has grown drastically;

- excess supply in the market and consequent decline.

Conclusion

Gerardo Sacco underlines in each product the relationship with Calabria, this is a distinctive characteristic of his products, likewise culture, art and traditions own of the region.

The goldsmith tried to realize jewels not related to Calabria tradition, by restyling and renewing his product line, but it had not the expected results, probably because consumers recognize shapes and style coming from Magna Graecia and perceive it as the Gerardo Sacco own style, symbols of ancient traditions, so they don't recognize a different one for him.

The strength of the firm is the reference to tradition and culture of the region.

Concerning Silver products, for example, these are usually inspired by ancient utensils which at the moment are not commonly used, so that the memory of these could be lose in time (i.e. ancient braziers used to warm houses).

In conclusion the mission of the firm is not only to sell a product, but to sell culture and tradition related to the product. This relationship is the fundamental factor for the success of Gerardo Sacco.

Future work

There research on consumer perception of calabrian typical products as heritage of ancient Magna Graecia will be exploited with marketing experts (main calabrian producers) for a qualitative research to propose a model of perception which will be validated e tested by using a quantitative research with consumers.

The final result will be a new model of consumer perception of this kind of products and few implications for marketing and communication of Calabria region.

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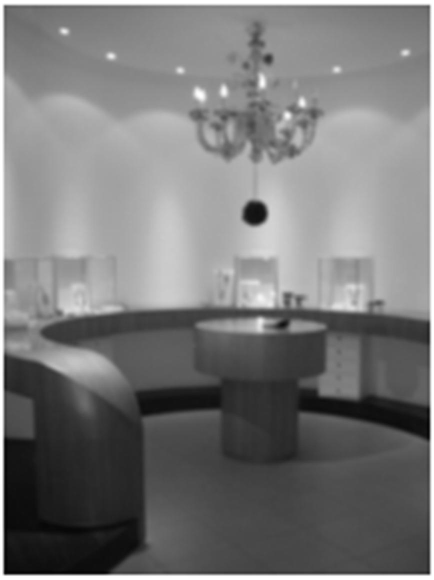
Figure 1: Gerardo Sacco Logo

Figure 2: Gerardo Sacco store



HOW PERCEIVED IMAGE OF A SPONSORSHIP EVENT INFLUENCES ON THE BRAND PERCEPTIONS: AN INTERNATIONAL RESEARCH OF THE AMERICA'S CUP AND LOUIS VUITTON

CARMEN RODRÍGUEZ-SANTOS
UNIVERSITY OF LEÓN

STEPHANE GANASSALI
UNIVERSITY OF SAVOIE

FRANCESCO CASARIN
UNIVERSITY CA' FOSCARI OF VENEZIA

PAOLA CERCHIELLO
UNIVERSITY OF PAVIA

GUNNAR MAU
UNIVERSITY OF GÖTTINGEN

CARMEN RODRIGUES SANTOS
UNIVERSITY OF LEON

ASTRID SIEBELS
UNIVERSITY OF HANNOVER

Abstract

On the basis of an extended review of literature dedicated to experimental studies of sponsorship effects on brand perceptions, this paper introduces a detailed framework of sponsorship persuasion process. Considering the central "transfer" between event and brand perceptions, the model also includes moderating effects (such as congruency) and focuses on specific components of functional, affective and symbolic customer value. In Spring 2007, a Web survey was conducted to evaluate the impact of Louis Vuitton's sponsorship of America's Cup. A total sample of 1,400 European respondents was developed thanks to the collaboration of eight Universities in France, Germany, Italy and Spain, working together within the "International Network on Consumer Behaviour Studies". The model and hypotheses were tested with P.L.S. regression and textual data analysis. Very interesting results come out, demonstrating the importance of affective and symbolic components within the transfer process between the perceptions of the sponsored activity and the brand.

Key words: sponsorship, customer value, communication efficiency, PLS, textual data analysis

Introduction

Since the 1980s, sponsorship has become a very popular instrument within the mix of communication resources used by companies wanting to establish a communication flow towards defined targets. The use of sponsorship in marketing communication strategies appears be increasing in popularity.

In 2007 investments worldwide in sponsorship are estimated at $ 37.7 billion (IEG Sponsorship Report 2006) against $ 30 billion estimated in 2004.

Spending in 2007 was estimated at $ 14.93 billion (up 11.7% from 2006) in the U.S., $ 10.6 billion in Europe (+ 11.6%), $ 7.4 billion in the Asia Pacific (+ 15.6%), $ 3.0 billion in the Central and South America (+ 11.1%), $ 1.8 billion in other countries (+ 5.9%) against a world total of approximately $ 33.7 billion in 2006. Projected 2007 North American sponsorship spending by property type estimates that two thirds of these investments are in sport (IEG Sponsorship Report 2006), with the remainder being shared among entertainment tours and attractions (11%), cause-related marketing (10%), festivals and fairs (5%), arts (5%), and associations & membership organizations (3%). Led by strong opportunities for sponsorship in Asia, especially China, sponsorship spending by companies based outside North America shows a growth at rates even higher than for their North American counterparts.

There are various reasons behind this growth. Firstly, sponsorship can represent a keen instrument of communication. Since the Eighties the mushrooming of private television channels generated an increase in transmission hours, strongly accelerating the development of the commercial communication industry. This trend initially produced an abundant availability of TV slots at reasonable prices. Later, the rise in the production costs of material for use in television generated a leap in prices of the slots themselves. Corporates therefore had to seek alternative communication solutions as their budgets were squeezed out of these communication opportunities. Sponsorship has been one of the many forms of communication to grow as a result of this phenomenon.

Through sponsorship, organizations become associated with an independent source of messages equipped with a defined communication flow. A football team, for example, is a specific source. It gives out its own messages and uses channels generally represented by the media that assign great importance to the sports events because they know the public find them very appealing. Media give much more attention and space to a producer of events (sports, cultural, musical or others of importance to the public), because they know that their audience wants to be informed on this type of attraction. Thus, the media need this type of information to fill their spaces, whether in video or printed form. The media need the information of the producer more than the other way round – an asymmetry of power in the information market that can lead to an economic advantage for the sponsors.

Secondly, the growing importance of leisure time influences the choice of communication instruments used by investors. Sponsorship has been found to be an accepted communication instrument in consumers' leisure activity environments (Meenaghan, 1991). Sponsorship is thus increasingly included in communication strategies.

Thirdly, corporate investors have become more aware of sponsorship's potential as a marketing tool. Sponsorships can take in events and activities in sports, arts, cause-related activities, and environment: all these are fields that adopt universally comprehensible languages. In an increasingly globalised world, language universality has proved to be particularly attractive for multinational investors brand such as Coca Cola, LVMH, Heineken, Prada, Adidas, Nike, 3M, Mercedes, HP, Pepsi Cola, and for the tobacco giants (Valli, 2004). Therefore, beyond the economic aspects and the social trends, the quality of the contact seems to be a strong point of sponsorship.

The increase in investments in sponsorship corresponds to a growth in interest under the academic viewpoint; since the end of the '80s through to the early 2000s, there was a huge increase in the specialised literature that addressed such questions as management practices and sponsorship effects. According to the review by Cornwell and Maignan (1998), until 1996, 19 studies were published on the measurement of sponsorship effects out of 80 studies overall about sponsorship. From 1995 to 2001 the number of studies on the measurement of sponsorship effects rose to 83 out of 153 overall (Walliser, 2003). This shows a general growth of interest in sponsorship and, notably, in its effects, until 2003. Frameworks explaining sponsorship effects such as congruence theory, memory structure, emotional conditioning, mere exposure and meaning transfer have been discussed and partially validated. None of them has however received sufficient empirical support to emerge as a leading theory (Walliser, 2003). Research over recent years into sport sponsorship has attempted to apply some theoretical perspectives such as the agency theory approach (Farrelly & Quester, 2003), the network analysis approach (Cousens, Babiak & Bradish, 2006) and the transaction cost approach

(Sam, Batty & Dean, 2005). It has alternatively concentrated on some specific aspects, such as the leveraging of sponsorship obtained through cause-related marketing (McGlone & Martin, 2006), the integration between sponsorship and advertising (Smolianov & Shilbury, 2005), and the consequences of sponsorship on the internal culture of the sponsor (Hickman, Lawrence & Ward, 2005). The organisational and relational aspects have been looked at whereas research into the effects of sponsorship has slowed down greatly. This may also be due to some factors that make it particularly difficult to isolate it and assess its impact. For example, the heterogeneous nature of sponsored activities, the difficulty of estimating ex ante the characteristics of the sponsored event, the effects of interaction from the simultaneous use of communication instruments, the carry-over effects, and the decay effect, have often forced experts to analyse sponsorship impact separately from the sponsorship process (Quester & Farrelly, 1998; Walliser, 2003).

From the sponsors' viewpoint instead, the increasing costs in the field need to be justified. Corporates receive a growing number of sponsorship proposals from events producers, so the corporate adopt a more selective approach in choosing which events to sponsor, and place greater attention on their R.O.I. (Doherty & Murray, 2007). Also, the increasing investments in global sporting events require cross-cultural studies of the responses among consumers in the different countries. The sponsorship of the same international event can give different results in different countries but, to date, few empirical cross-cultural results exist (e.g. Quester, Farrelly & Burton, 1998). Given that the primary reason for investment in sponsorship is to elicit a response from consumers (Meenaghan, 2001), the understanding and measurement of sponsorship effects remains a key issue for research.

Corporate organisations can reap many benefits from sponsorship (Irwin & Sutton, 1994; Cousens, Babiak & Bradish, 2006): for example, gaining direct media access, increased sales and improved market share, image enhancement, overcoming cultural barriers, building links with politicians and business leaders, and improving employees' morale (Hickman, Lawrence & Ward, 2005). From the demand viewpoint, though, there are two types of basic effects of sponsorship: those on awareness and those on image (Crowley, 1991). Sponsor awareness has been the subject of many empirical studies - also recent (Lardinoit & Derbaix, 2001), while brand image has received less research attention (Meenaghan, 2001). There is considerable evidence that sponsorship enhances awareness of the sponsors (e.g. Cornwell, Maignan & Irwin, 1997) and that the impact on awareness depends on the conditions of exposure, the type of product, the characteristics of the message and the target (Walliser, 1994), the level of integration of the sponsorship with other communication campaign instruments (Quester & Thompson, 2001), and on the involvement of consumers in the sponsored activity (Meenaghan, 2001). After a series of studies which have gone through the theoretical fundamentals of the image effects of sponsorship (Ganassali & Didellon, 1996; Giannelloni, 1993; Gwinner 1997), and which were largely exploratory in nature, in recent years the analysis of the impact on image seems to have stopped. Research on sponsorship in general is moving from an exploratory approach to a confirmatory one, from a descriptive design to a causal one, and from a managerial perspective to a consumer one, with greater focus being applied to the internal processes in the receiver's mind (Walliser, 2003). Little however is still known about the conditions of success in image transfer from the sponsored activity to the sponsor. There are reasons to believe that sponsorship changes the sponsor's image (e.g. Gwinner, 1997) but the mechanism regulating this effect is still unclear.

Literature review

With a view to referring to an accurate study model and also to get an overview of the past experiments' methods, we have collected a large sample of studies dedicated to test any effect of sponsorship activities on brand image perceptions, (excluding research addressing mainly the impact on sponsor awareness or recognition). We have reviewed 35 contributions published from 1995 to date in 23 different sources being International and European journals and congresses. The experiments have been implemented in eleven different countries, mainly U.S.A. (16) and Australia (5). Only one international survey was identified but is quite restricted to a much focused aspect of the sponsorship persuasion process.

Activities and sponsors

The reviewed experiments principally studied sports events, sports persons or teams and occasionally humanitarian or cultural activities. 60% of them are real events or activities, 40% are fictitious, they generally study several sponsors simultaneously which are usually well-established B. to C. international brands or companies like: Reebok, Carlsberg, Coca-Cola, Siemens, Goodyear, Camel cigarettes, Sony Playstation 2, BMW, Milka, Tag Heuer, Budweiser, FedEx, Toyota, Dupont, UPS, American Airlines, Lufthansa, IBM, Pepsi, Mitsubishi, Audi, Balisto, Mars, or Viagra for example…

Sponsorship persuasion process

Surprisingly, nine papers do not refer to any particular theoretical persuasion process. A small number of authors mention balance/congruency theories or refer to the peripheral route of the Elaboration Likelihood Model. As the prevailing theory in the field, one third of the studies mention the concept of transfer, and more precisely: “image transfer”, “attitude transfer” or “affective transfer”.

Models composition

As outputs of the studied models, measurements of the sponsor audience perceptions are very heterogeneous. We counted 22 different concepts in 35 papers, “attitude” (15 times) and “image” (12) being the most frequently studied concepts but with very various types of measurements. Regrettably, few of them distinguish cognitive, affective or symbolic dimensions. To enhance the understanding of the sponsorship transfer process, authors often study some potential moderating variables of the sponsored activity perceptions to the sponsor-brand perceptions. They tend to study “congruency” (9 papers), “involvement” in sponsored activity (9 papers) or attitude towards sponsorship in general (6 papers)

Methodology and experimental conditions

50% of the samples (median size is 250) are made of students, 25% of “real” consumers and the other 25% of spectators or fans. 75% of the studies have implemented post-exposure measurements “only”. Seven studies have developed before/after measurements but most of them are fictitious situations. Only one or two research are real “longitudinal” studies (see Woisetschlager, Evanschitzky & Lentz 2007, as a good example)

Types of data analysis

Predominantly quantitative, a majority of the papers used classical and basic bi-variate analysis techniques. Unsurprisingly, most recent papers use structural equations, analysis of covariance or PLS regression.

Rationale of the paper

Image transfer is the central concept of the studies on brand image effects (Ganassali & Didellon, 1996; Gwinner 1997). Agreeing with other authors (see Dalakas and Kropp, 2002 or Cornwell, Weeks and Roy, 2005), we believe that Heider’s (1958) Balance Theory could be the psychological basis for the transfer process. Facing some new or unexpected associations (e.g. a brand with a sports or cultural activity), consumers tend to alter their perceptions in order to harmonize them. Thus, in the sponsorship process, they would unconsciously transfer some of the sponsored activity/entity to the sponsor-brand/institution. A similar process of “meanings transfer” takes place in the celebrity endorsement process (McCraken, 1989), which explains the persuasive nature of endorsers. The mental associations the sponsoring brand receives would generate a positive goodwill effect among consumers that translates into attitude and behaviour towards the sponsor’s brand (Meenaghan, 2001). It has been conjectured that the image transfer process is influenced by some moderating factors (Gwinner, 1997) such as the degree of similarity between the event and the sponsor, the level of sponsorship, the frequency of the event and the degree of product involvement. There is however still a few empirical evidence to back up these hypotheses. The understanding of image transfer can help corporate organisations to create more effective sponsorship strategies, to estimate the effects of the activities on consumer demand, and to decide which events to sponsor. It is therefore necessary to return to focusing research on the mechanisms regulating the relationship between the sports event sponsorship and the response from consumers and, specifically, on the image transfer process. This may lead to more advanced methods of sponsorship control. On the basis of our extended review of literature, the main contributions of our research would be as follows:

1. A detailed appraisal of the persuasion process. The core process linking the sponsored activity/entity perceptions with the sponsor perceptions probably includes functional, affective and symbolic dimensions that need to be investigated.

2. A quant-qual corroboration. Perceptions of both sponsored activity and sponsor brand could be analysed more accurately with additional spontaneous textual data. This could allow us to confirm or complete interpretations of results came out from quantitative analysis.

3. An international sample. Sponsorship experimental literature generally considers well-established B. to C. international sponsors but almost never study perceptions from different cultural contexts. To get closer to reality, it could be very interesting to examine consumer perceptions in different countries.

Framework and conceptualization of the analysis of sponsorship effect on the perception of the sponsoring brand

In prior research, it has been stated that sponsorship's main principle consists of an image transfer from the sponsored entity to the brand (Ganassali & Didellon, 1996, and Gwinner, 1997). Some authors now explicitly refer to Brand Image Transfer as a resulting process of the sponsorship (but also endorsement) activities (Walliser, 2003). Some researchers have tried to investigate the theoretical framework of the brand image transfer. Most of them assume that there must be different natures of image transfer, including cognitive and affective aspects.

Beside the central process of image transfer, we reviewed that past research have established some potential moderating variables that would affect its impact. For example, involvement in the sponsored activity, general attitude towards sponsorship or perceived congruency between the brand and the activity would be some important variables within a global model of the brand image transfer.

Figure 1 shows the proposed framework and general model to investigate the relationship of the effectiveness of a sponsorship activity in terms of consumer's perception of the brand. Moderating variables have been considered: awareness (of the brand as a sponsor), exposure (to sponsorship activity), involvement, perceived congruence, attitude toward sponsorship, previous brand knowledge, experience (in the event activity) and nationality. Additionally, this paper will put special emphasis on the perceived congruence between cognitive, symbolic, and affective components of the consumer value of the sponsored activity and the sponsored brand consumer value.

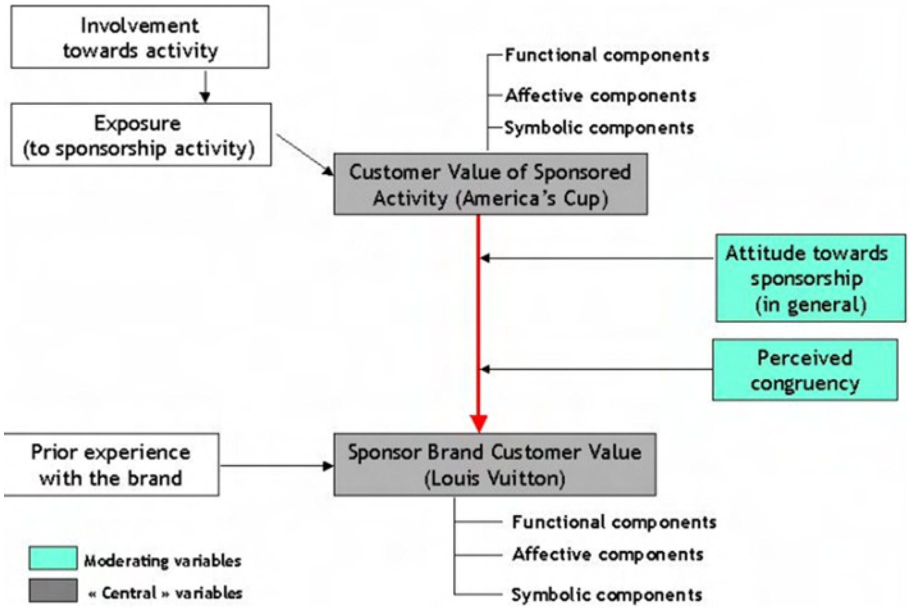
General framework of perceptions transfer from the activity to the brand

a. Influence of Event Perception on Brand Perception

Creating a positive perception toward the brand is a main goal that companies associate with the participation at events (Meenaghan, 2001). The connection of a brand with a sponsored event should lead to a positive influence towards the brand amongst visitors at the event (Gwinner, 1997). In connection with central effect mechanisms for a possible change in attitude towards a brand through visiting an event (e.g. Mau et al. 2001), the principles of emotional conditioning (e.g. Gierl & Kirchner, 1999), mere exposure effects (e.g. Bennett 1999), social identity (e.g. Madrigal, 2001), vicarious learning and awareness-trial-reinforcement (e.g. Hoek et al. 1997), and congruity theory (e.g. Jagre et al. 2001) are generally discussed. The results of empirical studies lead to the assumption that a combination of a brand and an event leads to the visitor translating the positive experience directly onto the brand.

H1 : A positive/negative perception of the sponsored event has a positive/negative impact on the perception of the brand.

Figure 1 - General framework of perceptions transfer from the activity to the brand



b. Effect of exposure on event perception

Sponsorship exposure comprises the amount of time an individual is exposed to a sponsor message within the event and is created through mention of the name, appearance of the logo, etc. The standard finding in learning in cognitive learning is that message learning grows with additional exposures, although at a diminishing rate. Furthermore, many studies find a positive impact of repeated simultaneous presentations of sponsor and sponsored event on the awareness of the sponsor as well as on the sponsored event itself (Cornwell et al. 2001, or Crimmins & Horn 1996 for example). Therefore, we propose that:

H2: Exposure to the sponsored event is positively related with event perception.

c. Influence of involvement with the event on its exposure

Event involvement is a kind of genuine excitement caused by a strong and solid interest in a specific activity (on our case the sponsored sport event) which results from the importance of this activity for an individual (Lardinoit & Derbaix 2001). In empirical sponsorship research, Meenaghan (2001) examined the concept of fan involvement and its implications for sponsorships. He showed in focus group interviews that increased event or fan involvement in a particular sponsored activity evoked a positive emotional orientation towards the sponsor. Furthermore, highly involved fans were the most aware of the sponsor's investments. A study of Hansen & Scotwin (1995) reveals further evidence that more involved sports fans have significantly higher recall than do those not involved for one sponsor. Pham (1992) has shown that when consumer involvement in a sponsored event is high, consumer information processing is significantly affected which in turn leads to more active processing and presumably greater interest towards the sponsorship. It is likely that the greater the involvement in the event, the more sympathy towards the sponsor and consequently the more positive the sponsor's image. Based on these findings we hypothesize that:

H3: Event involvement is positively associated with a higher exposure to the activity.

d. Effect of prior experience with the brand on its perception

Sponsorship messages can only pass on specific information about a product or service if the consumers have a basic knowledge about the sponsor and its product category (Keller, 1993 - Grohs, Wagner & Vsetecka 2004). Then, the consumers can connect the information conveyed by the sponsorship (e.g., logos and signs) to established knowledge and value structures and, as a consequence, enhancing sponsor recall (Glogger 1999). Thus, brand knowledge in sponsorship terms as the amount of associations already held in the minds of consumers about the sponsored property and the sponsor is an important starting point in explaining sponsorship identification and image transfer. For image transfer to take place, brand knowledge relates to both brand recall as the ability to name (typically unprompted) the brands involved in a given sponsorship and brand recognition as the ability to recognise the product category(ies) of the brands. In addition to that, prior experience with the brand is a very important control-variable to be included in the model within a single post-event measurement.

H4: Brand Experience is positively associated with the perception of the brand.

e. Attitude toward Sponsorship

In the case of sponsorship, a corporate sponsor hopes that the consumer's positive attitude towards the sponsored event may rub off onto the product, brand or company. In this context, it is necessary to examine the attitude towards event sponsorship in general and to assess the image of sponsorship as a generic phenomenon. While consumers sometimes have negative attitude towards advertising, sponsorship as a communication tool often appears to cause more positive effects and a level of goodwill depending on the category of sponsorship engagement, e.g. support of cultural activities, sports (Meenaghan 2001). The response to corporate sponsorship activities is for this reason dependent on the attitude and the degree of goodwill towards sponsorship in general.

H5: A more positive attitude toward event sponsorship evokes a more positive attitude toward the sponsoring brand.

f. Congruency between customer value on sponsored activity and sponsor brand consumer value

Scientific literature has confirmed the importance of 'fit' between sponsor and sponsored event (Crimmins & Horn 1996; Meenaghan & Shipley 1999; Speed & Thompson 2000). As a moderator of the impact of attitude toward the ad and pre-existing attitude toward the brand, in the case of sponsorship, increasing the fit between sponsor and event will increase the response to the sponsorship arising from personal liking, perceived status, and attitude toward the sponsor (Speed & Thompson 2000). A fit between sponsor and event can be established on numerous bases, e.g., functional/thematic related and/or symbolic/image related characteristics. However, without any restriction on the basis used to establish fit, the focus is on consumer's attitude toward the pairing of event and sponsor and the degree to which the pairing is perceived as well matched or a good fit. Following a consumer-based conceptualization, fit between a sponsor and a sponsored event is high when the two are perceived as congruent (i.e., as going together), whether that congruity is derived from mission, products, markets, technologies, attributes, brand concepts, or any other key association (Park & al. 1991).

The perception of congruence or fit between the sponsor and the sponsored event has been shown to have a direct impact on consumer's response (Crimmins & Horn 1996; Otker & Hayes 1987; Stipp & Schiavone 1996). Concerning the impact of different influencing factors (event image, brand recall, prior brand image that existed before visiting the event, sponsorship leverage, and event-brand-image) on the (post) image of the involved brands, Grohs & al. (2004) showed that the image transfer between the event and the brand is dependent on the perceived similarity between event and brand. Focusing on the influencing role of the perceived event-brand-fit on the attitude towards the brand, Roy and Cornwell (2004) identified based on the congruence theory coherence between the event-brand-fit and the brand attitude. Examining congruence effects in sponsorship, Rifon et al. (2004) found out that a good fit of the sponsor and the event enhances sponsor credibility and attitude towards the sponsor. According to Meenaghan (1983) and Otker and Hayes (1987), a good perceived symbiosis between the sponsor and the event is thought to have positive effects on the sponsor's image: The stronger the link between the sponsor and the event, the greater the impact on corporate image. However, a moderate level of incongruence between the sponsor and the event might be perceived as interesting and positive by consumers and be beneficial to the sponsor's image (Meyers-Levy & Tybout 1989).

H6: A higher perceived congruency between the event and the brand would result in a stronger transfer of perceptions.

Core model distinguishing functional, affective and symbolic components in the persuasion process

The perception of an event can be distinguished between cognitive, affective and symbolic components (Koo et al. 2006; Pope 1998) which would form the “customer value” dimensions of the sponsored activity. Following a comprehensive understanding of the customer value construct, all relevant actual and potential value sources of the consumer’s product or brand perception should be integrated into one single model. Drawing on, integrating, and extending the work of Park et al. (1986) or Holbrook (1999) for example on the conceptualization of customer value, Smith and Colgate (2007) developed a customer value framework based on four major types of value that can be created by organizations: Functional/ instrumental value, experiential/hedonic value, symbolic/expressive value, and cost/sacrifice value.

In order to enhance current understanding of value perception in view of a sponsored event and a sponsoring company, the question of what really adds value in consumer’s perception is defined in this paper through the existence of three latent customer value dimensions. The economic dimension of customer value will not be considered because it was really difficult to apprehend for the indirect audience of the event, without “buying” anything.

a. Cognitive

The functional or cognitive dimension of customer value represents the core benefit and basic utilities such as e.g. the quality, the uniqueness, the usability, the reliability, and durability of a certain product (Sheth et al. 1991). Following Woodruff (1997), cognitive value encompasses three key facets (1) correct, accurate, or appropriate features, functions, attributes, or characteristics (such as aesthetics, quality, customization, or creativity); (2) appropriate performances (such as reliability, performance quality, or service–support outcomes); and (3) appropriate outcomes or consequences (such as strategic value, effectiveness, operational benefits, and environmental benefits) (Smith & Colgate 2007).

b. Affective

The affective dimension of customer value refers to the experiences, feelings, and emotions a certain brand or product provides to the consumer in addition to its functional utility (Westbrook & Oliver 1991). Especially luxury products are likely to provide such subjective intangible benefits (Dubois & Laurent 1994). Hence, affective value describes the perceived subjective utility and intrinsically pleasing properties acquired from the purchase and consumption of a brand to arouse feelings and affective states, received from the personal rewards and fulfilment.

c. Symbolic

The symbolic dimension of customer value focuses a customer’s personal orientation towards a brand or product and addresses personal matters such as consumer’s self-concepts, self-worth or self-identity value. Consumers may associate psychological meaning to a product or they use certain (luxury) brands to integrate the symbolic meaning into their own identity (e.g. Holt 1995) or to support, express, and develop ones own identity, personality, tastes, and values (Dittmar, 1994 for example). In addition to the personal meaning a social component of customer value and the prestige, status, or image of a certain brand or product is of special importance. For example the consumption of luxury goods appears to have a strong social function (see Vigneron & Johnson 1999 for example).

By creating a positive association between a sponsored event and the sponsoring brand, sponsorship seems to affect the customer value perception. The awareness and corporate image of the sponsored event and the sponsoring brand have impacts on these three values in different ways (Koo et al. 2006; Pope 1998). In the current study, a consumer’s perceived brand/sport event image fit is expected to influence the cognitive, affective, and symbolic responses towards the sponsoring firm. The following research hypotheses were proposed in relation to the foregoing discussion.

H1.1: A positive/negative perception of the cognitive value of the event has a positive/negative impact on the cognitive perception of the brand.

H1.2: A positive/negative perception of the affective value of the event has a positive/negative impact on the affective perception of the brand.

H1.3: A positive/negative perception of the symbolic value of the event has a positive/negative impact on the symbolic perception of the brand.

Methodology

Despite the importance of a clear understanding of this persuasion process, few experiments are available to test the relevance of a detailed "transfer" model within a real situation. In order to contribute to this crucial research question, we decided to evaluate the impact of a real sponsorship activity on the perceptions of a brand, within an international context.

In May and June 2007, we conducted a survey with a view to evaluating the impact of Louis Vuitton's sponsorship of America's Cup on its brand image, hosted by Sphinx Survey Web Platform. We had to choose between a longitudinal study (pre and post-event measurement on the same consumers) and a single post-event measurement. Notable disadvantages are associated with both approaches. Even though it is more applicable to prove any potential transfer, we had to reject the longitudinal method. In fact, this experimental treatment could have resulted in "testing effect" distortions in the post-event evaluations and it was also difficult to implement within this realistic international context (respondents follow-up during the summer break).

Variables measurement

We designed a questionnaire on the Internet that covered all the components of the persuasion model presented above.

Activity and brand perceptions

To measure brand (and also activity) perceptions and because we wanted to study the detailed links between functional, affective and symbolic dimensions of activity and sponsor, we decided to refer to the "customer value" concept. In a simple version, it is defined as being "what customers get from the purchase and use of a product versus what they pay, resulting in an attitude toward or an emotional bond with the product" (from Butz and Goodstein, 1996).

After an extended literature review, Smith and Colgate (2007) recently proposed a customer value framework with four dimensions being functional/instrumental, experiential/affective, symbolic/expressive and cost/sacrifice. Because the last dimension was not really applicable to the studied activity, we selected the three first dimensions in our model and used 12 items proposed in Smith and Colgate's review to develop our measurements of event and perceptions (see figure 3)

To complete our measurements with a more qualitative point of view, we also applied a frequent survey protocol within the sponsorship field, consisting in adjectives generation (see d'Astous and Bitz, 1995, for example). We asked the respondents to quote three adjectives they would associate with both the event and the sponsored brand. With textual data analysis, we will be able to maybe confirm, illustrate and enrich the quantitative measurements.

Other variables in the model

Involvement towards sponsored activity was traditionally assessed with the 10-item "Revised Personal Involvement Inventory" (McQuarrie and Munson, 1992). Similarly to what other authors did (see Grohs, Wagner & Vsetecka, 2004 for example), exposure to the event was measured by four items, asking the respondents to report the number of times they were submitted to event information on four main media being races on television, T.V. reports, press and event official website. Perceived congruency was apprehended with three items developed by Speed and Thompson's article on determinants of sports sponsorship response (2000). Measurement of attitude towards sponsorship (in general) consists in our study of four items adapted from Giannelloni's "attitude towards sponsor-event association" (1990). Finally, we introduced three items to control respondents' "prior experience" with the sponsor brand. Finally, the questionnaire concluded with some socio-demographic and economic questions. The original questionnaire can be seen on the following link: http://www.sphinxonline.net/etudiup/sponsor/qen.htm.

Figure 2 – Characteristics of the sample

Figure 2 – Characteristics of the sample

nationality

	Nb	% cit.
French	403	28%
German	261	18%
Italian	369	26%
Spanish	394	28%
Total	**1 427**	**100%**

gender

	Nb	% cit.
Male	720	51%
Female	705	49%
Total	**1 425**	**100%**

monthly income

	Nb	% cit.
less than 500 €	124	9%
500-1000 €	163	11%
1000-2000 €	389	27%
2000-4000 €	496	35%
over 4000 €	252	18%
Total	**1 424**	**100%**

age_class

	Nb	% cit.
Under 20 yrs	36	3%
20 to 30 yrs	727	51%
30 to 40 yrs	326	23%
40 to 50 yrs	192	13%
Over 50 yrs	146	10%
Total	**1 427**	**100%**

Sample characteristics

International Network on Consumer Behaviour Studies

This is the second study carried out by a network of researchers in the area of consumer behaviour. This International Network on Consumer Behaviour Studies is currently comprised by marketing professionals from eight Universities in France (Savoie), Germany (Göttingen & Hannover,), Italy (Pavia, Pisa & Venezia) and Spain (Leon & Valencia), providing a total sample of more than 1,400 European respondents. It was really interesting to have four countries with very different concerns about the event. Spain hosted the competition in Valencia. Italy competed with three different boats, France with only one challenger and Germany participated in the race for the very time. The characteristics of the sample regarding nationality, gender, income and age are shown in the following tables.

Analysis of the results

P. L. S. regression results

In order to test the hypotheses proposed in this study, the partial least square approach was chosen. This methodology has been recently established as very adapted to sponsorship effects experiments (see Martensen & Hansen, 2004 or Huber & al. 2007). The results obtained are presented in figure 3, followed by an explanation of its significance in testing the proposed hypothesis.

Firstly, the models developed for measuring perceived value of the event (America's Cup), perceived value of the brand (Louis Vuitton), implication with the event, exposure to the same, and experience of the brand, were evaluated.

As can be seen in Figure 3, the loadings indicate a positive evaluation, in spite of the fact that some of them are slightly below the threshold of 0.8. In analysing the reliability and validity of these measures, the average variance extracted (A.V.E.) and the composite reliability were calculated, with values over or very near the limits indicated by Fornell and Cha (1994) being obtained in all cases. Three items of the brand customer value were extracted from the model analysis because of too weak loadings.

Path coefficients are summarised in the following table, the analysis of which has led to the confirmation of the hypotheses H1, H2, H3 and H4.

Figure 3 – General model results

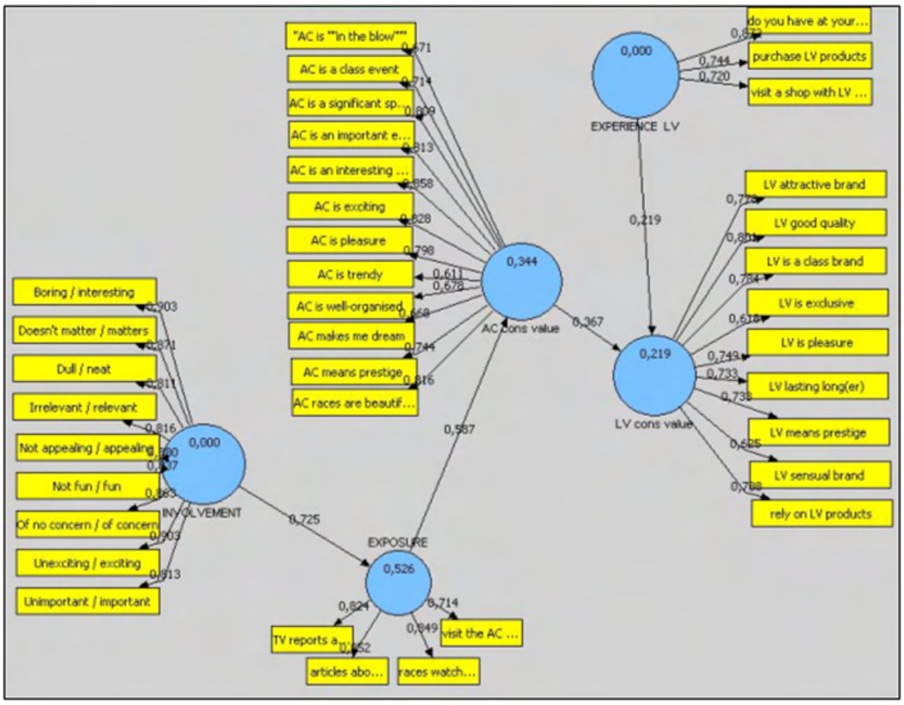


Table 1 – Quality criteria for general model constructs

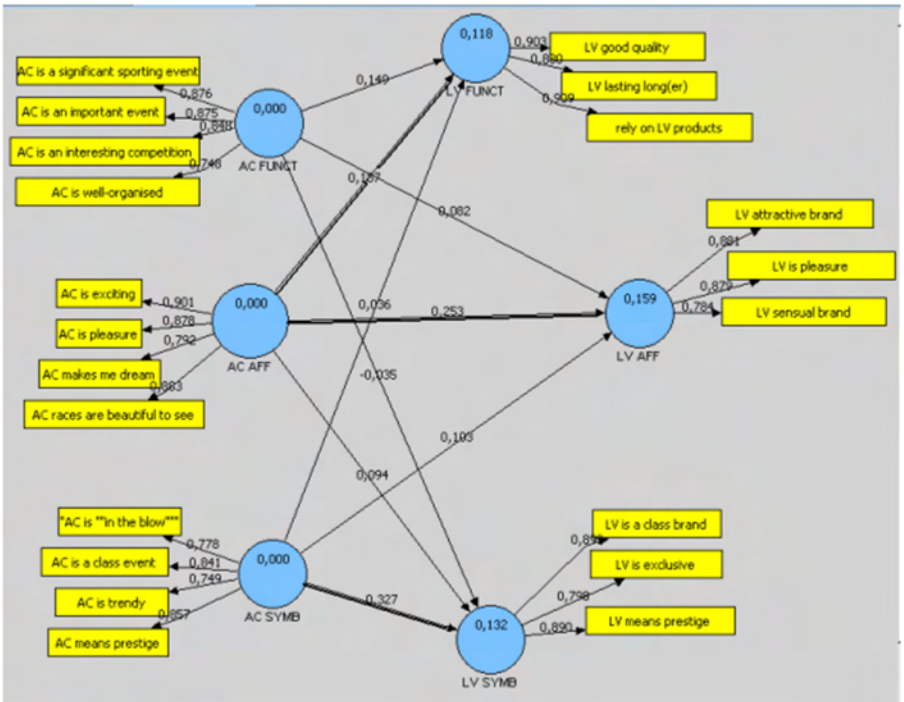
	A.V.E	Composite Reliability
AC perceived value	0.5695	0.9402
LV perceived value	0.5434	0.914
Involvement	0.733	0.961
Exposure	0.6586	0.8848
Experience LV	0.611	0.8239

Table 2 – Paths significance for general model

Hypothesis	Paths	Original Sample	Standard Deviation	T Statistics	
H1	AC cust. value -> LV cust value	0,367	0,0477	7,7011	significant
H2	EXPERIENCE LV -> LV cust value	0,2188	0,0336	6,5127	significant
H3	EXPOSURE -> AC cust value	0,5869	0,0276	21,298	significant
H4	INVOLVEMENT -> EXPOSURE	0,7253	0,0208	34,931	significant

In order to confirm hypotheses H1.1, H1.2. and H1.3., links between specific functional, affective and symbolic dimensions of the event and the brand, the "core" model shown in figure 4 was tested. Results are also given in the tables and figures above.

Figure 4 – Core model results



In the evaluation of the measurements proposed in this core model, loadings, composite reliability and average variance extracted all proved to be satisfactory.

Table 3 – Quality criteria for core model constructs

	AVE	Composite Reliability
AC Affective	0.7474	0.9219
AC Functional	0.703	0.9041
AC Symbolic	0.6521	0.882
LV Affective	0.7219	0.8859
LV Functional	0.8051	0.9253
LV Symbolic	0.7457	0.8977

The path coefficients were also significant, allowing us to confirm the hypotheses H1.1, H1.2, but not hypothesis H1.3.

Table 4 – Paths significance for core model

Hypothesis	Path	Original sample	Standard deviation	T Statistic	Significance
H1.1.	AC Affective -> LV Affective	0.2531	0.0949	2.6676	Significant
H1.2.	AC Symbolic -> LV Symbolic	0.3273	0.0814	4.0226	Significant
H1.3	AC Functional -> LV Functional	0.1491	0.1177	1.2662	Not Significant
	AC Affective -> LV Functional	0.1865	0.0883	2,118	Significant

Table 5 – Paths differences from multi-group analysis (attitude towards sponsorship)

Path	Total sample	Negative attitude	Neutral attitude	Positive attitude
AC AFF -> LV AFF	0,2531	0,1963	0,2061	0,3371
AC AFF -> LV FUNCT	0,1865	0,0784	0,2563	0,1959
AC AFF -> LV SYMB	0,0936	0,0822	0,1743	0,04
AC FUNCT -> LV AFF	0,0818	0,0171	0,0981	0,0524
AC FUNCT -> LV FUNCT	0,1491	0,1085	0,0414	0,1953
AC FUNCT -> LV SYMB	-0,0353	-0,118	-0,1605	0,0536
AC SYMB -> LV AFF	0,1032	0,1435	0,1202	0,058
AC SYMB -> LV FUNCT	0,0357	0,0862	0,0728	-0,016
AC SYMB -> LV SYMB	0,3273	0,3568	0,3606	0,2889

An analysis of these path coefficients also showed how the principal effect of perceived value of sponsorship on value attributed to the brand is produced on one hand via a symbolic process. On the other hand, significant values for the effect of perceived affective value of the event on both functional and affective values of the sponsoring brand were also obtained. Lastly, the functional perception of sponsored activity (America's Cup) had no impact on perception of the brand (Louis Vuitton).

Moderating effects

Multi-groups analyses were run to test the moderating influences of attitude towards sponsorship and congruency. For those two variables, three homogeneous groups of respondents were formed, considering the summation of all the concept-related variables.

Attitude towards sponsorship (hypothesis H5)

In the first row of table 5, we can notice that a positive attitude towards sponsorship produces a higher affective transfer from the event to the brand. H5 is thus partly accepted.

Congruency (hypothesis H6)

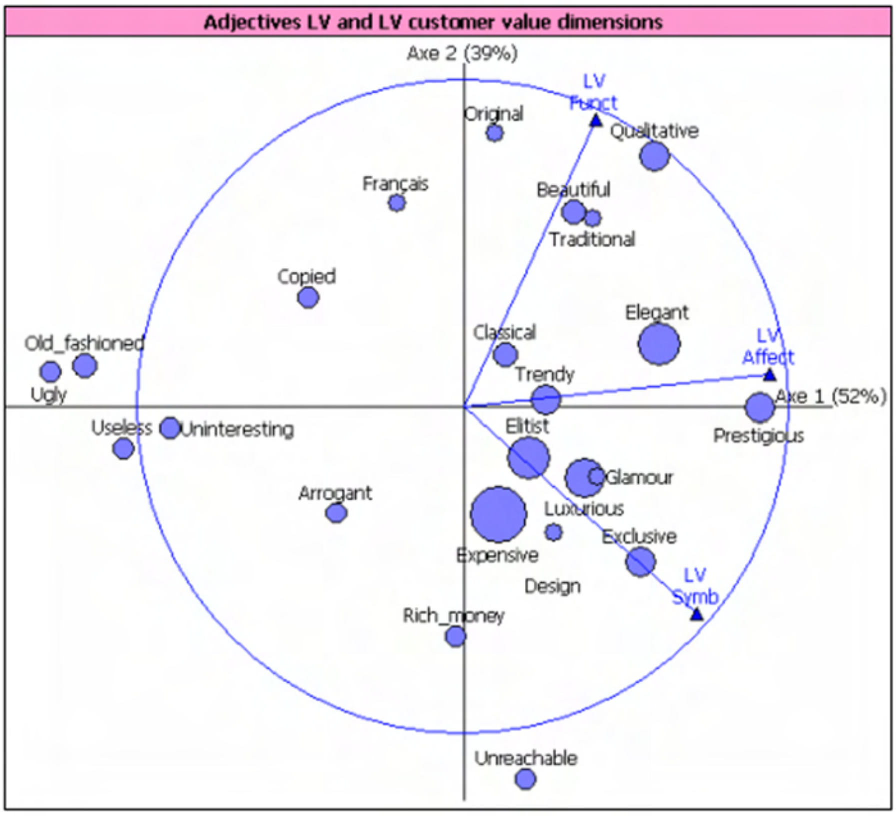
Another hypothesis which this study aimed to test was the relationship of congruency perceived by the individual between the sponsored event (America's Cup) and the brand (Louis Vuitton), and the influence of perceived value of the event on perception of the brand (differentiating between affective, symbolic and functional components).

In order to test this, a multi-group analysis was carried out, the results of which (see Table 6) admit the conclusion of a congruency moderating effect on the influence which perceived affective value of the event has on perception of the brand (in all three components). H6 is partly accepted.

Table 6 – Paths differences from multi-group analysis (congruency)

Path	Total sample	Low congruency	Middle cong.	High cong.
AC AFF -> LV AFF	0,2531	0,1733	0,2686	0,3843
AC AFF -> LV FUNCT	0,1865	0,1629	0,1705	0,2708
AC AFF -> LV SYMB	0,0936	0,0698	0,0912	0,1622
AC FUNCT -> LV AFF	0,0818	0,139	-0,0392	0,0965
AC FUNCT -> LV FUNCT	0,1491	0,2204	0,0171	0,1844
AC FUNCT -> LV SYMB	-0,0353	-0,0287	-0,1249	0,0079
AC SYMB -> LV AFF	0,1032	0,0114	0,0689	0,1013
AC SYMB -> LV FUNCT	0,0357	-0,0593	0,0734	-0,0413
AC SYMB -> LV SYMB	0,3273	0,2988	0,3288	0,2665

Figure 5 – Louis Vuitton adjectives and customer value dimensions



Qualitative perspective of the analysis

The authors do believe in the key role of the qualitative analysis when coping with survey data. The added value contained within an unstructured answer is unquestionable but it is often difficult to correctly analyze and exploit the inner latent information and concepts (Bolden and Moscarola, 2000). Thereby during the questionnaire definition process, two open questions have been introduced and later on analyzed. The two questions under analysis requested the respondents for providing a set of 3 adjectives either on American Cup or Louis Vuitton. The objective is to understand the personal and unconscious feelings towards the sport event and the relative sponsor brand. In such a way we can understand if there is coherence in the perception of the two proposed items in terms of adjectives expressing similar conceptual schemas. Moreover these questions are proposed before the batteries of items that has been used to described the perception of Brand and Event, based on literature, and forcing the respondent in a set of preconceptions.

The qualitative analysis plays the role of a valuator of quantitative based results checking if the free answers reflect the preconceived dimensions. It also gives more empirical meanings to the abstract dimension of the model: to which adjectives do functional, symbolic and affective dimensions refer?

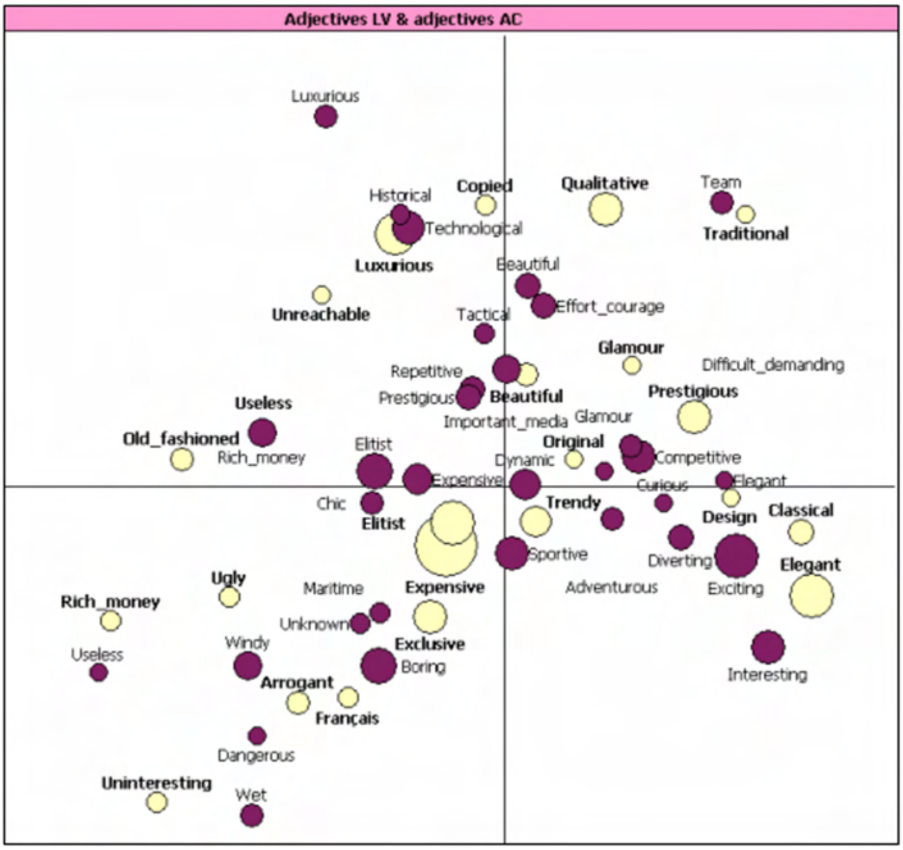
Coming to the results, several analysis have been carried out in order to employ the complete list of available adjectives in the better way. First of all a frequency table of the terms have been derived for each country without modifying the original words. This simple activity let us to understand which the more frequent adjectives are, referred to America's Cup and Louis Vuitton, taking into account also the language differences. Later on, in order to derive common analysis and representation we decided to solve the language problem by grouping under a first detailed aggregation level equivalent words. To cross check the analysis based on the responses to the scales batteries with the spontaneous free expression of adjectives, we use the factor analysis scores rating brand and event according to symbolic, affective and functional dimensions. Therefore we computed for each subset of people having used one word the average value of the above dimensions. A variance analysis test allows us to know if the use of each item makes a significant difference according to the dimensions. This results can be more easily red on a factor map built from the variance analysis table.

As the reader can simply verify from Figure 1 there is a very good correspondence between the adjectives conceptual classes and the 3 dimensions for what concern Louis Vuitton item. At first sight it is evident that all the positive adjectives (trendy, glamour, elegant,..) lay on the first and fourth quadrant of the map, instead negative concepts (arrogant, useless, ugly,…) are positioned in the second and third ones. Moreover if we focus, for example, on the symbolic component we notice the presence of adjectives that clearly refer to the symbolic power of the brand: exclusiveness, stylishness, expensiveness etc. Similar correspondence can be easily derived for the affective and functional dimensions. Thereby, we can assert that there is a deep internal coherence between the qualitative and the quantitative dimensions on one hand. On the other hand, the mapping offers a type of empirical description of the more abstract notions used for the quantitative measures. This can be useful for advertising and communication purposes.

Another interesting analysis, aimed at the verification of a possible connexion between the group of adjectives related to the brand and the event, is represented in Figure 2. On the basis of the semantic aggregation of L. V. and A. C. description we run a chi2 analysis of the cross table between L. V. and A. C. semantic dimensions, and produced a factorial correspondences analysis map. On one hand, the bright circles are referred to L. V. perceptions; on the other hand the dark ones represent A. C. adjectives.

Globally, we can notice consistent correspondences between the event perception and the brand evaluation. For example, on the left part of the mapping, negative perceptions of America's Cup (useless, boring for ex.) are linked with negative assessment of Louis Vuitton (ugly, old fashioned etc.), whereas we can find positive evaluations in the right part. It seems like we can even recover functional components (such as qualitative for the brand or technological for the event) together at the top of the map. Affective and symbolic perceptions of the competition and the French brand correspond at the bottom, on the right.

Figure 6 – Correspondence between Louis Vuitton and America's Cup Adjectives



In the light of so far explained results, we can conclude that qualitative analysis has offered precious and further information useful to evaluate the relation existing between America's Cup and Louis Vuitton. The simple expression of few adjectives from the respondents allows us to believe in a correspondence between the event and the brand: in fact the free and quick elicitation of the ideas by means of adjectives often lead towards the same abstract and unconscious concepts.

Conclusions

This study demonstrates the effect of perceived value of a sponsored event (America's Cup) on the sponsor-brand perception (Louis Vuitton), mainly via the affective and symbolic components of the persuasion process. This would confirm that sponsorship activities could be an opportunity to develop affective or symbolic brand customer values, thanks to an association with an external entity. It means that it must be crucial for companies to assess potential partners' affective and symbolic perceptions before choosing among alternative solutions to be sponsored (Hansen, Halling & Christensen, 2006).

Involvement with the sponsored activity is also a key variable in the sponsorship persuasion process. It is of course a strong determinant of exposure to the event but also a positive influencer of the perception (consumer value) of the sponsored activity.

The positive influence of perceived congruency (between activity and sponsor) on the sponsorship effects is confirmed with our study. However, consistently with the balance theory, we believe that there must be a threshold effect. Probably a light "incongruency" could be acceptable and consumers may alter their perceptions in order to harmonize them.

From a methodological point of view, we have demonstrated that it is very useful to enhance a traditional quantitative method with textual data analysis. This quant-qual complementary approach allows to confirm and to illustrate numerical multivariate analysis. It also provides additional information, some unexpected or unusual points of view that otherwise would have been lost.

The main limitation of our study is our incapacity to really prove the transfer from the activity to the brand. Because we had to choose a single post-event measurement, we don't have any primary assessment of the brand consumers' perceptions. This issue is howerer really puzzling because in our case, Louis Vuitton and America's Cup have been associated for 1983. This is why it was really interesting to have in our sample such a wide population including many respondents with a low (or even absent) awareness of the event and the sponsorship association.

On Friday July 13th, 2007, French luxury goods group Louis Vuitton announced it had decided to end its sponsorship of the America's Cup yachting race, citing "concerns over changes to the competition". Afraid to lose some affection ?

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INTELLECTUAL CAPITAL AND COMPANY'S VALUE

CHRISTOPH HUSS AND BERND BRITZELMAIER
PFORZHEIM UNIVERSITY, GERMANY

Abstract

The enclosed paper deals with the influence of intellectual capital on the company's value.

After an introduction a view of intellectual capital according to the regulations of accounting is given. Following, the components of intellectual capital are discussed. A review is given of the opinions about intellectual capital in business life, considering the ideas of the management out there. The discounted cash flow approach as an instrument to valuate the company's value is presented. This is necessary to understand the impact of intellectual capital on the company's value on the net present value. Afterwards the influence of intellectual capital on the market capitalization is argued. Taking the development under IFRS into account, the impairment test for good will is discussed too. Concluding the paper, the evaluation of the authors concerning the topic is pointed out.

Key words: Intellectual capital, capital value, market capitalization

Introduction and Research Objective

Intellectual capital is a value within a company that gained more and more attention. This fact is based on a significant change of the western business landscape. After World War II fixed assets were the main driver of a company's income and value. So the efficient employment of these assets was enough to make a company successful. But towards the end of the 20th century the situation was completely different. Within 50 years the western world experienced a shift from an industrial to a high tech and service dependant society. Fixed assets were still important but for many branches intellectual capital became the main driver of a company's capability to create income and company value. Although managers agree that knowledge is the most important asset of nowadays the connection between intellectual capital and the market capitalization or the net present value is rarely known. This paper provides a short introduction of intellectual capital and explains the influence on a company's value. The paper focuses on a discounted cash flow approach and the market capitalization.

Proposed Methodology

After the introduction chapter 3 provides the reader with a view of intellectual capital according to the regulations of accounting. Moreover the several components of intellectual capital are introduced more detailed. Later on in chapter 4 a review is given of the opinions about intellectual capital in business life, considering the ideas of the management out there.

Chapter 5 gives a basic idea about the discounted cash flow approach. This is necessary to understand the impact of intellectual capital on the company's value based on the net present value, analyzed in chapter 6. Afterwards chapter 7 figures out the influence on the market capitalization. As there is also direct impact on the acquisition price of companies, chapter 8 considers especially the development in the information technology branch. Chapter 9 takes the development under IFRS into account, focusing on the impairment test for goodwill.

Concluding the paper chapter 10 reflects the evaluation of the authors concerning the topic.

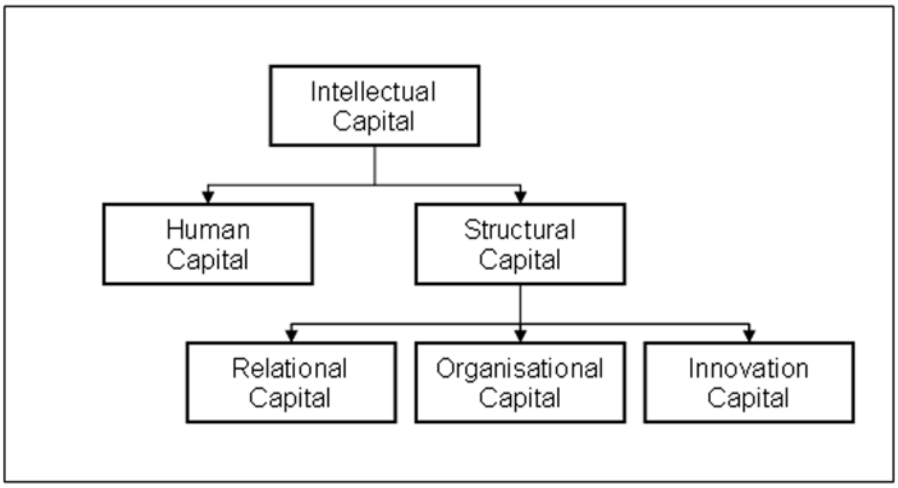
Definition of Intellectual Capital

Classifying intellectual capital according to the regulations of GAAP the result is an intangible asset - and therefore also equity - created by the company. Under this point of view IFRS as well as US-GAAP have to deal with the fact that there is no physically existence – you can't touch intangibles

- which makes it difficult to measure the value of the asset. Furthermore actual accounting policies have to face a trade-off. While investors shall be provided with a true and fair view of the assets there is also a risk of overpricing. IASB and FASB still adopt a hard line for the recognition of intangible assets. This avoidance of risk is essential for the protection of investors but it results in a fraction of intellectual capital in the balance sheet. But what is intellectual capital in detail?

In the early nineties of the last century the number of high tech and service companies increased steadily and rapidly. For this reason the way value was created was different than before. Knowledge suddenly had a main influence on the value chain. The knowledge as an asset was termed intellectual capital. Theory and practise started to develop management and measurement approaches. The lack of a central organisation and coordination resulted in a variety of methods of resolution. Even projects set up by the European Union and business organisations were not able to find a common standard. But comparing all the current most popular approaches leads us to Roos et al. who provide the most complete framework of intellectual capital within their approach.

The following graphic gives a first impression about the single components of intellectual capital.



Roos et al. (1997): Intellectual Capital: Navigating the New Business Landscape, p. 7.

Applying a bottom-up view according to this model intellectual capital is the sum out of human capital, relational, organisational and innovation capital. To understand structural capital the primarily goal is to get an idea about human capital.

Human Capital

As the term already expresses the human and concretely the employee is the centre of human capital. He is an asset and creates value for the company due to his skills, expertise, knowledge and loyalty.

Structural capital proves that the employee is our most important asset in a high tech or service company. But also in every other company that is highly dependent on knowledge. If the company is now able to transfer human capital into structural capital, especially into organisational and innovation capital, the expertise of a single employee is suddenly available for everybody and increases the productivity.

Organisational Capital

Organisational capital is all those human capital that was e.g. transformed into work processes, technical solutions and databases to simplify reapplications and thus make the company more efficient as if the knowledge is concentrated on one or only few persons. Furthermore this secures the knowledge to the company even if the employee quits working.

Innovation Capital

This part of intellectual capital measures the capability of steadily innovation. This innovation considers processes, products and services as well as technologies. Innovation capital is the biggest share of intellectual capital that is displayed in the balance sheet. This is based on a legal recognition and protection of the asset which includes patents, industrial property rights, self constructed software, intellectual property, recipes and trade secrets.

According to the value platform, which was published by Dzinkowski in 2000, human capital, organisational and innovation capital are responsible for the creation of relational capital.

Relational Capital

Two parts form relational capital. One is partner capital the other is customer capital.

Both are based on relations to partners and customers. Important features are contracts with suppliers, brand names, customer base and quality of relationships.

Value is generated when all components are combined. Thus it is also required to combine the intangible components with tangible resources. Weak or misallocated components even bear the risk of a decrease of value.

Practical Relevance of Intellectual Capital

This chapter analyzes the importance of intellectual capital to the management in practise. In the early nineties intellectual capital was identified as highly responsible for the present and future economic success in the new business landscape. Today several surveys prove that 70-80% of the management determines intellectual capital as important to even critical for the future economical success of the company. In some branches intellectual capital has an influence of up to 80% of the creation of value.

What expectation has the management to a measurement and management of intellectual capital? Edvinsson and Bruenig came up with the following points :

- Guarantee future economical success
- Guarantee competitiveness or rather gain of competitive advantage by the identification of key success factors
- Increase of company's value
- Improvement of vision and strategy
- Advancement of personnel

After the introduction of intellectual capital and the public opinion in business life the next step is a closer look to the influence on a company's value.

The Discounted Cash Flow Approach

The Discounted Cash Flow approach (DCF) is the most common valuation method currently. There are two different ways to determine the company's value via DCF. One is the entity approach the other is the equity approach. If both are applied properly the results are exactly the same. The focus is on the equity approach which is an own approach, while the entity approach divides into three further modifications . To understand the effect of intellectual capital on the present value it is irrelevant which approach is explained in detail. Intellectual capital affects both in the same way.

The equity model is based on the idea of future cash flows which are discounted and summed up to receive the net present value (NPV). This NPV is the first value for negotiations if the shareholder structure of a company undergoes any changes. The main difference to the entity method is the determination of the cash flows. They are based on the cash that is available for the investors at the end of the year, so called flows to equity. The entity method however determines the cash that is available for investors and outside creditors. This is why the equity approach leads directly to the value of the equity while the entity approach determines the value of the company as a whole and subtracts the fair value of the debt. To calculate the NPV according to the equity method the following adjustments, starting with the EBIT, have to be done:

	EBIT
-	Interest expense
=	**Earnings before Tax (EBT)**
-	Taxes
=	**Operating Profit**
+/-	Depreciation and amortization/appreciation
+/-	Profit/loss on disposal of non-current assets
+/-	Change in long term provisions (excluding interest)
+/-	Change in net working capital
+/-	proceeds on disposal of non-currents assets/ payments for non-currents assets
+/-	Change in interest bearing liabilities
=	**Flow to Equity (FTE)**

$$NPV = \sum_{t=1}^{T} \frac{FTE^t}{(1+r_{CAPM})^t} + \frac{CW}{(1+r_{CAPM})^t}$$

CW = Continuing Value $\quad$ r_{CAPM} = Interest (determined via CAPM-Model)

NPV = Net Present Value $\quad$ FTE = Flow to Equity

This way as many FTE's as definitely determinable are calculated. The last FTE is used to receive a perpetuity which is added to the net present value of the discounted FTE's. The perpetuity is based on the assumption of infinity for the company. The following formula displays this in mathematical terms.

The NPV is thus the sum of all FTE's plus the Continuing Value. Both of these are discounted by an interest rate that is based on the common CAPM-Model.

Influence of Intellectual Capital on the Net Present Value

After the short introduction of the equity method follows the analysis of the influence of intellectual capital. If we take a closer look to the adjustments which are necessary to receive the FTE's, it is easy to notice that each single position is a figure that is based on a position in the balance sheet or the income statement. As mentioned above nearly no intellectual capital can be found in the balance sheet due to the highly restrictive regulations of the GAAP. But anyway intellectual capital becomes very important when it is about FTE's. FTE's describe the company's capability to gain cash in the future. This will be further discussed in chapter 7, especially in respect of the interpretation of the

Market-to-Book-Ratio. For now it is enough to understand the connection between future cash flows and intellectual capital.

Although a small percentage of intellectual capital is activated in the balance sheet the influence of intellectual capital is quite big. Another proof is the appreciation of managers in chapter 4 concerning the expectations to an intellectual capital management. Intellectual capital is held responsible to guarantee those FTE's. Would investors be willing to pay the same amount of money for a company that will loose 50% of its well experienced staff within the next 6 month, due to retirement?

This is an issue of human capital. The same kind of question is imaginable if it comes to the loss of key accounts, which are actually represented in the customer capital. Or think about the end of Microsoft's protection rights on Windows products (innovation capital). No investor would pay the same amount of money for the purchase of the whole company.

Outlining all these points the conclusion is that intellectual capital is not presented by the figures from the balance sheet or the income statement. Intellectual capital is the driver behind every single figure and it especially ensures the future cash flows. Thus it is very important to take the company's intellectual capital into account to determine the FTE's.

Market Capitalization and Influence of Intellectual Capital

Another important indicator for the performance of a company and its estimated future potential is the market capitalization. It is even used to verify the result after applying the DCF approaches to determine the company value. The calculation of the market capitalization is quite simple, as it just multiplies the shares outstanding with the stock price to a specific date.

An interesting point about the market capitalization is the quick response to internal and external changes of the company. But even more interesting is the sense of the stock price. If a potential shareholder is interested into the purchase of a share he rates two things. First of all he expects that the dividend is higher than the average risk-free interest rate on the financial market. But second and even more interesting is his expectation of a positive development of the stock price. At least he expects that the stock price will remain more or less the same.

At this point intellectual capital is considered by the potential shareholder. To guarantee the future economical success facts about customers, patents, partners, etc. play an important role. The same questions as mentioned above (chapter 6) would have a negative impact on the decision of an interested investor. Furthermore the decreasing demand will sooner or later have a direct impact on the stock price.

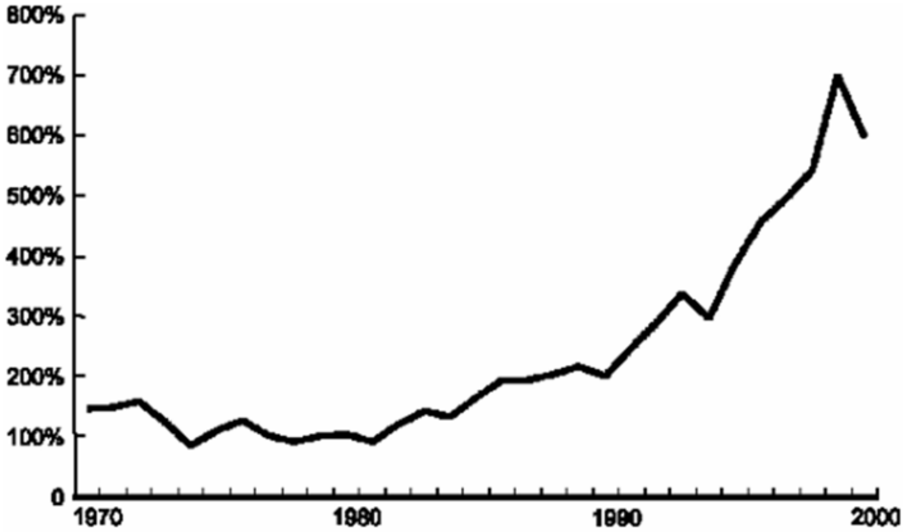
The statement of this paper is not that balances and income statements have lost their significance. The deeper sense is to sensitize the reader for more than the pure figures. Still all the important fixed assets are measured, activated and managed via accounting and controlling. On the other hand intellectual capital has become more important than fixed assets in some cases. The Market-to-Book-Ratio (MBR) is a good example for this development.

The MBR is based on a top-down consideration of the intellectual capital idea. The ratio is based on the assumption that the difference between market capitalization and the book value of the equity is intellectual capital. Behind this idea there is the logical idea that former expense could have been activated as intangible assets. Due to the strict regulations of the GAAP this was not possible. Stockholders know about this and rate the company higher than the book value of the equity.

Of course there is a negative effect as a result of hidden assets, volatility of stock prices and the application or switch between different accounting policies. Anyway the MBR is still used by analysts to make a statement about the future potential of the company which brings us back to intellectual capital.

Baruch Lev did some research concerning this theory and came up with the following results.

Average MBR of U.S. Corporations 1970 - 2000



Lev (2001)

The graph shows that the MBR steadily increased. This reflects of course the change from an industrial towards a service and high tech orientated business landscape. The drop in 2000 is influences by the collapse of the new economy. Later on the average MBR recovered as well in the U.S. as in Europe. Fixed assets lost their importance. But remembering the last column it also shows a steadily increase of intellectual capital as main driver of market capitalization. A MBR of 600% means that the intellectual capital is approximately 5 times as large as the book value of equity. This is one of the reasons why the purchase price of companies is so far away from the book value of equity. Since there is Web 2.0 intellectual capital has an even more direct impact on the purchase price.

Direct Impact of Intellectual Capital on the Company's Value

Web 2.0, which is another term for enhanced web technologies as well as for the most common offers on the internet like Facebook.com, Youtube.com or Myspace.com, experiences a period of consolidation. The idea of Web 2.0 is the active engagement of the user. He might upload videos, write essays or just provide the offer with his profile. At least he is responsible for the creation and especially the growth of the internet platform. The companies just provide the necessary resources to enable the user to do so.

The time of consolidation is based on the assumption that Web 2.0 is the mid-term future of the internet. Especially two big players are very active on the market, Google and Yahoo. Google can be found on the news frequently. Very often the reason is the purchase of another company in the internet branch. The most spectacular transaction was the acquisition of Youtube.com in October 2006 for 1.65 billion US-Dollars. Google was not the only potential buyer. For a long time Yahoo was involved into the bidding. What made both of them bid that much? The answer is simple: intellectual capital. In the case of Web 2.0 it is all about users. Every single user means cash to the corporation as it enlarges the number of receivers of advertisements. The number of users can't be found in the income statement, but the income from advertisements. Once again it is obvious that the income statement may provide important information, but without knowledge about intellectual capital it is hard to understand the why. Why is there a higher income, compared to the former financial year and what justifies the high price for the acquisition?

In branches that are linked to the number of users it is common to pay a price per user. When the German Telekom acquired the Voiceless Wireless Corporation in July 2000, the price was 50.7

billion US-Dollars while the book value of equity was around 8 billion US-Dollars. The number of costumers was the base for the purchase price.

In cases like this it is at least very easy to apply the annually impairment test for the activated goodwill.

Impairment Test for Goodwill

The impairment test for goodwill is a step of GAAP towards the integration of intellectual capital into accounting. Especially IFRS 3 means a significant change to the former practise. Before IFRS 3 the goodwill resulting from an acquisition was experienced linear depreciation over time. IFRS 3 changes this. It is now no more allowed to treat the goodwill in this way. Furthermore it is required to run an annually impairment test if there are no special occasions to do so even earlier, e.g. a loss of 50% of the customers. The impairment test shall find out if the amount of goodwill in the balance sheet is still warrantable. If not a depreciation according to IAS 36 should be exercised.

Companies stick to the rule which means an improvement of intellectual capital management. Before the goodwill was hardly observed and depreciated linearly until it disappeared from the face of the balance sheet.

Conclusion

First of all we want to point out that the GAAP still significant. But if it is about service and high tech companies in particular the balance sheet and income statement may loose expression power. The consequence is that the balance sheet provides an overview about the development of assets, liabilities and shareholders equity. Unfortunately there is no information about the cause of success or failure. The new business landscape is influenced by intellectual capital. Company values are quite often far away from the book value of equity. The adoption of an intellectual capital management besides the regular accounting is recommended. Not only for the controlling of the company's value but rather to guarantee an adequate allocation of resources for the future.

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CHANGING RETAIL DEVELOPMENTS THE INFLUENCE ON OLDER WORKING-CLASS WOMEN

STELLA M. WALSH
LEEDS METROPOLITAN UNIVERSITY, UK

Abstract

The focus of this paper is the role and importance of shopping and the influence the external environment and retailing developments may have on older working-class women. The aim of the research was an exploration of food choices of older working-class women who lived independently in the community. This research was about the lives of ordinary working-class women and is important as the older population and women in particular continue to increase in number.

The methodological framework of the study was not concerned with the reporting of "facts" but the development of an interpretative paradigm guided by grounded theory concepts based on guidelines from Strauss and Corbin (1998). This allowed the development of a range of themes to emerge from the data. One of the important emergent themes was the impact of new retailing developments in the locality.

The area where the research was undertaken was one of high social deprivation. A large retailing development aimed at regeneration of the locality had recently opened. Ideally the women should not have experienced any shopping disadvantage. Positive benefits have been attributed to the regeneration of areas when large retail developments have been included. It has been suggested that major retail developments have the potential to make positive contributions to tackling social exclusion, including wider benefits of improving social esteem for local residents (Wrigley et al., 2003).

Results

Clarke et al (2004:91) argues retail choice provides a feeling of "equitable treatment in society" and that a fundamental benefit of choice of store provides an important arbiter of self-esteem and lack of this choice can be demoralising. Evidence from the current study supports the above statement and for older women as a result of the new retailing development it has resulted in increased social exclusion. Rather than leading to improvements in the lives of these older women, they now felt isolated and excluded from local shopping facilities. Shopping continued to be viewed as an important activity but was no longer a sociable activity undertaken on a daily basis. The introduction of this retail development resulted in negative outcomes, and has had a major influence on the sense of well-being and place in the community of this group of women and one central finding from this analysis was increasing individualism.

Conclusions

It is unclear whether planners and retailers are aware of the impact that regeneration and access to shops in the area has had on this marginalised population of older women. This is a missed opportunity for retailers who could secure a loyal, customer base if they provided suitable services to include this important sector of the population.

There is a need to understand shopping experiences through further use of qualitative studies rather than simplistic, quantitative data that records shopping frequency.

Key words, older women, shopping, retail development.

Introduction

One of the aims of the current study was to explore the social and cultural context of the shopping experiences of older women. This includes the collective experience of being old, working-class, female and living independently.

Kirkup et al., (2004) and Wilson et al., (2004) argue that the focus of access to food has been based largely on quantitative indicators and further research in relation to the shopping experience of older population is required. Clarke et al. (2004) also suggests reducing shopping simply to monetary exchange greatly limits understanding as it ignores actual socially embedded shopping practices. In the UK, reliable and up-to-date quantitative surveys on food consumption of individuals and households are conducted regularly, to provide detailed information on food intake. However, Anderson (1995) maintains that collecting this type of data without finding out something about the social context failed to address major food and dietary issues.

The age structure of the UK has become older and the increase in life expectancy has been remarkable with current life expectancy in the UK estimated at eighty years for women and seventy-four years for men (ONS, 2001). These demographic changes have meant that not only is the population ageing, but also the greater proportion comprises women, Vincent (2000) highlights the increasingly feminine nature of old age.

Since the Second World War retail change can be briefly summarised as the decline in the number of firms involved in food retailing, a reduction in the range of shops, whilst the range of products in store has expanded (Dawson 1995 and Clarke et al., 2004). Recent UK data illustrates the continuing important role of supermarkets, however, small grocery stores and local shops continue to be important particularly in 'top-up' shopping (FSA, 2007).

Thirty years ago Oakley (1974) identified shopping as a sociable activity used by women as a means of 'getting out of the house.' It was a daily event with very little social class differentiation to this frequency. Rex and Blair (2003) argue shopping in a local neighbourhood continues to have important social roles to play as places to meet others. Furthermore Beharrel and Denison (1995) question and reject the assumption that weekly food shopping is simply a habitual activity that requires limited consumer involvement.

The impact on the older population of these changes has not been researched in detail in the UK. Joyce and Lambert (1996) consider that changes in family roles and social status might also impact on older peoples' perception of the retailing environment. Hare (2003) identifies key areas that influence older consumers' food shopping experience includes the store environment, merchandise, staff and service. Pettigrew et al., (2005) identifies three important issues related to older shoppers when shopping in supermarkets; friendliest and efficiency of staff, ease of access to products in store namely reaching for products, the design of shopping trolleys and problems of carrying goods. The continuing development of self-service in retailing has led to increases in the levels of consumer involvement. Beatson et al., (2007) highlights the increasing use of self-service technology replacing traditional service encounters between staff and customer's.

Gunter (1998) reviewed the limited research on older peoples' shopping behaviour in the United States and concluded that older people are discerning comparative shoppers, enjoy shopping, shop near where they live, have variable attitudes to store loyalty and did not like waiting in queues. However Oakley (1974) noted the dislike of queuing by younger women over thirty years ago and queuing may generally be disliked in shopping and not necessarily be related to ageing.

Although food patterns reflect lifelong attitudes and habits Leventhall (1997) and Schlenker (1984) also challenge the stereotype that older consumers will not try new products and are overall not significantly different from younger shoppers and should therefore not necessarily defined by their age (Gunter, 1998). In contrast Marshall (1995) argued that older consumers are more conservative in their food consumption, they have different wants from the younger generation of consumers who eat more, eat out more often and follow food fads. The younger generation may eat more, as their physiological needs and appetite are greater. He also suggested older people remember restrictions on their choice imposed by rationing and post war shortages. It was unclear however, how these restrictions continue to impact on the older population and whether they were solely memories or had an actual effect on choices. Moreover, it assumes the experience of food rationing during the war was the same for all older people and the old are a homogenous group.

Methodology

The findings reported in this paper are from a study based on older working-class women in Seacroft, East Leeds. Seacroft four and half miles from the city centre is a traditional working-class suburb consisting of extensive social housing marked by years of deprivation. The sample comprised a group of older women aged between 70-86 years located in a multi-storey block. They had all lived in the area a long-time and grown old here. Data were collected from forty-two qualitative interviews and analysed based on grounded theory guidelines as outlined by Strauss and Corbin (1998). In the current study the term living independently is used as a statement of living outside institutional care. The main reason for this distinction is that in institutional settings food shopping would be determined and controlled by other people. The sample subsequently all undertook their own shopping and had a level of control and independence to determine their own choices.

The women saw themselves as active and independent, the importance of which had been identified as significant to independence and ‘well-being’ (Arber and Ginn, 1995 and the Audit Commission, 2004). The women also reported their standard of living positively as they had high levels of ownership of consumer goods and household equipment including televisions, telephones, microwaves, and no problems with heating their homes or cooking facilities.

Background to Seacroft shopping facilities

According to Wrigley et al. (2003:151) Seacroft was regarded as very run down, degraded ‘poor-retail access community’. Seacroft Shopping Centre had become very poorly maintained and developers opted to pull it down in 1999. The Seacroft Partnership developed the new Seacroft Green Shopping centre, which opened in November 2000 (Leeds City Council, 2003).

This paper highlights the women’s perception of the changing shopping facilities and in particular the choice and use of Tesco Extra for food shopping. Food stores on the new Seacroft Green shopping centre are dominated by Tesco Extra (opened twenty-four hours), other food stores are Fulton’s Frozen Foods, and Gregg’s bakery. There are several non-food stores located on the site including clothing stores and a Post Office.

Key findings

One of the key findings was the fondness generated by the old centre and the women missed it. Bell summed up her views, which reflected many of the others;

“Everything was available in the old centre. We had all the different shops it was like a little town we had the butchers we had wallpaper, shoe shops a little market. .” Bell, 83 years.

The old shopping centre comprised a Co-operative supermarket as the main anchor store and a good range of other shops and a market visited twice weekly. Watson and Studdert (2006) highlight the important role markets play as key sites of social interaction particularly for older women. The loss of these local amenities was significant in influencing the women’s negative view of new local developments. Importantly the important social role played by the old centre has never been emulated. As a result the new shopping centre has had a detrimental impact on the social shopping habits and networks of these older women. This illustrates a failure and a significant lack of understanding by developers, retailers and policy makers of the impact retail change has made on older women locally.

Clarke et al (2004:91) argue that the fundamental benefit of retail choice is that it provides a feeling of “equitable treatment in society” and choice of store is an important arbiter of self-esteem and lack of choice can be demoralising. The dominance of Tesco within the centre restricts shopping choices. Emily and Carol’s comments indicated this awareness of their changed shopping experiences.

“I like Fulton’s not as well equipped at Fulton’s since this centre was built, I think as Tesco has taken too much off them.” Emily, 76 years.

“The only mistake is no Co-op I liked the Co-op, it was a bit dearer but you got quality, you got more quality than you do in Tesco. I do not like Tesco do not like it at all.” Carol, 74 years.

Negative associations were clearly evident and they felt marginalised by the lack of shopping choice.

Lack of ease of access to the new shopping development was one of the key problems identified and the main reason why shopping in the new centre and Tesco was disliked. Their own declining mobility also confounded the lack of ease of access to the new shopping area. This was a particular problem in bad weather (windy or icy) and shopping visits would be postponed due to fear of falling.

Carrying heavy goods was also identified as a major issue. When Seacroft Green centre first opened, the manager developed a system to use stores shopping trolleys to carry goods home. The women liked this system and they ensured the shop trolleys were safely returned. However, due to vandalism a stopping device has been fitted to shopping trolleys to prevent them being taken off site. The women could not understand why they were not exempt from this rule or alternative solutions sought to help them. Subsequently the use of their own shopping trolleys although cumbersome, had increased. One positive benefit of using these shopping trolleys was it assisted walking and they felt it made them feel more stable, however, once in-store their trolleys became a nuisance. It also transpired that some bus drivers would not allow older women to take shopping trolleys on buses and this was a major problem and meant they had no alternative than to walk.

Interactions with staff during current shopping were very negative and reduced their enjoyment of shopping. Poor customer service, uniformed, unhelpful staff and lack of staffing made shopping frustrating.

"…these supermarkets everybody with these trolleys and pushing and they won't work as they should do and always bumping into each other and when you get to the pay out and it's a really busy night everybody's pushing you to get the stuff on the thing." Bell, 83 years.

None of the women shopped daily for food and shopping routines were variable. However shopping patterns remained fairly similar to previous routines when working, although their preference was to shop in the morning, buying food for the weekend and not shopping on Sundays was the norm. The twenty-four opening was perceived as no value at all. Despite being retired and having plenty of time, they did not want to spend any length of time undertaking food shopping, it was not perceived as part of their leisure activities. They did not want to spend time browsing in Tesco and other stores on the new Seacroft Green site were not of significant interest to them. Due to the increasing individualism of this age group the tendency was to shop alone, and shopping trips with other family members, particularity children were very rare which was a surprising finding in this working-class community. Despite the documented importance of the role of family as social networks for older women (Arber and Ginn, 1991) in the current sample support envisaged from family both children and grandchildren was not extensive. Although Fennel et al.,(1993) has suggested that approximately one third of old people have no surviving children, and will have to 'manage' or 'cope' on their own.

Stockpiling food was seen as important and was commonplace. Activities to plan this started in the summer and shopping was carefully planned, buying an additional item on a weekly basis, as they could not carry too many extra items. They wanted to make live easier for themselves, and therefore welcomed and used convenience foods.

The only credible advice trusted on food was from the doctor and information from the media and in supermarkets was mistrusted. Supermarkets were perceived as keeping food for too long, with inference that it was not fresh. Sell-by-dates on food were seen as a ploy by supermarkets to make people buy more food, more frequently, as it had to be thrown away sooner than necessary.

"Its just to keep these supermarkets well off it's a lot of bull these date marks. They are dead crafty. They would have you spending and in the workhouse so long as they were well off." Hilda, 83 years

Watching television food and cookery programmes was enjoyed. They also bought women's magazines and liked the food features in these. These types of media however had very limited influence on their food choices and shopping.

Over time the use of Tesco had increased despite some of the features they disliked, it was never their first choice of store. Gregg's bakery was viewed favourably and used frequently. Crossgates shopping centre is a very vibrant local shopping area, has a wide range of shops and this shopping destination was preferred as it provided a more positive enjoyable experience. Leeds city centre was used infrequently by most but a small number of regular shoppers visited the city to shop weekly at Marks and Spencer. Leeds city food market was still viewed nostalgically as an important shopping destination but this historical positive image was fading and they no longer used the market frequently.

There was also an Asda at Killingbeck, York Road that provided a free bus service one day a week for local residents to get to this supermarket, but the service was rarely used. The main reason given was the lack of support provided by Asda once in store, there was also no support to carry goods. The size of the store was disliked and because they had limited time in store if they wanted to use the return service they felt rushed by the experience. This is missed opportunity for this store to recognise the needs to support older shoppers.

The women in the current study generally felt financially secure and there was a lack of concern with the price of food despite living on low incomes. This finding is not congruent with previous findings from other studies, (Dickinson,1999; Dowler et al., 1998; Huang, 1998; Leather, and Lobstein, 1994). The finding in this study reflect elderly women's subjective feelings about their standard of living influenced by a range of things over and above simply how much income they had and how much they could afford to spend. The women now felt that although they "were not rich" they had a secure income sufficient for them to make choices.

Some expressed surprise that prices in Tesco were reasonable as they anticipated that the prices would be higher. Value for money and brand loyalty was more significant. Some particularly liked the special offers in Tesco such as "buy one get one free". They bought items such as coffee and tea, in bulk when these types of offer were available and waited for these offers to stock up. They disliked being sent coupons, which they frequently forgot to use, and would rather have reduced prices across the store. The loyalty card was dismissed and Olive noted that the loyalty card was not aimed at the 'likes of them' collecting 'air-miles' was for people spending large amounts of money".

Emphasis has been placed on the need to develop brand loyalty and the need to sustain core consumers loyal to brands (Wood, 2007). Brand loyalty in some categories was evident and they had continued to be brand loyal, subsequently paying premium prices for than more than four decades. Brand loyalty was high in categories such as tea, coffee, bread, cakes and butter. Brands, namely Tetley Tea, Nescafe, Birds Eye, Anchor, Kipling's cakes had long-standing brand loyalty. This however was eroding and there was evidence of a recent trend to substitute some of these brands with own labels products as their trust in Tesco developed, including the more expensive Finest range as they thought it offered greater variety and value for money.

Shopping lists were complied but were frequently not actually taken with them and not often adhered to, therefore there are opportunities for retailers to influence buying habits once in store. In store promotional offers were important in encouraging test purchases, as they did not want to waste money buying something they did not like. They were very practical and would not buy food that had been reduced in price or was on special offer unless they knew when and how they would use it. They particularly disliked waste and the delicatessen section and butchers were particularly favoured as it enabled them to buy smaller quantities to suit their needs. This decision-making illustrates their use of food planning skills and identifies them as experienced shoppers, willing to try new things that met their needs, which they can articulate very clearly.

Conclusions

This study pointed to the continued importance of shopping for older women. Food shopping remained a major external activity completed on a regular basis. Although no longer a daily activity shopping for food was linked with their view of independence. The women's own awareness that the new shopping development had had a detrimental influence on their social well-being and shopping habits was profound.

Moreover retailers could be a great deal more proactive to overcome problems to make shopping experiences more enjoyable by providing additional support and consideration for older shoppers, which in turn would also benefit all shoppers. These are missed opportunities for retailers. There is a greater need to understand shopping experiences through the use of qualitative studies.

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THE ROLE OF TOUR OPERATORS IN CREATING TRAVEL OPPORTUNITIES TO A TURBULENT ENVIRONMENT: A CASE OF ZIMBABWE.

JORAM NDLOVU
POLYTECHNIC OF NAMIBIA, NAMIBIA

ELIAS NYAKUNU
POLYTECHNIC OF NAMIBIA, NAMIBIA

Abstract

Zimbabwe gained independence from the British rule in 1980 and it decided to maintain the status quo of low volumes and high returns on tourism. This resulted in an increase in the number of tourist arrivals from the Western markets including UK, USA, German, France and even South Africa. This boosted the construction of many hotels, lodges, restaurants and the establishment of a considerable number of Tour Operators and Travel Agents operating in the country.

In 1999, the Government of Zimbabwe embarked on a controversial land reform program which sought to address the legacy of land imbalances in the country. The developments which have occurred in the past 6 years have affected the image of the destination in a negative way. This was perceived by the political opposition and the international community as a ploy to seek political mileage in order to further the interests of the ruling party. The EU then imposed smart sanctions against the political leadership in order to put pressure on the Government to respect the rule of law. Since 2000, bad publicity has damaged the country's equity, resulting in the destination failing to compete at optimal capacity in world markets, encourage investment and attract tourists especially from the traditional markets. In this global world there is a danger for small destinations, like Zimbabwe, running the risk of being swallowed up instead of being integrated into the global village so that they can be easily recognized or remembered or even empathized with in times of adverse trading conditions.

This study seeks to provide a deeper an insight into the factors affecting the tourist arrivals in Zimbabwe. More specifically, it is an attempt to investigate the role of Tour operators in increasing visitation to a destination. Since Tour Operators have a significant role in creating travel opportunities, this has not been the case in Zimbabwe since mixed images about the country are being sent out. The study hopes to answer the research question on, "To what extent are the tour operators promoting the destination"? With this in mind, the paper seeks to analyze the ways in which Tour operators and Travel agents can play a role in creating travel opportunities and how they can help in building a positive image of the destination. The study will be based on both the primary and secondary data sources. The empirical study comprised five hundred Tour Operators, Travel agents, Hotels, Safari Operators and other stakeholders.

The results show that Tour Operators play a significant role in creating travel opportunities. Therefore, they need to form strategic alliances with renowned international Tour Operators. The study concluded that there is no clear and unified image about the destination and the messages sent out to the target audience is confusing. However, this has been exacerbated by the fact that a number of Tour operators have since relocated to the neighboring Countries leaving a vacuum in destination marketing in Zimbabwe. There is need for Tour operators to pull resources together to develop websites and carry out promotion in specialist internet magazines.

Key Words: Tour operators, Travel opportunities, image, strategic alliance and land reforms

Introduction

Tour Operators have grown in importance over the years due to the critical role they play in the tourism distribution chain. This study introduces a critical evaluation of the inclusive holiday industry from several perspectives which will be illustrated by the experiences Tour operators have evolved as a result of the unfavorable trading environment in Zimbabwe. This study will focus on the background of the problem, the statement of the problem and the literature review. This will be followed by the data presentation and analysis, conclusions and recommendations will conclude the study.

Background of the study

Zimbabwe is endowed with diverse and unique tourism products and the country has been positioned as the Africa's paradise. It is home to the majestic Victoria - Falls, with magnificent wildlife a reserve, cultural appeal and it is blessed with a landscape of extra ordinary beauty. Zimbabwe shares boarders with South Africa to South, Botswana to the south west, and Mozambique to the south North and Zambia to the East. It is situated on a high plateau in the central part of Africa and lies between the Limpopo and Zambezi rivers.

Zimbabwe is a former British colony. It gained its independence in 1980. After independence, the Government of Zimbabwe decided to maintain the status quo in the tourism arena by targeting the western market which was characterized by high spending. This strategy fitted well with the Government policy on low volumes and high yields. The period 1980 to 1999 saw an increase in tourism arrivals, this was coupled with a growth in tourism investment. A considerable number of lodges and hotels were built up, tour operators and travel agents increased in numbers while new up-market hotels were built. In the year 2000, the government passed a resolution through parliament to take over the white owned farms in order to address the land imbalances which were created during the colonial past. This take over of the farms led to a negative publicity in source markets, resulting in Governments in source markets offering travel warnings to their Nationals traveling to Zimbabwe. This resulted in a decline in tourist arrivals. The European Union then imposed "smart sanctions on the Government officials" restricting them from traveling to EU countries. Even though the land reforms were meant to benefit the under privileged, the issue was over politicized which resulted in economic melt down. This was exacerbated by the Country's involvement in the Democratic of the Republic of Congo and the payment of the War Veterans compensation and pensions in 1998. Currently the destination is faced with a number of challenges like foreign currency shortages, fuel, political quagmire, brain drain, basic food stuffs shortages and loss of rule of law as the present Government strives to remain in power at what ever means. The situation in the destination has affected the smooth operations of the tourism industry. This has resulted in some Tour operators and airlines withdrawing and relocating to the neighboring countries which have a stable political and economic climate.

This sudden shift has left a vacuum in the travel industry since the survival of this industry is based on political stability and the innovativeness of the Tour Operators.

The statement of the problem

Tour operators bring together buyers and sellers, create markets, and make existing markets work more efficiently by ensuring a sustained regular flow of visitors. They are the first and most influential link in the tourism generating region and the tourism destination region. Tour Operators the world over play a crucial role in the destination they belong since they are able to influence the choices of consumers, the practices of suppliers and the development of partners within and outside the destination. In Zimbabwe local tour operators are not linked to international Airlines, Tour Wholesalers, Ground handlers and or Travel Agents which makes it difficult for them to create and facilitate travel opportunities in Zimbabwe. These linkages are critical in optimizing tourism arrivals into a destination and they are the key determinants of the success or failure of inbound Tour Operators.

Objectives of the study

The main objectives of the study were to:

- Evaluate the role of tour operators in creating travel opportunities to Zimbabwe and show how they can contribute to the revival of the tourism industry.

- To identify strategies that can enable the tour operators to create travel opportunities to Zimbabwe and counter problems that militate against achieving these strategies.
- To identify gaps that exist in tour operations which can compromise their ability to create and facilitate travel opportunities to the destination.
- To produce a set of feasible recommendations that tour operators can use to maximize tourism travel to a destination in a crisis situation.

The literature review

The literature review highlights the insights, views and theoretical perspectives of scholars on the role of tour operators as intermediaries. This topic will discuss the contribution of tour operators in the distribution chain and their influence in the development of distribution strategies to market tour packages. More so, this topic will focus on the imperatives towards integration and formation of strategic alliances and other linkages meant to create travel opportunities to the destination. This topic will conclude with a summary.

The Role of tour operators in creating travel opportunities

A Tour operator can be defined as a person or company that purchases in bulk different items which make up an inclusive holiday combines them together to produce package holiday and then sells the final products to the public either directly or through travel agents (Lubbe, 2000:254, Yale, 1995:1). Tour operators organize, package together different elements of the tourism experience and offer them for sale to the public either through the medium of a brochure, leaflet or advertisement or using information communication technologies (Page, 2007:233).

Tour operators are wholesalers in the travel industry, they buy products and services from principals and re-sell them through travel agents or direct to consumers. According to Christopher and Holloway (1998:68) Tour operators are intermediaries, in the sense that their fundamental role is to bulk purchase and then sell individually. These intermediaries function in three different forms namely, as an independent company, a unit within an airline or a travel agency/ motor coach operator (Witt et al, 1994, Cooper et al., 1997). These tour operators create different packages with some being very basic consisting of only transport to the destination and accommodation allowing travelers flexible departure dates. Moutinho (2000) notes that there has been also an increase in special interest tours such as outdoor and adventure, historical tours, eco-tourism tours and honey moon packages. Yale (1995:2) acknowledges that tour operators are important middlemen in a travel distribution system and they are often the first and most influential in the tourism flow chain. Tour operators contribute significantly in the tourism value chain to the countries or destinations they belong to. Tour operators contribute 25% annually to the world travel (WTO, 2000). Laws (1997) states that during the period 1994-1995 Dubai was rated number one tourist destination world wide as a result of 19 tour operators which featured Dubai as a single destination.

Lubbe, (2000) has also emphasized the indispensable nature of tour operators in South Africa where there are about 460 Tour operators and 15 of them are considered to be the major players. According to the South Africa Tourism Statistics (1998), 70% 0f the visitors to South Africa come through organized tours contributing to over R8, 45 billion annual receipts. The Green Route, which is the major tour operator in South Africa has created and delivered more than 500 extra ordinary incentives, conferences and groups to South Africa, Botswana, Zimbabwe and Zambia ranging from 100 to over 1200 people per group (Anon, 2000). This has led to the immense growth in importance of the tour operators as a remarkable contribution in the value chain by ensuring regular flow of visitors to the country. In United Kingdom 17 million people took package holidays in 1995 through the use of leading tour operators like the Thompson, Air Tours, First choice and Avro (Civil Aviation Report, 2000). This demonstrates that even though these were only tourists on packaged tours through the leading tour operators, lessons can be drawn out on that tour operators remain the major players in travel industry. There is a complete contrast on the role of tour operators in Zimbabwe, since their contribution to travel has been insignificant.

Relationships between tour operators and other stakeholders

According to Rodgers (2001), tour operators provide substantial benefits to the suppliers of travel related products, to the consumer, to the travel agent and to the Destination they belong. This is imperative if Tour operators are to maintain good relations with all the other stakeholders.

Consumer/ Tourists benefits.

The ability of tour operators to combine travel products and offer them at prices generally lower than those available to individuals provides travel economy and convenience for significant segment of tourists (Mill & Morrison, 1992). In reality, tour operators negotiate with hotels, airlines, coaches, rail etc, for special rates and receive discounts that reflect the volume of business being supplied. This is more common in low priced vacations with high volumes such as in Spain and Hawaii (Holloway, 1998, Witt et al., 1994).

However, tour operators in Zimbabwe seem not to take advantage of their ability to negotiate for lower rates with the principals in order to competitively package their offerings. The failure to acknowledge this reality has forced Zimbabwe to slip beneath South Africa, Namibia, Kenya and Botswana in terms of tourist arrivals. A package tour from AAT Kings in Australia to United Kingdom costs US$400 inclusive of a return ticket, accommodation and excursions while a tour package of the United Touring Company (UTc) in Zimbabwe inclusive of the aforementioned components costs approximately US$2500 excluding a US$1600 flight with air Zimbabwe (Travel guide, 2005).

Travel Agents' benefits and linkage

The travel agents also benefit from tour operators since the agent is given the commission percentage for selling tours as for selling the individual components. Only one transaction with the tour operator is required than with many different suppliers. Travel agents provide convenient location for the purchase of travel by being sources of information and advice for travel services (Christopher & Holloway, 1998:229). A travel agent receives a commission of about 10% for selling a holiday (Yale, 1995). In reality, travel agents only need to be knowledgeable about the different tour operators so that the advice they give is reliable.

Benefits to other travel related suppliers

Suppliers of travel related services such as hotels, airlines, car rentals and other suppliers benefit considerably form the tour operators as they assist them in marketing their products. Since tour operators reserve large blocks, it is easier for the hotel to fill its rooms thereby increasing its occupancy, usage rates and reducing promotional costs. By linking with tour operators who book large blocks of hotel rooms and airline seats rather than the individual customer, suppliers do not only reduce their promotional costs, but also transfers some risks to the tour operator.

Benefits to the Destination

Not only do consumers/ tourists, the travel agents and suppliers of travel related products benefit from tour operators but also the destination itself. Cooper et al (1997) emphasize that the destinations especially in developing countries where budgets are limited, the destination can benefit from an international marketing network of tour operators. This is premised on the tour operators' extensive knowledge of the market and their access to the complementary services where a total package of tourism related services can be provided. The principal role of tour operators is to provide a regular flow of visitor flows into the destination (Middleton, et al., 2000). This is achieved through bring the buyers together, create markets where they previously did not exist and at the same time making the existing markets work more efficiently by expanding the market size. Tour operators are specialists in marketing and distribution of tourism services (Moutinho, 2000). Tour operators provide information about the destination even if visitors do not choose the destination (Yale, 1995, Rogers, 2001, Lickorish, et al., 1997). Tour operators can reverse negative images of different magnitudes if they have the resources and support from the Government and other stakeholders (Page, 2007). In addition, they can influence the consumers' choices, practices of supplies and development of important patterns in a destination. Therefore, tour operators play an indispensable role in creating travel opportunities.

Marketing strategies used by tour operators in creating travel opportunities

The growth of inclusive holiday travel is as a result of the industry's ability to market and distribute its products (Laws, 1997). Marketing is increasingly becoming one of the vital roles of tour operators as tourism has grown in scale and sophistication. Moutinho (2000) argues that tour operators market their holiday packages in the fullest sense, by developing their products, take pricing decisions which they think they are attractive and will attract or yield best profits. Middleton et al., (2000) identifies some of the marketing facilitation strategies which tour operators can adopt, firstly, representation by establishing a network of offices in foreign countries thereby generating the bulk of the destination's tourists' inflows. This can be achieved by creating and maintaining vital trade contacts while acting as a point of information and distribution of their products.

Secondly, attendance to workshops and trade shows as arranged by the National Tourist Organizations, where tour operators meet with prospective buyers, other Tour operators, travel agents, and other travel organizers. This is where they use the opportunity to gather marketing intelligence in order to gain a competitive advantage. This platform can be used for conveying information and other messages designed to promote tour packages. Thirdly, the use of familiarization trips, where a selected number of foreign travel agents, journalists and other tour operators visit the destination and sample the products available. Finally, this can be augmented by the use of travel trade manuals, the internet, price cuts/discounts, free gifts, discount vouchers among the list is vital in promoting tour packages.

Branding inclusive holidays is an important tool in differentiating the destination's offering. This can help to maintain a clear identity for the company so that the customers can ask for their products by name and this has some importance in brand equity (Morgan et al., 2002). According to Yale,(1995) First Choice Holidays, Thompson, Aspro, TUI have been able to come up with reputable brand names recognized world wide. Marketing and distribution of inclusive holidays can be achieved through the use of travel agents. Establishing a net work of travel agents or dealers involves a substantial ongoing cost to the tour operator (Holloway & Robinson, 1995). This involves supplying of brochures, regular mailing to keep agents informed of the new products or changes to the existing products, the offer of sales materials such as window displays providing agents' educational or other forms of training (Holloway, 1998, Yale, 1995, Lubbe, 2000).The use of the global distribution system and the computer reservation system such as the SABRE, APPOLLO, Worldspan, Systemone, Galileo and the internet allow easy access to travel agents(Inkpen, 1998, Sheldon, 1997).

Tour operators distribute their products directly to the public in order to cut off the high costs of travel agents services and paying commission. The market share of direct sells has always been seen to increase sales (Holloway & Robinson, 1995) since tour operators have various forms of representation on branch net works world wide. This is not the case with the Zimbabwe Tour operators which have a limited number of branches that cover extensive markets, i.e. having one branch covering the whole of Asia is not sustainable.

An overview of the performance of the tourism industry.

After independence, Zimbabwe enjoyed a continued growth in Tourism arrivals as a result of people who were visiting the destination to see friends and relatives and nostalgia for those who had been exiled during the war. Apparently, Tour operators did not play a role in marketing the destination, but only facilitated travel as tour organizers. Currently, Zimbabwe' popularity as a tourist destination has declined. This has resulted in decreased tourist arrival and receipts, which has led to a decreased industry performance. Political and economic developments in Zimbabwe since the year 2000 have affected tourist arrivals in a very negative way. Negative perceptions about Zimbabwe's image and reputation as a tourist destination have damaged its ability to compete optimally capacity in world markets, encourage investment and attract tourists especially from the traditional source markets like the United Kingdom, United States of America, German, France and South Africa. Since 2000, the rate of increase in tourist arrivals lags far behind the pre 2000 rates (Zimbabwe Tourism Authority, 2005:5).

Presently there is so much hostility to the Zimbabwean tourism product, prejudice against Zimbabwe as a country, apathy to and ignorance about its product offering. This has affected the destination's popularity resulting in the decline in tourist arrivals. There has been a growing concern about the role of Tour operators in creating travel opportunities in Zimbabwe.

According to Moutinho (2000) a notable feature of tour operators over the years has been a steady process of integration that has resulted in significant growth among tour operators. Integration is defined as a concept used in economies to describe formal linking arrangements between one organization and the other (Cooper et al., 1997:191). This integration can either be horizontal or vertical. Vertical integration takes place at one level of the chain of distribution with that of another level (Holloway, 1998). This can either be forward or backward integration.

According to Seth (1997) Tour operators can ensure adequate and regular supplies by either buying backwards into the airlines and hotels or owning substantial numbers of travel agents which can enable the organization to have an in-depth selling benefits and international coverage. On the other hand, horizontal integration involves two companies offering competing products amalgamating like two or more tour operators or travel agents merging thereby extending their geographical spread to ensure representation in major destinations (Holloway, 1998:90).

This can help the companies to reduce costs and maximize on economies of scale. This has happened in South Africa with Beachcomber a leading tour operator in Mauritius taking over Creative tours. Integration allows tour operators and travel retailer a greater command of and more rapid access to information about the constantly changing market conditions (Lubbe, 2000). Sometimes Tour operators engage in strategic alliances. This is defined as organizational arrangements and operating policies through which separate organizations share administrative authority and form special links through more open ended contracted arrangements as opposed to very specific arms length contracts (Witt et al., 1994:83). This is meant to increase the company's competitive position by pulling the resources together. The benefits would include global reach, reducing costs, both relative and absolute, reducing risks, accelerated speed to the market, monitoring and neutralizing competitors (Laws, 1997). Thompson has linkages with over 100 airlines while beachcomber has over 60. These synergies have achieved economies of scale through mutual strength and engaging on joint marketing and promotion of products and services. Tour operators in Zimbabwe seem not to have established linkages with airlines and International hotels in order to create travel opportunities.

Major Challenges faced by Tour operators in Zimbabwe

Like all other businesses, tour operations take place within a wider context than just the company itself. There are many external factors which can influence a tour operators' program. Some factors have impacts on prices, some determine whether there is any market for its holidays and others may even dictate which countries can and can not be featured in its brochures or in what way.

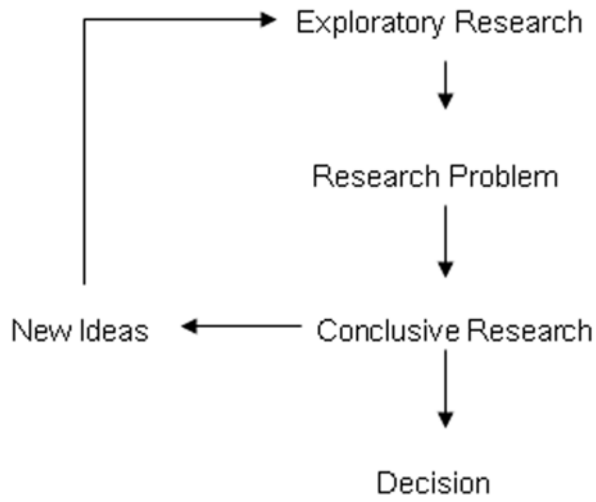
Some of the external factors are: Firstly, the limited access to global distribution system. There are many factors and measures governing global distribution net work such as unfair right of access, restriction on displays, neutrality and technology gap among the users. Secondly, tourism destinations and operators from Africa and South Asia tend to be poorly represented if at all in the global distribution system, therefore, access to information on their products is limited (Laws, 1997).Thirdly, restrictions on displays which discriminate tour operators and other tourism operators who do not own major central reservation system since the controllers own tour packages and other products may be better displayed on their screens than those of competitors, resulting in bias (Seth, 2000). Fourthly, the cost of having the services or packages presented on the global distribution is prohibitively high. Moreso the cost of the hardware and user fees discriminate against small companies from using the global distribution system. Fifthly, tour regulations restrict tour operators from operating in Europe due to special requirements meant to protect the travelers. Sixthly, air transport is an important ingredient especially for long distances. Air transport is governed by bilateral agreements whereby two countries negotiate for the air transport services. These regulations determine the routes to be flown, the airlines which can fly them, the number of flights, and capacity of seats and or prices. Lastly, political consideration and terrorism have a limiting factor on the operations of the Tour operators.

Zimbabwe introduced visas to the British citizens which was a political statement. The European Union has gone on to issue travel bans to Zimbabwe Government officials as well as travel warnings which has affected the sale and organization of tour packages. This being the case, perhaps more importantly, the fear of terrorism poses a threat to international tourism especially the long haul travel (Yale, 1995). The September 11 attack on

America and further threats of terrorist attacks, the after math of the Iraq war, Mali bombings in 2002, epidemics like Severe Acute Respiratory Syndrome (SARS) has decreased international travel by 5% (World Tourism Organization, 2004). These factors pose difficulties in offering tour packages and as such, have led to the fear to long haul travel vacations to countries like Zimbabwe and associated insurance covers which has been worsened by negative publicity that continues to be painted about Zimbabwe as an "axis of evil".

Methodology and results of the empirical study

An exploratory research design was used for this study where a target population of 500 Tour operators, airlines, Hotels and travel agents were used. A return rate of 60% of the questionnaires emailed to the respondents was found to be satisfactory based on previous studies which made used of the same method. The survey covered all the major cities in Zimbabwe. These included Harare, Masvingo, Inyanga, Mutare, Bulawayo, Hwange, Victoria Falls and Kariba. A random sampling technique was used based on the Zimbabwe Tourism Authority directory. This directory contains all the contact addresses, e-mails and contact telephone numbers of the registered Operators. A research design is a specification of the methods and procedures of acquiring information needed (Green & Tull, 1998:28). It is the overall operational plan that highlights how the research process was undertaken. A by-product of conclusive research is based on the suggestions of new opportunities or difficulties as shown on the following diagram:



Source: Boyd et al., 1998.

The exploratory research made use of secondary data, survey of knowledgeable people where questionnaires were sent out to deal with opinions views and attitudes of tour operators towards Zimbabwe and their role in creating travel opportunities. The study population comprised the management and staff of tour operators, travel agents, Zimbabwe Tourism Authority, Zimbabwe Council for Tourism, Hospitality Association of Zimbabwe, Inbound Tour Operators in Zimbabwe, Zimbabwe Association of Tour and Safari Operators in Zimbabwe. The sample units included the General Managers, Marketing Managers, Tour consultants, Front Office Managers, representatives of the Tourism Boards and Hotel Managers. A total number of 500 questionnaires were e-mailed to the respondents with a return rate of 60% which was deemed satisfactory.

Data analysis

The data collected was checked for omissions and consistency in responses, thus ensuring clarity and legibility of the wholesomeness of the questionnaire. The questionnaire was then coded in order to classify the responses with numerical scores. An SPSS was used to analyze the data. The relationship in the data was measured using the spearman rank order correlation co-efficient and a chi-square. The Cramer's contingency coefficient (V) was used to assess the degree of association between variables. This tool was selected because it was the most appropriate for the contingency table. Where variables were interdependent, Cramer's (V) had an advantage over other measures of association because other coefficients were only applicable in 2X2 tables and in some, and the upper limit of the co-efficient was below one. In the study, the spearman correlation coefficient had a significance level of p= 0.05 or above to warrant further investigation.

Results of the empirical study

Tour operators' product profile

It was noted that the majority of the tour operators who showed dominance in offering the aforementioned products were in Victoria Falls, Hwange and Harare at the expense of Kariba, Nyanga and Masvingo with some offices in other resorts closed as a result of either relocation to other countries or business being not viable. The products are combined to form tour packages such as honey moon, archaeology, frequent independent traveler and family outings. The most common package was inclusive of accommodation and transfers with other components such as tours, cruises and airline tickets.

Products	Number	Percentages
Tours	240	80
Accommodation	300	100
Transfers	100	300
Airline tickets	120	40
Cruises	180	60
Conferences	60	20

Tour operators' contribution to tourism distribution

Total arrivals in "1000"

	Africa	Europe	America	Oceania	Asia
1996	5	300	175	5	4
1997	7	275	110	25	20
1998	8	240	225	15	15
1999	20	210	175	40	30
2000	21	375	125	70	40
2001	25	275	100	40	30
2002	30	175	75	40	30
2003	31	150	75	35	35
2004	25	125	50	30	35
2005	51	110	40	25	30
2006	51	100	25	15	52

The table shows visitor arrivals from different regions such as Africa, Europe, America, and Asia from 1995 to 2006.Total licensed capacity for tour operators depicts that the maximum number of visitor arrivals on tour packages which is pre-determined by ZTA annually relating to the low volume high value policy. The total arrivals for the years were far below the licensed capacity having an average percentage difference of 17% for the period 1996 to 2000 and a 16.6% difference between 2001 and 2006. To complement these statistics, the Visitor Exit Survey estimates that an average of 32% of all Visitors coming to Zimbabwe are usually on tour packages whilst 68 are individually arranged (Visitor Survey Exit Document, 2004-2005).

It was noted that Tour operators in Zimbabwe contribute a mere 45% on average of tourism receipts whilst the 55% comes from individually arranged travel. Moreso, the 45% constitutes a significant proportion which emanates from the major tour operators whilst other Tour operators settle for the difference. In addition, management from the leading hotels indicated that they no longer rely on local Tour operators for the sale of accommodation. The study revealed that tour operators attend different international shows in order to market their products but there was no significant effort by the tour operators to engage on strategic alliances, joint ventures, cyber marketing and other innovative strategies in order to remain visible.

Representation in source markets.

Even though the respondents appreciated the importance of contacts through established net work of offices in source markets, tour operators are poorly represented in source markets. United Touring Company (UTC) has 4 offices in Europe, 1 in America and 1 in Asia while SATS has two offices in Europe 1 in Asia band 3 in Africa. Tourism Zimbabwe Services has 1 in America 1 in Asia and 1 in Africa. The scarcity of proper representation can affect tourist arrivals.

However it was noted that tour operators have contractual obligations with local hotels, and they are given discounts on accommodation of 10% on average of the rack rate on every booking. Most tour operators have their websites updated, but these have not updated since their inception. Further more it was noted that the tour operators were not aware of the other websites like the Expedia, Travelocity, World span, Travel net where the subscribers can market and distribute their products. Above all, there was no representation of any form of tour operators' products on the global distribution system such as SABRE, APOLLO, and AMEDEUS among the list.

Challenges faced by tour operators

Tour operators are facing fierce external influences where the consumers' decisions are easily changed and postponed due to the nature of the tourism business. In addition the conditions in which they operate are highly politicized with many factions in any location vying for power and control (Timothy & Han, 2006). Negative publicity was cited by the respondents as the most common factor which has affected tourism arrivals in Zimbabwe, this has immensely affected the number of tourism arrivals especially from the west. Other factors which were highlighted were as follows, political instability, currency fluctuations, shortage of basic commodities, shortage of fuel and insecurity. This is reflected on the decrease in tourism arrivals as was discussed earlier. This was further exacerbated by the issuance of travel warnings by the European Union to different tour operators and travel agents in America, UK and Australia discouraging travelers from visiting Zimbabwe as well as the insurance implications when tourists take risks to travel to Zimbabwe. The study revealed that tour operators are not doing much to create travel opportunities in Zimbabwe instead 20% of tour operators have relocated to neighboring countries which have more stable economies.

Conclusions.

The results of the study revealed that tour operators play a pivotal role in creating travel opportunities in the distribution chain. Despite the fact that the tour operators in Zimbabwe have a great influence and power to direct consumer demand, they have remained docile and some local hotel operators are now linking with renowned international tour operators in order to attract business. Lack of integration, strategic alliances and linkages with established airlines, tour operators have undermined their ability to effectively create and facilitate travel opportunities to the destination. Lack of representation in source markets has also affected the operations of tour operators. This has been exacerbated by the lack of well branded products which can reduce medium and long term vulnerability to external events besetting the industry.

Tour operators in Zimbabwe lag far behind their peers even in the region in distributing their products to consumers. Operating on the international level given the emergence of the internet, can leverage and convey details of Tour operators' products to consumers in an interactive and graphical way through the use of pictures and virtual reality models. While the tour operators have websites, they lack established methodologies for successful internet marketing, and the sites have no interface that allows for internet booking engine to prospective visitors. Additionally, the sites lack the presence of mega internet systems such as travel web, Travelocity, travel net which offers global access. In addition, there is lack of well established crisis management committees which include Tour operators to map up strategies on countering negative publicity and alter negative perceptions travelers hold about Zimbabwe. Tour operators are over reliant on the National Tourist Office. This defies their whole purpose of having reinforced influences and capabilities to change the complexion of the tourism industry.

Recommendations.

The following recommendations were made:

- Tour operators in Zimbabwe need to establish a net work of strategic alliances, joint ventures and linkages with major airlines in successful destinations
- Tour operators need to form consortia and pull resources together in order to purchase or merge with charter airlines, travel agents or rival tour operators especially in South Africa where there is a fierce competition.

- Tour operators need to speak with one voice and support the government in the revival of the industry. Presently, the information dissemination is fragmented.
- There is a need for the tour operators to pull financial resources together to develop websites and advertising sites by means of standard based advertising and promotion on specialist internet magazines and internet news group functions in order to project a uniform message about the destination.
- Tour operators can collaborate with the National Tourist office to mount joint promotional and image modification campaigns in order to counter negative publicity.
- There is need to engage in relationship marketing by creating and maintaining regular repeat visitors especially those who generate significant proportions of travel income.
- Tour operators can also embark on public awareness campaigns in order to influence the government to create a conducive environment for business to take place.

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MANAGING DESIGN AND AESTHETICS FOR CONSUMER'S SATISFACTION

RODICA PAMFILIE
ACADEMY OF ECONOMIC STUDIES OF BUCHAREST, ROMANIA

ROXANA PROCOPIE
ACADEMY OF ECONOMIC STUDIES OF BUCHAREST, ROMANIA

LELIA CHIRU
ACADEMY OF ECONOMIC STUDIES OF BUCHAREST, ROMANIA

Abstract

In the context of the significant mutations that influence the contemporary universe, the consumer keeps his position as the main and central axis of all the activities whose target is to meet, as thoroughly as possible, the consumer's wishes, exigencies, preferences and needs. This satisfaction stands for the essence of the achieved economic actions.

A particular characteristic of the contemporary commodity phenomenology to be more and more obviously noticed recently relates to the commodity personalization aspect depending on the social – spatial – time environment where the trade takes place, which triggers the necessity to present the commodity from the quantity and quality point of view that would thus represent and symbolize specific preferences. The commodity value can be perceived by the consumer by like or dislike feelings that the respective commodity gives birth to; the commodity value can be perceived by the manufacturer by the success that this one registers on the market.

The concern to offer the client maximum satisfaction is implicitly a preoccupation to achieve a more adequately aesthetical organization of the product, taking into account the human perception specifics. At the same time, companies have the possibility to provide to their clients a note-worthy sensorial experience that these ones connect to the position and personalization of the company, of the product or of the provided service. The sensorial experience promotion is oriented both towards the product that has been defined by its inherent qualities and structural characteristics, and also towards the aesthetical image of the organization and trade mark that has been defined by the commercial environment and by its advertisement graphic.

Both the manufacturing process and the market face with an enormous boom of new products that have appeared as the result of design and aesthetics; these have an impact on the companies' activities while offering them multiple benefits. On the other hand, intelligent companies have the capability to identify the impact of value on the consumers' basic reactions and to develop feed-back mechanisms to determine their needs and satisfaction.

To anticipate future and determine the commodities that should match the changes to occur within the consumers' behavior, requests and tastes, as well as to permanently adapt the above mentioned to the evolution of competition – these are vital elements for a company to survive.

Considering the above ideeas the present paper is pleading for Design and Aesthetics operational values which have consequently become main instruments for increasing competitivity and consumer's satisfaction.

Keywords: consumer satisfaction, design and aesthetics, added value, quality, psychological commodity

Introduction

Specialists in the domain estimate that the consumer's options have developed from the product attributes that bring him important benefits, and, there can already be underlined the general tendency to get away from these attributes and to get closer to the life styles or to the value systems.

The client sets options based on the way in which the product fits, or not, his life style, or because the product stands for a new and interesting concept, even an appealing experience.

In this eminently communicational world where the range of communication means is already unlimited, where the interactive multi-media tools – provided with sensors - are continuously evolving, the product attributes and benefits, as well as the trade mark names and the association of the trade marks are no longer enough to arise and retain the clients' attention, and finally to attract clients. On the long term, it shall be exclusively the companies that have the possibility to assure their clients an unforgettable sensorial experience that the latter ones can relate to the position of the company, of the product or of the provided service that can be placed at a winning and leading level.

The promotion of the sensorial experience has in view the product that can be defined by its inherent qualities and by its structural characteristics, and also the aesthetic image of the organization or of the trade mark that can be defined by the commercial environment and the advertisement graphics.

APPLICATION DOMAIN FOR DESIGN POSTULATES WITH REFERENCE TO THE OFFERED COMMODITY RANGE

The elements that characterize the perceptive reaction to the product and trigger, or not, an aesthetic emotion appeal to miscellaneous factors: purely emotional factors, cognitive factors (the aesthetic sensation being connected to what the people know, to their personal interpretation of knowledge, to culture), intellectual factors (logical satisfaction to the understanding of the product), psychological factors (the aesthetic pleasure depends on the quality of the people's sensations, on the psychological perception limits, on the personal psychological conditions).

The application domain of design has centered along different areas where there can be met and registered the most various combinations of the material, virtual and relationship component parts, along different levels, along diverse relationship forms with society – starting from the traditional ones (expressed by means of the product) and getting to the ones that are based on the part the cultural operator plays.

The development of the commodity offer has never been simple or direct; it implies careful research, adequate planning, thorough control, therefore, a multi-disciplinary approach that includes marketing, engineering and industrial design techniques. The combination of the social sciences, of the applied technology and art shall never be easy, but, however, it shall be compulsory to be able to meet the request.

According to certain authors' opinion, any product that is offered to the consumer can be defined based on three levels: the basic product that is represented by the services or by the main advantages the consumers look for upon acquiring the respective product; the effective product that is represented by the following main features: quality class (quality level), quality characteristics, style, trade mark (label), packing; the improved product that is represented by the product that offers new advantages and supplementary services that thus become an important part of the product as a whole.

Irrespective of the criteria applied to classify the commodities, depending on: origin, technological processing degree, destination, purpose, durability, tangibility, way in which they participate in the production process and their value, and on acquisition habits, design represents the most powerful differentiation means. Design grants the aesthetic dimension of the commodity quality in a perfectly harmonious relationship with the technical – operational, ergonomic, technological dimension, and last but not least with the environment protection principle.

TOPICS IMPLYING DESIGN MANAGEMENT

If we take a careful look at the products the history of design was based on, we shall certainly notice that, beyond their science of commodity, form and operational diversity, these products share a series of issues in common: a certain technical consistency, a certain use approach and a certain communication form. Today, the product is considered to be not only a physical entity, but also a psychological one, at the same time. The extension of its coordinates, much beyond its so-called material contour, is determined by diversifying and underlying the consumption needs. Such a diversification results in a more profound segmentation of the request, segmentation that inevitably leads to the diversification of the offered products.

It is particularly the goods that have been designed to meet needs that are related to self-esteem and to the position in society that have acquired a psychological dimension. They differ mainly by style, they are subject to fashion and they impose themselves by fashion. The purchase of certain new types of long term use apparatuses, the acquisition of a vehicle or the procurement of current use goods are just some other examples of how to instrument communication symbols. [1]

The understanding of the designed form as an agent that can confirm or deny the perceptual experience, the detailing – by the psychologists of form - of the factors that are involved in the perception process prove their usefulness both in case of the contemporary designer, and also in case of those who decide what concrete form to choose.

Nevertheless, both from the consumer’s point of view, and also from the point of view of the decisions to be reached by the company, the importance of the form - as an aesthetic element - can often have priority to the importance of the functional element. Contrary to the name aspect, the forms can rather easily cross the cultural borders, and more than that, as visual symbols, they can represent an important source of global identity.

The color or the chromatic content of the products shall have to correspond, as thoroughly as possible, to the technical and functional needs shall have to straighten the contour of the forms and allow an optimum visual perception as well as a certain emotional perception. More than that, the language of colors makes it possible the communication of a particular type of information can signal or symbolize a certain thing.

As concerns the package, we are presently witnessing an outstanding effervescence of the designing domain, where a series of skilled designers strive to find new solutions, full of imagination, so that the result of their conceptive work adequately respond to the main functions to protect the products, to turn them into rational and economic ones, to build the aesthetic aspects and to promote sales.

This way, the elements of the design and of the aesthetics of wrapping are: graphical form, balance, light, color, movement, tension, expression.

The psychological environment of the shop represents the mental image that this one produces in the purchaser’s mind. An atmosphere that would positively influence the acquisition behavior involves the five senses: sight, hearing, smell, touch and taste. The sight sense supplies the people with more information than any other sense, and, therefore, it should be considered as the most important means to attract. The size, form and color of the commodities are three visual stimuli to be used to increase the consumer’s attention.

Harmony stands for the “visual agreement”, contract stands for the “visual diversity”, and disagreement stands for the “visual conflict”; they can come up in several parts of any presentation, position or physical arrangement. The sonorous attraction can also be a dimension of the commercial space atmosphere. Annoying sounds decrease the shop’s capability to attract, while pleasant subjects can attract clients.

The commercial spaces shall be arranged so that to exclude the presence of unpleasant smells. The tobacco, flower and cosmetics shop assistants are aware of the attraction smell has on their clients. Interior arrangements, fixed equipment sets and the techniques to display the commodities encourage and facilitate the consumer’s intention and feeling to touch. The chance to sell shall substantially increase when the consumer touches the product.

For certain sellers, to offer products for taste purposes can become an imperious condition to trade the respective product. This would be the case of foodstuffs: cheese, meat products, pastry, cooling drinks, etc. All the above mentioned shall be offered under optimum cleanness conditions.

Many traders consider that a theme of purchases would help provide a focus in planning the physical arrangements. The attraction of the theme contains the five previously mentioned sensorial attractions. The common themes are centered on holidays, historical events, current problems (energy, environment) and special events (birthdays).

Nowadays, under the conditions of a more and more aggressive competition, it is difficult to imagine the success a company would have on the market unless this one has conceived and developed a coherent and unitary advertisement plan that would bring to the consumer's attention the image of the product, of the trade-mark or of the manufacturing company. The designers from this domain tightly collaborate with specialists from other domains: psychology, photography, electronics, marketing, economics, etc.

Starting from the extremely explicit and open message, passing to comparing publicity, here we are today experiencing elements of the spectacular, of the original, and of the unexpected connections; thus, the publicity message has become more refined, more elaborate, and even more efficient from the point of view of the impact it has on the consumer.

Notions such as: attractiveness and selective information, advertisement, visual shock, competition advertisement, originality, idea, publicity hint come to provide an answer to the just uttered needs of the consumer, and encourage him to acquire a certain product.

Colors, forms, trade-mark graphics, presentation of wrappings, of sale shops, of the enterprise vehicles, of the enterprise indices, warehouses, buildings, the correspondence paper, publications, product names, enterprise initials should indicate a well defined style within the range of the events that occur outside the company.

MANAGEMENT OF DESIGN AND AESTHETICS TO THE BENEFIT OF THE CONSUMER ORIENTED COMPANY

Acquisition and consumption are multi-sensorial experiences. As such, the multi-sensorial approach in order to satisfy the client is indispensable. The importance of aesthetics for the consumer's life grants the company the possibility to address the consumers by means of a multitude of sensorial experiences that would be to the advantage of either part. These opportunities are not limited exclusively to the activity domains, such as that of fashion, of cosmetics or of exclusive, luxury products, that is to say to an "elitist" public. Cameras, type-writing machines, coffee mills, tooth-brushes, all these common devices are the proof of the fact that the industrial product cannot be, and shall not be, exclusively useful, but beautiful, as well.

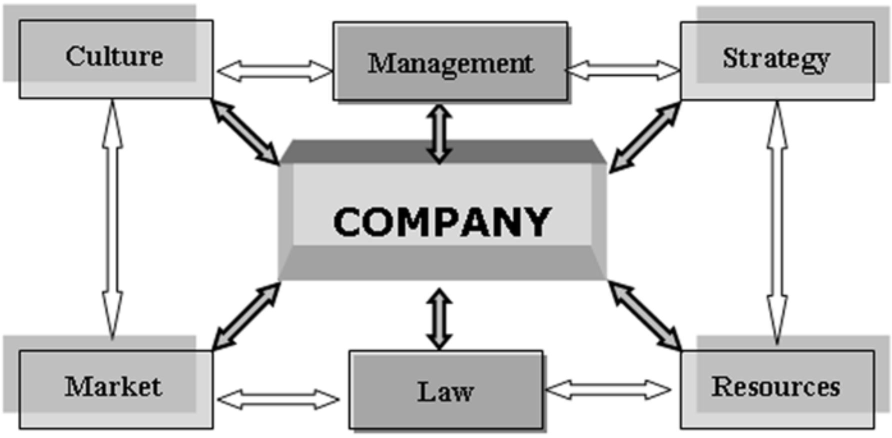
At the same time, as concerns the modern commercial activity, we place our hopes in the design and the aesthetics of display, in the presentation and in the promotion of the commodity while still observing the consumers' continuously modified tastes. This is due to the fact that, as in the case of many other companies, industrial enterprises build their image for their clients not only by means of their products, but also by means of wrappings, brochures, delivery trucks, distribution network, commercial publicity, etc, as well.

To build the consumers' faithfulness and to increase the number of purchasers – here are some of the modern company's targets. Such companies shall permanently monitor the consumers' satisfaction level while encouraging the consumers to have the information feed-back and to increase their active implication (from the purchaser who repeatedly makes acquisitions, to becoming a partner or an associate).

Companies often offer packages of benefits to their consumers, others than the price lowering down sessions for their products, such as: product individualization (package individualization), communication individualization, training individualization on how to use the products (for ex.: computers), software and hardware (tools that are useful for their business).

Companies shall have to fundamentally reconsider the processes by means of which they identify, communicate and supply value to the customer. One of the ways to do it would be represented by the implication, to a higher degree, in the designing of the desired products. As concerns the acquisition of the product, the consumer's behavior shall be strongly influenced by the evolution of intelligent technologies. Even if the issue related to books, music, presents, clothes, automobiles, wines, jewelry, etc. The main disadvantage consists in the fact the purchaser cannot touch and test the commodity that he has placed and order for. The product differentiation (except for the ones with a high level of standardization) has, generally, in view the characteristics, performances, compliance, durability, reliability, maintenance, style and designing of these products (figure 1).

Figure 1 - Opportunities and limits within the creative process



TO CONCLUDE, aesthetics offer the companies multiple, powerful, specific, tangible and intangible benefits and advantages, ranging among the sensorial experience domain:

- Quality products are: tactile, or relational, or affective; however, all of them are promoted as if they were alive, as if they were provided with life. Therefore, they trigger emotional affinities, which results in the wish to acquire and operate.
- Design means a reflection of the attitudes towards reality as expressed by the consumers, on the one side, and of the visions and convictions of the creators, on the other side.
- Numerous primary attributes (strong and aggressive colors; dynamic and rhythmic music; daring forms and characters of the letters) are combined to create a holistic perception for the consumer;
- The elements of design and aesthetics mix resulting in intellectual and emotional associations, and thus helping the consumers to recognize trade-marks, to differentiate between products and services, to classify them and set connections between them;
- The performance aesthetics triggers sensorial experiences, applying to synaesthaesis (stimulation of a sense by another one) as a principle of design for the entire commercial domain (product, environment, publicity);
- The stronger aesthetics is, and the more obviously it operates in as many identification elements as possible, the easier is for he company to be protected against the competition's attacks and against fakes;
- The attractive aesthetic message and the repetition forms increase the visual sign durability inside the consumer's mind, and, as such, the products shall be recognized and more easily selected during the acquisition process;
- An attractive identity, from the aesthetic point of view, shall allow the setting of a higher price;
- Aesthetics triggers the consumer's faithfulness even when the products are perceived as undifferentiated as concerns their typical attributes.

Therefore, the aesthetic dimension of the product does not represent either "an injected element" during a certain moment of its creation, or something that "has been added" at the end of the achievement process. The aesthetic dimension shall be achieved all through the designing process. It is, thus, confirmed that design means a process, a way to multiply the number of products and o stimulate sales; it solves problems, and it expresses and communicates messages. The attempt is, nowadays, to solve problems related to saving the environment: to program the not-operational product recycling, to find methods to increase the product life-time, and simplify, at the same time, their structure, etc.

To anticipate future and determine the commodities that should match the changes to occur within the consumers' behavior, requests and tastes, as well as to permanently adapt the above mentioned to the evolution of competition – these are vital elements for a company to survive.

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EXPLORING CORPORATE AND SOCIAL RESPONSIBILITIES: A RETAILER'S CHALLENGE

ALEXANDRA J. KENYON
LEEDS METROPOLITAN UNIVERSITY, UK

Abstract

Stakeholders are savvy. They look for organisations that have a reputation that they can trust. Trust is borne out of six major facets:- Financial performance, good leadership, quality service and products, an ethical staffing policy, environmental responsibilities and social responsibilities. All of these factors are integral to an organisation that shows good citizenship. This is not a new phenomena; indeed it began in the 1950's when organisations realised that their in interdependence on and between governments, corporations and society at large. This paper begins by showing how retailers are placing two of the facets, Corporate and Social Responsibilities, at the heart of their brand's reputation. It highlights that Corporate Social Responsibilities (CRS) is a philosophy that is mutually beneficial to the retail brand and their many stakeholders. It is clear that philosophically retailers all have their own spin on what responsibility they hold dear and some examples are provided that show just how diverse these claims are. All of the claims are positive, but there is no clear definition or equally complied with claim. The paper then goes on to demystifies the term and shows how retailers 'authenticate' their ideals and it is certainly clear that retailers are going beyond just looking at the bottom line as they have begun to acknowledge that the culture of the organisation and it's transparency in how the retailer behaves is crucial to their success. The findings do, however, highlight some common ground in three main classifications:- Stakeholder Perspectives, Social Contracts Perspective and Legitimacy Perspectives. These perspectives acknowledge the motivational needs of stakeholders that run the business, macro and micro social involvement and actions borne out of communications and the perceptions thereof.

The paper moves on and examines the presence and actions of John Lewis Partnership's Corporate Social Responsibilities (CRS). The approach to this examination is through an analysis of their corporate website, report and accounts, press releases and a review of what the mass media makes of their claims.

This paper is significant as it not only reports on a specific retailer and their contribution to a Corporate Social Responsibilities (CRS) philosophy it also provides a summary of how other retailers are tackling it in their planning framework. Additionally, it provides some practical insights for other retailers to act responsibility and join in the campaign to show corporate citizenship.

Key Words: Corporate Social Responsibilities (CRS), Retailing, John Lewis Partnership

Introduction

Retailers are beginning to understand just how important corporate and social responsibilities (CSR) are. Companies who involve CSR as part of their philosophy benefit by gaining a solid, caring reputation that stakeholders can trust. Stakeholders want to align themselves with organisations with obligations to Corporate Social Responsibilities (CSR) as it has tangible and intangible benefits. The tangible benefits include the ability to attract 'like minded' business partners, reputable supply chains and become organisations that the 'best employees' want to work for (O'Connor 2001). The intangible benefit, for stakeholders, is to be part of an organisation that has a good standing, has core values that underpin the companies attributes and that convey 'who they are and what they stand for' through activities that do not damage environments or communities.

Corporate Social Responsibilities (CSR) – What Activities Are Involved?

The activities; that organisations who embrace Corporate Social Responsibilities (CSR), are evaluating environmental resources, remaining good neighbours within local, national or international communities and creating a fair and equitable workplace. Organisations that hold back will lose out in the long run. This is because one of the main stakeholders, customers, are moving their 'thinking' to include the desire for organisations to help maintain and protect their surroundings. Indeed, the Business Impact Taskforce points out that ...

`Over 25,000 citizens across 23 countries on six continents were interviewed revealing that impressions of individual companies are more shaped by corporate citizenship (56%) than either brand quality/reputation (40%) or business fundamentals (34%)'. p. 5

More importantly, MORI polls from as early as1998 stated that 86% of adults stated that the environment was 'extremely important' and later that 28% of British adults had boycotted organisations based on ethical grounds AND chosen products/ services from organisations because of their ethical reputation (MORI 1999). Therefore, retailers that have not supported Corporate Social Responsibilities (CSR) need to re-think their future plans as consumers are beginning to take their business elsewhere. As can be seen organisations need to include all the traditional facets of good business financial performance, good leadership, quality service and products and include ethical staffing polices, environmental responsibilities and social accountabilities to remain ahead of the competition.

So who does what?

Many retailers offer their own interpretation of Corporate Social Responsibilities (CSR). Around the world there are guidelines that organisations can use as benchmarks. For example, organisations in the UK follow guidelines provided by the Department of Trade and Industry (BERR 2008) to report their year-end financials. The year-end financials are reported in a Business Review, which also outlines environmental and employee matters. The Netherlands and France provide an Operating and Financial Review (BERR 2008) and the US use GAAP (Generally Acceptable Accounting Principles. Whilst the three examples shown here have their roots in financial reporting, it is now de regular to extol the duties and responsibilities that organisations have regarding their social, environmental and community activities.

Table 1 outlines ten other ways that Corporate Social Responsibilities (CSR) can be interpreted and communicated by organisations. Table 1 "Demystifying Corporate Social Responsibilities (CSR)" also provides examples from the retail industry to show which organisation is disclosing, and possibly communicating their contribution to the environmental and community at large as an asset.

The above table shows examples of many retailers who have included Corporate Social Responsibilities (CSR) in their plans. The organisations show both tangible benefits – such as Economic Action and intangible benefits - such as Social Action to gain trust and a reputation that stakeholders want to become involved with.

The Corporate Citizenship of John Lewis Partnership

John Lewis Partnership is a retail organisation that should be viewed as an exemplar to all. From their very core; highlighted in their opening statement...

" It's the embodiment of an ideal, the outcome of nearly a century of endeavour to create a different sort of company, owned by Partners dedicated to serving customers with flair and fairness." www.johnlewispartnership.co.uk ...John Lewis Partnership exudes a spirit of caring, sharing and belonging. This retailer is different from the crowd as it is dedicated to their stakeholders and has a raft of actions that demonstrate their commitment to their Corporate Social Responsibilities (CSR). Table 1 Demystifying Corporate Social Responsibilities (CSR) was adapted from a variety of scholars and business papers. The research conducted from this paper clearly showed that organisations, scholars and businesses have many interpretations of what Corporate Social Responsibilities (CSR) represents. Therefore, for the a analysis of the Corporate Citizenship of John Lewis Partners a synthesis of Corporate Social Responsibilities (CSR) suggested by Holcomb, Upchurch and Okumus (2007) is used. Table 2 Corporate Social Responsibilities (CSR) Themes provides a guide as to the themes that they found were being reported by the Hotel Industry.

Table 1 Demystifying Corporate Social Responsibilities (CSR)

Facet	Explanation and Example
Corporate Profile	Explanation of its values, beliefs, corporate strategy and how and where it will operate. The Body Shop is renowned for its desire to provide natural ethical products. Its Corporate Profile shouts the values and beliefs "Our business runs on passion, and our five values; Protect the Planet, Support Community Trade, Against Animal Testing, Defend Human Rights, Activate Self Esteem, govern all that we do, from reducing our carbon footprint to ordering our envelopes. To us, there is no other way to work. After all, when you believe in what you do, you do it better." www.bodyshop.co.uk
Products and services	Details from the organisation's perspective products, services and brands are explained – such as products being fair-trade Tescos has 140 Fair-trade lines (45 are Tesco own-label products). They hold regular in-store and TV promotions to advise stakeholders of their commitment. Tesco place Fair-trade products in strategic places such as highly sought after "end of aisle" spaces www.tesco.co.uk
Employment and human Resources	Clear information is provided as to the types of contracts, training provided, promotion opportunities, evaluation/appraisal and dismissal. Details are shown as to the commitment to be fair in terms of human rights – discrimination. Child labour (including the supply chain) etc
Economic action	Details showing how the organisation's earnings/profits may impact upon the local, regional, national and international economy. HBOS plc run a "marched funding" programme where funds raising activities that raise money for local schools, charities or community groups is 'matched' thus doubling the money raised. Holywell Inn pub ran a "Race Night and Raffle" for Holywell Green Primary School. Over £420 was raised and HBOS plc 'matched' that – therefore, £840 was donated to the local community school.
Social action	Information containing actions related to the company involvement in social responsibilities – such as not investing in organisations or countries which have poor human rights issues. In October 2007 the Trade Union Congress asked 3 retailers (Harrods, Aspreys & Leviev) who sell jewellery to sever trade with Myanmar (formally known as Burma) following EU trade sanctions. Leviev immediately responded stating they had no links with Burma – thus showing their support for the social protesters.
Environmental action	Declarations and actions related to how the organisation will contribute to through action and environmental issues Environmental action takes on many guises – one of them is to reduce an organisation's carbon footprint. Boots the leading health and beauty chemist across Europe has signalled its commitment to Environmental action by managing its supply chain. Their vertically integrated supply chain – with committed staff to reducing the carbon footprint of the 'product's journey' - enables Boots to communicate – via is Corporate Objectives, specific targets to cut their carbon footprint.

Facet	Explanation and Example
Corporate governance	Transparent information provided regarding the actual governance of the company. Details showing the levels and structure of power, full Corporate Social Responsibilities (Corporate Social Responsibilities (CSR) published, encouraging and awarding individuals and the organisation to join in the social and ethical responsibilities, declare salaries/remunerations and responsibilities. BT won the highly prestigious Golden Peacock Global Award in 2007 for their Corporate Social Responsibilities (CSR) but also their holistic Corporate Governance. This award is given where organisations demonstrate, fully communicate and place Corporate Social Responsibilities (CSR) at the heart of their business – not as an 'added extra".
Corporate Ethics	Explanations of the organisations ethical stance within the business community, the competitive community and its publics Corporate ethics have always been the centre of Body Shop, Ben and Jerry's and The Co-operative Bank. These organisations have led the way in making it very publically known where they stand ethically. They have been involved in many human rights issues, have stood against big businesses and governments in terms of environmental issues and have led the way in research and development for ethics products and services. These organisations do not have Corporate Social Responsibilities (CSR) as part of the their strategy – Corporate Social Responsibilities (CSR) IS their strategy and they do not fear changes in their share price if they are tackling issues that investors may feel is outside their comfort zone.
Relationship with publics	Clear communication as to the importance of the stakeholders within and outside the company and details of how each stakeholder 'type' are catered for Unipart clearly has a CSR philosophy to understand the real needs of its stakeholders. Unipart states up front that its stakeholders are:- "Our Customers, Our Employees, Our Investors, Our Suppliers, The Communities in which we do business" www.unipart.co.uk – each one is understood and their relationship with each stakeholder type is considered separately
External Criteria	Links to external forces and legislation (e.g. own Government and governance with common goals – e.g. G7/G8) thus linking with the national and international criteria on aspects of the Corporate Social Responsibilities (CSR) Sainsbury's has joined ETI is the UK's Ethical Trading Initiative joins TNCs, NGOs and unions together to provide a benchmark for ethical initiatives nationally and internationally Geoff Spriegel, Director, Technical Division, Sainsbury's states "ETI membership has provided Sainsbury's with the opportunity to benchmark its activities against those of other companies. It has also provided the means to help translate genuine customer concerns into a practical action plan for improved ethical trading across our worldwide supplier base." (Business in the Community 2000 p. 4)

Adapted from Business Impact Review Group (2003), Capriotti & Moreno (2007) Capron and Gray (2000) GRI 2002, Ingenhoff (2004), Maignan and Ralston (2002), World Council for Corporate Governance (2008)

Table 2 Corporate Social Responsibilities (CSR) Themes

Community	Environment	Marketplace	Vision and values	Workforce
Charitable donations Community welfare Corporate giving Donations in kind Education Grants Local regeneration National welfare Volunteerism World welfare	Cultural heritage Energy management Pollution control Recycle Waste management Water conservation	Ethical advertising Providing a product of value Relationship w/guests Relationship w/suppliers Relationship with shareholders Supplier diversity	Accountability Clear purpose Code of conduct Enduring values Ethical behaviour Fairness Self regulation Trust	Advancement Fair and equitable benefits Career planning Compensation and rewards Day-care and family accommodations Diversity/equal opportunity Employee assistance program Employee communication Health and safety Recruitment Training

Holcomb, Upchurch & Okumus (2007) p. 466

The two tables shown so far have similar traits. There is no definitive answer as to what lies at the heart of Corporate Social Responsibilities (CSR), however, both are noteworthy for their descriptive form.

John Lewis Partnership has many facets of Corporate Social Responsibilities (CSR) and some of these are outlined below.

Community - John Lewis Partnership has had a long tradition of supporting local projects. Two examples are The Pops Concert, a production led by the Hampshire-based orchestra and a £10,000 donation to the Nuffield Theatre in Southampton.

Environment – Waitrose; one of John Lewis Partnership's many retail arms, understands the need to package their products to ensure they are safe and presentable to the consumer. However, they have set targets specifically aimed at reducing the 'unnecessary packaging'. Objectives include:-

- recycle 75% of all Waitrose waste by year-end 2012
- recycle 50% of all John Lewis waste by year-end 2010 (John Lewis Partnership Corporate Social Responsibilities Report p. 5)

John Lewis Partnership is also committed to climate change initiative. They have joined the Corporate Leaders' Group on Climate Change, part of HRH The Prince of Wales's Business & the Environment Programme and align themselves to the Kyoto Protocol by stating in their communications that they will reduce carbon dioxide emissions by 10 per cent by 2010.

Marketplace – Waitrose is committed to British suppliers. This action has been particularly acute during the recent foot and mouth scares and potential bird flu epidemic. However, through each crisis John Lewis Partnership has shown an exemplary relationship with British suppliers.

Vision and Values – There are numerous documents available from John Lewis Partnership that outlines clearly their values, opinions and stance on issues from Child Labour to sustainable palm oil, from illegally sourced diamonds to plastic carrier bags. Stakeholders are easily able to consider the depth and breadth of information as to John Lewis Partnerships' values on social, community and environmental issues.

Workforce – Firstly, all of the 69,000 employees are Partners – not staff. John Lewis Partnerships also have a diversity policy highlighting how Partners are treated as individuals, treated fairly and there are opportunities for all regardless of their age, disability, religion social or ethnic background.

The above elements are just a fraction of good governance that John Lewis Partners have. They are a true example of how a retailer can guide policy, sustain Partners and suppliers and maintain an environment where stakeholders can join the campaign to be good citizens.

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INNOVATION – A MANAGERIAL TOOL FOR CONSUMER ORIENTED ORGANISATIONS

ANA-MARIA PAMFILIE
ACADEMY OF ECONOMIC STUDIES, BUCHAREST, ROMANIA

Abstract

“Not to innovate is to die”

(Freeman, C. and Soete, L., 1997)

The innovation is no longer an extraordinary thing, but is a condition to achieve growth and development. Depending on their size, characteristics, resources and industries, the organisations try to find the way to innovate that would suit them best. Research and development processes are usually very costly, and not all the organizations can afford to invest hard for developing various ideas. While the large firms split the risk between more projects, the small firms tend to get involved in major innovations only if they are confident in their success.

A lot of times the innovation is the result of research and development processes (science-push innovation), but the innovation may be also be due to consumer’s demands and needs (demand-pull innovation). In the last case, marketing has a very important role to explain the added benefit to the consumer and to place the final product on the market. When identifying an unsatisfied need or a possible opportunity, the creativity process has a very important role for generating suitable ideas to meet those needs, and if successful, would result in products and services. The information exchange between the market and the scientific research is crucial for the success of the ideas generated during the creative process and for the durability of the final products.

On the first place, there is a high variety of new products and characteristics, so the processes are very flexible to allow numerous changes and improvements in the design and functions. After being exposed to the market and to the consumers, a certain degree of selection will occur among the multitude of radical innovations. Consequently, the producers will develop more and more specialized goods, and some of them will not be able to compete and will abandon the race. In time, if the market extends, the consumers and producers become better informed and, as a result of their preferences there will be defined a dominant design that would best satisfy their needs. The few remaining competitors will concentrate to develop and refine the dominant design, and try to produce it at efficient costs and in large volumes.

But in the end, the present paper shows how managing and dealing with innovation, and most of all keeping up with the rhythm is not an easy thing to do. It is being emphasized the fact that people have to be carefully selected and trained to share the passion of solving problems and turning ideas into reality. The organizational environment should be very creative, oriented towards continuous improvement and development so every member of the organization should share the same goal. The leaders should be able to offer guidance and to make everybody part of the innovational process by using their capacities and expertise to meet the common goal.

Key words: innovation, creativity, dominant design, research & development.

INTRODUCTION

No matter the industry or the dimension of the firm, each and every single organization has to be able to anticipate the future and to plan its strategy regarding products and services accordingly, in order to stay competitive during the fast evolution of the market. All firms have to go through the innovation process in order to keep or improve their position, but depending on their size and characteristics, they do it in different ways. According to this, large firms with high growth rates are not necessary innovative in a technical way, but they generally adopt marketing innovations or administrative ones, while the high-tech firms are more innovative even if they do not register such high growth rates (according to an OECD Washington Workshop, 1996, Employment, Innovation and Growth), the small firms are more oriented towards product innovation than process innovation, mostly engaging in niche products development. Furthermore, the innovation is more present inside the organizations that produce final products, compared to those producing spare parts or components, which usually adjust their products to the first category.

The results of the research and development processes have to be in line with the future changes and requirements of consumers, to address their needs and to be prepared to satisfy new ones arising. The large variety of products existing nowadays, and the diversity of consumer behavior, makes it really challenging for firms to foresee new opportunities on the market and to keep up with the competition. To distinguish themselves and to be among the best the organizations have to find ways to follow trends, to constantly bring novelties, to be able to produce at low costs and with high efficiency.

Consequently, lots of companies include innovation as a main driver into their short, medium and even long term strategies, to which the whole organization has to participate and to help to its fulfilling. The experience showed that there is a series of actions that have to be settled before drawing the final strategy: performing the complete market analysis, finding the most suitable opportunity to tackle, finding the required internal and external resources, planning each stage of the innovation development, setting all the operations that would be part of the process.

THE MANAGEMENT TOWARDS INNOVATION AND THE ORGANIZATIONAL CLIMATE

In order to succeed to implement a successful organizational environment supporting innovation, the management has to be the first to embrace it and to be able to determine its staff to and to adopt it during every step. According to the predilection towards sustaining innovation or the opposite of being resistant to novelty, there may be defined different types of management behavior and accordingly different characteristics of their organizations, as outlined in figure 1.

Figure 1: Classification of management behavior according to the innovation support

Management	Opposition to novelty	Lack of interest	Accepts novelty	Permanently sustains novelty
Behaviour	Resistant to novelty	Reacts to novelty	Active	Permanently activă
Type of firm	Closed	Stable	Open	Innovative
Innovation	Very reduced	Reduced	Moderate	Sustained
Efficient	Reduced	Moderate	High	Very high

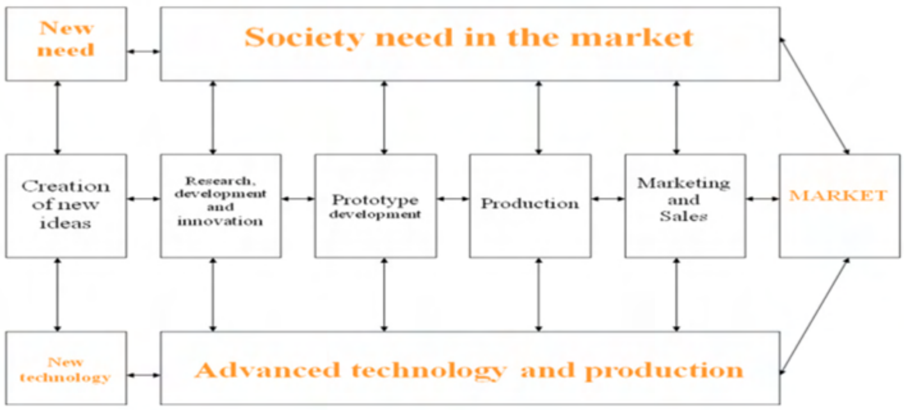
Source: Adapted from Sloan, 2007

The leaders have the responsibility of aligning everybody to the strategy of the organization, to fully understand its mission, vision and objectives and to be able to follow their fulfillment. For this purpose, the management has to stimulate all the members of the organization to be part of the innovation process by offering detailed explanations and answering all questions in order to make every detail clear. The employees will then be empowered to bring their particular contribution to the process and to develop their own ideas to enrich and improve the final product. Stimulating creativity, finding the right people that can make the connection with the market reality, being able to foresee the future to find the right opportunities for the organization require a lot of managerial talent and people skills recognition. The success of the innovation has to be seen as the final goal of the company, for which every single member of the organization has to offer its full support. Therefore, the management team has a very important role to make everybody part of the process and do it as a team, dividing the effort through collaboration between departments and experience sharing. The higher the cohesion inside the teams, the less the time needed to solve any issues, and the better the cost efficiency. This way there should be avoided any conflicts, misunderstandings, or rivalry inside teams or between departments.

The atmosphere and the cultural climate inside the organization has to be supportive to innovation, through flexibility and fast decision taking, willingness to learn quickly and improve skills, detailed information regarding the new project, openness to discussions and debates, and the management may often use the rewarding systems and recognitions. According to all the above stated, the possibilities of innovation development through efficient communication systems and the building of a strong relationship between R&D and designers on one side and marketing and sales on the other, will lead to a better understanding of the market needs and will allow creativity inside the team to produce the best results. Maintaining a creative environment is especially important for the development of the innovation inside the organization (an easier thing to accomplish in smaller firms), and would stimulate people to generate ideas that could possibly evolve into successful innovations. In addition, a culture of continuous improvement and efficiency combined with the firm strategy of strongly supporting and investing in innovation, will lead to the enlargement into new fields of interest and even new markets, engaging in using the newest technologies. All the above mentioned are strong indicators of a successful management team.

Overall, the innovation can be seen as the link between various departments, from the scientific research and development processes to the final destination, the market (figure 2). A simple idea, through creative and technological inputs, after compiling different initiatives, information, doing complex research may finally become a reality and enter the marketplace. That is why, along all the steps, the feasibility tests and other researches are crucial for a successful launch and consumer acceptance of the end product.

Figure 2: The link between departments



Source: Deakins and Freel, 2006

SUCCESSFUL IDEAS BECOMING SUCCESSFUL INNOVATIONS

Turning ideas into successful innovations is a process that requires time, and is the result of complex information gathered from many parts: internal sources - 55% (brainstorming, synaptic method), consumers - 28%, and other sources, like competitors, distributors and suppliers. The internal methods of creating and developing ideas and innovations are based most of all on people cooperation. For example, brainstorming is a method used also during the first stages, for idea generation, but also later, for more complex issues. This method requires a group of people that will give birth to several ideas that will be later selected and carefully evaluated. The synaptic method is used during middle stages of the design, and is using analogies and lots of discussions to evaluate a certain problem and to find a solution. The synapse is decomposing the problem into several smaller issues, for the purpose of researching more detailed solutions. The members of the organization may be differently organized to tackle the problems raised during the innovational process; they are challenged to discuss all the details, to expose all the problems in all the aspects, to generate ideas, to find the right solutions. All the discussions have to be oriented toward the final goal of making the innovation successful, and very carefully managed in order not to deviate into arguments or creativity jams, that would compromise the success of the innovation and delay its launch into the market. Delaying the launch is risky, because the competition may be the first to launch the new kind of product and consequently take all the credit for it. But sometimes the first ones to launch the innovation may be in such a hurry so they could not get the right moment, or the right target, so just being the first is simply not enough, and may lead to missing important aspects. According to this, the management team has to take care and consider all essential requirements: those linked to the market (such as the characteristics of the demand, the target segment, the price policy, the competition), those linked to the cost (the resources for developing the product), those linked to the time (the ready-to-be-launched date), the design of the products and the degree of specialization (performances, image, standards, compatibility to already existing products, differentiation).

Sometimes there may be a discrepancy of vision between the ideas of the creation team and the real resources and capabilities of the firm. To avoid this, everybody needs to understand that apart from the idea itself, the innovation has to correspond to the real market needs, and to fit in the limited resources, otherwise it makes no commercial sense. Finding the equilibrium between the functional side and the creative one is not easy, and there is always the risk of underestimating the costs or deviating from the main goal. Nobody will appreciate and buy a very expensive and complicated device, even if its characteristics are very complex and can be used for a multitude of tasks. Being user friendly is something that can be achieved only while maintaining the consumer in the center of the innovation purpose. It is very important to constantly check and test the innovation; this may increase the production costs, but will surely decrease the possibility to have flaws that would be too costly and difficult, even impossible to repair later. These are the reasons for which the cohesion and collaboration between all the departments is crucial for the changes and improvements in the functions and design until the moment of launch.

SOLVING ISSUES AND LAUNCHING THE INNOVATION

Due to the fact that innovation is a very complex process, it requires lots of resources, internal and external, and consequently high investments in people, resources, time and energy. Innovation is often linked to increasing productivity and growing number of employees. Problems can occur each moment, so the management team has to be prepared to face different risks implied by the innovation process and to able to take fast decisions: smaller firms have problems in accessing necessary financial resources, larger firms may be confronted with high research and development costs, some of the employees might be overwhelmed by the changes or even be resistant to change, the organization could lack the internal resources for the know-how of the innovation, some might not have access to external resources, competition could launch a similar innovation faster, and many other situations can occur and threat the success of the new product.

In order to prevent and avoid such issues, there have been outlined some of the factors that are significant to innovation success or failure (figure 3): among these, the first one and the main condition is the orientation towards the market, that can be translated in differentiation from other already existing products, the quality bringing value for customer, the time durability, or the success of its initial launch. This condition depends on the type of innovation: if the innovation is the pure result of research and creativity, driven by the technological evolution, than it’s a science-push innovation. If the innovation is driven by the consumer need, and enters the market with the main purpose of satisfying that need, as response to it, than is a demand-pull innovation. This counts a lot for the way of explaining and introducing the innovation into the market and into consumer lives. For a science-pull innovation, the need is created through advertising the innovation, so the marketing has the difficult task to make people aware of their new need (ex: the baking soda into the toothpaste, as a requirement for whitening the teeth). For a demand-pull innovation the approach is different, because the marketing campaign has to stress out the way that the innovation best suits and solves the consumer’s existing and unsatisfied need. In this regard, the information exchange between the market and the organization is vital for the consumer oriented organization for its innovation success and durability. A deeper analysis and a better understanding of the reality will lead to more accurate results.

Obviously, the variety of needs and the diversity of consumer habits have large impact during the process of planning and defining the product's characteristics, a second condition for the final success of the innovation. The products defined up to the smaller details have three times more success when launched. Additionally, the quality of the development process of the new products, the third step, if realized at high standards, results in a rate of 2,5 times more successful innovations.

In order to avoid major risks implied by the innovational process, there is the possibility of firstly creating a prototype, in order to analyze the connection between the production process and the final objectives. A prototype is used for technical tests, such as quality and feasibility trials, but also marketing test, regarding the market acceptance, distribution possibilities, and consumer approval. As previously stated, launching an innovation too late can be very dangerous due to the competition risk, but also launching the product too soon may raise problems, if the market is not ready to accept the product. Moreover, with the help of a prototype, there can be settled details like design, appearance, secondary functions, but also establish aspects regarding the production, investment, firm capabilities. Consequently, through this previous study, even if sometimes it may take more time, there can be saved lots of time and money, and most important, prevent fabrication errors or marketing mistakes. Testing the concept into the market and putting it in contact with the final consumer is very important to the success of the innovation, as many times the vision of the designers can be very different to that of the consumers (Phillip Kotler). According to this idea, there are two ways of testing the new products: the technical tests and the acceptability tests. The technical tests refer to basic characteristics, measuring the product performances, while the acceptability tests go beyond this into observing the first reaction of those using the new product. Therefore, the degree of complexity of these tests is higher, being also more difficult to assess and to evaluate the feedback.

Fig. 3: Significant factors to innovation success or failure

With the existence of such a variety of products responding to a multitude of needs, the consumers might be overwhelmed and in time they start to make a selection of all the goods they are being offered by producers and advertised through diverse marketing techniques. So how can the organization be sure that its products are being chosen, than through consumer oriented actions? One of the main conditions is to create high awareness of the innovation, so the consumers could find out about it, understand its purpose. Afterwards, through consumer experiences, they can be put in contact with its characteristics and utility through trial, sampling or demonstrations. During the selection process among the various similar products in the market, the consumer will be searching for the most suitable one addressing its particular needs. Consequently, after a while there will take place a natural selection among the diversity of characteristics and functions of all products alike, and in the end there will be distinguished a dominant design that will define the trends.

FINAL CONCLUSIONS

To summarize, the innovation process is extremely complex and difficult for those experiencing it, but no one can survive and progress without it as a normal part of the evolution. That is why the cultural environment inside the organization is crucial to enabling and developing new ideas and supporting creativity that will finally generate new products into the market. A management team open to change and supportive to novelty, interested to follow the trends or even setting the trends, is the key success factor to create a perfect climate for the innovations to develop.

But turning ideas into great innovations is not enough, as no innovation can be successful without consumer acceptance. This is why the tests taken before launching a new product into the market are crucial to its endurance and to seizing possibilities of improving the design and functions. The success of the innovation is bigger when: the firm acknowledges better the consumer needs, manages to obtain higher performances with lower cost (increasing production costs with 10% will lead to income decrease with 15-20%, while increasing R&D investment with 30% results in an increase of income with only 5-10%), the innovation is launched into the market before others (delaying the launch time with 10% after a 2 years development cycle will lead to lower income with 25-30%), the investment with promoting and launching the product into the market is significant and when the innovation has the full support of everybody inside the company.

Moreover, the launch into the market has to be carefully supervised by the management team, as this is one of the crucial steps for the final success of the innovation. The image created around the new product, the way of presenting and advertising its qualities and the degree of consumer's needs satisfaction should be carefully considered and assessed, even if it requires high costs. Unique consumer experiences, such as participation to shows, demonstrations and aggressive advertising campaigns may draw attention and become convincing tools for the buying decision bringing positive results to the business. The added value that the innovation is bringing is also important; consequently it is a competitive advantage if it also contains adjacent services that would make it even more appealing. Monitoring the post-launch and gathering feedbacks from the market, such as those from distributors, consumers, competitors, is essential to keeping track to the evolution of the innovation and to its further development into improved series or even new products.

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FACTORY OUTLET VS CITY CENTRE STORES: IS THE SHOPPING BEHAVIOUR CHANGING?

CLAUDIA RASICCI
UNIVERSITA' POLITECNICA DELLE MARCHE, ITALY

GIANPAOLO VIGNALI
MANCHESTER METROPOLITAN UNIVERSITY, UK

LUCA DEVIGILI
UNIVERSITA' LA SAPIENZA DI ROMA, ITALY

Abstract

The factory outlet format can be considered as one of the most innovative concept of retailing, originated in USA around 1975, and then "imported" in several European countries (Jones, Whitehead and Hillier, 1997).

Some economic factors, like the decrease in the consumer's discretionary income and the energy crisis, contributed to the growth of the outlet industry during the 70's and 80's. In the same time, the need to get over the manufacturers' unsold collections ended up to meet the consumers' desirability of designer labels.

Nowadays, both traditional and innovative tools of the retail marketing mix are implemented in the factory outlet developers' strategies (Mintel report, 2001), characterized by an international growth that led this new retailing format overseas (Jones, 1995).

In this paper, a general overview of the factory outlet expansion in Europe will be explained, in order to highlight the strategies adopted by the main designer companies which have set up factory outlets in the European countries.

Although this format has been developed in several European markets, a focus on the UK will be made, where the successful "formula" of the factory outlet seems to be easy to replicate, as many similarities do exist between the American and the British markets.

The UK maturity toward a new retail concept caused a successful application of the American strategy in the factory outlet centre development. The British legislation between 1980s and early 1990s also helped the out-of-town retail to grow (Fernie, 1996). In the same period, the economic recession reflected its implications on the consumption model as well, making British customers more "saving-money" oriented and, as consequence, attracted by this new retail format.

In this study, a focus on the consumers' behaviour in the British market has been made, in order to analyse the hypothesis concerning an existing trade-off between the factory outlet shopping and the in-town purchasing habits.

The findings of this research will show that, although the successful expansion of the factory outlet format, due to a consumers' preference for "famous brand, at discounted prices", the British consumption model seems to reserve a renew role to the traditional in-town shopping experience.

A secondary data research has been developed, in order to highlight the consumer behaviour trends, referred to the selection of alternative retailing formats.

A primary data research has been collect as well, in an attempt to verify the hypothesis above.

Key words: factory outlet; consumer behaviour; high street shop,

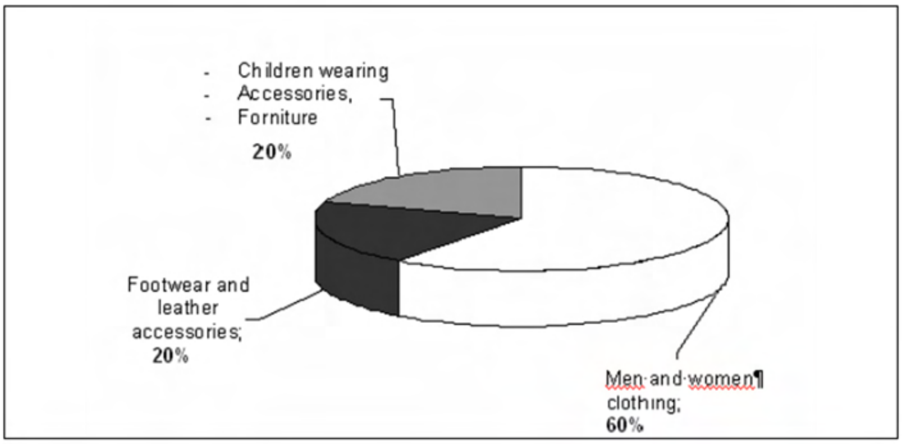
FACTORY OUTLET: CONSUMERS' PERCEPTION OF DISCOUNTED FASHION BRANDS

The out of town exodus can be traced back to the development of food superstores since mid-1960's onwards, but by 1980's retail warehouse operators have also been contributing to the development of putting pressures for suburbanization.

In 1974, Vanity Fair opened the first factory outlet in Reading Pennsylvania (USA). It started from a collection of warehouse buildings. Actually, the first stimulus to factory outlet development was the manufacturer's need to dispose of its excess stock that arise from cancelled orders, or returns and slow-selling lines . Originally, factory outlets were stores with crudely displayed merchandise. Later, they became the result of conversions arising from existing shopping centres or clusters of basic warehouse-style units.

Nowadays, factory outlet centres are "shopping villages", where an attempt is made to create a warm and realistic atmosphere to make a customer happy and relaxed. Factory outlet centres can range from 930-185,000 square metres with an average of 14,000 square metres. Within the USA, these centres attract regular weekly customers from within a 25-mile radius. The main sectors that the factory outlets deal with are shown in Figure 1:

Figure 1: Composition of factory outlets sales (percentage)



Source: " Shopping e relax all'Italiana", Largo Consumo 01/08

Several economic factors contributed to the growth of the outlet industry during the 70's and 80's. It can be argued that energy crisis and a decrease in consumers' discretionary income led to a more conservative and value-for-money consumption model. At the same time, consumers' feelings toward an awareness and desirability for designed label were increasing . Finally, manufacturers' preference for the factory outlet format can also be considered as a response to the growing retail distribution competition based on private label merchandise and other tools of strategic marketing.

The larger out-of-town location also offered a wide range of superstores, including purveyors of furniture, carpets, DIY products, food products as well as fast food restaurants that have been seen to complement.

The combination of these elements has created a climate conductive to the growth of "value retailing". Value retailing offers customers "value for money" spent, that is quality merchandise at lower than normal cost. This is a different concept from discounting because it does not imply the equation "low quality=low cost merchandise". Developers recognized that factory outlet centres, which offer value retailing in out-of-town shopping centre formats, would be highly attractive to the mobile European consumers of the 1990's.

One of the most important consequences of this multiple price offers has been the consumer perception of the “fair market” value for some products (Emory, 1970; Gabor and Granger, 1970). This happened because an implausible percentage price reduction claim was expected to result in higher estimates of perceived price reduction and perceive offer value (Ang, Leong and Tey, 1997).

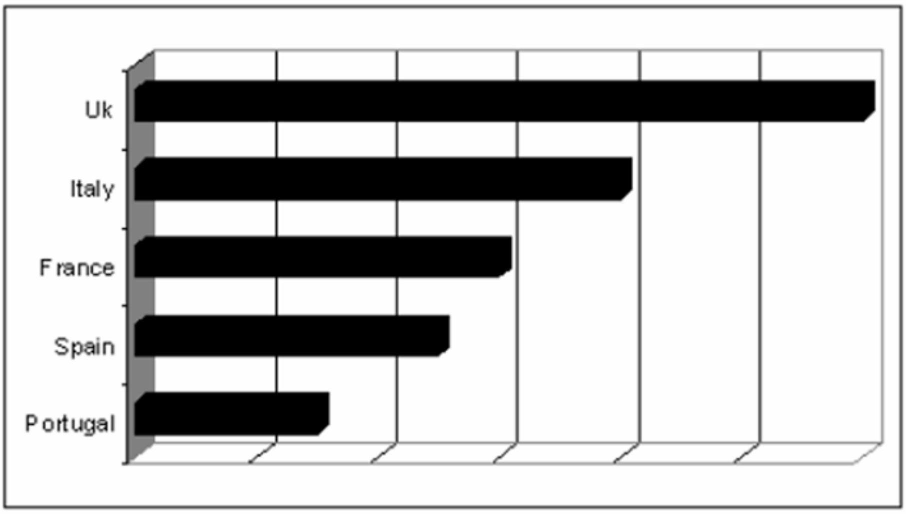
In the fashion industry this statement is xtremely important due to an ongoing chance to make a comparison between the high street price and factory outlet price for similar products.This could lead to a change in the consumer attitude towards such brand.

In order to avoid customers’ “disaffection” toward brands available both in high street shops and in factory outlets, a strong store image could be built by the retailer. In this case, customers can assess the brand, not –or not only- considering its discounted prices, but also referring it to the store image perception, that is consequently linked to customer loyalty.

However, due to a strong land use planning framework which inhibits out-of-town developments, until recently the UK lagged behind the USA, and so did many other continental European countries in the growth of peripheral retail activity. While in 1980 only 5% of the sales took place through out-of-town retailing, by 1991 it grew to 17% and this phenomenon is showing an upward trend.

In figure 2, the actual development of factory outlet centres in Europe can be seen.

Figure 2: Classification of the first 5 Countries in Europe for G.L.A. (in squares metres)



Source: Third Conference on Factory Outlet Centres of Magdus (July 2007)

As it can be seen, UK is the first Country followed by Italy.

A desk research has been done by analyzing written documents and articles. An important source of information has been the Mintel Report on the out-of-town shopping in the UK.

Secondly, semi-structured interviews to factory outlets’ customers have been made in order to dispose of a deeper profile of consumer behaviour in UK. The interviews have been made to people who live within 30 km from the factory outlet location and who go there at least once a month.

FACTORY OUTLET DEVELOPMENT IN THE UK

During the 90’s, the American model of factory outlet was imported in the UK. Nowadays, this is the largest and most evolved factory outlet market in Europe. Here, the process of internationalisation of factory outlet centre’s developer has turned out to be easier than in other West European Countries because of the existence of several common features between the USA and UK economic and social environment.

Currently, in the UK there are more than 30 factory outlet centres with a G.L.A. of 547,000 square metres and 1,882 retail units. The average number of stores in British outlet centres is of 54 units with an average G.L.A. of 15,625 square metres.

The first elementary factory outlet in the UK was located around an original pottery factory shop at Hornsea on Humberside out of some existing shops. The Hornsea Freeport opened in 1992 and had 3,700 square metres of retail floor space. When opened, it contained 29 stores, including some brands as Laura Ashley, Aquascrutum, Alexon, Benetton, Austin Reed, and others.

“Clarks Village” was opened in a street in Somerset in 1993 by the famous footwear manufacturer Clarks. It has 38 stores and is spread on 7,430 square metres. Its attraction is also based on a leisure and tourist dimension that includes a shoe museum, a pottery centre, some children’s playing areas and a 300-seater restaurant.

The factory outlet “Galleria” comes from a traditional shopping centre converted and re-opened in 1995. Here, there are some typical factory outlet brands, as Jeffery Rogers, Pepe Jeans, Pilot and Hornsea Pottery. Some high street brands are also available, as Superdrug, Dillons, Dorothy Perkins.

Finally, the “Cheshire Oaks, Designer Outlet Village” is an example of the last generation of factory outlets as a village. It was opened in North Cheshire in 1995 spread over 16,000 square metres. It is the largest UK factory outlet centre with more than 60 stores and brands like MEXX, Lee Cooper, Fruit of the Loom, Daks, Edinburgh Crystal and others. The owner of this factory outlet is McArthyGlen, one of the largest factory outlet developers in the USA.

In table 1, a UK factory outlet centre map can be found.

Table 1: UK factory outlet

Outlet centre name	Location	Date opened	GLA size	Shops
Springfields Festival Gardens	Spalding Lincolnshire	May 2004	13000	37
Junction One Outlet Shopping	Antrim, Northen Ireland	May 2004	13500	46
Dockside Outlet Centre	Chatham Maritime	June 2004	14000	41
Dalton Park	Murton, Co. Durham	April 2003	14500	54
The Waterfront	Brighton Marina, Brighton, West Sussex	October 2002	13000	19
Lowry Outlet Mall	Salford, Manchester	September 2001	18600	64
Gunwharf Quays	Portsmouth, Hampshire	March 2001	19500	82
City Quay Factory Outlet	Dundee Tayside	October 2000	27000	65
McArthur Glen ivingston	Livingston, West Lothian	October 2000	27000	65
The Mill Factory Outlet	Batley, West Yorkshire	October 2000	11425	32
Atlantic Village Outlet Shopping	Bideford, Devon	June 2000	9300	35
McArthur Glen Ashford	Ashford, Kent	March 2000	17000	64
Whitley Village Outlet Mall	Fareham, Hampshire	November 1999	15300	42
Freeport Braintree Outlet Shopping Village	Braintree, Essex	November 1999	20000	72
The Galleries, Aldershot	Aldershot, Hampshire	October 1999	6505	31
Freeport Castelford Outlet Village (relauch as Junction 32)	Castleford, Yorkshire	September 1999	23225	63

Outlet centre name	Location	Date opened	GLA size	Shops
Gretna Getaway Outlet Village	Gretna, Dumfries & Galloway	September 1999	12080	49
Sterling Mills	Tillicoultry, Clackmannanshire	May 1999	8920	34
Peak Village Factory Outlet Centre	Rowsley, Derbyshire	April 1999	5575	19
Freeport Talke Outlet Centre	Stoke-on-Trent, Staffordshire	March 1999	13200	34
McArthurGlen York	York, Yorkshire	November 1998	22500	105
McArthurGlen Mansfield	South Normanton, Derbyshire	October 1998	15000	54
Clacton Common Outlet Centre	Clacton-on-Sea, Essex	October 1998	10800	50
McArthur Glen Bridgend	Bridgend, South Wales	May 1998	21500	69
Loch Lomond Factory Outlet Centre	Alexandria, Dunbartonshire	September 1997	5574	23
Festival Park factory Shopping Village	Ebbw Vale, Gwent	August 1997	9300	35
McArthurGlen Swindon (Great Western)	Swindon, Wiltshire	March 1997	19500	90
Royal Quays Outlet Shopping Village	Coble Dene, North Shields	October 1996	13000	48
Lakeside Village Outlet Shopping (Yorkshire Outlet)	Doncaster, Yorkshire	June 1996	11600	45
The Galleria Shopping Centre	Hatfield, Hertfordshire	May 1996	51000	66
Bicester Village	Bicester, Oxfordshire	September 1995	16750	89
Freeport Fleetwood Outlet Shopping Village	Fleetwood, Lancashire	June 1995	13000	38
McArthurGlen Cheshire Oaks	Ellesmere, Cheshire	March 1995	31500	123
Clarks Village Outlet Shopping	Street, Somerset	August 1993	16720	84
Freeport Hornsea	Hornsea, East Yorkshire	July 1992	8000	30

Source: R. O. Jones, “An examination of tenant evolution within the UK factory outlet channel”, International Journal of Retail & Distribution Management, Vol. 35 No. 1, 2007.

In the next section, British consumer behaviour is looked upon in order to analyse the existence of a trade-off between factory outlet shopping and in-town purchasing habits. The results have also been integrated with the quantitative analysis conducted by Mintel in 2006.

THE EMPIRICAL RESEARCH: BRITISH CONSUMERS’ PREFERENCES

From the Mintel report “High street vs Out-of-town Retailing –UK”, the following remarks can be highlighted to introduce the qualitative empirical research.

It can be underlined that an important indicator of consumers' purchasing habits arises from people's expenditure destination (Figure 3).

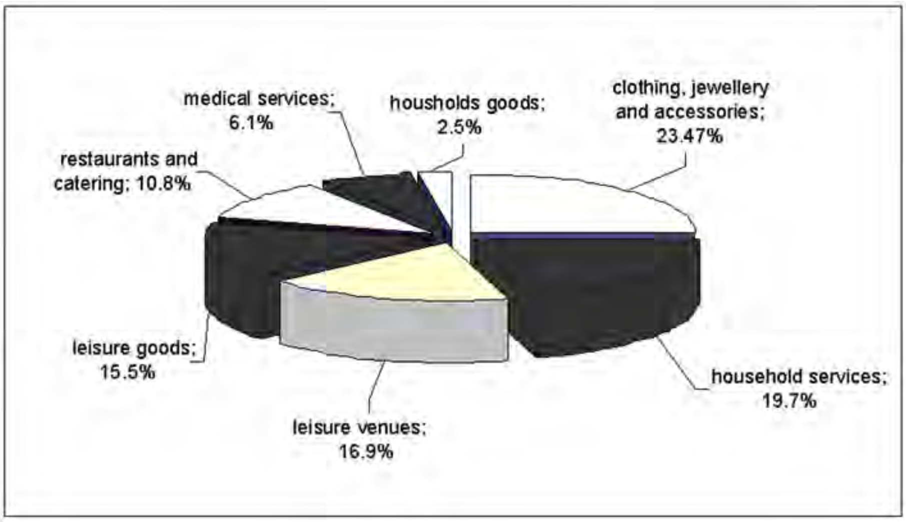
Considering the total British consumer expenditure, 16% is directed to occasional purchasing. Within this category the most important field is represented by the "clothing, jewellery and accessories" sector (23.47% of the occasional expenditure). This result can be combined with the weight of "leisure venues" and "leisure goods" which are the second biggest sector in the British occasional expenditure. In this sense the double concept of factory outlet centre that serves both as a supply of fashion discounted brand merchandise and as a place where consumers can spend their own leisure time is better explained.

The qualitative empirical research has been conducted throughout in-depth interviews that included both open and closed questions. Finally, in order to understand the strategic choice of the tenant-mix, the technique of the "mystery shopper" has been used.

The interviews were conducted in the York Designer Outlet. The in-depth interviews involved ten customers of the York Designed Factory Outlet Centre. The sample is composed of 80% women who are married in most of the cases. 70% of the sample is working, and it is possible to consider them as "middle social class".

One of the most important aspects is the perception the respondents have when their shopping experience is analysed, referring it both to the city centre shops and to factory outlets (Figure 4).

Figure 3: Consumers' occasional expenditure in the UK, 2005.



Source: our elaboration on Mintel data report 2006.

It can be highlighted that the factory outlet shopping experience is perceived as more relaxing, enjoyable and exciting by the respondents when compared with the one they have in the city centre. This is probably due to the more chaotic situation of the city centre where factors like parking areas, their cost and, traffic prolong the time needed to get to the shops.

In order to clarify the reasons that characterize a consumer's choice for a shop, the first step is to analyse customers' shopping motivations (Figure 5)

From these results, it seems that the respondents give priority to the availability of merchandise. Secondly, the available facilities and price level are perceived as the elements that most influence the customer's choice.

These three aspects can be analysed further (Figure 6):

Figure 4: Your shopping experience is:

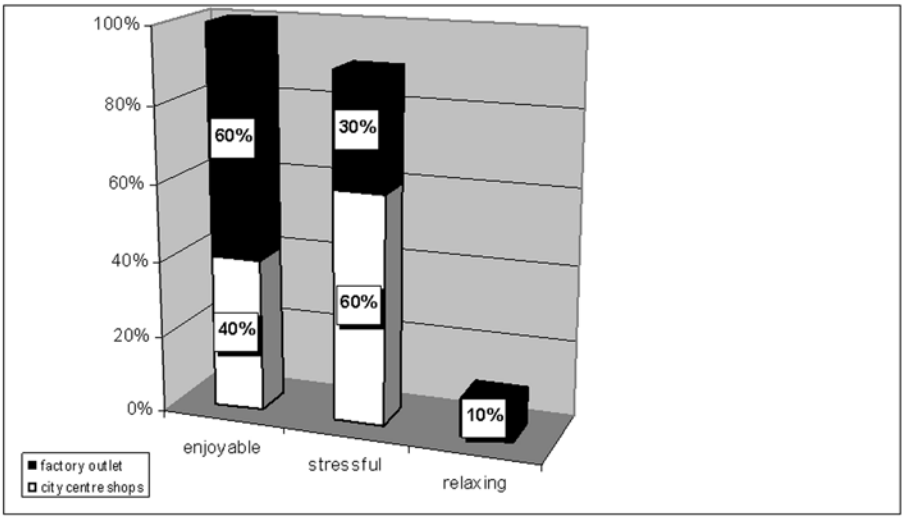


Figure 5: Reasons for shopping

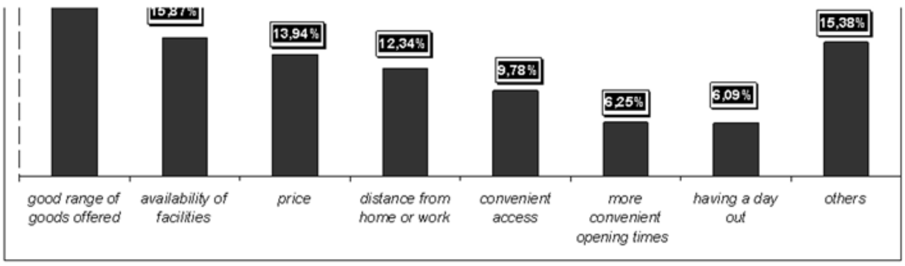


Figure 6: Reasons for shopping

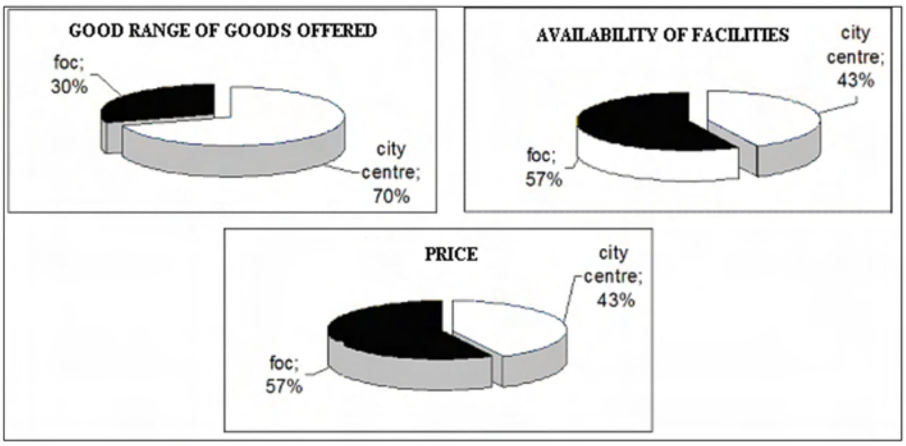


Figure 7: Reasons for shopping: focus on city centre purchasing motivation

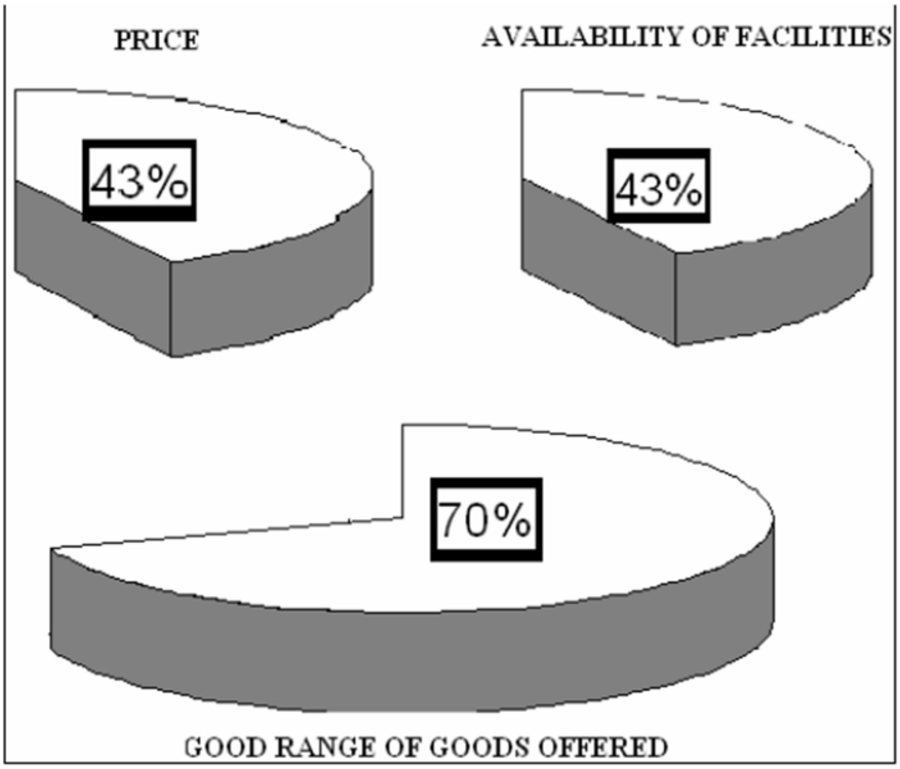
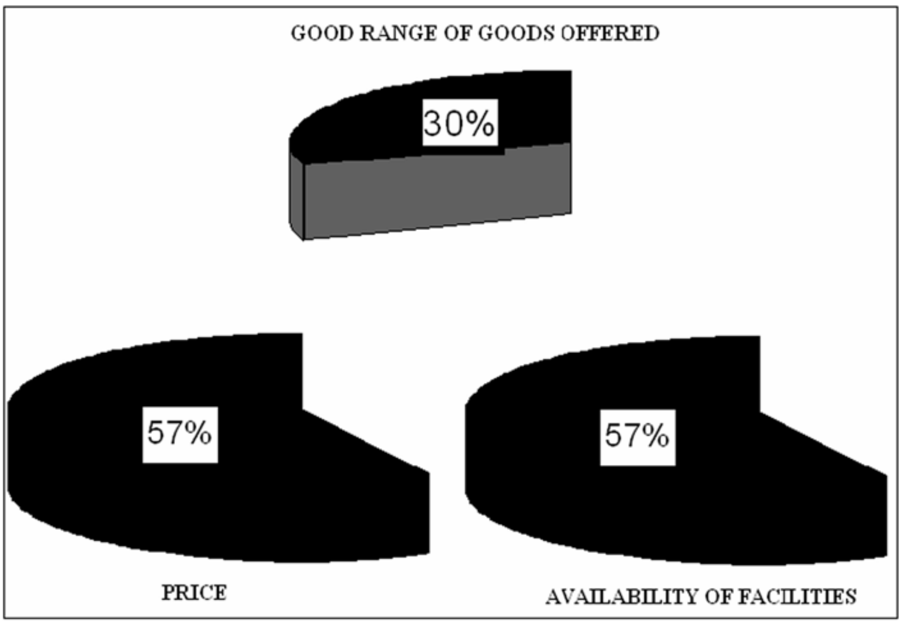


Figure 8: Reasons for shopping: focus on factory outlet purchasing motivation



From this scheme, a general preference for the city centre shops can be underlined, especially when people's priority is to choose among a wide range of merchandise. In this case, shop assortment and fashion preferences of the customers are emphasized (Figure 7).

The second and third motivations expressed by the respondents imply aspects characterized by a significant practical component. This means that a greater attention is given to the price level and to the possibility of using facilities available (Figure 8).

The kind of product to be purchased can influence shop location. In the case of beauty, food and furniture products, city centre shops seem to be preferred. For clothes and footwear, lingerie and jewellery or gifts, the factory outlet is generally favoured (Figure 9).

Actually, "To be fashionable" is not the respondents' most important need, and neither is it their priority during their shopping experience.

This is confirmed by the assessment the customers made when they came across the features characterizing the purchase of clothes and accessories (Figure 10).

Although "fashion" got an average value, it is the last factor in degree of importance that is able to influence the choice of the customer.

Even if convenience is considered as an important factor in the choice for buying clothes, it is not sufficient to justify the attractiveness of a factory outlet offer. It is necessary to verify the marketing mix managed by the tenants. Some important remarks can be highlighted by the mystery shopping technique.

Two kinds of brand macro-categories exist in the factory outlet:

1) Fashion brands.

The majority of the items belong to the last collection. For this reason, very high discounts can be offered, and many customers are attracted to the shop. However, in order to draw high-street market customers, a limited part of the assortment offers some items of the new collection. For these products some discounts are foreseen as well, even if not more than 30% . In-store communication is referred to the concept of "saving money". Actually, in the case of fashion brands a "quality-based communication" is not necessary because the brand by itself is "synonymous" of high quality.

The most significat means to communicate are:

- Indication of discounts on the price label of the product, where both the high street price and the factory outlet price are highlighted. No other discount indications are used in the shop. A sober and discreet style is preferred.
- Store personnel approach. There are a limited number of sellers who specially dedicate themselves to keeping the goods available in order. The seller approach toward the customer is not intrusive. Only in case a customer requires the seller's help, he/she responds to the client's need. This is what generally happens in Armani or Hugo Boss branded stores.

2) Down market brands. In this case the offer is composed of a brand targeted to a lower range of customers. Sometimes, a specific factory outlet production is implemented. In this case, the items are not sold in high street stores. Generally, the aim of the tenants is to eliminate the potential competition that exists between the high street product and the factory outlet offer. This is possible by communicating that the stores offer two different kind of products, and by making a most rigid demand. In order to keep a low level of production costs, only some small changes to the two collections are made.

In this case, in-store communication is more gaudy if compared with fashion brand stores and the seller has a direct approach with customer in order to persuade him/her to buy the product.

Figure 9: Places where people do shopping, per location

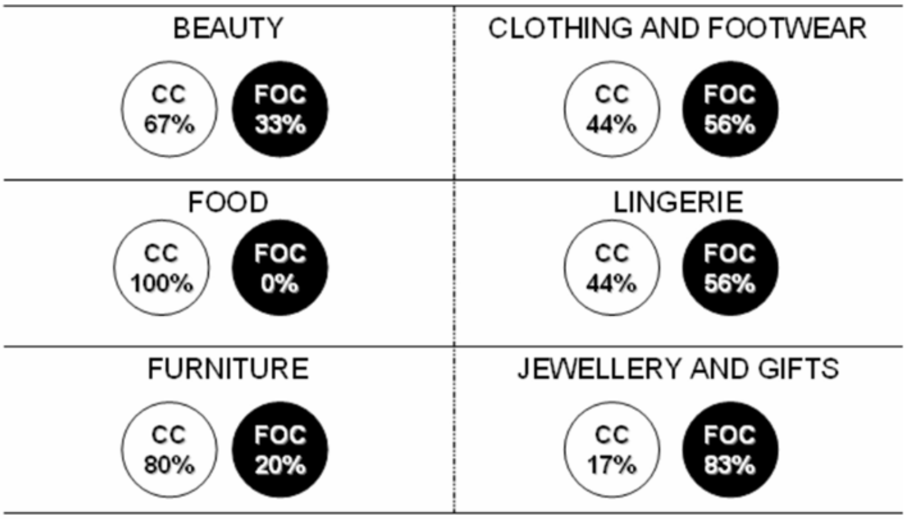
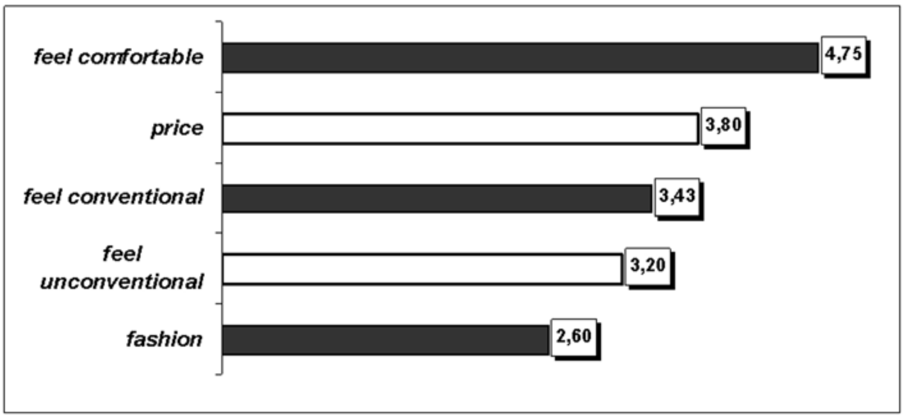


Figure 10: Priority given by customers to elements when buying clothes and accessories



CONCLUSIONS

From this research it can comes out that, in the beginning, the most important factor that was able to influence the decision of consumers to go to factory outlets was the possibility of saving money. This was possible because a significant discount from 30% to 70% was available on items also sold by high street shops. Nowadays, it can be argued that this trend is changing. First of all, the factory outlet setting seems to be very important. But also other factors like the care for displaying the goods or the approach of the sale personnel give an increasing attractiveness to the factory outlet. The structure of the new factory outlet looks like the one of a shopping centre, where its original appearance is going to be substituted by a modern shopping village.

However, the factory outlet is also becoming a tourist attraction, and for this reason it is located near places considered strategic from this point of view.

In this study a comparison between the customer's preference for city centre and factory outlet shopping experience is shown. A re-evaluation of city centre shopping can be underlined due to many council programmes aimed to revitalize them. This has been made possible by projects as stated below:

- Giving a functional asset to the urban trade structure by foreseeing sufficiently wide park area and facilities.
- Giving coherence to store offers by creating some “shopping directions” and allowing customers to live a complete shopping experience by revitalizing tourist historical attractions.
- Giving coherence to some aspects of the city centre stores organizazion, by foreseeing the same opening times or by planning common promotional projects.
- Offering a heterogeneous assortment of merchandise and services (for example, not only handicraftsmen, but also local travelling market).

From this research, it can be highlighted that factory outlet development does not seem to be in competition with city centre stores. This is rather due to a general project of revitalization the councils are foreseeing for their city centre; this has also led a new plan of local trade offer and facilities. In the UK, Liverpool One can be cited as an example of this trend. This is the biggest project of urban revitalization in progress in Europe financed by private capital. It foresees to develop in the urban area not only 600 new apartments but also department stores, luxury stores and new hotel and restaurants.

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CONSUMER ATTITUDE-BEHAVIOUR GAP AND ETHICAL IMPLICATIONS IN THE CONTEXT OF PACKAGING CHOICE

NIKOLA DRASKOVIC
LEEDS METROPOLITAN UNIVERSITY, UK

JURICA PAVICIC
UNIVERSITY OF ZAGREB, CROATIA

NIKSA ALFIREVIC
UNIVERSITY OF SPLIT, CROATIA

KRESIMIR ZNIDAR
VALICON, PLC., ZAGREB, CROATIA

Abstract

Public interest in environment preservation and sustainability is increasing and consumers are more and more aware of their actions and how their decisions in the consumption process are having effect on the environment. Environmental issues resulted in environmentally responsible consumers because, through the years, many consumers realised how their purchasing behaviour affects the environment. Modern packaging is a part of the company's marketing effort that has become increasingly important in consumer need satisfaction, cost savings, and the reduction of package material usage leading towards environment preservation but also to substantial improvements in corporate profits. Packaging is having tremendous impact on consumer thanks to its communicational aspects. Furthermore, different types of packaging in terms of size and/or packaging material are having different level of impact on the environment and are also differently contributing to the corporate profits. Therefore, it could be assumed that producers will favour the type of packaging that will provide better profits but also maintain profitable marketing exchange relationships with consumers. Consumer's motivational set and ethics differs from the corporate and could be assumed to be more pro-environmental. Recent research shows an increasing number of consumers who are willing to pay more for environmentally friendly products. However, there are often proofs of inconsistency between attitudes and behaviour. The main purpose of this paper is to analyse the attitude-behaviour gap in the context of packaging choice. In this paper, authors will try to determine variables that are main moderators of consumption behaviour and consumer ethics in the relation with the packaging choice. The findings will help to understand the roots of attitude-behaviour gap but also will try to provide suggestions how to minimise the influence of the gap in academic context.

Keywords: attitude, behaviour, consumer ethics, packaging

Introduction

Authors of this paper also experienced several cases of the attitude-behaviour gap during their research work. For example, consumers are through the set of indirectly formulated questions favouring one product or packaging type over another but later on they are giving completely opposite answers to direct questions related to the same topic. If the gap is not detected on time and approached in the right direction, the whole research is definitely going to have a very doubtful value. The main purpose of this paper is to analyse the attitude-behaviour gap, especially in the context of consumers choosing one packaging type over another. In this paper, authors will try to determine variables that are main moderators of consumer behaviour and consumer ethics in the relation with the packaging choice. The findings will help to understand the roots of attitude-behaviour gap but also will try to provide suggestions how to minimise the influence of the gap in academic context. At this early stage only literature review is utilised in order to provide a theoretical framework for possible future empirical research.

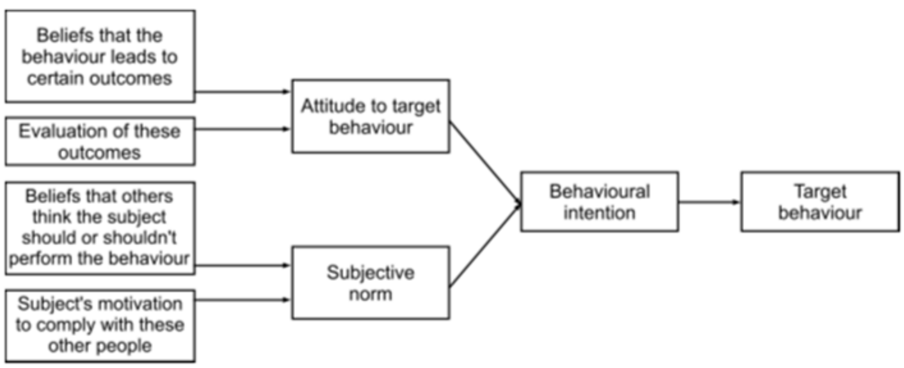
Consumer attitudes and behaviour

Consumer behaviour consists of psychological and social processes people undergo in the acquisition, use and disposal of products, services, ideas and practices (Bagozzi, Gürhan-Canli and Priester, 2002). It is a dynamic interaction of affect and cognition, behaviour, and the environment by which human beings conduct the exchange aspects of their lives (American Marketing Association, 2008). One common goal for both practitioners and theoreticians is to be able to predict consumer's behaviour. Many people assume that attitude will guide behaviour, that the things that individuals and groups say will subsequently affect the things they do, but behaviour also affects attitudes (Wright, 2006). So, it is not a one way process. Furthermore, multiattribute models used by consumer researchers for many years proved in many cases that knowledge of a person's attitude is not a very good predictor of behaviour (Solomon, Bamossy & Askegaard, 2002). Traditionally, psychological research has explored the role of attitudes, values, and knowledge in understanding consumer behaviour, but situational factors also matter and they could block certain behaviour and undermine the influence of positive attitudes (Tanner & Wölfing Kast, 2003). Some researchers also prefer an approach that holds that human behaviour is subjected to numerous personal and/ or contextual barriers (Tanner, 1999; Gardner & Stern, 1996; McKenzie-Mohr, 2000).

Theoreticians tried to explain the relation between consumer's attitudes and behaviour by various models. Probably one of the most popular models is the theory of reasoned action which is fairly based on psychology and other basic and applied disciplines (Ajzen & Fishbein, 1980; Fishbein & Ajzen, 1975). The original tri-component model has been extended by the inclusion of what other (relevant) people might be perceived to think about the topic or object (Evans, Jamal & Foxall, 2006). However, the model is not perfect but its ability to predict relevant behaviour has been improved (Holbrook & Havlena, 1988).

The model predicts behaviour by intention to perform the behaviour which is influenced by two components: attitude towards the behaviour and subjective norm. Attitude towards the behaviour is predicted by salient beliefs about the outcome of a behaviour, weighted by the subjects' estimation of the likelihood that performing that behaviour will result in a given outcome, while subjective norm is predicted by normative beliefs about what salient referents would advise, modified by respondents' motivation to comply with the advice of those referents (Thompson, Haziris & Alekos, 1994).

Figure 1. Theory of reasoned action



Corporate social responsibility, ethics and environmental consciousness

Ethics could be considered as set of principles that people use to decide what is right and what is wrong (Macmillan English Dictionary, 2002). A number of empirical studies support the claim that environmental attitudes regarding everyday consumer behaviour are morally based (Black, Stern, & Elworth, 1985; Guagnano, Stern, & Dietz, 1995; Stern, Dietz, & Black, 1986). However, it should be stressed that most of these studies focus on post-purchase behaviour (e.g. energy conservation, recycling) or civic activities (voting), while studies of the influence of moral concerns on consumer buying decisions with environmental implications are rare (Thøgersen, 1999; Hunt & Vitell, 1992).

The issue of whether ethical/moral enterprise behaviour is rewarded by ‘real’ (monetary) value is still out for the jury to decide, although it should be rather cautious when the socially responsible behaviour is to be compared to an extremely attractive price, or some other product/service feature, offered by an ‘unethical’ company. Some authors (Vogel, 2005) believe that there might be a business case for social responsibility, although limited by the actions of the competition which does not take environmental/social awareness into account. Therefore, the environmentally conscious strategy, as well as other strategies based on Corporate Social Responsibility (CSR) might be more of a focusing effort in the Porter’s strategy framework.

At the other hand, other authors demonstrate that, in general, socially responsible behaviour is, actually, positively linked to the financial performance, regardless of the industry and other characteristic variables, as well as that there is a causality between those two forms of performance (Orlitzky, Schmidt & Rynes, 2003). The referenced study builds upon the idea that the ethical behaviour of an organization provides it both with an enhanced knowledge of the environment and the positive reputation with its significant audiences, while the inconclusive findings of previous studies are attributed to methodological reasons. If those ideas are to be implemented in practice, the environmentally sound practices would be easier to ‘sell’ in the context of ‘green being good both for the environment and your profits’.

However, it seems that empirical research on the social responsibility – performance relationship still needs to be developed, as demonstrated by Roman, Hayibor & Agle (1999), who criticized early work in the field by reviewing a methodology of Griffin & Mahon (1997), who developed a classification of studies demonstrating positive, negative and inconclusive relationship between the social and financial performance. The specific applications of the socially aware business strategies, such as packaging decisions, are still characterized either by the dismissal of any social responsibility along the lines of Friedman’s (1970) argument, or applying the ‘NIMBY’ (Not-In-My-Back-Yard) attitude, versus the more involved approach, based upon the argument that social and environmental sensitivity of a business might, ultimately, lead toward a more profitable business.

Consumer attitudes and ethics in the packaging choice context

Thanks to its communicational aspects modern packaging is a significant part of the company’s marketing effort that has become increasingly important in consumer need satisfaction, cost savings, and the reduction of package material usage leading towards environment preservation but also to substantial improvements in corporate profits. Therefore, it could be assumed that producers will favour the type of packaging that will provide better profits but also maintain profitable marketing exchange relationships with consumers.

Different types of packaging in terms of size and/ or used packaging material are having different level of impact on the environment (e.g. Oertel, Peterman & Scherz, 2002; Selke, 1994) and are also differently contributing to the corporate profits. However, packaging is usually considered as waste after the product’s consumption took place. In the European Union (EU) the environmental issues related to packaging were raised by the European Community (EC) packaging directive accepted in 1994 (Rundh, 2005). The main goal of mentioned directive is to minimise the impact of packaging on the environment by recovery, recycling or by the utilisation of returnable packaging. Studies had shown that the usage of returnable packaging results with lower energy consumption together with the raw materials conservation (Selke, 1994) but this is not applicable for all product categories. The EC directive has stipulated precise quotas for the recycling and recovery of particular packaging materials for all of the member countries. Environmental issues raised through media resulted with environmentally responsible consumers. Through the years, many consumers realised how their purchasing behaviour affects the environment and there is an increasing number of consumers who are willing to pay more for environmentally friendly products (Laroche, Bergeron and Barbaro-Forleo, 2001). The companies reacted to that with the introduction of environmentally friendly type of packaging which have also become an important diversification attribute for marketing communications aimed at the environmentally conscience consumer.

Environmental consciousness requires some level of information regarding the topic and particular ethical sensitivity. Unfortunately, producers and consumers do not necessary express the same level of ethical perception of product packaging issues since their ethical sensitivity, values, (industry) norms and perceived consequences differ (Bone and Corey, 2000). Objectives are usually different, so the behaviour of producers and consumers also differs. However, in order to minimize the environmental impact there is a trend of packaging downsizing in terms of quantity of used material (Geiselman, 2005). But, it needs to be emphasised that ethical and environmental behaviour could be achieved only through a number activities and efforts done by both consumers and companies. Alterations in consumer's attitudes, beliefs, and behaviours may stimulate changes in the political and economic systems, which in turn might encourage lifestyle changes and, on the other hand, product manufacturers can affect the market and consumers by encouraging new developments (Tanner & Kast, 2003). Despite some barriers, it seems that there is considerable potential for more ethical and environmentally conscious consumer behaviour to develop.

Consumers' packaging choice is generally assumed to be a purely economic decision, made by balancing expected costs and benefits like convenience, aesthetics or price (Thøgersen, 1999). However, the alternative packaging needs to be offered to the consumers, in order to test such a hypothesis, which is often not the case. The FMCG (Fast Moving Consumer Goods) manufacturers/distributors rarely offer a 'greener' packaging option (such as an easily recyclable container, produced of paper/textile/glass, as opposed to the plastics and similar material), even if the consumers are willing to pay an increased price. Tradition in making packaging and marketing choices, even fears of disturbing the brand image might be at play here, although regulation/enforcement is often expected to provide a solution. However, this can only be achieved through informed customer buying decisions, as demonstrated by the empirical study on the effects of introducing regulation related to mandatory packaging recycling (in line with the previously mentioned EU directive) in Croatia. Although it was restricted to beer industry only, the study (Drašković, Pavičić & Gnjidić, 2007) demonstrated that, although the average prices for both kinds of beer packaging (returnable, as well as non-returnable) were significantly increased, the consumers did not react by significantly changing their buying behaviour and, thus, effectively supported the 'green' regulation. Although the empirical study did not look into the consumer attitudes related to this actual case, their actual behaviour actually supports the environmentally-friendly regulation, which only affirms the idea that, still, a lot of work needs to be done in analyzing the relationship between the (formally expressed/measured) attitudes and actual consumer behaviour.

Conclusion and research prepositions

The attitude-behaviour gap in the context of analyzing the 'green' product features proves to be a rich field for further empirical studies, as demonstrated by the existing, partial empirical studies related to the relationship between the attitudes and the resulting behaviour in the context of 'green' product packaging choice. This line of research might be also important for further improvement of research in the related field of corporate social responsibility, which is reflected by the practical packaging choices offered to consumers and, ultimately, caused by preconceptions related to the social role of business and the social – financial performance relationship.

Therefore, a more systematic empirical research project should be directed toward the attitude-behaviour gap problem in the specific field of buying behaviour related to 'green' and/or products certified as produced by 'socially aware' practices (not involving any discrimination of workforce, or other ethically questionable management practices, usage of child labour, etc). Such a project could be designed along the lines of qualitative methodology, which would be applied to a representative sample of contemporary consumers, in order to believe a rich set of data, explicating the consumer choices and motivation in different contexts. Namely, the traditional, quantitative surveys, providing only a limited opportunity for understanding the prerequisites and 'triggers' for consumer action, only seem to intensify the discussed problem.

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CUSTOMER-TO-CUSTOMER INTERACTIONS: EXAMINING CONSUMER BEHAVIOUR IN HOTELS IN CYPRUS

ELISA BOSIO
UNIVERSITY OF NICOSIA, CYPRUS

BARBARA LEWIS
UNIVERSITY OF MANCHESTER, UK

Abstract

Interactions between customers and employees have been well researched within the services literature but customer-to-customer interactions have received less attention from academics and researchers. Nevertheless, millions of customer-to-customer interactions occur on a daily basis in numerous service settings. Through their behaviour, or indeed their mere presence, customers may influence, either positively or negatively, the service experienced by themselves and others. Existing literature has centred primarily on customer-to-customer interactions in the retail context. As such, customer-to-customer interactions within service settings remain relatively under researched.

This research examines interactions between hotel guests holidaying in Cyprus, in order to gain a better understanding of customer-to-customer interactions within the hotel service setting. Hotel guests were interviewed using the Critical Incident Technique and asked to recount satisfying and dissatisfying experiences with fellow hotel guests.

Predominantly positive, interactions between hotel guests include the exchange of greetings and pleasantries, as well as mutual assistance. Hotel guests can spend extended periods of time speaking to other hotel guests while lounging around the swimming pool or relaxing in the foyer. Topics of discussion range from sharing information about the hotel to chatting about family, food and football. Hotel guests appear comfortable asking other hotel guests for help in the absence of a service provider. Furthermore, hotel guests may actively offer assistance to other hotel guests. Bad hygiene, public littering and rudeness and poor manners are rated as the most annoying hotel guest behaviours.

In general, interactions between hotel guests are considered to be friendly and pleasant experiences and can contribute to the overall enjoyment of the service experience. Therefore, it is recommended that hotel service providers encourage positive interactions between hotel guests. Given the important social element identified in this study, future researchers may wish to examine customer-to-customer interactions in different service settings.

Key words: customer-to-customer interactions, hotel industry, services marketing, Critical Incident Technique

Introduction

In most service environments there is an interaction between customers. The interactions occur along a continuum from the mere observation of other customers in the service setting, to asking a fellow customer for an opinion concerning a potential purchase, to greeting and continuing a relationship formed primarily in the service setting. (Moore et al., 2005, p. 488)

The role of customer participation in service delivery has been recognised for a number of decades by researchers in both the services marketing and services management literature. Due to the characteristics of services, such as heterogeneity and inseparability (Bateson, 1985), Zeithaml and Bitner (2003, p. 352) point out that, on some level, “customer participation is inevitable in service delivery”. Customer participation can contribute to the overall satisfaction experienced and the quality of the service received (Zeithaml and

Bitner, 2003). Despite the prevalence of services literature regarding customer participation and behaviour, most studies concentrate on customer-to-employee interactions, overlooking customer-to-customer interactions (Moore et al., 2005). This is perhaps due to the fact that customer behaviour is one of the hardest aspects for a service provider to control (Baron and Harris, 2003). Nonetheless, Martin and Pranter (1989) describe customer-to-customer interactions as a real and widespread phenomenon, going as far as to say that other customers in the service environment are part of the service.

Millions of customer-to-customer interactions take place every day in many service settings, including hotels, airports, sports clubs and universities. Moore et al. (2005, p. 482) believe that "other customers can add to the consumption experience beyond the typical benefits associated with the service provider and the service itself". Through favourable customer-to-customer service interactions, customers stand to gain both emotionally and socially. Thus, such interactions within service settings should not be ignored.

Literature Review

Although the number of customer-to-customer interactions which take place every second, across countless service environments, is staggering, researchers agree this aspect of the service encounter has been somewhat overlooked in the services literature (Martin, 1996; Baron and Harris, 2003; Moore et al., 2005). Customer-to-customer interactions can range from being "casual, brief encounters, to pleasant banter, to hostile exchanges", and are "part and parcel of the customer's total experience with the firm" (Martin and Clark, in Iacobucci, 1996, p. 342).

Martin and Clark (in Iacobucci, 1996) set out to examine this relatively under-researched area, observing certain differences between customer-to-employee and customer-to-customer interactions. For one, in most service and retail environments, the volume of customer-to-customer interactions is significantly greater than those occurring between customers and employees. The number of customer-to-customer interactions is further influenced by the nature of the service. Certain services, such as restaurants, bowling centres and theme parks are often frequented by groups of consumers, thereby increasing the occurrence of customer-to-customer interactions. Another distinction noted, is that the information exchanged between customers is usually wide-ranging when compared to that exchanged between customers and employees. Moreover, customer-to-customer interactions tend to be social in nature.

Research by Martin and Pranter (1989) and Martin (1996), conducted in various service settings, such as bars, airports and health clubs, set out to identify and classify customer behaviours which resulted in positive, as well as negative customer-to-customer interactions. Martin and Pranter (1989) identified that, among others, crying infants, smoking, rudeness, and crowded environments, could cause feelings of dissatisfaction among customers. The satisfying behaviours recorded related mainly to the absence of negative behaviours.

Grove and Fisk (1997) sought to identify the impact of customers' behaviour on other customers' perceptions of the service experience, by examining customer interactions at a popular theme-park in Florida. They identified two types of interactions: protocol incidents and sociability incidents. Protocol incidents included behaviours by others which went against expected codes of behaviour, either positively or negatively, whereas sociability incidents related to customers' perceptions of the friendliness and consideration (or lack thereof) displayed by others.

McGrath and Otnes (1995) attempted to examine whether or not behavioural influences existed between strangers and what their behavioural roles were in the retail setting. They ultimately identified eleven types of stranger influences: help seeker, reactive helper, proactive helper, admirer, competitor, complainer, follower, observer, judge, accuser and spoiler. In a later study, Parker and Ward (2000) ascertained that these roles were also present in the UK context.

Some researchers have attempted to study the content of customer-to-customer conversations. Martin and Clark (in Iacobucci, 1996) explained that such conversations can be task related, non-task related, or a combination of the two. Task related interactions are directly connected to the purchase and consumption of goods or services; while non-task related conversations typically consist of idle chit-chat about the weather, current events, or customers' family members. Harris et al. (1995) and Baron et al. (1996) also investigated the content of customer-to-customer conversations, focusing on an IKEA store in the U.K. Using content analysis, Baron et al. (1996) identified five main categories of discussion that customers were likely to engage in. These were product-related discussions (including product advice), requests for directions, physical assistance or procedures, and other matters, such as pleasantries, mutual moans and grumbling with other customers.

It is important to note that an overwhelming majority of the customer-to-customer encounters consisted of positive interactions, as less than 8% of these were deemed negative (Baron et al., 1996). Parker and Ward (2000) presented four positive outcomes of customer-to-customer interactions: increased knowledge, improved purchase decisions, greater social involvement, and increased enjoyment of the service experience.

Baron et al. (1996) noted that customers were often willing to provide other customers with the same type of information that employees had been paid and trained to supply. Customers offered personal opinions about products without having undergone any training or claiming monetary rewards, displaying knowledge which "parallel[ed] that of contact personnel" (Baron et al., 1996, p. 86). Customers are considered to be more credible than employees since "the absence of a profit motive will lend credibility to their advice" (Adelman et al., in Rust and Oliver, 1994, p. 158). Moreover, in an ethnographic study of interactions within the UK rail travel system, Harris and Baron (2004) highlighted the "stabilising effect of conversations between strangers" (p. 294) apparent in three different areas: consumer risk/anxiety reduction, the performance of the partial employee role, and the supply of social interaction.

Previous studies have examined customer-to-customer interactions in a variety of different retail and service settings, including shopping malls (Bloch et al., 1994), bowling alleys and restaurants (Martin, 1996), theme parks (Grove and Fisk, 1997), DIY and furniture stores (Harris et al., 1999), garden centres (Parker and Ward, 2000) and women's clothing stores (Harris et al., 1997; McGrath and Otnes, 1995). Each retail or service setting possesses a specific physical environment, which may be unique to the retailer or service provider.

The effects of physical environment, or "servicescape", on customers' perceptions and behaviours have been well-documented (e.g. Donovan and Rossiter, 1982; Bitner, 1992; Wener, in Czepiel et al., 1985; Mattila and Wirtz, 2001). Donovan and Rossiter (1982) found that the physical environment of retail stores could affect customer behaviour, thereby "encouraging and nurturing particular forms of social interaction among and between customers" (Aubert-Gamet and Cova, 1999, p. 39). Harris et al. (1995) suggested that, when designing the servicescape, service providers should give careful consideration to the degree and type of customer-to-customer interactions they hope to facilitate and, thus, provide the appropriate environmental cues and props.

One of the most noteworthy outcomes of customer-to-customer exchanges is the element of social enjoyment that customers derive from their interactions. Aubert-Gamet and Cova (1999) refer to the "historical importance" of the marketplace (or agora), stressing that the "environment is not spatial but social"; that the "post-modern individual seeks out service settings less for their use-value (functional or symbolic) than for their "linking value" in order to satisfy his or her need for community" (p. 38).

Several studies have acknowledged the social impact that customer-to-customer interactions have on participants (Harris et al. 1995; Baron et al. 1996; Harris and Baron, 2004). Customers engaging in customer-to-customer conversations, in the retail setting, were more likely to "view shopping as a social occasion and to believe that talking to other customers increases enjoyment" (Harris et al., 1995, p. 72). More recently, Harris and Baron's (2004) investigation of customer-to-customer interactions in the U.K. rail travel setting showed that social interaction, in the form of conversations between strangers, contributed to passenger enjoyment.

The results of a pilot study by Parker and Harris (1999) highlighted the high occurrence of stranger interactions. Using the critical incident technique, they discovered that 78% of spontaneous conversations between strangers took place in "commodified" space; concluding that strangers are more likely to interact in service environments, such as retail stores and restaurants, rather than in public spaces. Given the crime risks commonly associated with the latter, individuals are more prone to talk to strangers in spaces "owned and managed for commercial gain" (p. 248). According to Forman and Sriram (1991), retail settings (e.g.

coffee shops, banks and dry cleaners) provide individuals with a relatively non-threatening environment in which to initiate social contact.

Martin and Clark (in Iacobucci, 1996, p. 362) warned that marketers could not afford to "ignore or passively acknowledge" customer-to-customer interactions. Therefore, whether in the service or retail setting, the further study of customer-to-customer interactions is a worthwhile and pertinent endeavour.

Research Objective and Setting

The literature reviewed highlighted that research into the effects of customer-to-customer interactions remained scant, especially in relation to service contexts. Additional studies are necessary in order to examine the nature of customer-to-customer interactions in various service settings (e.g. Parker and Ward, 2000). The hospitality industry, and more specifically, the hotel service setting, was selected as the context within which to further examine customer-to-customer interactions. This led to the formulation of the following research objective:

- To understand and interpret customer-to-customer interactions within the hotel service setting in Cyprus.

The hospitality industry is considered to be the world's largest industry. While customer-to-customer interactions have already been examined in certain hospitality industry settings such as restaurants (Martin and Pranter, 1989; Pranter and Martin, 1991) and amusement parks (Grove and Fisk, 1997), limited attention has been given to customer-to-customer interactions in the hotel service setting. The hotel context was chosen due to vital features such as close customer-contact and economic importance (Harris and Reynolds, 2003). The island of Cyprus was selected as the location in which to interview hotel guests about their interactions with other guests. A popular holiday destination, Cyprus is largely dependent on its tourism industry. In fact, tourism revenue accounted for 42.9% of the total foreign exchange earnings from the export of goods and services in 2003 (Mintel, 2004). A 5-star hotel and a 3-star hotel, located in one of the island's most popular beachside resorts, served as the setting for this research study. Both hotels offered a similarly wide variety of facilities in which customer-to-customer interactions might occur.

Research Methodology

Previous studies utilized a variety of research methods in order to examine the nature and outcome of customer-to-customer interactions, but the predominant methodology employed was qualitative in nature. Given the complex nature of customer-to-customer interactions, face-to-face interviews were considered to be the most suitable form of data collection for the present study.

The Critical Incident Technique

"The critical incident technique, rather than collecting opinions, hunches, and estimations, obtains a record of specific behaviours from those in the best position to make the necessary observations and evaluations."

(Flanagan, 1954, p. 355)

The principal research method used in this study was the Critical Incident Technique (CIT). Grove and Fisk (1997) utilised this method to effectively investigate customer-to-customer interactions in another service setting – a U.S. theme park. Developed over 50 years ago by Flanagan (1954), the CIT has been employed in the study of various services marketing and management issues; in particular, service failure and recovery (Bitner et al., 1990; Bitner et al., 1994; Harris and Reynolds, 2004; Chung-Herrera et al., 2004). Previous studies have shown that the CIT can yield reliable and valid results (Andersson and Nilsson, 1961, as cited in Bitner et al., 1990; White and Locke, 1981).

A critical incident is described as one that makes a significant contribution, either positively or negatively, to an activity or a phenomenon about which relatively little is known (Bitner et al., 1990; Grove and Fisk, 1997). Thus, in the context of this research, a critical incident is described as either a positive or a negative interaction between a hotel guest and another guest, which is particularly memorable. When using the CIT, participants are asked to recall such incidents relating to the specific experience being studied; thus, producing "rich details of firsthand experiences" (Bitner et al., 1994, p. 97). One drawback, however, is that it relies on the participants' memory of events and requires accurate and truthful testimonies

(Gremler, 2004). This can often be overcome by asking participants to describe recent incidents.

Using the CIT, hotel guests were asked to think of a time during their stay at the hotel when they had a particularly satisfying interaction with another guest at the hotel. They were then asked to describe when the incident occurred and what specific circumstances led up to it. In addition, hotel guests were also asked to recount a particularly dissatisfying interaction with another guest at the hotel (see Figure 1). Most of the interviews were conducted around the outdoor swimming pool area, while a small number took place in the foyer.

Think of a time when, as a guest at this hotel, you had a particularly satisfying/dissatisfying interaction with another guest at the hotel.

a) When did this incident happen?

b) What specific circumstances led up to this situation?

c) Exactly what did the guest say or do?

d) What resulted that made you feel that the interaction was satisfying/dissatisfying?

Figure 1: CIT Questions

Think of a time when, as a guest at this hotel, you had a particularly **satisfying/dissatisfying** interaction with another guest at the hotel.

a) When did this incident happen?
b) What specific circumstances led up to this situation?
c) Exactly what did the guest say or do?
d) What resulted that made you feel that the interaction was **satisfying/dissatisfying**?

Data Analysis

A total of 38 face-to-face interviews were conducted with British hotel guests residing in the two hotels over a period of one week in June 2006. Cyprus is one of the top ten holiday destinations among British holidaymakers, attracting 1,115,000 in 2004 (Mintel, 2005). Consequently, British holidaymakers represent over half (58%) of the total tourist arrivals into Cyprus.

Twenty three interviews were carried out in the 5-star hotel, while the remaining 15 took place in the 3-star hotel. A total of 66 useable critical incidents were collected. Thirty seven critical incidents were obtained from guests staying at the 5-star hotel while 29 were provided by guests staying at the 3-star hotel. A total of 49 (74.2%) incidents were associated with satisfying customer-to-customer interactions and 17 (25.7%) with dissatisfying interactions. Twenty three (60.5%) respondents were female and 15 (39.5%) were male. Respondents varied from 19 years old to over 66 years old.

The critical incidents collected from the hotel guests were analysed using content analysis, a common procedure when analysing interview data (Malhotra and Birks, 2006) collected through the CIT (Gremler, 2004). To ensure the stability of the research findings, the researcher coded the critical incidents twice. To ensure reproducibility, the critical incidents were first coded by the researcher and then recoded by a second independent judge. Once the researcher had categorised all the critical incidents, the independent judge used these categories to also place the critical incidents. A high level of agreement was obtained between the two classification sessions.

Customer-to-Customer Interactions: A Real Phenomenon within the Hotel Service Setting

Baron and Harris (2003) describe customer-to-customer interactions as the neglected dimension of the service encounter. Nonetheless, interviews with hotel guests confirmed that customer-to-customer interaction is a “real and widespread” phenomenon (Martin and Pranter, 1989, p. 6) within the hotel service context. Interactions between hotel guests proved to be quite common, attributable to the nature of the service setting in question. The hotel environment exhibited some of the service characteristics which encourage customer-to-customer interaction as outlined by Martin and Pranter (1989), including the close proximity of hotel guests to one another and the fact that they had to share time, space and hotel facilities.

Certain hotel facilities stood out in terms of hosting and encouraging customer-to-customer interactions. The facility which inspired the most interactions was the outdoor swimming pool area where hotel guests spent many hours daily lounging on sun beds placed close together. Thus, customer-to-customer interactions that occur between hotel guests in this location may persist for a substantial amount of time as the following quote illustrates:

Yesterday we had a good chat with some people next to us by the pool. We were chatting away for about an hour.

Guests of both hotels described incidents which took place in the hotel restaurants, either during breakfast or dinner. Typically, such incidents involved customers chatting with one another while in queue at the buffet. The hotel lift was the third most cited place mentioned by participants. One respondent went as far as to describe the lift as "a great social place". The hotel bar, lounge, foyer and reception area also stimulated interaction between hotel guests. Thus, the hotel environment – through its numerous amenities – clearly encourages customer-to-customer interactions between guests.

The Nature of Customer-to-Customer Interactions in Hotels

The majority of critical incidents (49 of 66, i.e. 74.2%) provided by hotel guests residing in the two hotels proved to be positive incidents. Respondents often commented that other guests were "friendly" and described their interactions as "fun" and "nice". Thus, the critical incidents demonstrated that the majority of customer-to-customer interactions between hotel guests were sociability incidents. Grove and Fisk (1997, p. 74) explain that sociability incidents, in which customers are affected by the amicability of others, can leave customers experiencing a "warm feeling" towards their fellow customers. One respondent, an elderly woman, was especially touched by an interaction which took place between herself and another couple with their eighteen month old daughter during breakfast. She comments:

They were trying to feed her and she was being fussy and I said, "These grown ups are trying to make you eat when all you want is a drink". Then she grabbed hold of my hand and wouldn't let go. She was giggling and laughing. It was so funny; it was a moment you'll remember forever.

In analysing the nature of the critical incidents collected, interactions between hotel guests were classified into three broad categories: the exchange of greetings and pleasantries, engaging in mutual moans, and offering physical and informational assistance.

Greetings and Pleasantries

The simplest form of verbal customer-to-customer interaction identified in the hotel setting involved the exchange of greetings, such as "hello", "good morning" and "have a good day". Customer-to-customer interactions between guests also consisted of pleasantries. The topics discussed between them ranged from trivial matters, such as the weather, to important discussions regarding the buying of property in Cyprus. The duration of these conversations varied from a few seconds in the lift to over an hour by the swimming pool. This finding corresponds with those of previous studies. In studying customer-to-customer encounters in a U.K. garden centre, Parker and Ward (2000, p. 353) pointed out that a respondent felt she was more likely to talk to other customers in environments in which she had "a bit of time". Individuals undoubtedly spend longer periods of time in hotels when on holiday compared to the time they would spend in a retail store.

Mutual Moans

Customer-to-customer interactions between hotel guests consisted of occasional "mutual moans and groans" (Baron et al, 1996). Harris and Baron (2004) discovered that "for many [U.K. rail travellers], the opportunity to discuss and share frustrations with fellow passengers improved their service experience" (p. 297) and "provided a mechanism for tolerating service inadequacies" (p. 300). The same was found to be the case among guests in the hotel setting. It should be noted that critical incidents which described such mutual moans were provided by guests when asked to recall a satisfying customer-to-customer interaction with another guest. Rather than being seen as a negative or dissatisfying experience, hotel guests seemed to appreciate indulging in mutual moans with fellow guests. These mutual moans came to be regarded by guests as pleasant or satisfying interactions.

Assistance to Fellow Guests

Three categories of assistance were identified. The predominant type of help provided was in the form of physical assistance. Examples included helping two women who were struggling to raise a heavy umbrella over their sun beds, and helping a disabled man into the lift. Secondly, hotel guests sometimes provided other guests with information, ranging from the slightly trivial (helping other guests to come up with the answers during a hotel quiz night) to the very useful, illustrated by the following example:

The lift was broken and we had to walk down the twelve flights of stairs and two men had walking problems. Then when we went from dinner the lifts were working so we went back and told them that they were working. So they didn't think they had to walk up the stairs. It was nice just helping them out.

Finally, the third type of assistance identified involved hotel guests offering directions to other guests. In one reported case, a young man asked a guest for directions to the hotel lobby, while in another case, a guest provided a woman with directions to the nearest ATM.

Dissatisfying Customer-to-Customer Interactions

Generally, the customer-to-customer interactions identified proved to be satisfying and pleasant experiences, with interactions between hotel guests contributing to the social enjoyment of the service experience. Several guests struggled to recall dissatisfying incidents with many stating that they had not experienced any negative interactions. Nonetheless, approximately one quarter of the critical incidents collected revolved around dissatisfying customer-to-customer interactions, which provided some insight into the types of hotel guest behaviours which can negatively affect the service experienced by other guests; including noisy and disruptive children, overcrowding and the disregard for public hygiene.

The Social Importance of Interactions between Hotel Guests

Given the relaxing and calming nature of the hotel service setting, it was not surprising that most of the critical incidents cited by hotel guests described satisfying incidents (74.2%) as opposed to dissatisfying ones (25.8%). The critical incidents showed that guests compared notes with one another regarding the hotel. Martin and Clark (in Iacobucci, 1996) indicate that the information exchanged between customers is usually wide-ranging, evidenced when examining hotel guests' critical incidents. Conversations between guests are not limited to discussions about the hotel in which they are staying, but may also involve other hotels, restaurants and tourist attractions. Therefore, interactions between guests on holiday can influence their behaviour, and impact, not only the hotel service provider, but a large number of service providers within the surrounding area.

Moore et al. (2005, p. 484) believe that "in certain service settings other customers are essential inputs to the service experience". This seems to be the case within the hotel service context. According to one guest, interacting socially with fellow guests was a "nice experience". Grove and Fisk (1997) noted that sociable interactions with customers in a service setting could sometimes result in temporary friendships. Once again, this proved to be the case within the two hotels as respondents described "chatting fairly regularly" with other guests. In fact, customer-to-customer interactions were not limited to the hotel itself. One hotel guest explained how she and her husband had met another couple through their children who were playing with each other by the swimming pool. She elaborates:

One night after dinner we just went and had a few drinks […] up the road. Now we pretty much see each other every day round the pool and every evening.

As this quote illustrates, interactions between hotel guests which originate within the hotel may continue outside the hotel as a result of the temporary friendships formed. Additionally, customer-to-customer interactions between hotel guests may span a period of minutes, hours or days, potentially lasting much longer than interactions between customers in the retail setting.

Conclusions, Implications and Suggestions for Future Research

The numerous social interactions described by respondents have led to the conclusion that customer-to-customer interactions within the hotel service setting are indeed "essential inputs to the service experience" (Moore et al, 2005, p. 484), with conversations between hotel guests adding to the total holiday experience. The fact that guests struggled to recall dissatisfying incidents during their interviews points to the strength of the social impact customer-to-customer interactions produce within this setting. These findings directly support Martin's (1996, p. 165) viewpoint: that service providers may benefit from a "heightened […] sensitivity to customer interactions". More importantly, they also support Parker and Ward's (2000, p. 351) belief that customer-to-customer interactions play a positive role in "improving the quality of the service experience and, in many cases, life in general".

This paper highlights that customer-to-customer interactions are actively present within the hotel service setting in Cyprus. Hotel managers need to have a clear awareness of the ways in which customer behaviour can impact the service experienced by their guests. By paying attention to this, hotel service providers can improve the service offering and, in turn, increase profits. Instead of viewing customer-to-customer interactions as spontaneous events which cannot be managed, service providers can manipulate service environments in order to facilitate the management of these interactions, thus increasing the occurrence of positive interactions while minimizing negative ones. For example, additional sun beds can be placed a short distance away from the immediate swimming pool area for guests who are not accompanied by children. In this way, these guests avoid being bothered by noisy children playing and splashing around in the swimming pool.

Service settings act as a third place (in addition to the home and work place) for individuals to interact with one another. In particular, the hotel service environment is, in essence, an extension of the home; serving as a 'home-away-from-home'. As such, hotel managers have a social responsibility to provide guests with a safe place in which to interact with one another. Harris et al. (2000, p. 121) advocate that "making social responsibility an integral part of future strategies can be fully consistent with economic success". With this in mind, hotel service providers are advised to deliver service experiences which guests can enjoy safely.

This research has attempted to shed some light on the nature and effects of customer-to-customer interactions between British hotel guests on holiday in Cyprus. The research approach employed was largely exploratory. Thus, future researchers may attempt to replicate this study using a different approach (e.g. a large-scale quantitative survey). Moreover, all the hotel guests interviewed were from the U.K. Given the frequent mix of customer nationalities which exists in the hotel service setting, it would be extremely interesting to interview guests of different nationalities and carry out cross-cultural comparisons.

Customer-to-customer interaction remains an under-researched area, requiring investigation into the nature, volume and extent of such interactions in a number of retail and service settings. More specifically, given the potential impact that customer-to-customer interactions may have on customers' perceptions of the service experience, research is needed in order to determine which types of settings are most affected by this. In addition, future research could focus on identifying techniques which allow service providers and employees to "elicit desired customer interactions" while, simultaneously, training customers to interact appropriately with one another (Baron et al., 1996, p. 89).

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Autobiographical Note

Elisa Bosio holds a MSc. in Marketing (with distinction) from the University of Manchester. She is currently Marketing Officer at the University of Nicosia and is also assistant project coordinator on a UNDP-funded project, the Cyprus Youth Dialogue Project, which examines the aspirations and perceptions of young Cypriots today. Her research interests include customer interactions, consumer behaviour and the service industry.

University of Nicosia – 46 Makedonitissas Avenue, P.O. Box 14005, Nicosia 1700, Cyprus

Tel.: +357 22 841500, E-mail: bosio.e@unic.ac.cy

ADOPTION OF 'GREEN' PRODUCT INNOVATIONS IN CYPRUS: PERCEPTIONS AND ATTITUDES OF CONSUMERS

ATHANASIOS HADJIMANOLIS
EUROPEAN UNIVERSITY,CYPRUS

Abstract

The effects of several categories of variables on the ecological purchasing behavior of consumers are examined in the context of Cyprus. The latter is a small peripheral European country, where ecological products have relatively recently been introduced or are not yet widely known among consumers. Environmental attitudes, knowledge, and perceptions of product characteristics, as well as socio-demographic characteristics, are measured and their effects on actual ecological purchasing behavior are investigated. While some patterns are similar to those found in advanced industrialized countries, some interesting differences have also been found.

Keywords: consumer, ecological purchasing behavior, environmental attitudes, innovation.

Introduction

Both the media and the general public have become more sensitive to environmental issues during the last few years in many countries including Cyprus (Follows and Jobber, 2000, Jain and Kaur, 2004). This increased environmental sensitivity is frequently expressed through the willingness of at least some consumers to adopt innovative "environmentally friendly" products (Meyer, 2001).

"Green", "eco-friendly" or "environmentally friendly" products could be simply defined as those not (or at least less) polluting, consuming fewer non-renewable resources, more energy efficient or produced with environmentally friendly processes. They include products with environmentally friendly packaging (Laroche et al, 2001). They are either fast moving consumer goods (recycled paper, organic farming food products produced without pesticides and other chemicals, water-based paints instead of solvent based ones, etc.) or durable, energy-efficient goods (e.g. washing machines, driers, solar heaters, photovoltaic cells) (Martin and Simintiras, 1995).

Green purchasing is part of the general concept of environmentalism, i.e. protection of the environment. Responsible environmental behavior can be seen as a mixture of self- interest and pro-social motives related to the moral obligation to preserve the environment (Bamberg and Moeser, 2007). The proportion of consumers who realize that their purchasing behavior has an impact on ecological issues varies by country according to tradition, culture, values, and environmental regulations (Ip, 2003).

The paper refers to an empirical exploration of the factors, which influence the purchasing decision of "green" products (or from an innovation theory point of view, the early adoption or non-adoption of them) by Cypriot students as the representatives of the future generation of consumers. It is the first part of a wider study that attempts to investigate the attitudes of Cypriot consumers towards green purchasing. It will allow the comparison of the green purchasing behavior and attitudes of higher education students, as relatively more sensitive to environmental issues through their education, and the general public, which includes older generations perhaps less well informed about environmental issues. Younger consumers represent also the future of green consumption (Straughan and Roberts, 1999).

There have been many studies of the factors involved in the early adoption of green products as reported in the literature (Fraj and Martinez, 2007, Martin and Simintiras, 1995). There are fewer such investigations outside the main industrialized countries, while in Cyprus such research is probably non-existent or anyway rare. It is therefore worthwhile to carry out research on the environmental attitudes and purchasing behavior of Cypriot consumers, especially after the accession of Cyprus to the European Union, which shows increasing sensitivity on environmental issues. The importance of social context for green purchasing behavior is widely recognized in the literature (Olli et al. 2001).

Cyprus is a small, relatively affluent, country with rather weak contextual factors from an environmental point of view. Such factors like social norms and expectations, convenience of recycling, etc. are expected to have a strong effect on green purchasing decisions and may also affect personal factors (Stern, 2005).

The main research objectives are the following:

1. To assess the level of environmental awareness of students in Cyprus.
2. To assess whether the level of environmental awareness and positive attitudes affect the actual purchasing behavior of consumers.
3. To assess whether other (structural) factors (like product characteristics and socio-demographic variables) affect purchasing behavior.
4. To compare the survey results with results obtained in other countries.

Antecedents of green purchasing: a literature review

Despite the green trend in consumer values and attitudes there are significant barriers to the diffusion of ecological products. Such barriers include the reluctance of consumers to pay higher prices or accept sacrifices regarding the perceived quality, ease of use, etc. (Tanner, 1999, Vindigni et al, 2002). The slow change of consumption patterns has also been attributed to social comparison and imitation of “neighbors” using conventional rather than green products (Janssen and Jager, 2002). It is therefore interesting to investigate the factors that influence consumers and induce some of them to be innovators, i.e. early adopters of green products.

The usual approach in the majority of studies reported in the literature is to consider the environmental attitudes and the level of environmental knowledge of consumers in combination with socio-demographic variables as predictors of ecological behavior, in this case green purchasing (Fraj and Martinez, 2007). Some other studies use innovation diffusion models as a theoretical framework (Vindigni et al, 2002).

The current paper uses a theoretical framework based on the combination of two main theories. The planned behavior theory (an extension of the theory of reasoned action) of Ajzen and Fishbein considers psychological factors like perceptions, values, and attitudes (Ajzen and Fishbein, 1980, Ajzen, 1991). The innovation diffusion model of Rogers considers innovative product characteristics, communication aspects, and economic criteria for adoption (Rogers, 2003). Psychological factors, despite their importance, can not fully explain the ecological behavior. Economic considerations may even have a primacy over psychological factors for many consumers (Kalafatis, et al, 1999, Cleveland et al, 2005).

The theory of planned behavior is supposed to predict behavior given the attitudes, considering “intention” as an important intervening variable between attitudes and behavior (Ajzen, 1985, Fraj and Martinez, 2007). The main assumptions of this theory are the following:

a) People behave rationally and make systematic use of the available information.

b) People consider the implications of their actions before acting.

While various components of attitudes have been studied, perceived behavioral control (PBC) is considered as the single strongest predictor of green purchasing behavior (Straughan and Roberts, 1999). PBC expresses the belief of individuals that their actions can influence the outcome. In this case consumer purchasing actions can have a positive effect on the environment. Individuals who believe they lack the necessary resources and opportunities to perform an action are less likely to act despite their favorable attitudes (Kalafatis, et al, 1999). Intention to show ecological behavior has been found in many studies as strongly correlated to both attitudes and ecological behavior (Kaiser et al, 1999).

Roger’s innovation diffusion theory suggests that there are individual consumer differences in adopting or rejecting innovations (e.g. green products) due to personality differences, as well as, communication habits, socio-demographic characteristics, and perceptions of product characteristics (Schwarz, 2007). Product related characteristics can be thought of as attributes of innovation in terms of the diffusion theory of Rogers. They include:

- The "relative advantage" of the green product, i.e. cost/benefit balance against conventional products. (This includes aspects of social visibility and prestige, which are difficult to be measured).
- Complexity (difficulty to understand and use the green product or comprehend its environmental benefit)
- Observability, i.e. demonstration of environmental superiority (this can be related to the degree of skepticism of consumers regarding the environmental advertising claims about the product).

According to Rogers (2003) the cumulative number of adopters typically follows an S- shaped curve. Early innovators are more concerned for their personal needs and are actively searching for information about new products. They serve as models for less innovative people within their social networks (Janssen and Jager, 2002).

Socio-demographic characteristics have relatively limited utility (i.e. low bivariate correlations), as predictors of pro-environmental purchasing behavior, although due to their easy measurement they have been widely used in relevant studies (Schlegelmilch et al, 1994). Most studies have found positive correlations between education and green consumers' attitudes and behavior (Schwarz and Miller, 1991, Newell and Green, 1997). More educated people are expected to be more knowledgeable about the environment and more able to understand environmental information and effects of consumption on the environment (Olli et al, 2001). Mixed results are reported in the literature for the relationship of age to green purchasing behavior (Roberts, 1996). Females have been found more likely than males to be ecologically conscious (Banerjee and McKeage, 1994). Other studies have shown an uncertain relationship between gender and environmental behavior (Hines et al, 1987). Contradictory results have also been found regarding income level (Laroche et al, 2001).

Some studies have found environmental knowledge (eco-literacy) to be positively associated to pro-environmental behavior, while others not related (Hines et al, 1987, Laroche et al, 2001). Kaiser et al, 1999, suggest that specific knowledge about ecological behavior, rather than factual knowledge about the environment, is related to ecological behavior.

The extended model of green purchasing behavior used in this study forms a relatively novel approach to the green purchasing issue. It uses choice of ecological over conventional products and actual ecological behavior, i.e. actual past purchases of green products as the dependent variables of interest and four categories of independent variables as briefly described below. The latter variables combine psychographics with socio-demographics, eco-literacy, and product characteristics.

1. Socio-demographic variables (gender, age, education, employment status, etc.)
2. Degree of environmental awareness (level of knowledge about environmental issues or eco-literacy)
3. Product related characteristics
4. Consumer traits/psychological factors, i.e. environmental perceptions, feelings, intentions, and attitudes and perceived behavioral control (Hines et al, 1987).

Based on the literature review the following hypotheses/research propositions have been developed:

1. Demographics will affect both the intention to buy environmentally –friendly products and the actual purchasing behavior

- People with higher levels of family income will have a greater intention to buy and will be more likely to purchase environmentally friendly products.
- Younger people will have a greater intention to buy and will be more likely to purchase environmentally friendly products.
- Females will have a greater intention to buy and will be more likely to purchase environmentally friendly products.
- People with a higher education level will have a greater intention to buy and will be more likely to purchase environmentally friendly products.

2. People with favorable attitudes will have a greater intention to buy and will be more likely to purchase environmentally friendly products.

3. People with higher environmental knowledge levels will have a greater intention to buy and will be more likely to purchase environmentally friendly products.

Methodology

A sample of 186 students (both undergraduates and postgraduates), attending various business courses at a university in the Nicosia district of Cyprus, has been used. The sample was a judgmental (quota) sample balanced by taking into account gender and education level as indicated in Table 2 below in the results section, which illustrates the profile of the respondents. Initially 186 questionnaires were collected, but six of them were unusable due to extensive missing values, leaving 180 usable questionnaires.

The questionnaire has been designed in a self-completion format and the time for completion was designed at less than 10 minutes in order to secure the desired student participation. It has been pre-tested with 15 students and 5 expert researchers to spot any problems or weaknesses. It was then revised according to their comments and suggestions. Information collected refers to demographic data (age group, gender, study level, etc.) and attitudes, perceptions, and purchasing behavior. Several statements were negative to avoid problems of answers reflecting social desirability rather than the true feelings of respondents. These items were then reversed for the construction of scales. Five point Likert type scales have been used, as frequently applied in previous studies (Ip, 2003).

Some adaptation of scales was judged as necessary since country-specific factors, such as environmental legislation and the availability of green products may affect the operationalization of the environmental purchasing behavior and the environmental attitudes in Cyprus (Schlegelmilch, et al., 1996). The practice of using similar scales, wherever possible, facilitates comparison of results with published results in other countries. Apart from frequency analysis and cross-tabulation, correlation coefficients were calculated between the main variables and sophisticated multivariate statistical techniques like factor analysis have been used in the analysis of data with the SPSS software package (Hair et al., 1995). The variables have been categorized to dependent, independent, and intervening.

a) Dependent variables

Two measures of purchasing behaviour have been used as dependent variables. A scale of 5 items measuring general pro-environmental purchasing behaviour, i.e. considering environmental issues when making a purchase, has been used (Schlegelmilch, et al., 1996, Straughan and Roberts, 1999). Each item was measured on a five point frequency of purchase scale (1= never, 5=always). Specific environmental purchasing behaviour (buying specific, relevant for Cyprus, environmentally friendly products) was measured by three items in a similar way as above (Martin and Simintiras, 1996, Schlegelmilch, et al., 1996).

b) Independent variables (Antecedents of green purchasing behaviour)

Several independent variables have been used classified under the following categories:

i. Socio-demographic variables:

Age group

Gender

Education level

Family income

Employment status

ii. Factors related to product characteristics and economic issues

They include relative cost in comparison to “non-green” products, quality, availability, difficulty to comprehend ecological information and believability of the latter. A five point Likert type scale was used for each statement asking for the respondent’s agreement or disagreement (1= strongly disagree, 5 = strongly agree).

iii. Individual environmental attitudes

They were measured with a five point Likert type scale (1= strongly disagree, 5 = strongly agree). The six item attitudes scale draws on similar ones used in previous studies and includes dimensions like “limits to growth” “humans over nature” and "balance of nature" with several negative statements to avoid social desirability effects (Kaiser, et al., 1999, Schlegelmilch, et al., 1996, Straughan and Roberts, 1999).

iv. Perceived behavioral control

It was measured with a three item, five point Likert type scale (1= strongly disagree, 5 = strongly agree).

v. Knowledge level

It was measured as an index (composite) of answers to 5 statements with a three point scale (1= true 2= False 3= Don't Know). Both factual and action-related knowledge items were included (Tanner and Wolfing-Kast, 2003).

c) Intervening variable

Intention to purchase green products in the future or willingness to buy green products were measured with a two item, five point Likert type scale (1= strongly disagree, 5 = strongly agree).

The reliabilities of summated scales are indicated in Table 1 below:

Table 1 Reliabilities of scales

Scale	*No. of items*	*Cronbach's a value*	*Reliability*
General Purchasing scale	5	a= 0.85	Very good
Intention scale	2	a= 0.62	Moderate
Attitude scale	6	a= 0.65	Moderate
Perceived behavioral control scale (PBC)*	3	a= 0.41	Very poor

Note: *The scale for PBC has a very poor reliability and was not used as a summated scale.

Analyses and results

Due to space limitations only some of the most interesting results are reported here.

The profile of respondents is given below in Table 1. There is a slightly higher percentage (52.2% against 47.8% with a difference of 3.4%) of female students in the sample. The majority of students (about 75%) are 20-25 years old. There are about equal numbers of undergraduate and postgraduate students. Most students (70%) belong to the lower income classes. Most students (68%) are part-time or full-time working and therefore have some income of their own to spend.

As expected only a minority of students (13%) switch products (frequently or always) for ecological reasons. Similarly a minority of respondents (15.6%) choose the environmentally friendly product regardless of price. It is noteworthy, however, that one third of respondents (33%) choose the environmentally friendly product if available at a similar price. One fifth of respondents (22.9%) check the label to confirm whether a product is environmentally friendly before purchase. A similar percentage (19.2%) of respondents makes a special effort to buy products in recyclable containers.

Only a minority of respondents (20.7%) buy recycled products frequently or always and a substantial percentage (37.8%) sometimes. Similarly a minority (15.6%) buys cosmetics or other products not tested on animals. The percentage of people that buy organic products frequently or always is substantial (27.4%), while a 41.4% never buys or buys rarely.

Most people are reasonably knowledgeable about environmental issues with 19.5% answering correctly all five questions testing environmental knowledge and 43.1% answering at least four of them correctly. Only 4.6% did not answer even one question correctly.

Table 2 Profile of the respondents

Characteristics	*Percentage % (N=180)*
1. **Gender**	
Male	47.8
Female	52.2
2. **Age**	
Below 20	6.8
20-25	74.4
Over 25	18.8
3.**Education**	
Undergraduate	50.9
Graduate	49.1
4. **Annual family income**	
Less than CP 10000 (Euro 17000)	33.5
Between CP 10000-19999	39.5
Between CP 20000-29999	18.0
Over CP 30000 (Euro 51000)	9.0
5. **Employment status**	
Not working	32
Part-time working	29.8
Full-time working	38.2

Specific purchasing behaviors regarding recycled products, products not tested on animals, and organic products are all moderately (first) or highly (second and third) correlated with the general purchasing behavior (Sumgenpur summated scale). This indicates that there is some consistency between general and specific purchasing behavior. It also indicates that the Sumgenpur scale is a reliable indicator of general purchasing behavior.

Demographic variables apart from education level are not correlated with general purchasing behavior (Sumgenpur), attitude scale (Sumatt), knowledge scale or intention to purchase ecological products (Sumint). Education level is, however, correlated with the general purchasing behavior. Attitudes are correlated with intentions.

There is weak negative correlation between knowledge on environmental issues and general purchasing behavior. Knowledge on environmental issues is positively correlated however with environmental attitudes. An interesting finding (not shown in the table) is the correlation between positive attitudes and willingness to pay 10% more for environmental products (Spearman's coefficient $\rho = 0.259$ ** = significant at 0.1%). Table 3 below summarizes some significant correlations between the main variables.

Table 4 below illustrates the response to barriers in purchasing environmentally friendly products. The percentages in "agree" column indicate those who agree or strongly agree, while those in the "disagree" column those who strongly disagree and disagree. Large percentages (40-58%) of respondents are undecided (neither agree nor disagree). It seems that only the perceived product cost and problematic availability are the major potential barriers in environmental purchasing, while quality is not considered a barrier. Respondents are about equally divided in the perceived difficulty to understand ecological information and the perceived exaggeration of product label ecological information.

Table 3 Correlations between the main variables

	Sumint	Sumgenpur	Specpur 1	Specpur 2	Specpur 3	Education	Sumknowl
Sumatt	r = 0.31**	-	-	-	-	-	r = 0.33**
Sumgenpur	r = 0.18*	r = 1	ρ = 0.44**	ρ = 0.85**	ρ = 0.75**	r = 0.16*	r = -0.16*
Sumknowl	-	r = -0.16*	-	-	-	-	-

- ** = significant at 0.1% r = Pearson's correlation coefficient
- * = significant at 0.5%   ρ = Spearman's correlation coefficient

Note: Sumatt = summated scale of attitudes, Sumgenpur = summated scale of general purchasing behavior, Sumknowl = summated scale of knowledge, Sumint = summated scale of purchasing intentions, Specpur = Specific purchasing

Table 4 Response of consumers to potential purchasing barriers

	POTENTIAL BARRIER	*AGREE*	*DISAGREE*
1	Perceived higher product cost (higher price)	45.7	10.2
2	Perceived quality problem	10.6	50.6
3	Difficulty to understand ecological information	30.5	29.9
4	Perceived exaggeration of product label ecological information	24.6	17.3
5	Problematic availability of ecological products	37.2	27.1

Factor analysis

The variables related to attitudes and perceptions of respondents were submitted to factor analysis. The initial extraction method was the principal components method. The Kaiser –Meyer-Olkin measure of sampling adequacy at 0.665 was adequate (substantially above 0.5). The Bartlett's test of sphericity with chi-square of about 395 (Sig. 000) is acceptable. The rotation method used was Varimax with Kaiser Normalization and the rotation converged in 5 iterations. The inspection of the scree plot and the use of the rule of minimum 1 eigenvalue led to the retention of five factors accounting for 55.3% of the total variance.

The five factors, their designated labels, and the items with the highest loadings shown in parentheses are illustrated in Table 5.

Table 5. Factor Analysis

Factor 1	*Factor 2*	*Factor 3*	*Factor 4*	*Factor 5*
Label: Environmental Concern	**Label: Ecological Purchasing willingness**	**Label: Perceptions on ecological information/ availability**	**Label: Price and quality considerations**	**Label: Personal responsibility for the environment**
Attitude to economic growth (0.755)	Purchase intention at higher price (0.817)	Perception of exaggerated ecological information (0.734)	Perception of cost of ecological products (0.705)	Attitude to limits of resources (0.798)
Attitude regarding modern consumer goods (0.705)	General purchase intention (0.782)	Perception of comprehension of ecological information (0.687)	Perception of quality of ecological products (-0.670)	Attitude towards effect of individual purchases (0.755)
Attitude to ecological crisis (0.645)	Perceived positive purchasing effectiveness (0.419)	Perception of availability of ecological products (0.615)		
Attitude towards modification of environment (0.607)				
Attitude towards individual action (0.608)				

Discussion

Based on the above results, and especially the correlations, Hypothesis no. 1a, 1b, 1c are rejected and only 1d is partially confirmed. People with a higher education level are more likely to purchase environmentally friendly products (but have no greater intention to buy such products). The negative findings agree with extant literature, where several studies reported equivocal or non-significant results (Straughan and Robers, 1999, Cleveland et al, 2005) for income, age, and gender. The positive finding regarding education level agrees with the results of Schwarz and Miller, 1991 and Newell and Green, 1997.

Hypothesis 2 is only partially confirmed, people with favorable environmental attitudes have a greater intention to buy environmental products. This finding is consistent with the results of several previous studies regarding purchasing intention (Bamberg and Moeser, 2007). People are not, however, more likely to actually buy environmentally friendly products. The lack of correlation between attitudes and environmental purchasing behavior is in contrast to findings of the extant literature (Hines et al, 1987).

Hypothesis 3 is rejected. People with higher ecological knowledge levels have favorable environmental attitudes, but knowledge is not correlated with purchasing intentions. Surprisingly it is weakly negatively correlated (not positively as hypothesized) with the general pro-environmental purchasing behavior. Contradictory results about knowledge effect on green behavior are mentioned in the literature (Kaiser, et al, 1999, Laroche, 2001).

Factor analysis has shown that people have some underlying constructs, which include “environmental concern”, “ecological purchasing willingness” and “personal responsibility for the environment” (factors 1, 2, and 5). The most interesting finding is that people have different and distinct underlying constructs regarding the relative advantage or cost/benefit balance (“price and quality considerations” - factor 4) of the ecological products and “perceptions on ecological information/availability” (factor 3). The latter factor (3) includes complexity (difficulty to understand the environmental benefit) and skepticism towards environmental claims, as well as, perceptions about availability of ecological products.

Studies in other countries, e.g. in Hong Kong and Southern China have shown a low level of ecological knowledge and low willingness to pay a premium for ecological products (Chan, 1996, Chan, 2001, Ip, 2003). Studies, however, in USA, UK, and Canada have found relatively high percentages of consumers willing to pay more for environmentally friendly products (Laroche et al, 2001). Similarly we have found that 53.8% of consumers are willing to pay up to 10% more for ecological products. A positive correlation between attitudes and willingness to pay more (by 10%) as reported above in our study has also been found by Laroche et al, 2001.

Conclusions and recommendations

The study examined the influence of several factors on green purchasing behavior.

The results suggest that the general pro-environmental purchasing behavior is highly correlated to specific purchases of environmental products relevant for the Cyprus context. Positive environmental attitudes were found to be related to purchasing intention, but not actual purchases. Students have a reasonable level of environmental knowledge, which was not found correlated to purchasing intentions and surprisingly negatively weakly correlated with the general purchasing behavior. A substantial percentage of consumers are willing to pay up to 10% more for green products as in other developed economies. There is therefore a green segment offering opportunities for marketers.

Some recommendations based on the above findings are the following:

The government should design and implement environmental policies encouraging production and purchasing of ecological products. Such policies could include specific measures like taxing of non-green products to encourage diffusion of green products. Another measure could include campaigns to emphasize the benefits for society to support environmentally sensitive and responsible behavior. Non-governmental organizations (ecological groups) have a special role in lobbying for such measures and in providing help in their implementation.

The above results increase the knowledge about consumer adoption behavior regarding green products in the context of relatively less industrialized countries and are valuable to market actors. Producers and marketers of ecological products have to design marketing strategies emphasizing benefits of both, an ecological and non-ecological nature, explaining clearly the ecological benefits, and aiming initially to the green consumer segment. Generally consumers have to be persuaded about the extra value of such products in order to pay premium prices. Official ecological labeling schemes can reduce the skepticism of consumers against ecological claims.

Regarding the limitations of the present research, it has to be noted that results from a student population may not be applicable to the general population, which implies low external validity. Self-report measures may also be a source of low validity. It is also possible that the importance of social compatibility and decision importance may be different for the different markets of green products (foods, clothing, cosmetics, etc.) (Janssen and Jager, 2002). Therefore more research is needed to examine consumer behavior in the general population (which is currently under preparation) and different industrial sectors.

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FACTORS THAT AFFECT THE PURCHASE BEHAVIOUR OF ORGANIC FOOD AMONGST UK CONSUMERS

GIANPAOLO VIGNALI
MANCHESTER METROPOLITAN UNIVERSITY, UK

LUCA DEVIGILI
UNIVERSITA' LA SAPIENZA DI ROMA, ITALY

CLAUDIA RASICCI
UNIVERSITA' POLITECNICA DELLE MARCHE, ITALY

Abstract

The behaviour of a consumer is a complex and diverse field. This study explores this subject and the purchase process of consumers in relation to purchase of organic foods.

Individual differences are highlighted, with specific reference to personality models. Additional factors from the categories culture, sociological and economic are then commented on to form environmental factors. The organic food market and previous research is then highlighted. At this point a proposition matrix suggests propositions that derive from the literature which in turn need addressing, this then form the objective.

The objectives all concern factors effecting purchase behaviour and highlight the need to conduct primary research. Questionnaires highlighted purchase behaviours and correlations were found between motivations and barriers of purchasing organic foods with participant demographics. A focus group reinforced the data from the questionnaires.

These findings alongside the information form the literature review concluded findings in relation to the aim set initially. The following paper is based on the aim of identifying the factors that effect consumers of the UK's willingness to purchase organic foods.

Both primary and secondary data was collated. Consumers themselves cannot make a purchasing decision without going through a process first. However, this process itself is based upon on the consumers perceived level of importance of the product being purchased.

Individual and environmental influences will be identified in this study, concerning the effect they have in the way in which consumers consume. Factors included self-concept and price sensitivity.

The paper looked into the trends in buying behaviour concerning organic foods, and the constant changing retail environment in the UK, which affect the way in with consumers consume. With constant developments in organic product offerings and pressures for consumers to become more environmentally responsible, retailers have to be seen to change along side the consumer in order to meet the ever changing demands they present.

Secondary data was complied to identify the concept of consumer behaviour and influences of purchase behaviour. In addition to this previous research was highlighted to aid formation of the primary research and also in order to reinforce findings and suggest possible developments.

The findings suggest there to be many individual and environment factors that influence purchase behaviour of consumers and organic foods. In addition to these factors of the product itself and also variables derived by the providers of organic foods affect the way consumers of the UK approach purchasing organic foods.

From the formation of secondary data concerning previous research it was evident that the motivators

and barriers concerning organic food were well established. However the variable of demographics was unclear in relation to motivations and barriers, therefore the following hypothesis was devised:

Motivations and barriers of purchasing organic foods differ in relation to demographic characteristics of consumers.

Literature Review: Individual and Environmental Factors Affecting Purchase Behaviour

These two variables follow on from the five stage onsumer decision making model (PIECE Model taken from the EBM model). The individual influences concentrates on psychological factors that effect the buying decision among consumers. The environmental influence looks at three areas within the consumer's environment that affect the buying process. They are social, cultural and economical influences.

Individual Influence

Personality

Blythe (1997) suggests personality to be a collection of individual characteristics that make individuals unique; Blythe also states that these characteristics "control an individual's response to and relationship with the external environment." (Blythe 1997, p.39). This suggests that in a consumption environment where a potential purchase is to be made that all consumer differ in the way they approach the purchase decision depending on there individual characteristics and the relationship with the environment. This is enforced by the following statement "personality variables are related to purchase behaviour" (Gunter and Furnham 1997, p.40).

Newman and Cullen (2002) suggest "it is very important for retailers to understand how their customers minds work so they may provide them with the sort of products they want", thus highlighting the importance of understanding consumer personality when providing consumers with products.

Gunter and Furham (1997) aids the importance of understand consumers personalities by suggesting there to be four major theories surrounding personality, of which these four are seen to "have had the strongest impact on market segmentation strategies" (Gunter and Furham 1997, p.41).

These are as follows:

- Psychoanalytic theory
- Social- psychological theory
- Trait theory
- Self concept theory
  (Gunter and Furham 1997:41)

The highlighted theories of personality will now be analysed with reference to consumers of organic foods.

Psychoanalytic theory

This theory was derived by Sigmund Freud. Solomon, Bamossy and Askegaard (1999) suggest the theory is concerned with the idea that much of the human behaviour stems from a fundamental conflict between a persons desire to gratify his or her physical needs and the necessity to function as a responsible member of society. This idea is then identified by Solomon, Bamossy and Askegaard (1999) as a struggle that operates among three systems. The three systems are highlighted in the following statement:

"Psychoanalytic theory posits that human personality systems consist of the id, ego and the superego." (Engel, Blackwell and Miniard 1995, p.434).

The id part of human personality is the source of psychic energy and seeks immediate fulfilment for biological and instinctual needs. (Engel, Blackwell and Miniard, 1995). Solomon, Bamossy and Askegaard (1999) suggest that the behaviour concerning the id is related towards pleasure seeking and pain avoidance. It is also stated the id is the selfish part of the behaviour of humans and directs behaviour without regarding the consequences.

"The superego is the counterweight to the id."(Solomon, Bamossy and Askegaard 1999:112), this counterweight works as the conscience of a person's behaviour. The super ego represents personal or societal norms related the individual and as suggested by Engel, Blackwell and

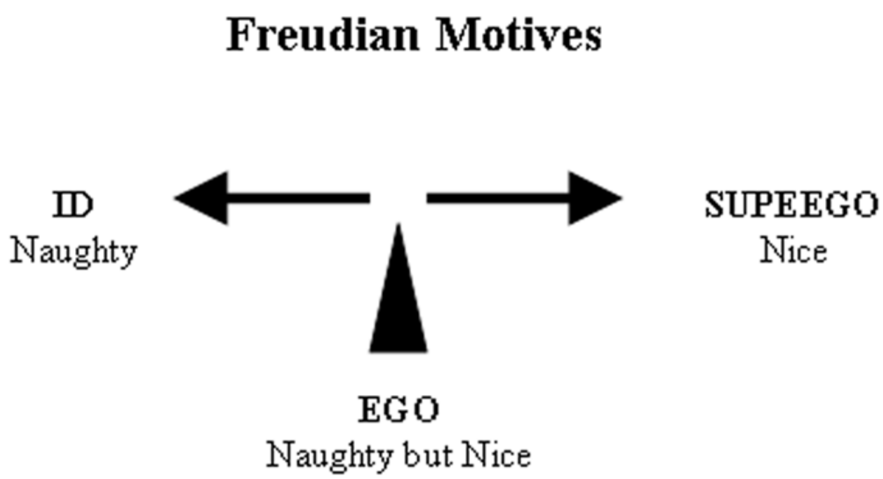
Miniard, (1995) works as an ethical constraint on an individuals behaviour.

The Ego is seen to at as a mediating role between the id and the superego (Evans, Jamal and Foxall, 2006). It meditates the pleasure-seeking demands id and the moralistic demands of the superego. In turn this presents a compromise between two personality traits.

The whole process of the psychoanalytic theory is undergone neither consciously nor unconsciously but as a result of the ego stage of the theory develops a subconscious motivation. In the case of consumers this motivation is that to purchase goods/services that satisfy our impulse yet are considered socially acceptable.

Figure 1 highlights the psychoanalytic theory and suggests the id and superego element to relate to the perception of naughty and nice respectively.

Figure 1: The Freudian see-saw



(Source:Evans, Jamal and Foxall 2006, p.4)

Social- psychological theory

The social-psychological theory is concerned with individuals and the society they experience and in which they operate as consumers. The theory; "recognizes the interdependence of the individual and society". (Engel, Blackwell and Miniard, 1995, p.434). Thus suggesting that an individual attempts to meet the needs of their society and at the same time the society helps the individual attain the individual's goal.

Engel, Blackwell and Miniard (1995) also advocate that the theory is based around the combination of sociology and psychology, and not exclusively one or the other. This a attribute true too of the psychoanalytic theory, yet the two theories differ in two important respects. Engel, Blackwell and Miniard (1995) suggest this theory appose to the psychoanalytic theory derives social variables not biological instinct as the most important determinant in shaping an individuals personality. Also it differs as behavioural motivation is focussed to meet those needs.

Trait Theory

"Personality is composed of traits or individual 'atoms' of personality". (Blythe, 1997, p.44). More specifically a personality traits itself is, as defined by Wilkie (1994) "A relatively enduring characteristic in which people differ from each other" (Wilkie 1994:150). Blythe (1997) further suggests that traits of ones personality do not tend to change much over time. Although they are seen to change but at a very slow rate, and also it is suggested that this does not mean behaviours and attitudes do not change; but that the underlining personality remains fluid.

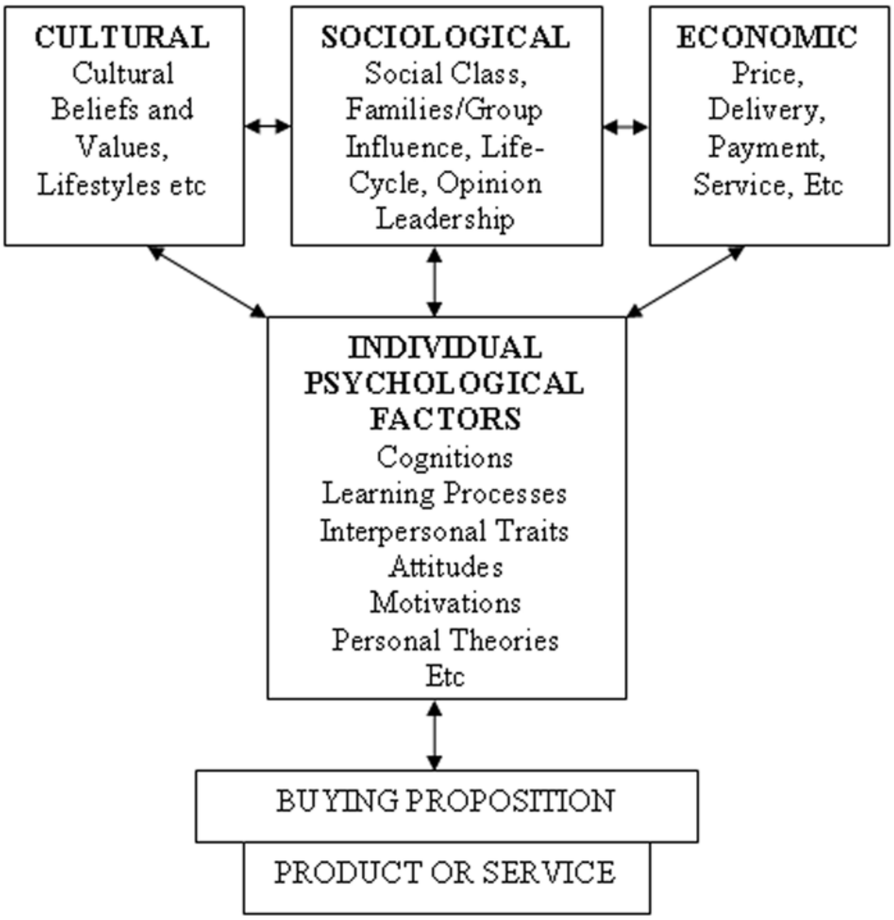
Chisnall (1995) aids this claim in clarifying the difference between traits and attitudes. "Traits differ from attitudes in that they are general characteristics which are not directed at anything in particular" (Chisnall 1999, p.61).

Ansoff (1972) cited in Chisnall (1995) defines personality traits as characteristics that account for differences among people and that are projecting of their behaviour. This highlights the importance of personality traits in relation to behaviour and is therefore applicable when concerned with behaviour of consumers. This is further reinforced by research conducted by Mark (1972) cited in Engel, Blackwell and Miniard (1995) who research suggests that an individuals personality has a direct link to the attributes that account and influence product choice.

Environmental Influences

This following section will highlight the additional influences a consumer experiences when making a purchasing decision

Figure 2: Complex pattern of buying influences



(Source: Chisnall 1995, p18)

Chisinall (1995) suggested that a consumer's aspirations are closely linked with their social and cultural life, and their buying habits reflect this. Chisinall (1995) provides a model called the complex pattern of buying influences (Figure 2), suggesting the link between an individual's social and cultural life, as well as economic influences to form environmental influences. The model then highlights the link between the environments to individual psychological factors, in regards to the buying proposition.

Cultural Influences

Blythe (1997) suggests that culture is a set of values and beliefs that are shared by most people within a group. Solomon, Bamossy and Askegaard (1999) provide a definition that agrees with this in stating, "Culture is the acumination of shared meanings, rituals, norms and traditions among members of an organisation or society" (Solomon, Bamossy and Askegaard, 1999, p.377).

The common theme from these definitions is that within a culture there are sets of beliefs that are shared among its members. This suggests that consumption habits in different cultures differ. Therefore the culture an individual is apart of will effect purchase behaviour.

Engel, Blackwell and Miniard (1995) further suggest that consumption relates to a cultural context, in that consumers buy products to obtain function form and meaning. Function represents what consumers expect from a production.

Social Influences

Solomon, Bamossy and Askegaard (1999) suggest that all individuals have a desire to identify with certain other individuals or groups and this is the primary motivation for many of our purchases.

In reference to the above suggestion concerning groups, Evans, Jamal and Foxall (2006) state that social groups also affect an individuals buying behaviour. The authors then suggest that individuals relate to two main types of social groups, primary and secondary. Primary groups are suggested to be categorized by size and the close relationship that takes place within them, e.g. family and societies. Secondary groups are made up of one or more primary group for example a whole workforce.

Blythe (1997) suggests the family as a social group to have the most powerful influence on consumer decision making for three main reasons. Firstly the parents influence on a child is the first influence they experience. Wilkie (1994) suggests this develops a child's consumption personality, Secondly parents are seen to have a desire to do the best for there children and a child's needs may influence purchase behaviour. Finally in the case of siblings, the influence comes either as a role model or adviser. Chisinal (1995) states that "buying behaviour is substantially affected by the nature of the family, and its responsibilities may generate demand for a diverse range of products".

Another influence of society is that of social class. Wilkie (1994) suggest that social class incorporates variables such as occupation, income and levels of education. These variables combined to affect our life-styles, which in turn have great influence on our purchase behaviour. However Blythe (1997) suggests that the model of social class should be used with an element of caution as it relevance to buying behaviour is somewhat limited. Yet the social characteristics highlighted by Wilkie (1994) are directly related to an individual's ability/willingness to purchases goods.

Economical Influences

The model of the complexity of buying influences (Figure 5) highlights price as an economic factor. East (1997) highlights the significance of price to consumers by suggesting that consumers make judgement whether a product is good value or not and therefore will make a purchase decision based upon this judgement. Wilkie (1999) reinforces this in suggesting price measures to a consumer what they must give up in a transaction to receive the benefits we require. This emphasises the importance of price in relation to purchase likely hood.

East (1997) suggests that consumers use price as an indictor to assess the quality of a product. This highlights a measurement variable in which a price of product can be measured and this variable may too affects purchase behaviour.

Organic Foods

The following section will contextualise the literature and look at trends within the organic food market in the UK. It will further highlight previous research concerning organic food consumption and underline major factors that are seen to affect the way in which organic foods are consumed.

The organic food consumer

Research conducted by The Soil Association (2004) found that in 1999 one third of the public bought organic foods, this figure had increased by 2004 and research found 77 per cent of all UK households to have purchased organic food (The Soil Association, 2004). These finding are complimented by research conducted by Mintel (2005) who found in 2005, that of a national UK sample of 1,519, 71% of consumers had purchase organic foods.

Wier and Calverley (2002) suggest from there research that consumption patterns see increase emphasis on convenience and need for healthy eating patterns. In relation to the health need consumers focus on food safety and also quality suggesting avoiding additives, preservatives and chemicals in foods. Padel and Foster (2005) relate to this in suggesting consumers have become more concerned and resistant to genetically modified foods.

Motivations towards organic food

Research by Mintel (2000) suggest the term organic has a strong emotional relationship with health and personal wellbeing. Padel and Foster (2005) suggest from their research that health association to organic foods is major motivator to purchasing organic food among UK consumers. Research conducted by Magnusson et al (2001) among Swedish consumers, too suggest the health to be among the most important purchase criteria to be health related benefits. Wier and Calverley (2002) also highlight health as a driver to purchase organic foods among Danish consumers.

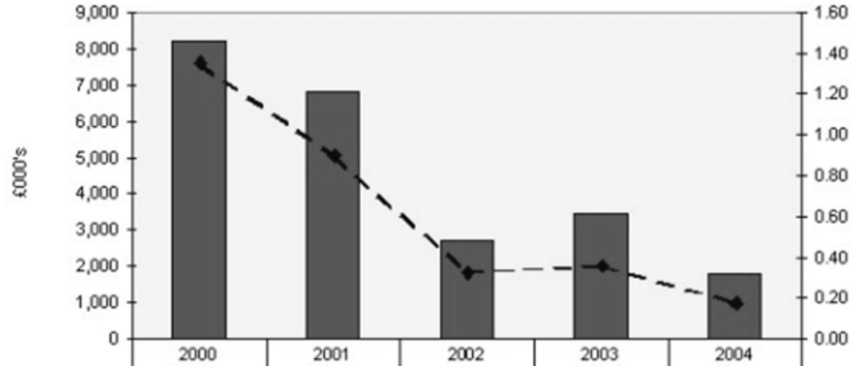
Additional motivators highlighted by Padel and Foster (2005) included environmental benefits, animal welfare and political motives such as supporting the local community. Magnusson et al (2001) highlights better perceived taste, increase quality as additional motivators.

Barriers concerning organic food consumption

A Mintel (2000) report suggest that consumers are more informed about organic products as a result of media efforts, and as a result highlight price appose to lack of awareness as the most important discouraging purchase factor.

However media advertising expenditure has decrease significantly since 2000 to 2004 from £8.2 million to £1.8 million respectively (Mintel, 2005), as shown in figure 3.

Figure 3: Main monitored media advertising expenditure on organic foods and soft drinks ranges, 2000-04



	2000	2001	2002	2003	2004
Total	8,236	6,831	2,685	3,442	1,788
% of sales	1.35	0.90	0.32	0.36	0.17

(Source: Mintel, 2005)

The findings of Padel and Foster (2005) highlight a possible implication of the reduction in advertising, as they suggest a lack of knowledge among UK consumers thus resulting in a reduction of confidence in claims made about organic foods ultimately preventing purchase behaviour.

Price however is highlighted as a major discouragement of purchasing organic food. Padel and Foster (2005) suggest from their research that high prices are a significant barrier concerning UK consumers and purchasing organic foods. These findings where also evident in research among Australian consumers by Lea and Worsley (2005), whom highlight cost a major barrier among more than half the participants questioned . Zanoli and Naspetti (2002) suggest that among the research conducted in Italy, that consumers felt a lower price would increase demand for organic products, this again contributing to the price variable as a barrier for consumers to purchase organic foods.

A link between consumers non willingness to purchase organic products due to high price has a direct relation to the previously mentioned aspect of knowledge. Padel and Foster (2005) suggest that the link between consumption and education of organic foods could possibly indicate that only those consumers with an attained amount of education have the confidence to personally negotiate and justify an organic product purchase.

In relation to price a report by Mintel (2003) too found price a significant barrier and suggest consumers see lower price premiums essential. The report further suggest that unless price premiums are reduced or consumers are persuaded about the value of paying more for organic foods, price will remain a barrier to market growth of organic foods in the UK. Zanoli and Naspetti (2002) reinforce this by finding reduced prices a motivator to purchase organic foods.

Mintel (2000) suggest a barrier to be concerned with the availability of organic products in the UK, especially in the case of more rural areas of the country. However, a report five year later (Mintel, 2005), suggest that experienced increase demand in the UK organic market, saw an increase of organic offerings by retailers. In accordance to this Padel and Foster (2005) suggest from their findings that consumers are face with too much choice in organic product offering, and that the message that comes with this overwhelmed choice confuses consumers, highlighting another possible barrier to organic food consumption.

Demographics

In relation to age, Padel and Foster (2005) highlight 45-54 year olds as the most common purchasers of organic foods, and suggest younger consumers to be least likely to purchase organic foods.

However research conducted by Davies, Titterington and Cochrane (1995) suggests there to be no apparent differences in purchase figures of organic foods among differing age groups.

Davies, Titterington and Cochrane (1995) suggest from there research that purchasers of organic food tend to be primarily female among the UK sample surveyed.

Another demographic variable is that of income. Disposable income is suggested to affect quantity not willingness to purchase organic foods (Krystallis and Chryssohoidis, 2005). However Davies, Titterington and Cochrane (1995) suggest that the amount of income does not affect the purchase frequency of organic foods.

Another demographic factor to be recognised is that of children within the household of consumers. Davies, Titterington and Cochrane (1995) suggests no significant link between children and purchase behaviour, however research by Kyrstallis and Chryssohoidis (2005) suggest presence of children has a positive effect on organic purchase.

Over view and Hypothesis generation

From the previous research highlighted in this chapter the barriers and motivation variables towards organic food purchase are clearly defined by many authors whom compliment each others findings. The gap in the field relates to the demographic variables that effect purchase behaviour as finding differs among different studies. As a result this research will identify this grey area. In addition the research will look to address the following hypothesis:

Motivations and barriers of purchasing organic foods differ in relation to demographic characteristics of consumers.

Table 1: Propositional Matrix

Propositions	Qualitative	Quantitative	Objectives
Do consumers have differing views of organic foods?		Questionnaire survey of UK consumers.	Identify current perception of organic foods among UK consumers.
What demographic variables effect consumption of organic foods?		Questionnaire survey of differing aged consumers.	Investigate the demographic differences concerning on organic purchase behaviour.
Do environmental factors as well as individual differences effect purchase behaviour of organic foods?	Focus Group with consumers.		Examine the influences of attitudes and believes of organic foods.

Methodology and Research Design

Primary Research

Quantitative Method- Questionnaire

Based on the propositional matrix, this study will use firstly a deductive approach using a positivist paradigm, in order to identify the consumption habits of organic foods among UK citizens. This will be done by collecting data from the UK population and analyses accordingly to certify a generalization of the population (Gray 2004). The methodological approach in this case will be that of Quantitative. Veal (1997) suggests that quantitative data, including surveys and questionnaires, provides standard data and ensures reliable data, especially when collected in mass quantities.

The questionnaire will be conducted in the centre of Leeds, UK, among 100 participants, approached using stratified random sampling technique. The random component persists in approaching any person in the given population (Gray, 2004). The population being, that of those present on the day in Leeds city centre, which form the stratified characteristic. This however forms a limitation to reliability of the research, as discussed later in this chapter. Conversely the opportunity to use a random sample of the total UK population is difficult to achieve in the nature of such under-graduate research. However, this limitation will be reflected on when evaluation the research.

The questionnaire itself, will adopt a structured style. This will aid identification of consumer patterns concerning the purchase of organic foods. Zikmund (2000) suggests that structured questions limit the number of responses a participant can give. This may be perceived as a negative approach as freedom to suggest answers that aren’t structured cannot be given. However, the possible responses will be compiled in relation to the literature review conducted and the objective seeks to compliment/ identify trends of UK consumers in relation to the findings of this research. The open responses and additional findings of the previous research will be later generated from the focus group that will be conducted.

Qualitative Method- Focus Group

Once the questionnaire method has been conducted a this will form the basis upon the focus group discussion will be formed, and specifically highlight the objective:

- Formulate focus groups to examine the influences of attitudes and believes of organic foods.

In relation to the research philosophy previously highlighted the focus group will adopt an inductive approach using a phenomenological paradigm as the findings are aiming to establish different views of a phenomenon (Gray, 2004), in this case factors that affect the purchase of organic foods.

The relationship with the phenomenological approach and qualitative data is highlighted by Saunders, Lewis and Thornhill, (2000). Who suggest that qualitative data is associated with concepts and characteristics of richness and fullness based on the opportunity to explore the subject. This in turn will deliver an opportunity to evaluate the research topic more freely and concluded in a more creative way. This essential, when considering the complexity of consumer behaviour as highlighted in the earlier chapters of this research.

The sample of the participants will be of a random technique, as those who were questioned in the questionnaires will be asked if they would be willing to take part in the focus group. Those who adhere will be contacted about attending the focus group. Six participants in total will form the focus group.

Table 2: Research Matrix

Objective	Methodology	Source
Underline the characteristics of consumer behaviour, via enquiry of academic texts.	Qualitative data collection of academic theory surrounding this topic.	Secondary data- Academic texts.
Investigate market trends and previous research from the field of organic foods and purchase behaviour.	Qualitative data collection of previous research and market reports and form hypothesis to be tested.	Secondary data- Academic Journals and marketing reports.
Identify current perception of organic foods among UK consumers.	Quantitative data collection via person enquiry to participants in the UK regarding the topic.	Primary Data- Questionnaires.
Investigate the demographic differences concerning on organic purchase behaviour.	Quantitative data derived from approaching UK consumers their views and test hypothesis derived from secondary data	Primary Data- Questionnaires.
Examine the influences of attitudes and believes of organic foods.	Qualitative data generated from discussion among UK consumers.	Primary Data- Focus Group

Results and Analysis

Questionnaires

Demographic-Purchasing Link Analysis

The following data will represent the demographic variables in relation to Price as a main barrier and Health as the main motivator to seek demographic variables towards purchase behaviour. Each of the graphs to follow express the number of responses to either price or health, but importantly also gives a percentage of the responses in relation to the number of participants in the demographic groups.

Age Vs Health

The three older groups of participants answered health to be the main motivator to purchase organic foods more than any other response, highly significantly in the case of the 51+ group. The two youngest groups replied to other variables more than health to motivate purchase.

Age Vs Price

The barrier of price was significant in the initial findings of the whole group with 72 per cent. The relation to age categories (as per figure 5) shows no dominant age group that regards price a barrier more than any other. The 21-30 years age group least responded to price as a barrier.

Number of children Vs Health

The data above suggests a positive correlation between the number of children a participant has and an increase in health to motivate purchase of organic foods.

Number of children Vs Price

The results suggest that the number of children significantly effects price being a barrier towards organic food purchase, as the lowest response rate in relation to percentage of those asked was those with no children.

Income Vs Health

More than half the participants in the first three income brackets saw health as the main influence to purchase organic foods. The table suggests that none of the 50,000 plus income group saw health as a influence to purchase organic foods, this highlights a limitation to the sample size as only one participant was in this category. Therefore the suggestion made can be rejected, in light of the limitation highlighted.

Income Vs Price

The unemployed group found price the most significant barrier among 96% of the participants asked. Lower levels of income suggest price to be a major effect as participant's income levels below £30,000 all suggest in over 60% of participants this to be the case. Incomes levels higher than £30,000 saw more the participant to relate to other barriers rather than price, concerning purchase of organic foods. Again the limitation of participant numbers representing the 50,000 group was highlighted when comparing income and price.

Focus Group

The group where firstly presented the finding the questionnaire concerning the motivators and also the deterrents of purchasing organic foods. The participants widely agreed that health benefits of organic foods were unsurprisingly the most identifiable factor that motivates a purchase. One of the participants then further contributed she felt organic foods are seen to be safer for people to eat than 'normal food', all but one of the participants agreed and the participant that didn't suggested that organic food is healthier because it has a better nutritional value. The group then divided opinion as half the participants agreed environmental issues was justified as the second most popular response, whilst the remaining three thought promotion should have had a higher response. Taste as a variable had little impact on participants, although one member said they thought the taste of organic food should be better but she felt it wasn't that different. One participant stressed confusion by the word media and an explanation was given suggesting advertising and promotional efforts were the meaning. This confusion was felt why the response rate for this variable was so low, but the consensus was advertising wouldn't influence the member too much to purchase. One participant in relation to quality said he thought organic foods should be better quality but in his experience they wasn't, an addition comment was made suggesting the chemicals usually use help make foods good quality. From this the group felt quality would influence a purchase.

Figure 4: Graph to express correlation: Age Vs Health

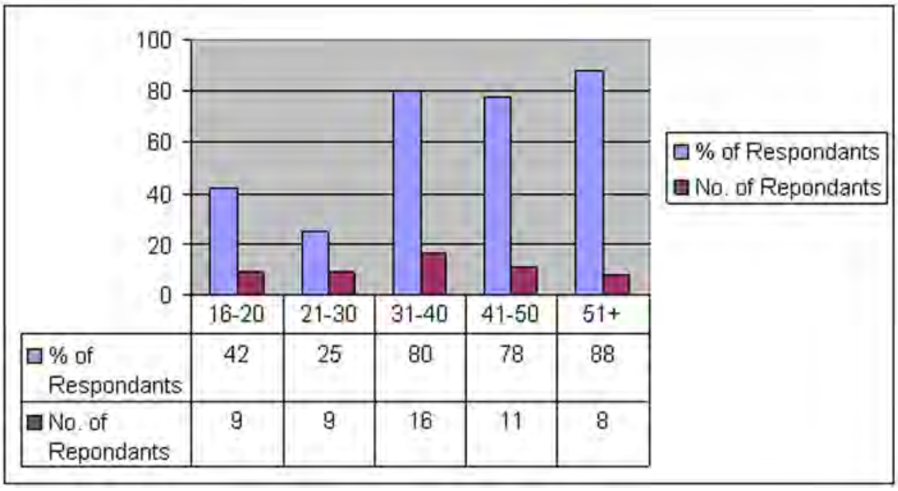


Figure 5: Graph to express correlation: Age Vs Price

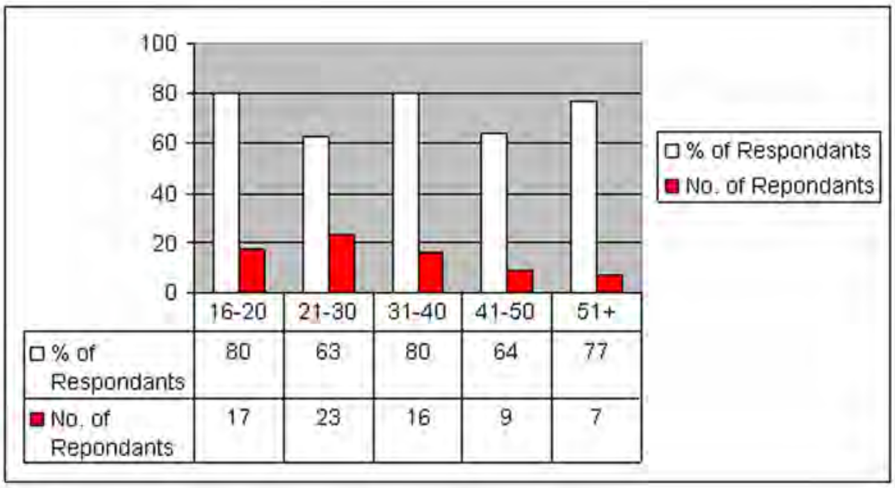


Figure 6: Graph to express correlation: Number of children Vs Health

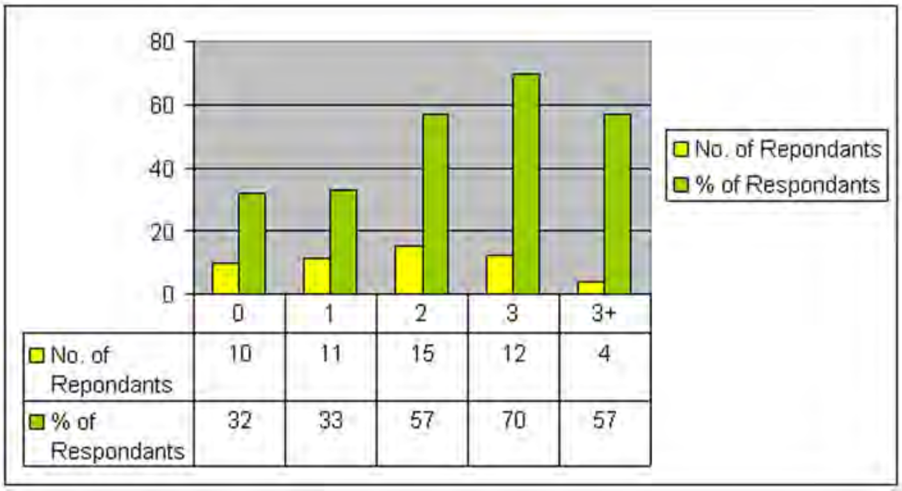


Figure 7: Graph to express correlation: Number of children Vs Price

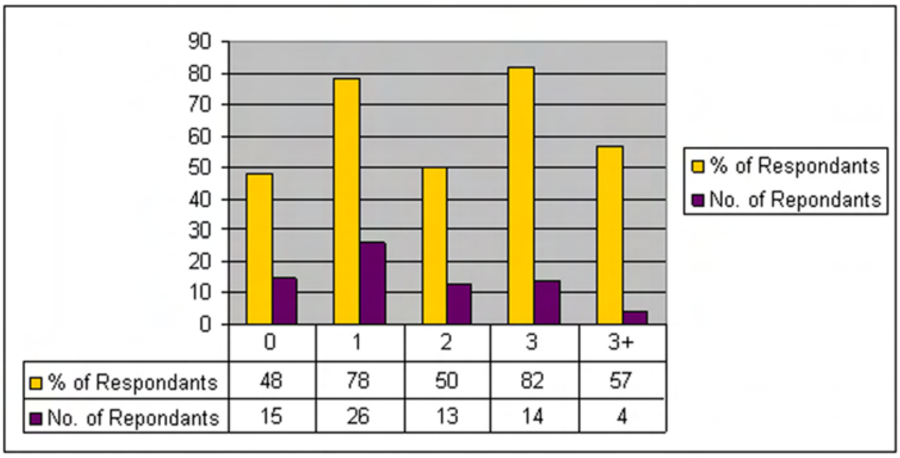


Figure 8: Graph to express correlation: Income Vs Health

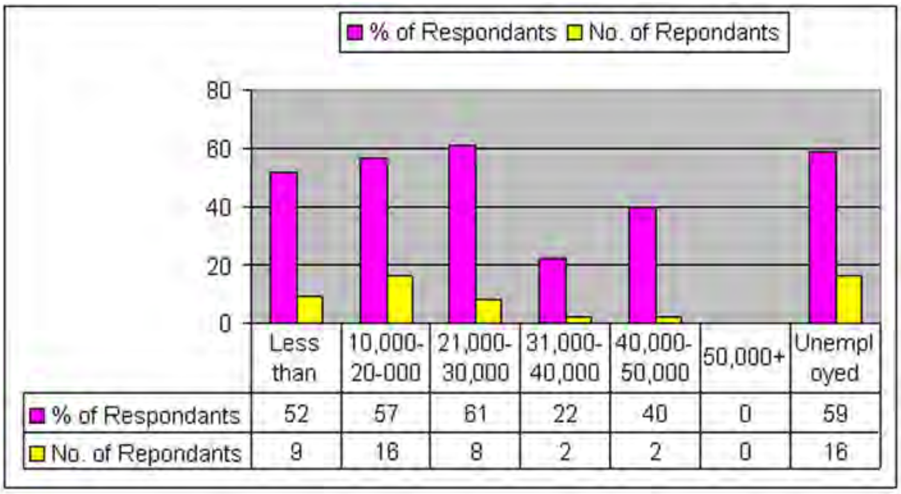
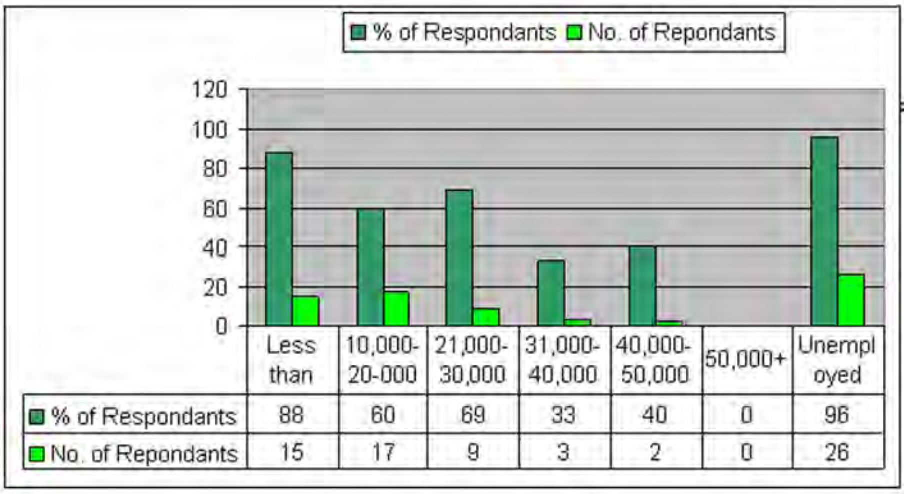


Figure 9: Graph to express correlation: Income Vs Price



Participants were then asked to contribute any additional reason they thought would increase purchase frequency. A positive response agreed by the group was more range this derived from the comment of one participant who suggested:

"You get loads of choice in fruit and veg, and things like milk, but I think you should get it across other foods like cereals and cakes" (Female participant).

Another comment derived from this subject saying that availability is a factor that could be improved, as most participants agreed they can often only find a wide choice of organics in large supermarkets.

All participants suggested price was definitely the main reason why they wouldn't buy organic foods. One participant suggested prices of organic foods are so high they thought the response rate may be higher. Again one participant was confused by a term this time knowledge, an explanation was given concerning it to be related to understanding what organic means. One participant contributed that he couldn't see how appearance of organic foods would affect purchase behaviour, another commented: "sometime apples look a bit ugly compared to normal ones", from this all participants said that appearance could be a factor specific to fresh produce, but very significant compared to price one participant added.

Participants were next asked:

"Do you think that if organic foods were marketed in a way that informed people about health, environment and the nutritional values that it would encourage sales?"

Participants suggested that people properly don't know a lot about that actual health, environment and nutritional and if they did that they would be more confident to purchase organic foods. Two of the participants suggested that if TV adverts had a comparison of how organic foods are better for you they feel people would buy them more. Another participant added that this was true of environmental benefits organic foods have, and that the government in light of the increase awareness of health and climate change should provided more information about this issue.

The next topic derived round the suggestion to participants:

"Do you think you individual personality affects the chances of you buying organic foods and why?"

There was a distinct silence for a moment so the participants were asked:

"From the motivators and barriers highlighted in relation to buying organic foods why is it that these motivators and barriers are relevant to you as individual?"

One participant suggested she buys organic foods because she thinks it's better for her health and she tries to live a healthy life style. Another female participant said she often doesn't by organic foods because she cannot afford it and suggests she couldn't justify the price.

Then participants were asked to suggest differences among the other variables. At this point a male participant suggested if people do not buy because of price they must either have lots of money and buy it for quality and luxury reasons or maybe very environmentally friendly.

The next question posed was:

"Do you feel other people could influence your decision to purchase organic foods?"

All the participant responses were related to friends and family recommendation, of the sample four said that if friends and family suggested that organic foods to be better they would buy more in relation to the suggestion. One participant disagreed and the other suggested that recommendations about food from other would not influence purchase decisions.

Link to research philosophy

As previously suggested by Grey (2004) in the methodology section Quantitivate data, such as the questionnaire in this case, should due to the positivist paradigm, test a hypothesis.

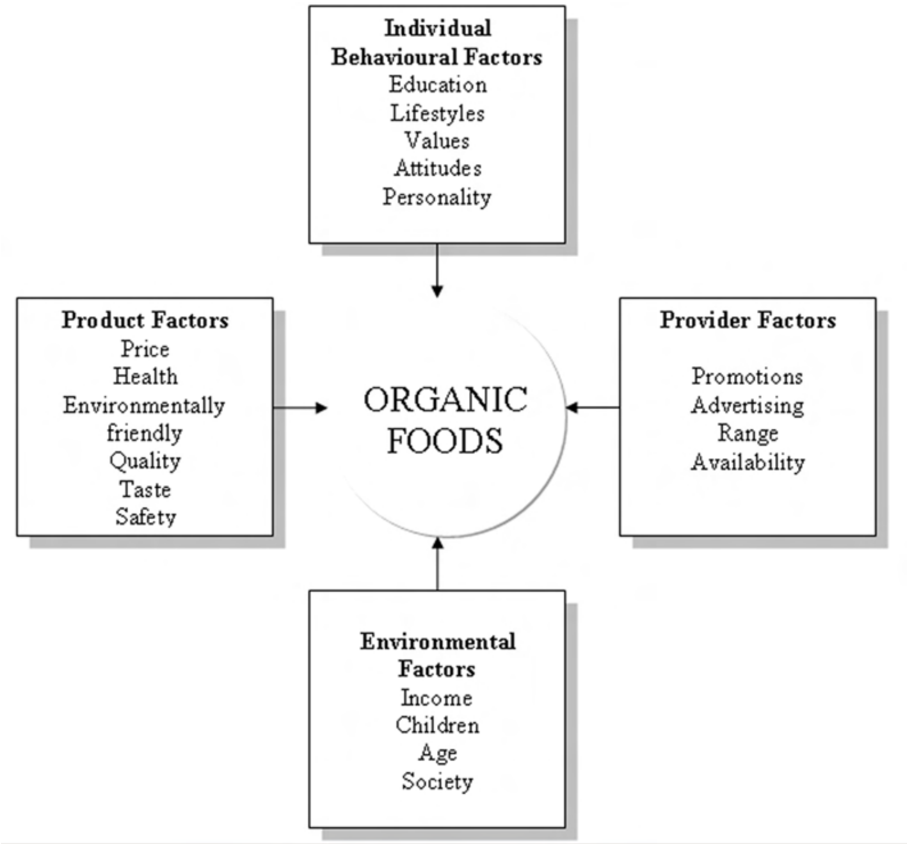
The following hypothesis was form after conducting secondary research:

Motivations and barriers of purchasing organic foods differ in relation to demographic characteristics of consumers.

In relation to the findings the hypothesis can be accepted as in the case of the investigated variables of demographics; age, children numbers and income. Different groups suggested different motivators and barriers towards organic food purchase.

The phenomenological paradigm adopted by the qualitative focus group should try to understand what is happening in the world and as a result construct theories and models from the data gathered (Gray, 2004). The following model suggests the factors that influence purchase behaviour of organic foods.

Figure 10: Factors that influence purchase behaviour of organic foods



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USING MARKETING COMMUNICATION TO PROMOTE HEALTHY LIFE-STYLE IN POLAND

IGA RUDAWSKA
UNIVERSITY OF SZCZECIN, POLAND

Abstract

Social marketing campaigns are a set of actions and tools, by which an organisation influences the views, attitudes and behaviours of a defined target group. Such campaigns are designed to invoke socially desirable changes, here: changes in the area of health and health protection.

The objective of this paper is to discuss the marketing structures of health-related marketing campaigns and the effectiveness thereof.

The paper is divided into three parts:

- theoretical basis for building social marketing campaigns
- communication channels and instruments for social marketing campaigns
- measuring the effectiveness of social marketing campaigns

First, the paper shows the theoretical reasons behind creating social marketing campaigns, which ought to be sought in social psychology. According to social psychology, the availability of adequate information is a necessary but not sufficient condition for achieving a socially desirable change such as the initiation of activities aiming to support and develop human health potential. This information shapes the cognitive element, leading to changes in health-related attitudes, for example, by debunking myths and superstitions, and by generating new, beneficial values which at a later stage may contribute to the modification of the performance component (behaviours).

Next, the author of the paper discusses several types of response to persuasion, including identification and internalisation. They have been illustrated using examples coming from Polish market. Additionally, the modelling process based on "foot-in-the-door" and "door-in-the-face" techniques has been discussed.

In social marketing campaigns, the forms of communication may be of an interpersonal character, such as a lecture, a telephone conversation or mailing, or of an impersonal character, using mass media, text and audiovisual tools. The paper focuses on all of them, giving examples and applications form Polish market.

As far as the measuring of effectiveness of social marketing campaigns is concerned, the author considers three dimensions: cognitive, affective and volitional. In the first case, the following indicators can be used to measure effectiveness: the awareness of the existence of a certain social campaign (and of the founders and media supporters of the campaign), remembering the content of messages emitted during the campaign (radio and TV spots), recognition of the social campaign and its messages, the awareness of the logo of the social campaign, social campaign of first choice. When evaluating the affective dimension, the attitudes of the target group of a given social campaign are measured. When studying the volitional dimension, the impact of the social campaign of the behaviours of the target group is important. The effectiveness can be measured by the number of people who have taken certain actions which are directly related with the subject matter endorsed within the social campaign

In conclusion, some examples of effective social marketing campaigns developed by third sector organisations and governmental organisations in Poland are given.

Introduction

The reason behind initiating any marketing activities is the need to acquire and retain customers in order to generate profits. In the area that constitutes the platform for the today's lecture, customers may include the society as a whole or a selected subgroup of the society, which is subject to certain risk factors which favour the incidence of certain diseases. Profit, on the other hand, is interpreted in terms of social criteria, therefore it refers to a set of benefits shared by the target group, and by the society as a whole in the long term.

Social marketing campaigns are a set of actions and tools, by which an organisation/institution influences the views, attitudes and behaviours of a defined target group. Such campaigns are designed to invoke socially desirable changes, here: changes in the area of health and health protection.

The objective of this paper is to discuss the marketing structures of health-related marketing campaigns and the effectiveness thereof.

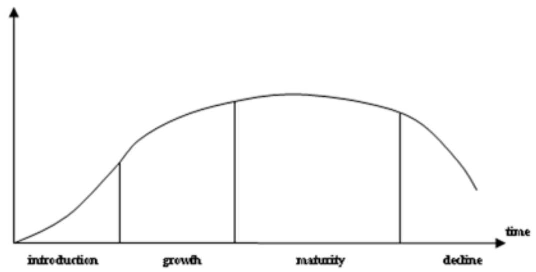
Theoretical basis for building social marketing campaigns

The theoretical reasons behind creating social marketing campaigns ought to be sought in social psychology (Zaltman, 1974). According to social psychology, the availability of adequate information is a necessary but not sufficient condition for achieving a socially desirable change such as the initiation of activities aiming to support and develop human health potential. This information shapes the cognitive element, leading to changes in health-related attitudes, for example, by debunking myths and superstitions, and by generating new, beneficial values which at a later stage may contribute to the modification of the performance component (Kemm & Close, 1995). Empirical research is noteworthy here, as it has proven that strictly informative campaigns are relatively inefficient, as it comes to the change in deep-rooted attitudes (Aronson, 1997). The deeper is the commitment to a certain attitude, the stronger is the tendency to deny or distort the information that causes cognitive dissonance. In addition, the cause and effect relationship between knowledge, attitudes and behaviours is often questioned by its opponents. One of them is A.W.Wicker who promotes the concept that human behaviour is driven solely by one's immediate social environment (Kotler & Andreasen, 1987).

The goal of providing adequate information to the target group is to change their attitudes, which, in turn, to a large extent reflect human beliefs. If this is the case, then social campaigns in the first stage ought to be focused, aside from informing, on modifying beliefs and changing their valuation (weight, meaning in the hierarchy of values) and on stimulating new, valuable beliefs (Egger, Donovan & Spark, 1993).

The life cycle of such concepts as "health protection" and of social marketing campaigns designed to promote such concepts can be compared to a product life cycle. Each stage of this cycle corresponds to the functions of social campaigns: starting from informing to persuading and reminding (Fig. 1).

Figure 1. Life-cycle of the idea-product



Another function of social marketing campaigns, next to informing, is persuading, i.e. encouraging the target group to change its ineffective habits in the field of health. Similarly to commercial markets, advertising messages can be used to this end (here: public service advertising), which give a persuasive character to those campaigns. According to the social communication theory, these messages may take the form of positive communication, i.e. a communication that persuades the audience that the proposed change will bring positive effects (Bovee & Arens, 1992). An example of a message which takes advantage of positive emotions is the Avon against Breast Cancer campaign.

Negative messages, on the other hand, are mostly based on fear. Among all emotions, fear has a particularly strong impact on sensitive recipients. Fear is a primal bodily response to threats emerging in our environment. By acting in fear – in this case changing destructive behaviours to health-promoting behaviours – the recipient is supposed to protect him- or herself against the tragic consequences of the former, highlighted in the advertising message. It needs to be noted, however, that while sound fear may motivate people to take action, too much fear may discourage an individual, leading to numbness, and even to negative attitudes (Kotler & Clarke, 1987; O'Kefee, 2001). Examples of messages which make use of negative emotions: I protect my life against cervical cancer, Lack of imagination is a disability.

Another regularity observed is that messages illustrated with real life examples are more effective than messages based solely on statistics. This phenomenon can be explained by the fact that health-related figures or indicators do not convey emotions, contrary to human experience. And health is a personal value – it is always someone's health.

The impact of a persuasive message may include the identification of its recipients with its sender, especially when the latter is attractive and is found likeable by the target group. This phenomenon is caused by one's desire to become similar to the source of the influence (person or group of reference). This applies mostly to the young generation, whose system of values is under construction. Therefore, in social marketing campaigns public figures are often used, people who are well-known, popular and respectful. This is illustrated by the so-called ambassadors of the Cervical cancer prevention campaign: Alicja Bachleda-Curuś, Anna Korcz (actresses) or Ilona Felicjańska (model). The disadvantage of using celebrities for the purposes of social campaigns is the relatively limited duration of an identification attitude and the susceptibility to what's currently in fashion.

Internalisation is another type of response to persuasion, a much more permanent one. The incentive to internalise a certain belief, and in consequence – to adapt a desirable behaviour, is the desire to be right. In this case, the influencing person is usually someone trustworthy, an authority in their own field (in a health-related campaign this might be a medical professional). In a situation where the judgment of such a person is approved and included in the set of values of the recipient of the social campaign, it becomes resistant to changes and independent from its origin. In consequence, the recipients of the message behave in a certain way not because they identify themselves with the opinion of the authority, but because they consider their actions to be right. In the above described phenomenon, the credibility of the information provider is important. The higher it is, the more durable are the consequences of the discussed process (Moyer, 1992).

Refraining from health-damaging behaviours and undertaking health-promoting behaviours are not a single event, but rather a process. And so should be the development of health-promoting behaviours. The mechanism behind developing behaviours is explained by an experiment carried out by Everett. Its key objective was to persuade tobacco addicts to completely give up smoking (Kotler & Andreasen, 1987). They were asked to watch themselves in order to determine the circumstances in which they smoked and to evaluate the relative weight attached to smoking in each of these sets of circumstances. The next step was to develop an individual plan for the reduction of the detrimental behaviour. At first, the person involved only eliminated the least significant circumstances for smoking, subsequently going through more and more difficult circumstances. Their success was always rewarded, either materially, or by a system of praise and support from their family or friends. This example illustrates a behaviour modelling process based on the minimum commitment technique ('foot-in-the-door'). It means that when we are able to persuade a target group to commit to something, even to a small extent, this fact increases the probability of taking further actions in the desired direction. Psychologists explain this effect through the self-perception theory, according to which people try to behave in a manner that is consistent with their own perception of themselves (Cialdini, 1996). The development of a health-promoting behaviour can be seen as a certain series of activities, where every subsequent activity requires more commitment from the participant.

The door-in-the-face technique is also based on the self-perception theory. It approaches an individual with such a request which would surely be refused. At the same time it is assumed that the next request, not as demanding as the previous one, would be approved. For example, fitness promotion campaigns often offer a daily routine of one-hour exercise which is unrealistic for many recipients, just to persuade them to take "only" 30 minutes of exercise three times in a week.

Communication channels and instruments for social marketing campaigns

In social marketing campaigns, the forms of communication may be of an interpersonal character, such as a lecture, a telephone conversation or mailing, or of an impersonal character, using mass media, text and audiovisual tools. The lists of implemented communication channels of the social campaign dedicated to healthy life-style should contain:

- Mass media
- Point of sales (mainly retail)
- Healthcare units (GPs' units)
- Entertainment and sport centres
- Households
- Education institutes (schools, training centres)

When choosing communication channels, the following ought to be taken into consideration: their reliability, availability, costs of operation, synchronisation possibilities, and the chance to use communication instruments which are suitable for a given target group.

On the other hand, the range of instruments that are available for use in the discussed campaigns is shown in Table 1.

Based on the results of empirical research, a thesis can be proposed that an effective social campaign (including health-related campaigns) should be versatile – using various channels to communicate with the target group. Campaigns should basically act through mass media and interpersonal communication. Promotion limited to mass-media activities does not guarantee the internalisation of the concept. On the other hand, promotion reduced to direct and personal activities impairs the effectiveness of such activities. Today, mass media, owing to their coverage and popularity, are a power which – if used appropriately – may contribute to the process of creating desirable behaviours. Media campaigns ought to be supported by interpersonal activities, which broaden the range of experience for target groups and provide the opportunity to derive satisfaction from the fact of being involved in designing changes and being responsible. According to empirical research, action plans are more effective when their participants are able to participate in the development of such plans. Spectacular examples include Life Education Centres (Karski, Słonska & Wasilewski, 2004) which operate in the United Kingdom and Austria. These forms of communication include such events as fairs, tournaments or confrontation sessions. Their advantages include a considerable degree of interactivity, an interpersonal and often informal character.

The Lack of imagination is disability campaign is an interesting example of how to combine a mass media campaign with interpersonal activities. Its objective is to warn people (especially youth) against diving in unknown places and potential consequences of diving if the water proves to be too shallow. The campaign was organised by the Friends of Integration Organisation. It was initiated in 1995, and in the beginning (until 2000) it was titled Unconsciousness. Since 2001 the campaign has been supported by public service advertising in the form of radio and TV spots, as well as posters and leaflets distributed at swimming pools and beaches. In 2002 and 2003 public service advertising was also presented in cinemas, and information packages (including an information videotape and other elements) reached 1000 secondary schools. Aside from the awareness campaign, the organisers are also committed to helping the victims of diving in dangerous places by publishing a guideline book for such people and through their First Step Fund.

Measuring the effectiveness of social marketing campaigns

The effectiveness of social marketing campaigns ought to be considered in three dimensions: cognitive, affective and volitional. In the first case, the following indicators can be used to measure effectiveness:

- The awareness of the existence of a certain social campaign (and of the founders and media supporters of the campaign)
- Remembering the content of messages emitted during the campaign (radio and TV spots)
- Recognition of the social campaign and its messages

Table 1. Tools and communication means used by social marketing campaigns

Communication means	Tools
TV	commercial spots, talk shows, editorial programmes, documentaries, interviews, shows, advertising charts (so-called inserts)
Radio, radio broadcasting system	commercial spots, editorial programmes, interviews, giving advice to callers on air, jingles
DVD, video tapes, slides	instruction or demonstration videos/slides
Press	Editorials, interviews, reports, advertising, letters from readers
Other printed media	Bulletins, leaflets, inserts, comic books, maps, calendars, special occasional publications
Mail	Letters of intent, catalogues, entry coupons, stamps
Means of transport, vehicles	Mobiles, transit, advertising inflatable
Telephone	Call centre
Computer networks such as the Internet	Computer games, discussion groups, demo CD-ROMs, floppy disks, information banks
External	Billboards, posters, packaging information, carrier bags, clothing, T-shirts, signboards, badges
Events (so-called event marketing)	Concerts, festivities, fairs, sports marathons, shows, street performances, conferences, theatre and music shows
Material incentives	Entry coupons, rebates, bonuses, free samples, tasting events, free gifts
People	'Buzz marketing' (informal communication), training, courses, instructions, statements by opinion leaders

- The awareness of the logo of the social campaign
- Social campaign of first choice

When evaluating the affective dimension, the attitudes of the target group of a given social campaign are measured. Therefore the intent is to capture the impact of the campaign on the attitudes towards the subject of the campaign, for example medical examinations in the prevention of a certain disease. The study may also cover the perceived intentions of a given social campaign, which indirectly reflect the attitudes of its recipients.

On the other hand, when studying the volitional dimension, the impact of the social campaign of the behaviours of the target group is important. The effectiveness can be measured by the number of people who have taken certain actions which are directly related with the subject matter endorsed within the social campaign (e.g. the number of women who went through smear tests persuaded by the Cervical cancer prevention programme).

Table 2 and Figure 1 present an illustration of effectiveness studies in the cognitive and volitional dimensions.

In a broader perspective, the effectiveness of health-related marketing campaigns may be measured by so-called social audit. Social audit is a study of the public response to a given campaign, not limited to the target group.

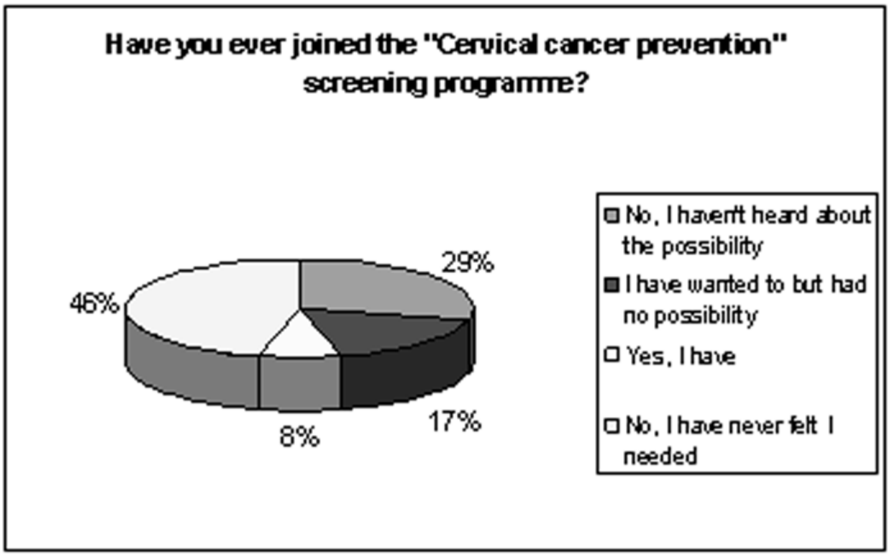
In Poland, the largest organisation which organises social campaigns and measures their effectiveness is the Foundation for Social Communication (former Foundation for Public Service Advertising). In Western Europe, the organisations that operate on a larger scale include Stichting Ideele Reclame in the Netherlands and the Central Office of Information in the United Kingdom (while the latter, which is affiliated to the British government, is also involved in the organisation governmental campaigns, such as the promotion of the Euro currency). In the United States, on the other hand, the Ad Council plays a particular role in this respect.

Table 2. Study of the cognitive dimension

17 October is an official Fight against Breast Cancer Day. Therefore throughout October, various activities were organised under the 'pink ribbon' to highlight the necessity to undergo preventive screening. Have you come across any information on this campaign?	Total population (N=1000)	Women (N=524)
	percentage	
Yes	72	81
No	26	18
Don't remember	2	1

Source: CBOS. (2001). Knowledge on breast cancer prevention. Warszawa: CBOS.

Figure 2. Study of the volitional dimension



Source: CBOS. (2001). Knowledge on breast cancer prevention. Warszawa: CBOS

Conclusion

To conclude the discussion of social marketing campaigns, they are a tool used to influence the awareness, attitudes and behaviours of contemporary societies. Usually developed by third sector organisations (NGOs) or governmental organisations, they are free from a commercial character. However, just like commercial practices, they use persuasive techniques to lead to a socially desirable change. In order to fulfil their objectives, the construction of social marketing campaigns should respect certain rules, i.e.:

- the communication ought to provide the recipients with the benefits of demonstrating a certain behaviour,
- the communication should offer solutions instead of just entertaining or threatening,
- the content of the communication ought to be consistent with social norms,

- the communication should be focused on a single issue.

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UNDERSTANDING THE INFLUENCE OF NATIONAL CULTURE BETWEEN INTERNATIONAL CO-OPERATIONS AS A WAY TO IMPROVE CROSS-CULTURAL KNOWLEDGE TRANSFER

DOLORES SANCHEZ BENGOA
INTERCOLLEGE, LARNACA, CYPRUS

Abstract

The way people learn is also influenced by culture playing a remarkable role in the way people think, interpret and behave. Eastern educational traditions based more on a hierarchical level as it was in Communist societies left a deep impact on the learning approach. For the purpose of the study the different Eastern European countries have been grouped but it should be remember and consider that they are individual nations, meaning being independent and distinct. Nevertheless, it exist a great heterogeneity and cultural alignment among these countries being much higher than the one existing among Western countries. One of these communalities was the educational system being characterized by educational uniformity, uniformity of philosophy, control, curriculum, goals and teacher's methodologies. Opposite to this, the type of education in Western countries is described as Socratic, meaning that the knowledge is produce or generated in an active process of questioning and evaluating believes.

There are cultures that play more emphasis on brain development than others; therefore outcomes in ways of learning and thinking are identified. For example, Germans stress logic, while the Japanese reject the Western idea of logic. Some cultures favour abstract thinking and conceptualisation, while others prefer rote memory and learning. What seems to be universal is that each culture has a reasoning process, but then each manifests the process in its own distinctive way, originating an incommensurable source of misunderstanding, lack of motivation and even resistance to learn.

The reason for that can be found on the roots of the past. Eastern learners experienced a more imposed and authoritarian learning methods and therefore different behaviors are perceived in the learning process for example regarding critical thinking, volunteering answers, commenting, encourage criticism, or even questioning might be regarded from Eastern learners as being too confident or even immodest having crucial repercussion on the absorptive capacity of the knowledge receiver. In order to avoid this learning difficulty, knowledge transmitters should be sensitized about the learner's way of learning and helping partners to bridge this transition of their first culture education methodology compare with the new dynamics of reciprocal learning. So, the idiosyncrasies of both parts have to be understood in order to avoid the repetition of managerial and behavioral failures. It can be concluded that looking at the present through the prism of the past will provide a promising path for a common understanding.

The cultural framework from Hofstede and Hall will be utilized as a basis for comparing Eastern Europe with Russia and Western European partners. The research methodology apply in this research will be the grounded theory due to the lack of existent research in this topic.

Methodology

Methodology focuses on the specific ways, the methods, to get the knowledge to understand the world better Trochim, (2006). Therefore, a phenomenological approach is followed because it tries to understand social realities, which are based on people's experiences and the meanings attached to them. Post-positivism philosophy resulted the most adequate philosophy to follow because "post-positivist approaches, aim to describe and explore in-depth phenomena from a qualitative perspective" Crossan, (2003, p.2), in this study e.g. analyzing social and human interaction, perceiving the influence of the past and sharing tacit knowledge.

The Research Process

The study was conducted in three stages. The first one, secondary research was conducted by a literature review. This research was not conducted to develop any theoretical framework but to increase the researcher's familiarity with the research setting. This approach contradict slightly with Glaser´s (1998) statement highlighting the researcher's freedom in generating new concepts explaining human behaviour, and he suggests the optimal way to do it, is when the researcher refuses to tape interviews, to do pre-research literature or to talk about it before writing up. Being this view strongly criticised by Seldén 2005, p.7) arguing that " pre-understanding is vital in preparing an objective for a research project and entails being more or less aware of the accumulated knowledge and research results of others preliminary results, preconceptions, assumptions, bias and prejudice". Additionally, he underlines that this approach "can be seen as an inoculation against naïve empiricism and everyday understanding".

Why qualitative methodology

Primary research was qualitatively conducted using the case study method, focus-group, participant observation and in-depth interviews because it allows participants to explore and express their views with greater freedom as opposed to the limitations of a questionnaire and "allow the researcher to respond to emerging themes and to the particular characteristics each of the cases" Daengbuppha, Hemmington and Wilkes, (2006, p.3).

Additionally, qualitative research embraces interpretative techniques which try to describe, decode and translate to focus on understanding of organizational processes rather than on frequency and prediction Gilmore and Carson, (1996); Lee, (1999), Denzin & Lincoln, (2000), Clark and Geppert (2002) and Lyst (2005). Finally, qualitative research is seen to be suited better for theory creation, fulfilling the objective of this research compared to quantitative research methods focusing more on theory testing.

Research Methods

The data collection phase was carried out over a 13 months period from February 2007 to March 2008. The data collection was mainly conducted by in-depth interviews, (23) needed to reach theoretical saturation, non-participant and participant observation (7), focus groups (2) and fieldtrips notes in Russia and Austria. Theoretical sampling was used to select the participants as suggested by Strauss (1987, in the PHD Net 2004) because "is directed by evolving theories, it is a sampling of incidents, events, activities and populations". The theory develops gradually "through a discovery process based on the development of a theory or theories grounded in evidence as opposed to following a pre-determined plan or set of rules" PhD Net (2004).

Data Analysis - Grounded Theory

The grounded theory method of constant comparative analysis Glassser and Strauss (1967), Strauss and Corbin (1990) was used to analyze the gathered data. According to Darkenwald (GT) (2005, p.1) is "an inductive approach to research that focuses on social interaction and relies heavily on data from interviews and observations to build theory grounded in data rather than to test theory or simply describe empirical phenomena". Being one of the main goals the discovery of the participant's main concern and how they continually try to solve the problem.

All the data was transcribed with double spacing and wide margins for notes during the coding stage. Each participant was given a number to facilitate the location of statements. Later on in the axial coding stage the data was being compared parallel as more data was getting coded and merge into new concept, rename or modified. Sorting memos, going back and forth while comparing data new ideas emerge, constantly modifying and sharpening the growing theory. The resulting theory will begin to emerge by itself. Selective Coding, identify the core variables reducing the existing ones. As this paper is a work in process the selective coding at this stage has not been developed jet being part of the final model presentation.

Justification of the method selection

Following reasons are provided supporting and justifying the adequacy of this method for this topic. Daengbuppha, Hemmington and Wilkes (2006) stress that (GT) is to construct theories that explain complex social phenomena such as in this case relationship building between Eastern and Western European partners. Additionally, requires the emersion of the researcher in the field, and in the data, with a view to gaining insight and a depth of understanding of the problem complexity. Finally, the approach allows the researcher to gain a richness of data from a range of perspectives (multiple realities) and emphasizes a focus on meaning and interpretive understanding. Charmaz, (2000) expand the advantages of (GT) for this study because is rooted in the reality of the experience and in this case the Eastern and Western participants shared their positive and negative experiences and the researcher is able to interpret holistically the behavior and the experiences of the participants.

Findings and discussions

The influence of culture

There are cultures that play more emphasis on brain development than others; therefore outcomes in ways of learning and thinking are identified. For example, Germans stress logic, while the Japanese reject the Western idea of logic. Some cultures favour abstract thinking and conceptualisation, while others prefer rote memory and learning. What seems to be universal is that each culture has a reasoning process, but then each manifests the process in its own distinctive way, originating an incommensurable source of misunderstanding, lack of motivation and even resistance to learn.

“for us the biggest, deepest problem at the beginning was how to explain the students how to learn, how to study ahhhhh how to organice their time because in Russia is very different” (R3)

“When you are training Russians, is dramatically different. Russians love preciseness, structures. They are totally objective for a general concept and then they see what does it means in practical terms. For historical reasons they like to identify what is first, second, third” (R2)

The reason for that can be found on the roots of the past. Eastern learners experienced a more imposed and authoritarian learning methods and therefore different behaviors are perceived in the learning process for example regarding critical thinking, volunteering answers, commenting, encourage or rejecting criticism, or even questioning might be regarded from Eastern learners as being too confident or even immodest having crucial repercussion on the absorptive capacity of the knowledge receiver.

“ Criticism is the weakness of the Russians” (R9).

“if you try to explain people something, they think that if they accept that they don’t know something they look stupid, and this is really a problem in Russia, and before he or she accept his/her mistake they will tell everything, that they don’t have to do anything with this matter, they just would not admit it. You see and this is negative, it will be easier to say sorry, it was my mistake, we change it, but not, they will not admit their mistakes”. (R9).

“Buf…you have to be supportive criticism is very much rejected” (R1)

In order to avoid this learning difficulty, knowledge transmitters should be sensitized about the learner’s way of learning and helping partners to bridge this transition of their first culture education methodology compare with the new dynamics of reciprocal learning. So, the idiosyncrasies of both parts have to be understood in order to avoid the repetition of managerial and behavioral failures. It can be concluded that looking at the present through the prism of the past will provide a promising path for a common understanding.

“This could be done by joint discussion from both parts, discussions of mistakes, looking for communalities and also communalities in problems. Discussions can produce mutual understanding. Indirect questions. Russian culture is complex is between Eastern and Western.”(R1)

Additionally, the selection of right person having more social skills and emotional intelligence than tehnical skills was highly recommended

“I think is very important to pick the right person in the company who can do it, because sometimes they can be very knowledgeable technicitian and he is very good in the company but when he has to transfer he might beginning to teach someone and he simply doesn't know how to do it may be his emotional intelligence may be is bad, and I think emotional intelligence is extremely important in such cases" (R 9)

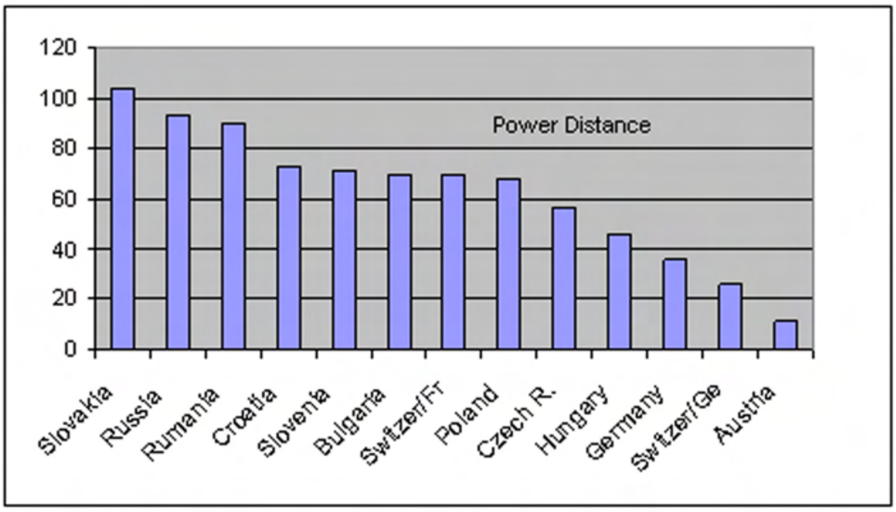
"It is the human experience, but this is my way I use more soft skills but I also say be careful if you are playing with me or if you use this for your advantages then you will see a different face" (R20)

Cultural awareness

Many problems exist in co-operations between Eastern and Western European companies. One of paramount importance is the cultural differences. An important perspective as to cultural awareness preparation was related to the influence of past history in Russia and its authority levels or power distance level as called by Hofstede.

High-ranking power distance cultures will block the knowledge flows between their hierarchical structures, and it will flow mainly top down. They will underestimate the knowledge value from the lower levels of the organization, missing probably first hand information and making difficult the upward flow of information.

Table1: Power Distance



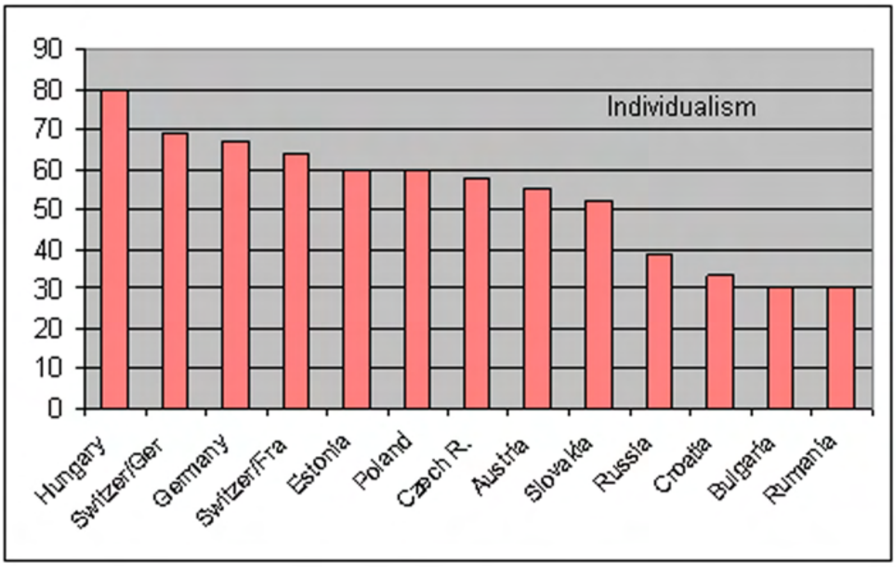
Source: based on Hofstede and Hofstede (2005)

Comparing for example the two researched countries Russia with Austria it can be said that Russia with its very high level of power distance will transfer knowledge in a very hierarchical (imposing) way where the only option is the immediate compliance of unquestioningly orders.

"if a member of management is trying to explain you something they are not really patient, they tell you it has to be done, that´s it.. They are not expressive, they give you the information and if you have some extra questions, they will answer this is not your business. Just do it or otherwise I will ask somebody else to do it. There is a Russian proverb "each initiative is punished" if you lean out we cut your head" (9)

"To show people how different we are, how the work is structured, is the boss the most important person. He takes the responsibility, and puts his head on the guillotine. He is responsible for everything; in Russia people will go to the boss, to the manager with really small problems, some things and explain to the boss, because he is in charge. Being more independent is not Russian think because it means more responsibility and this is what they don't want to do. They want to have their salaries and they don't want to have problems" (9)

Table 2: Individualism versus collectivism



Source: based on Hofstede and Hofstede (2005)

This behaviour it might be understandable taking into account that Russians grow up with the following statement: “Lenin told, “confidence is good, control is better”.(12)

Related to the acceptance of knowledge, it leaves an open space to questioning the real cognitive understanding an integration of knowledge as a way of personal growth and the contribution to create knowledge as questioned by Western managers:

“The main work is that you have to convince them, because if you have the power they do it two or three time but the forth time is always the same thing as in the past”(R21).

Contrarily, in societies with a low percentage in power distance where relations between top, middle and employees are open and communication and knowledge flows in all directions undoubtedly represents an advantage for company growth and innovation. Working low and high power distance together will imply the challenge of overcoming old patterns of high control and big efforts to balance these opposite perspectives.

Similarly by having this cultural awareness the understanding of the easiness or difficulties in sharing knowledge become very clear and adequate methodologies and attitudes to overcome this problem should be a priority for the partnership.

Organisation’ members and subsidiaries ranking high in individualism will place the self-interest above the group interest and it will be an important determinant of where the knowledge is transferred and who will acquire it. High score cultures will be more interested to know which personal benefits brings for them rather than what is the overall benefit for the company. The lack of finding a satisfactory answer for individual and subsidiaries will place a great deal of roadblocks on the efforts and willingness to share.

It can be concluded that individualistic societies will be more reluctant to share knowledge, since this is regarded as a powerful tool and guarantee success for the individual. Diametrical oppose is the perspective of Russia, Croatia, Bulgaria or Rumania being more group orientated which is reflected on the view that knowledge belongs to the company and is there for the general usage and benefit of the organization. When two partners belong to this scale’s extremes a call for a more balance of interest and expectations from both knowledge provider and acquirer has to come to the fore.

Contrarily to the cultural findings of Hofstede´s also Russia keeps and individualistic approach related to knowledge sharing

“ here is about withhold knowledge, that any Russian company’s department don’t cooperate with each other, they compete with each other, so they don’t communicate with each other because for what they compete, is to get the attention of the number one”(R2)

Confirming Western individualism “Top management, high engineers in our case they will say we don’t have time, there are quiet a few power games going on so I would say very careful, only the highest level has problem in sharing knowledge”. (R16)

A different perspective to cultural awareness relates to Westerners going to Russia without any cultural preparation e.g knowing something about Russian history, Russian reality as well as, complaining that the Westerners don’ know who their partners are, in terms of their knowledge background.

“a lecturer from Canada will explain to you, discuss with you a lot about Canada and may be he is not aware what is in our country, and for us, is like this guy from Canada doesn’t know anything about us, he knows a lot about his own country but for us is just useless”.(R5)

“a Russian friend was invited by a Finnish company for 3 days training in Finland, he said two of these days were totally senseless,. The second day he said, was insulting, because it was an introduction of basic concepts that people study at university across the world, sales, marketing and so on. If you have somebody who has studied, showing something from the scratch you show him/them that you find them as a bushman, which is not of course nice.” (R2)

Preparation, traveling and acceptance where suggestions provided by the participants of how to develop awareness

“People from different cultures should receive previous knowledge of the culture e.g. being involve on a real life for a week, looking inside of the companies, join training, fields travel, or even taking special courses prepared for them”.(R1)

“Yes, they have to do their homework because if you want to transfer knowledge you should know what and to whom and what is the level of knowledge already existing in both sides”. (R8)

“The best way is to ask them how do they solve the problem, how do they organise the things and then to come into discussion then you can discuss with them this or this way is better”. (R21)

Cultural blindness

Nowadays, there are still many companies and its managers that seem to underestimate or even ignore the influence of culture when expanding their business activities across borders. Schneider and Barsoux, (2003) explain why some companies choose to ignore cultural differences. They explain that some companies’ view see that business is business, and that managers or engineers are all the same around the world and therefore convergence in management will occur in order to maintain product quality or technological standards. These companies’ approach is that their strategies, policies and practices developed at the headquarters are transferable to other subsidiaries or partners and they are expected to be applied to the letter. This approach of one strategy fits all market or Best practice is probably more comfortable and probably more economical, but definitive not efficient as explicitly mentioned in the following 3 statements.

“No, a French never, they think that a French program means for the creation of the program that Russians student become, became French students” (R3).

“certainly teaching I teach MBAs we’ve got like 27 nationalities and we don’t change, ehhhhh I’m sure we should but don’t do (smiling what we do we put a flag for every country, yes that’s all what we do put a flags to make them feel…mmmmm (smiling again) and them we say ……..well put your back on the wall and we do it our way” (R7)

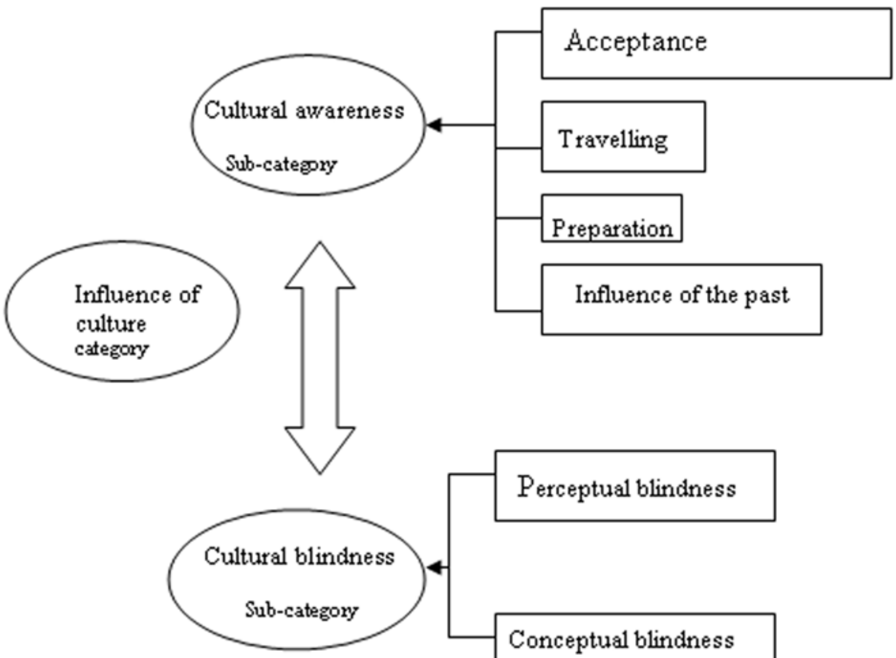
“I would say it is ignorance. Ignorance is very important because sometimes we had people from XX teaching us and her first question was (two years ago) “I don’t know if you have ever heard of internet” and I don’t know if you heard about the company which make snickers is Nike we have it in the West. Now you tell me is this a weakness (smiling) or just ignorance.” (R8)

“I´ve never got any cultural training or these kind of things you know” (R16)

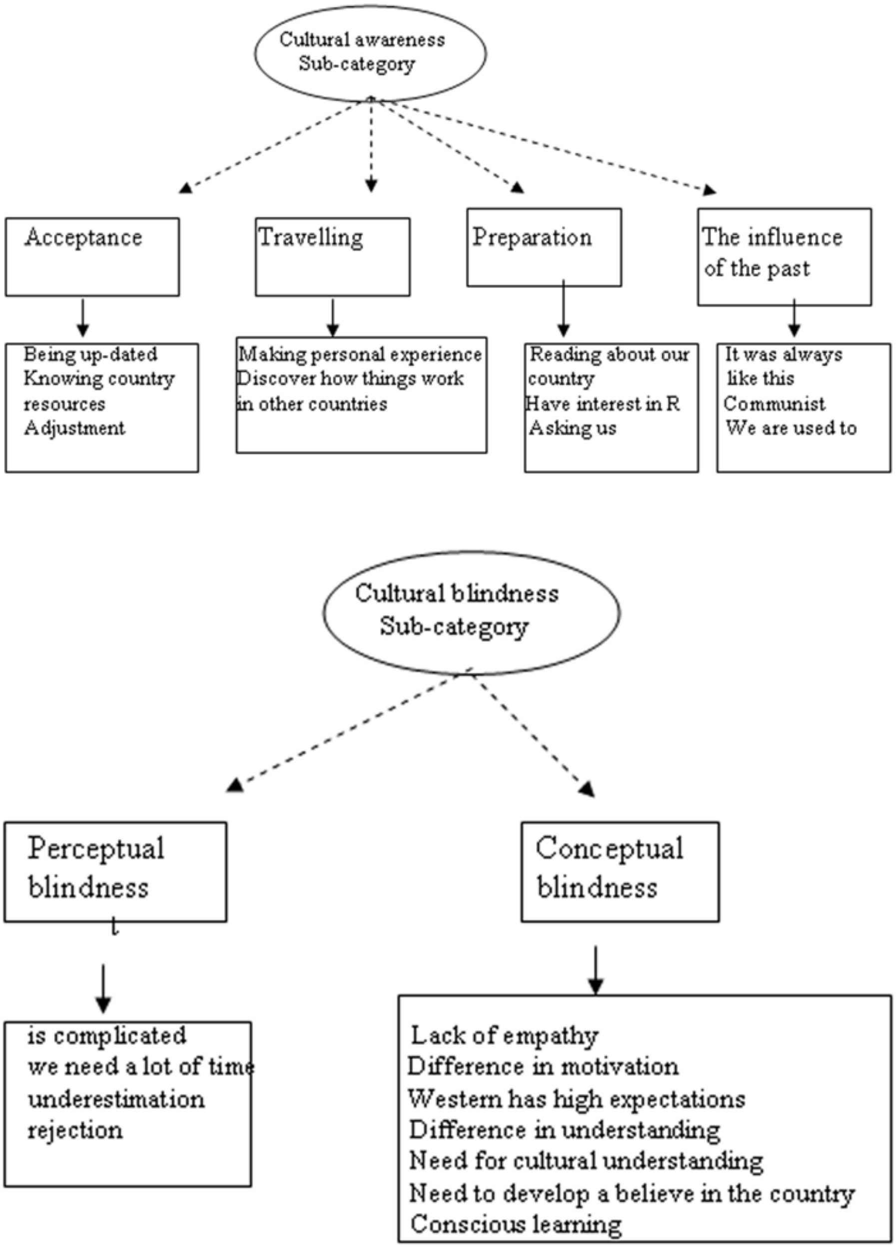
Summary and Conclusion

The influence of the national culture in learning and (KT) has been signposted as a very important concept to take into account and to care for when working in an international co-operation. Partners from both parts should make the effort to prepare themselves in terms of understanding the other's partner culture instead of adopting an ethnocentric and blind approach. Acknowledgement and acceptance of the partner's culture will improve the will of knowledge sharing, motivation for learning and problem solving due to the trust relation built upon. Suggestions of how to improve the learning process have been provided as to increase the travel activities in order to understand and internalized how and why differences occurs, personnel placement in both companies during certain periods as a way to learn for life not only as a temporary accomplishment of tasks, joint training, improving methodologies or time investment for dialogue even if it is for learning from mistakes or bad experiences from the past should be encourage at all levels in the company. By acknowledging this, we may develop a more rounded and more detailed understanding of cultural differences. As a recommendation on the one hand a good starting point is focusing in communalities, wherever they might be found, it might be atypical but in cross-culture the question is what is typical? and in the other hand having the wish to develop the other partner should be used as stepping-stones for a gradual mutual growth and success of the cross-cultural partnership.

EMERGING CATEGORIES FROM AXIAL CODING I



EMERGING CATEGORIES FROM AXIAL CODING II



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MUSIC'S DISTRIBUTION IN NOW DAY'S COMPETITIVE ENVIRONMENT: A PORTRAIT OF UK MARKET

LUCA DEVIGILI
UNIVERSITA' LA SAPIENZA DI ROMA, ITALY

CLAUDIA RASICCI
UNIVERSITA' POLITECNICA DELLE MARCHE, ITALY

GIANPAOLO VIGNALI
MANCHESTER METROPOLITAN UNIVERSITY, UK

Abstract

The music industry has been transformed by the development of digital media. Acquiring, purchasing and listening to music using facilities such as websites downloading and MP3 files is becoming more popular.

A fundamental problem that the industry is currently seeking to address is piracy, with illegal music websites downloading and home copying, by using CD burners being readily accessible to an increasing numbers of music fans.

The UK market for paid-for music downloads is growing rapidly albeit from a very small base and the explosive growth shown in both 2004 and the first quarter of 2005 suggests that there is a considerable potential for this format.

Through reading various sources of literature, it is apparent that there are various views on the developments of the music industry. Meisel & Sullivan (2002) suggest that online music is a force to be reckoned with now and will be even more so in the future.

They also suggest that by making the possible online distribution of music, the internet has disrupted the normal way of conducting business in the music industry.

Physical product, such as a CD, is being replaced by digital product which can be distributed via the internet. For example, the most common and well known Mp3 distributor is iTunes. Music piracy via the internet is having a major affect and undermining both the record industry and these types of music stores such as HMV and VM. As a result these stores have to change their action in order to remain in the market.

Our interest is describing what kind of strategies the main important retailers are following, trying to defend a competitive position in the market, in order to show the importance of the strategy of differentiation.

In this research, primary data analysis is used to describe strategies of some music retailers; a secondary data study has been made as well, in order to describe the competitive environment.

The hypothesis developed in this paper is that retailers find a strategic approach, focused on a differentiation of the offering, for achieving the choice of the consumer.

Keywords: music industry, piracy, retailers, choice, digital media, strategy.

METHODOLOGY

In our analysis we use two different methodologies in social science research: literature review (Aldrich and Baker, 1997) and case study research (Yin, 2003).

The purpose of qualitative research methodology is to explore the depth, richness and complexity inherent in a particular phenomena (Burns and Grove, 1997) doing so from the point of view of the people being studied (Bryman and Burges, 1999).

We used a semi-structured questionnaire to elaborate some critical variables on family business corporate governance and succession. Semi-structured interview is one of the most common approaches to interviewing in qualitative research (Bryman and Burges, 1999).

THE COMPETITIVE ENVIRONMENT

Mintel (2006) states that over 270 million units of pre-recorded music were purchased in the UK in 2004, where the value of the market has remained at over £1 billion per annum and increased to approximately £1.24 billion (manufacturer selling prices) in 2005.

The music industry has been transformed by the development of digital media. Acquiring, purchasing and listening to music using facilities such as download websites and MP3 players is becoming more popular. Mintel (2006) suggests that there is evidence that the new digital formats are beginning to erode CD sales, and other formats, such as audio cassette tapes, are expected to become more or less obsolete.

A fundamental problem that the industry is currently seeking to address is piracy, with illegal music download websites and home copying using CD burners being readily accessible to increasing numbers of music fans. A reduction in losses to piracy will benefit the industry by reducing manufacture and distribution costs of producing pre-recorded music in digital formats (Mintel, 2006)

The UK market for paid-for music downloads is growing rapidly albeit from a very small base and the explosive growth shown in both 2004 and the first quarter of 2005 suggests that there is considerable potential for this format. Personal music file player penetration remains the key to the success of this market, and with growth in this area likely to increase, the outlook for paid-for music downloads looks promising.

The production of music as a saleable product is a relatively recent phenomenon. The market for music began in the 19th century with the sales of sheet music; however this really took off in the twentieth century, with the emergence for recorded music in the form of vinyl records, cassettes and CDs etc (Gillet 1996, cited in Graham & Burnes, 2004).

With annual sales of $38 Billion (Approximately £27 Billion), the music industry is very much serious business (Webactive 2004, cited in Graham & Burnes, 2004).

Through reading various sources of literature, it is apparent that there are various views on the developments of the music industry. Meisel & Sullivan (2002) suggest that online music is a force to be reckoned with now and will be even more so in the future.

They also suggest that by making the possible online distribution of music, the internet has disrupted the normal way of conducting business in the music industry.

Historically, the product was distributed to retailers, who then sold it to consumers. This, of course is the legal method of distributing and buying music. However, illegal businesses have arisen that produce and sell illegal copies of music (“Bootleggers”). Typically this was done in an informal way, as friends made illegal tapes to share with friends. Yet since some firms/groups have began to charge for the illegal music. Therefore, they are making a profit, rather than the publishers, performers, recording companies and for the purpose of this dissertation, retailers. (Meisel & Sullivan, 2002)

Graham et al. (2004) similarly suggests this by saying that the advent of the internet and the exploding popularity of the illegal downloading of digital music is challenging the traditional supply model that has relied on the physical distribution of music recordings such as CDs. (Graham et al, 2004)

Reece, 2004 cited in (Graham et al, 2004) states that the global piracy industry is now estimated to be worth about $4.8 Billion, (Approximately £3.2 Billion) with approximately 4.5 million counterfeit CDs sold each year in the UK alone. The piracy industry is the main factor that is having an affect on high street music stores such as Zavvi and HMV, as their core product is physical.

Graham et al (2004) suggest that this, the physical product, such as a CD, is being replaced by a digital product which can be distributed via the internet. For example, the most common and well known Mp3 distributor is iTunes. Music piracy via the internet is having a major affect and undermining both the record industry and these types of music stores such as HMV and ZAVVI. As a result these stores have had to change their operation in order to remain in the market.

Lewis et al (2005) suggests that the music industry has been under threat due to widespread piracy of CDs, private CD burning and the online (peer to peer) swapping of music files. By far the biggest of these threats to be faced by the record companies is that of internet enabled peer to peer supply (P2P) networks for music exchange.

P2P bypasses the record labels because it allows consumers to swap music files between themselves without any money flowing to the record labels. This is also true of the retailers such as Zavvi and HMV as they will not receive any money as a result of the music being swapped between friends etc. Graham et al (2004), similarly state that 'rather than purchasing music, consumers may instead choose to share it between them, thus reducing the sales and profits of record companies and artists'. P2P is available to anyone and everyone on the internet. It is now possible to swap music files with anyone else in the world. (Graham et al, 2004)

The advent of Mp3 and online file sharing has made it much easier to supply music over the internet directly to consumers own PCs. This led to the development of Mp3 players through the last five years. The most popular and successful of these include Apples iPod and Sony's 'Walkman'. These allow Mp3 files to be downloaded from PCs, and get carried around by the user. The memory size of some Mp3 players now enables 1000s of songs to be stored on an audio device smaller than a typical portable CD player. In turn, this has led to a rapid increase in demand for music, which could be downloaded from PCs, and carried around by the user (Lewis et al, 2005).

The internet is destabilising the supply chain for the music retailers as consumers have alternate methods to obtain their music, ultimately losing out on their custom. Therefore the internet is improving the supply chain for its consumers. Lewis et al (2005) suggests that the internet is threatening that copyright protection and therefore the power of the major record companies to exploit their major financial stream. Ultimately it is important to ensure that the talents of successful artists and songwriters are rewarded.

The internet offers enormous scope to music pirates. Music Piracy is not new. However, according to (Hammersley, 2002 cited in Lewis et al 2005), what really scares the music industry is the sheer scale and ease of the piracy allowed by the internet.

The technology is now such now that, in theory and increasingly in practice, it is possible to download (Pirate) any piece of music without paying for the privilege of doing so. The most famous promoter of such a technology, to date has been the American company Napster. In effect the primary barrier that the record company have used to control and dominate the music industry – owning content – offered little resistance to these new technologies. They soon realised that they had clearly underestimated the impact of the internet and had been very sluggish to react to this unprecedented threat. To prevent entry - largely illegal - needed those to be vociferous in the pursuit of protecting copyright (Lewis et al, 2005)

This has brought a two fold policy response from the music industry. Firstly, in an attempt to stop Napster and other similar organisations from facilitating music swapping, it took them to court for copyright infringement (Greenberg & Erios 2001, cited in Lewis et al, 2005) This has not however, diminished the growth in music piracy. It is estimated that, through its successors, for example Morpheus and Kazaar, peer to peer music file swapping is running at the rate of £2 Billion files per month (Hammersley, 2002 cited in Lewis et al, 2005).

Modern warehouse retailers such as Amazon and Play.com have made it more difficult for high street retailers to compete by offering the same product at often cheaper prices. Not having a conventional 'bricks and mortar' store (Newman & Cullen, 2002) enables them to charge cheaper prices as they do not have to pay for those things that high street stores do, for example city centre rents and overheads etc. They store products in large out of town warehouses where rents are cheaper; therefore enabling them to afford to charge lower prices (Newman & Cullen, 2002).

Graham et al (2004) writes, declining CD sales, the hit from online downloads, and growing competition from the likes of Amazon.com are pushing music retailers into the wall. Amazon.com has shown, that chains of stores are no longer necessary. Consumers can be reached directly, and intermediaries are theoretically no longer required.

Table 1 – Alternative retailers in the market

Amazon	Originally opening as a book store, they now have a vast product offering including cameras, Coffee machines (Amazon.co.uk) and for the purpose of this dissertation, Music. Not only do they sell brand new products, Amazon offers a service where independent sellers can sell new and used items via the Amazon.co.uk Marketplace. Therefore customers are able to purchase products at cheaper prices from Amazon than they would on the high street.
Play.com (www.play.com)	Play.com work on a similar basis, they are based in Jersey where they can avoid the tax loophole, justifying their low prices and free delivery. They have a product range including predominantly DVD and music orientated products. They have no brick and mortar store to browse (Newman & Cullen, 2002). Instead, it is possible to view products on their website and order through an account. Play.com has also recently expanded to the USA offering the same service. This is known as Playusa.com.

HOW ZAVVI AND HMV THEY KEEP AFLOAT

Two major chains dominate the music and entertainment retailing category, these are HMV and Zavvi, both of which have a significant offer in music sales (Mintel, 2006). Although the Virgin brand is a worldwide organisation, the Zavvi brand is smaller than that of HMV, making it the second largest high street music retailer behind HMV. (Mintel, 2006)

These are just basic outlines to the two major players in the high street music retail industry. This study aims to identify why these organisations (HMV and Zavvi) have been affected by alternative music providers, and discover the operational methods undertaken by these retailers in order to combat these problems.

The case of HMV

HMV leads the UK books, music and video market despite a decline in music sales in 2003/04. The company is feeling the pinch from increasing competition from outside of the high street sector. Both of the groups businesses, Waterstone's and HMV, are the leading chains in their fields and have succeeded by offering real product authority and expert service (Mintel, 2006).

Consumer research undertaken by Mintel backs this up through their market analysis.

Their study suggests that 39% of consumers stated that they had purchased pre-recorded music from the leading specialist in the last 12 months. HMV's consumer demographics are typical of the music specialist, with a higher proportion of men (42%) than women (37%) and significant penetration of the younger consumer groups (Mintel, 2005).

HMV intend to remain the leader through their mission statement and ambition to become the most successful international retailer of books, film and music. To achieve this they have identified seven key objectives (HMV, 2007):

- They must apply the HMV Blueprint across the group by transferring best practice from the highly successful business model developed by HMV in the UK.
- To secure leadership in chosen markets operate in attractive markets where the Group can maintain or obtain market leadership.
- Deliver unrivalled authority by delivering leading market share through superior range, customer service and product knowledge in each catchment area.
- To achieve superior financial performance by achieving 'best in class' operational standards.
- Exploit new product opportunities to build on the Group's track record of the early adoption of new formats, such as DVD, thereby securing competitive advantage and market share growth.
- Embrace alternative distribution channels and technologies to ensure that the Group is well positioned to take advantage of viable alternative distribution channels and technologies that present viable strategic opportunities for its business.
- Optimize their store portfolio by ensuring that the Group has a suitably positioned, sized and configured store portfolio tailored to local markets designed to maximize long-term returns.

- A new look website, designed by Code Computerlove. New features including wishlists and customer reviews, and the brand's new strapline 'Get Closer', all feature in the rebrand
- The revamping of its logo in an attempt to "re-engage with customers". The revamp will see the Nipper image used separately as a "stamp of quality", while the retailer's logo lettering has been switched to lower case.
- Strategies for driving traffic to its relaunched portal, HMV.com launched an email campaign offering a £5 discount to consumers who spent £30 or more on the site.

Table 2 - HMV, financial performance, 2001-07

Year end to April	2001	2002	2003	2004	2005	2006	2007
Sales (excluding sales tax) £m	1,542,745	1,654,476	1,707,684	1,793,475	1,885,630	1,825,900	1,894,500
Number of outlets	516	525	541	559	588	591	742

(Mintel, 2008)

Table 2 - Virgin Retail Ltd/Zavvi, Financial performance, 2001-07

Year end to March	2001	2002	2003	2004*	2005	2006	2007
Sales (excluding sales tax) £m	301.8	348.9	353.3	376.3	368,5	343,1	337,0
Number of outlets	288	250	167	122	115	110	114

(Mintel, 2008)

The case of Zavvi

Zavvi was Virgin Megastore, part of the Virgin Empire controlled by Richard Branson. On 17th September 2007, it was announced that only the UK arm of the Virgin Megastore brand is to break away from the Virgin Group. A management buy-out offer was accepted which will now see the Managing Directors taking the company on as the largest independent entertainment retailer in the UK. EUK, the company's main stock supplier, also the supplier to shops like Woolworths and Sainsburys, have helped out with the MBO by investing heavily to support the new management team. With the change of ownership the Virgin Megastore disappeared and was replaced with a new name "zavvi". All 125 stores remained trading and the change was implemented by late November 2007. In January 2008 the online system was also rebranded to "Zavvi". Zavvis Ireland will change to 'zavvi Ireland' in January 2008 (BBC News 2007).

Games are the predominant element of its offer; however music still plays a large part of their product offering. This is even though the sales of music come under increasing pressure from downloading and Internet sales. (Mintel, 2006)

They have identified several different strategies:

- The in-store searchability as an answer to the fact that enormous stores can make it difficult for customers to browse for products or quickly locate ones they want to purchase;
- Zavvi street television. Leading retailer Zavvi needed a solution that would work in their bright shop windows to show advertising and store promotions. They had previously used only static advertising such as posters and window displays but they wanted to modernise their windows with dynamic messages displayed on digital signage systems. The 'street television' systems have also greatly influenced customer behaviour at the sites

where they are installed. It's also a great opportunity for their products and other brands to gain exposure, potentially to an audience number that they wouldn't normally get;

- The increase of the on-line offering. The web site it's not only a on-line window but an instrument for creating a relation with the customer (Mattiacci 2003) but gives a lot of information about the products and the events that take place in the stores. The website is intended to create closer ties between the store and online, with in-store performances being broadcast on the web, as well as reviews submitted by store staff. Visitors can also watch trailers and clips of DVDs and games, while the company says that over 90% of its music collection will be able to be sampled before purchase.;
- More services to the customer. For example is teaming up with Ticketline by opening its first in-store ticket agency. The store at the Arndale Centre in Manchester will allow customers to purchase tickets for UK concerts and events. Another example is the DVD pre-order service on-line;
- Events in stores. In order to lead customers into the shops. Also in this case the web site communication is really important.
- Create e better image. Zavvis is to replace all carrier bags in its 120 stores made from plastic with those made from recycled paper, while also running a campaign to encourage consumers to cut down on plastic bag usage in general.

CONCLUSIONS

In order to remain in the market and compete with alternative music providers, Zavvi and HMV can use various strategies. Zavvi and HMV may find it very difficult to change their operation as it is tangible to the consumer. Online download methods are intangible and therefore easier to change.

The two offering are focused on the web as an instrument through which achieving a living relation with the customer. Mailing, web promotions are all instruments for doing this.

Also, in the stores the customer find an increased products range, special, limited and exclusive products, events - they can met there their preferred musicians, writers -; the store becomes not only the place where to buy, but a place where you can interact with people.

In this way it's possible for companies increase the appeal around the retailer and doing this, obtaining affection and repetition of purchase (Mattiacci 2007).

In this way we believe that retailers can compete. All the strategies and actions we highlight in this article try to give a clear answer to our hypothesis at the incipit of the work. In the competitive environment of nowadays retailing doesn't mean only the physical distribution of a product (a book, a DVD or a CD), but selling experiences, services, things that make the difference with a P2P download.

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HOW THE PRIVATE LABEL CAN BE MANAGED BY SMALL AND MEDIUM SIZED RETAILERS: AN ITALIAN CASE STUDY

MARIA CARLA ALUNNO
UNIVERSITA' POLITECNICA DELLE MARCHE

SILVIO CARDINALI
UNIVERSITA' POLITECNICA DELLE MARCHE

CLAUDIA RASICCI
UNIVERSITA' POLITECNICA DELLE MARCHE

Abstract

In recent years there has been a dramatic improvement of the retailers' own label product performance, arisen from an extension both of existing and new product lines covered.

As consequence of advantages connected to the employment of a private label (Cole, 1955; Brosselin, 1979), not only big sized companies, but also small and medium sized retailers have implemented their own brand-based policy.

Therefore, it can be highlighted that smaller companies must face some limits about the organizational, financial and strategic aspects, forcing them to adopt different strategies, based for instance, on private label of the "non-store brand" type. With this term special reference will be made to private label where labelling does not contain any mention of the retailer's sign.

In order to verify how a "non-store brand" can be implemented in the medium and small sized retailers' marketing mix, an Italian case of study has been analysed. A focus on the consumer behaviour is made, since it represents a fundamental factor for the determination of a private label's development potentiality (Holbrook and Hirschman, 1982; Simonson et al., 2001).

In an attempt to verify which is the level of maturity of the Italian small and medium sized retailing companies, a comparison with the European retailing model could be made.

Both the Italian and the International literature are analysed, with the purpose to underline some potential existing differences and common features between diverse markets. A primary data gathering is needed, with the aim to explain the consumer awareness and fulfilment referred to the private label products, as shown in the case study.

The findings of this research show that medium and small sized retailers are aware of the need to share investments arising from a private label development by joining a Buying Group, or similar organizations, aimed to get economies of scale, economies of replication and economies of scope (McGoldrick, 2002).

The hypothesis that is developed in this paper refers to the small sized retailers' ability to get high performance by implementing a private label of the "non-store brand" type.

Key words: Private label; Italy; Small and medium sized retail, Buying group

Introduction

In recent years the phenomenon of private label has experienced a significant growth in all countries with advanced distribution systems.

According to AC Nielsen (2006) private label development is continuing to outpace that of national brands thanks to the growth of multi-national retailers and to the expansion of hard discounters in Europe.

The latest IRI study underlines that in 2007 the private label market share (value share) reached almost 35% in Germany, 28% in Spain, 27% in France and 26% in the U.K., that are the European countries with the highest private label shares (see figure 1).

Retail industry structure plays a significant role in private label success; in particular those markets with the highest share of private brands also have some of the highest levels of retail concentration: according to EUROPANEL the top five retailers hold over 50% of the market in Spain, the Netherlands, France and the U.K., but only 25% in Italy, where private label is significantly less developed (see figure 1). With reference to Italian market, retail environment is characterized by a lower retail concentration in comparison with other European markets and by the presence of small and medium sized retail firms . As shown in the table 1, in Italy the market share of traditional retailers and little self-service formats is still relatively high in comparison to other European countries.

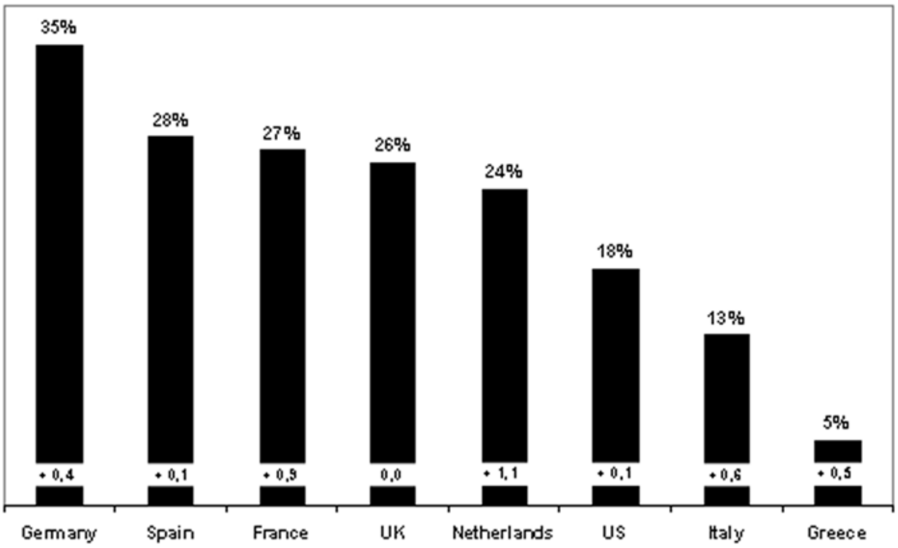
Table 1 Market share of the different grocery channels by European country – value share – 2006

Grocery channel	Italy	Spain	Germany	France	U.K.
Hypermarkets	18%	38%	29%	51%	46%
Supermarkets	53%	43%	54%	44%	43%
Superettes and traditional retail formats	29%	19%	17%	5%	11%

Source: Federdistribuzione

* Sales among packaged food categories

Figure 1 Private label market share by country (grocery channel; dollar share) in 2007 and Point Change vs 2006



Source: IRI InfoScan Reviews

* Sales among 35 of the largest Consumer Packaged Goods categories

This aspect can represent a limit to private label development because little retailers could not have the necessary brand equity to gain consumer acceptance and to extend their private brands across product categories; in addition to this, small firms often lack the adequate scale to gain required operational efficiencies (IRI, 2007).

From a qualitative point of view private label's role and influence have evolved significantly over the past few years: originally seen as value offering for low-income customers, today growing attention is paid by major retailers to developing and differentiating their private brands, which tend to assume a critical role in driving sales growth, improving profit margins and building customer loyalty.

This leads to a number of changes in the private label strategies of the retailers: the price tends to lose its key role because new values are added beyond it; retailers are introducing new kind of private labels, with the result that their own brand portfolios tend to cover all market segments, including the premium one. An emerging strategy of same major retailers is also to use private label to offer targeted niche lines (e.g. health & wellness, kids and ethical products). With reference to this topic, some authors point to the beginning of a "fourth phase" of development of the private label, in which innovation plays a growing role; in fact, expanding into new product categories, that are not always covered by manufacturers brands, the private label becomes an instrument of innovation of the retailer (Gandolfo and Sbrana, 2003; Lugli, 2003).

The several benefits connected to the development of a private label strategy (Cole, 1955; Brosselin, 1979) stimulate its adoption not only by large retailers, but also by small and medium sized firms. The last ones, however, must face different limits because of the considerable resources required by the development of such strategy.

One solution that might be viable for a small retailer willing to develop a private label strategy is to join a buying group whose tasks could be, together with bulk buying, launches of new products and other marketing activities, also the developing of private label offerings . In this situation, anyway, the label adopted is necessarily a non store brand: with this term special reference is made to a private label whose naming does not contain any reference to the retailer's sign . It is interesting to underline that these shared brands are often used by the retailer to perform the same functions that marketing theory traditionally assigns to the private label of the "store brand" type .

This paper tries to investigate the competitive profile and the management implications of the private label strategy managed by small retailers, with particular attention to the situation in which a non store brand is adopted. In doing this, the case study of a small Italian retailer is discussed.

The study focuses on the following objectives: (1) there has to be an examination of the main problems of management that are connected to the integration of the non store brands in the competitive strategy of the retailer; (2) the effects on the consumer's perceptions in terms of brand awareness, brand loyalty and perceived quality should be verified. In addition this work will analyse the management of some operating tools used to develop the retailer's private label strategy. This study is also aimed at verifying if it should be possible to employ others tools to achieve good performances despite the lack of an immediate cognitive tie between the private label and the retailer's sign (see Collins-Dodd and Lindley, 2003).

The use of a fantasy label in a Small Retailer

As observed by different authors (Lugli, 2003; Ravazzoni and Cardinali, 2003), even private labels have assumed an interest of a strategic kind. Recent transformations in the context of distribution have pointed out the importance of new tools that aim to raise the value of the retailer's sign and to develop a profitable relationship with the customer.

In this sense the importance, not only in a "tactical" sense, of private labels, stimulates scientific interest in measuring the value of the retailer's sign and in the cognitive relationship between it and the private label (Busacca and Castaldo, 1996) .

In fact, since private label represent an important element of differentiation strategy, assortments frequently include 3 types of retailer brands: "first price products", store brands with the name of the store and private label brands or own brands with a name different from the store's brand name

(Mathews Lefebvre C. - Ambroise L. – Albert N. – Valette Florence P. EARCD 2007).

In this way and considering the present empirical case and the current competitive market context, it can be noted that fantasy labels can be adopted to achieve different purposes For example, it is possible to note that some fantasy labels are used to identify the lowest-priced products or, contrastingly, they can be used to distinguish "niche" products. In other cases, however, this choice can be a consequence of the retailer's strategy of not wanting to create a connection between the product category and the retailer's sign .

In these cases the fantasy label can be used as the private label that prevails within the retailer's owned brands portfolio . Choices related to a retailer's own brand could, in many cases, be "imposed" by economic needs that are also connected to its small size. Therefore we can describe the main management related difficulties faced by retailers that use the fantasy label with the same functions that are typically assumed by a store brand.

The use of the store brand can allow private label products to be perceived in correlation to the retailer's "system of values" The close correlation between the store and the products is much more interesting when private labels are analyzed: some original aspects can be noted with respect to the analysis of the existing relationship between a retailer's sign and the national brand. This bond is so important that some authors (Dodds, Monroe and Grewal) have proposed a "model that defines the quality of the product, its perceived value and the intention of purchase based on price, brand and image of the sales outlet where the product is purchased" (Busacca and Castaldo, 1996).

On the other hand, for private label products, all "instruments" that are typical of retailing marketing and services marketing can be used (such as services related to information) . In fact, it can be noted that if the retailer is able to install a consistent faithful relationship with its customers, the gap between the national brand and fantasy label can be reduced (Busacca and Castaldo, 1996: 28). This becomes more interesting when the differences that emerge from the analysis of different store formats are analyzed.

Considering the above-mentioned aspects, the question that arises is whether retailers that do not use a store brand can lose efficacy and competitiveness both due to commercial aspects related to the private label as well as due to strategies related to the retailer's sign. In addition, there is also this question of how they can react to such a situation, identifying instruments of intervention. For this reason we will try to make an in-depth study of different aspects by describing a specific empirical case.

Non store brands and consumer's perceptions: an empirical research

Within the retailer's private label portfolio, the store brand often plays a strategic role thanks to its direct connection with the retailer's name: on these labels, positioned as comparable to leading manufacturer brands, the retailer transfers the image and the values of its own sign.

According to marketing theory, this factor leads the firm to differentiate its offer from competitors through exclusive private label products.

It is interesting to verify if these advantages persist if the functions typically performed by a private label of the store brand type are assigned to a fantasy label, which by its nature lacks any connection with the retailer's name.

In what follows, this section analyzes an extract of the data collected through an empirical research (the methodology is available in table 2) conducted on the brand "Consilia", a fantasy label marketed by the retailers belonging to the S.U.N. Consortium, that is an Italian buying group.

Gruppo Gabrielli, one of the members of this alliance, conducted a research to investigate its customer's perceptions about the brand "Consilia" .

The adoption of a store brand allows the retailer to benefit from the popularity of its sign, whose image is transferred to the private label.

This image transfer leads to the opportunity of minimizing communication investments specifically devoted to the promotion of the private label products, which - contrary to branded products - can do without a heavy advertising activity. This ratio seems to find limited applicability if a non store brands is adopted: it typically benefits only limitedly from the retailer's corporate image; therefore its promotion needs more consistent marketing efforts.

Table 2 Methodology of the empirical research

Interviewing method: in store interviews with PAPI method
Period: from 28th October 2005 to 30th November 2005
Sample size: 1.796 customers interviewed in 11 Gruppo Gabrielli stores of different formats (hypermarkets, supermarkets and minimarkets)
Test areas: stores selected in the Marches, Abruzzo, Umbria and Molise regions in Italy
Sampling method: purposive sampling

Source: Gruppo Gabrielli's data

In the empirical research, "Consilia" 's popularity has been measured by analyzing the degree of brand recognition. The evidence collected show that around 12% of the customers interviewed did not recognize the "Consilia" brand. For shoppers loyal to Gruppo Gabrielli this percentage goes down to 10%, showing a higher rate of popularity.

The analysis of the popularity of the bond between the private label and the retailer's sign evidences the lack of a well-known association between "Consilia" and Gruppo Gabrielli's stores. This evidence is presumably due to the non recognizable nature of the private label: in fact 14% of the shoppers interviewed knew "Consilia", but they were not able to correctly indicate the retailer that markets it. This percentage decreases a little among regular customers of the store. These results seem to support the hypothesis that the absence of a direct correlation between the private label and the retailer's name could represent a potential source of commercial inefficiency.

According to marketing theory, the retailer's sign performs the role of guaranteeing the quality of the private label products, assuming a "system of responsibility" similar to the one traditionally assumed by manufacturers. Strong retailer signs simplify the purchasing process because the shopper has already some knowledge about the retailer; this implies that the perceived purchasing risk is significantly reduced (Zentes-Morschett-Schramm-Klein, 2007). In a following moment, if the customer is satisfied with the private label product, he will probably repurchase it and he will revisit the retailer: this means that the firm can build customer loyalty on its private label.

This aspect suggests that loyalty towards the store transfers itself to the private label products and vice versa, developing a virtuous circle in which brand and store loyalty can strengthen each other .

Store loyalty can be easily stimulated if the private brand shows a direct bond with the retailer's sign: on the other hand some limits could arise from the adoption of a brand that is not immediately recognizable as the exclusive offer of the retailer.

In the empirical research, the degree of brand loyalty (Aaker, 1991) was analyzed by examining the frequency with which the respondents purchase "Consilia" products.

Buyers of "Consilia" products were 93.8% of those who recognized the brand: 32.4% of these were "habitual" buyers. Among the customers "loyal" to Gruppo Gabrielli, "habitual" buying goes up to 38.2%, while among those who said that they "trust" in Gruppo Gabrielli this percentage arrives at 41.1%. Moreover it should be noted that customers trusting in the retailer's sign give a better positioning to the "Consilia" products with respect to the sample average both in terms of "quality perception" as well as "trust".

Therefore it is evident how consumer's trust in the retailer's sign can, in a significant way, account for "perceived quality" as well as for private label sales performance. However, the question that arises is whether the potential of this bond does not remain to some extent unexpressed because of the unrecognizable nature of the private label.

How "Consilia" can be managed to better perform

In order to verify the potential efficacy of the non-store brand "Consilia", some of the most important advantages obtained by a traditional store brand can be analysed (table 3).

Table 3 Store brand functions

1) Own-label brands and ranges can include all categories, both food and non-food; this is something manufacturers' brands cannot do. This wide presence gives the consumer the chance to associate all the products lines to a standard level of quality, making his/her choice easier and quicker. Actually, if the consumer has trust in the retailer, as consequence his/her trust is transferred to retailers own label products.
2) Sub-brands and ranges can increase possibilities for innovation, particularly in convenience food through differentiation. Coop Italia has created several segments covered by its own brands. This is aimed to span a wider cluster/segment of consumers by offering them a deep and specialised range of products, like Fair trade, Kids, Healthy, Premium, Value for money, Ecological. This **halo effect** can allow the retailer to gain a high level of brand awareness in the consumer's perception toward new sub-brands as well.
3) Retailers who manage store brand can suppress several communication costs, by using its institutional communication to spread its branded products values and features. This implies a high level of flexibility and a potential quick response to changing consumer needs and occasions.

Table 4 Potential problem of a fantasy label

1) In an attempt to develop "Consilia" sales, an aggressive discounted based-policy has been promoted, with the consequence of creating a general image of low price products. Hence, the quality is often deemed to be lower, even if this is not the case.
2) Some product lines, like café, wine, beer, are still not attractive compared with well-known brands, because there is certain snobbery in these sectors, and people sometimes are not able to look beyond the brand/label. This is particularly verified for older consumers, who are trusted in well-known brands, rather than private label items.
3) Finally, "Consilia" has not only to compete with alternative industrial brands but also with other retailers who compete heavily on price and assortment. Actually, as the Coop example showed, most Gruppo Gabrielli competitors' main strength is to plan an efficient marketing strategy involving their private label lines. This arises both from the possibility they have to transfer the institutional communication benefits to their own label items (that are of the store brand type), both from their bigger size, that makes them able to use some wider and efficacy communication media.

In the case of "Consilia", some of these aims can't be achieved because of the lack of a link between its naming and the retailer's sings (see table 4).

For all these reasons, in the Consilia's case, the management of some operative tools seems to assume a crucial importance in the development of a retailer's branding strategy.

The aim of emphasizing the link between the retailer's name and the private label "Consilia" is assuming a strategic priority in these last years, especially after that the empirical research found that the customers often seem to ignore that "Consilia" is the retailer's own brand.

It can be underlined an evolution in the advertising slogans; actually, it initially focused only on the convenience, by explaining the good "value for money" characterizing the Consilia products. Therefore, together with the slogan "Consilia, quality at the right price", the institutional message "Consilia, produced by us, thought for you" is also gaining ground .

Secondly, the in-store communication can be considered one of the most important tool ; the posters and the other means used are aimed to spread two main concept:

- the link between the private label "Consilia" and the store sign;
- the good quality standards of "Consilia" branded products.

Also the promotional policy is an important tool used by the company for the development of its private label. As we can also see from the empirical research findings, Gruppo Gabrielli's promotions have above all been based on discounted prices and the policy of "price cuts" and "discounts". However, some negative consequences have been caused by this strategic choice

In order to better perform the "Consilia" sales, the issue of private label development by Gruppo Gabrielli can be considered from two points of view.

With regard to the general perspectives of private label as a tool of the retail marketing mix, the following remarks can be analysed:

- A growing number of customers are beginning to show their preference for own-label products, because their trust grow up and has been extended toward other retailer branded products and sub brands. In the case of "Consilia", something similar is happening: after an initial period during which the Gruppo Gabrielli has reinforced the communication policy, customers started to recognise "Consilia" products, associating them to the right level of quality, as shown from the data .
- Consumers are now showing an increasing interest in ethical foods, fairtrade and organic, that is leading to a bigger consumer's expectation for new proposals of private label products referred to these categories. "Consilia" is poised to introduce new sub range of lines, in particular associated to the premium segment as regard to biscuits, or healthy category, as probiotic yogurts.

The risk of confusion among the customers or of loose of visibility of the single sub brands seems to be limited: in foreign Countries as the UK, where the phenomenon of private label is being consolidate from several years in the biggest European retailers (Mintel report) "there is no evidence to suggest that consumers are confused by the increasing array of own-label sub-brands".

Secondly, it is possible to consider the private label development, from the buying group point of view.

Buying groups are composed of different retailers that could have different aims related to the management and the development of the private label.

Therefore, it is extremely important to create synergy among retailers in order to achieve a shared private label strategy.

With this in mind it is possible to highlight a S.U.N. project regarding its private (even if "shared") label "Consilia", which is being developed from two years. The assignment is to build a distinctive identity of the brand "Consilia", by extending it to all the members of this buying group, by a homogeneous communication and promotion of "Consilia" products. This will be achieved by launching new references marked "Consilia" as mono-brand, but declining it in five different lines, characterized by a different theme. Each theme will be linked to a different moment of the day, that are the morning, the afternoon and the evening (corresponding to breakfast, lunch and dinner, or snack) and to a different model of consumption; for example the line "Subito Pronto" is aimed to people who don't have enough time to spend cooking, or the line "Mai Senza" is characterized by small sized snack that people can bring in his/her bag :

With this in mind it is possible to underline that Gruppo Gabrielli and the other members of the S.U.N. Consortium are developing a strategic project regarding Consilia as their private label. The aim is to build a distinctive identity of this brand, by the introduction of sub-brands and the attempt to plan a market segmentation strategy.

Concluding remarks

In order to analyse the private label strategy by buying groups, Gruppo Gabrielli's case-history was studied, bringing light to several critical aspects. One of this is the priority the company assigns to a short term view that prevails over a strategic one; therefore the private label control is considered by the company as a way to get a higher profit margin, rather than a strategic tool to improve the customer's loyalty. In addition buying groups were set up "to buy", and this is the reason why a "purchase-oriented" business culture is more widespread.

The limited economies of scale generated by the private label sales of small retailers don't make the companies able to compete by using the most efficient means of communication.

Sometimes the use of a fantasy label is not a result of a strategic choice, but arises from the need to reach the appropriate "critical mass" (useful for performing specific economies of costs such as purchase or logistics). This is what can happen to small retailers belonging to buying groups, like in the case study analysed. This implies a new strategic role for fantasy label that are "used" to perform the functions of a traditional private label of the store brand type.

In addition, in the case of "Consilia" the poor correlation between the retailer's own label naming and its signs does not allow the company to create any synergies. In fact the findings of the empirical research seems to confirm that the synergic effect between store and brand loyalty does not play so efficaciously if a non store brand is adopted.

Considering the experience of the buying group S.U.N. and the Gruppo Gabrielli, it seems possible to apply the following strategic organizational solutions:

1. To increase the knowledge of the connection between the retail's sign and the fantasy label through institutional advertising campaigns. It is necessary, in this case, to create an efficient co-ordination between retailers.

2. To build a long term view in buying groups in order to increase customer loyalty.

On the other hand, retailers could try to "customize" the Consilia strategy for each sign, by emphasizing the most important tool of their retail marketing mix: the in-store communication that is the only mean able to lead toward a direct relationship with their own customer. Actually, the existence of a trusted relationship between the store and the customer is the most significant requisite able to spread the liability, distinctiveness and convenience of the "Consilia" as a Brand characterized by its own identity.

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MOBILE TECHNOLOGIES AS MARKETING COMMUNICATION TOOLS: ATTITUDES, CHALLENGES AND OPPORTUNITIES

DESPO KTORIDOU
UNIVERSITY OF NICOSIA, CYPRUS

EPAMINONDAS EPAMINONDA
UNIVERSITY OF NICOSIA, CYPRUS

KAUFMANN, HANS RUEDIGER
UNIVERSITY OF NICOSIA, CYPRUS

MARCO ARTUSI
MODENA AND REGGI EMILIA UNIVERSITY, ITALY

Abstract:

Mobile Marketing (M-Marketing) has recently started to emerge as a marketing communication tool. Handheld or mobile devices – one of the most promising related technologies – are increasingly used as powerful promotional techniques. It can be argued that enhanced communication and information delivery, enabled by mobile technologies, have facilitated the work of marketers and businessmen alike. Even though these new technologies offer new opportunities for marketers, businessmen and consumers, in some markets this may be difficult to materialise due to technological, cultural and implementation problems.

This research aims to highlight the availability as well as the requirements concerning the mobile devices, examine the marketing communication parameters that should be considered in relation to m-marketing and develop a business model that corresponds to a successful implementation. The model can set the basis for deploying mobile devices and wireless technologies not only in Cyprus where the research takes place but also in other business settings.

The research methodology consists of both qualitative and quantitative methods of data collection and analysis. On the one hand, for the technological side, this paper is informed by interviews with key informants in the telecommunication industry. On the other hand, for the analysis of consumer attitudes, 3 focus groups were initially organized to get an initial understanding of their perceptions. In addition, a survey of 600 questionnaires was conducted in Cyprus and Italy, and the responses were analysed and connected to the aims of the research.

This results indicate that lack of mobile advertising which lead to :a) fear for security issues, b) misconceptions on advertising message content and c)…. Have a major impact on attitude towards mobile advertising.

Keywords: mobile devices, mobility, m-marketing, marketing communication, customer service applications, consumer behaviour

Introduction

The rapid development of communication technology in the second half of the 20th century entailed important implications for business practice. In the area of marketing in particular, it has enhanced the ability for communication between businesses and their customers, an area of utmost importance in effective marketing. More recently, mobile marketing (m-marketing) – direct marketing to handheld or mobile devices like mobile phones – has started to emerge as a promising tool to amend the marketing communication process. The first mobile services for consumers, such as calls and SMS, have now expanded to several mobile entertainment features and information. Even though these new technologies offer new opportunities for marketers, businessmen and consumers requiring mobile computer solutions that other devices cannot provide, in some markets these environments suffer from various cultural, technological and implementation problems.

In this paper, two important aspects of m-marketing are discussed. On the one hand, the technological environment of mobile technology is analysed and, on the other hand, consumer perceptions on mobile advertising in both Cyprus and Italy are explored. The main aims of the research are to analyse the status quo of mobile commerce: attitudes and benefits; to discuss the attitudes of both Italian and Cypriot consumers towards mobile advertising, specifically in terms of awareness and perceptions; and to provide recommendations towards utilization of this marketing communication tool.

The paper is organised as follows: A review of definitions and contemporary research on m-commerce, m-commerce attitudes and benefits, and consumer service applications is presented. After the methodology section, the results from three empirical studies in Cyprus and Italy are discussed. This involves survey questionnaires targeted to the population of potential end-users and an analysis of consumers' perceptions and attitudes towards m-marketing based on focus groups with mobile user participants in Cyprus. The paper concludes by providing suggestions with regard to the potential and customized applications of mobile technology.

Literature Review

Mobile Commerce: Overview

Mobile commerce is any e-commerce or e-business conducted via a wireless environment, especially the Internet. It is the commercial application of mobile computing using mobile devices and uses primarily wireless networks - a concept enabling enterprises and commerce applications for customers, partners and employees anytime, anywhere and anyplace. M-commerce is a natural extension of mobile business. Mobile devices create an opportunity to deliver new services to existing and prospect consumers. According to industry research firms the number of mobile devices including cell phones was 1.4 billion in 2004 (www.cellular.co.za/stats/stats-main.htm).

Via these wireless devices the customer can have direct access to wireless commerce applications. As content delivery over wireless devices becomes faster, more secure and scalable there is wide specification that m-commerce will exceed e-commerce as the method of choice for digital commerce transactions. Several industries stand to benefit from m-commerce (Tassabehji, 2003). In financial services, mobile banking – access to accounts and bill payment using handheld devices – and brokerage services – stock quotes display and trading through handheld devices – are two applications that have revolutionised the field. In telecommunications, bill payment and account review from a handheld device are increasingly used. In sales and marketing, retailers and other service providers can send to shoppers' mobiles' offers and film clips to potential customers. In information services, financial news, sports figures and traffic updates can be delivered to a mobile device. Speech recognition, a field currently under development, can contribute to more secure m-commerce transactions.

M-commerce Attributes and Benefits

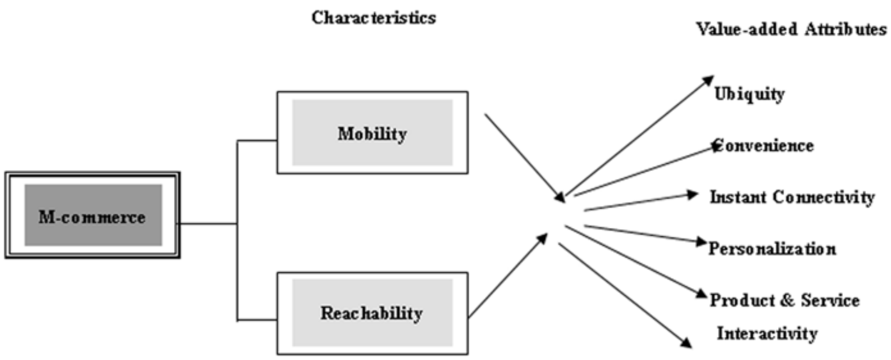
To have a better understanding of why the new mobile environment is essential in conducting e-commerce in a wireless environment, the following attributes of m-commerce are illuminated. Mobility and broad reach are the two major characteristics that differentiate m-commerce from other forms of e-commerce. The following model based on Turban and kIng 2003, Bawer 2005 and Braitermen and Becker 2008 summarizes the key characteristics of m-commerce.

Marketers could use these attributes so that they can offer their customers and prospects new exciting and useful services. With this new way to deliver services, marketers have the potential to attract and keep customers and grow their revenue.

Mobile Commerce and Mobile Marketing

To better understand how wireless technology impacts the marketing of goods and services, it is useful to look at how wireless technology affects some key aspects of customer behaviour, in particular, consumers' search behaviour, provision of information and consumer interaction (Tassabehji, 2003).

Figure 1



Wireless technology offers convenience to consumers by reducing their search time. More specifically, wireless networking enables customers to search information, products and/or services from anywhere and at anytime; for instance, if a customer travels through a country and needs to find a hotel room to stay for the night, he/she could easily use the mobile device to locate nearby hotels for a price he/she can afford. The hotel can immediately respond with an offer based on the customer's previously expressed needs and preferences. Thus, as a result a win-win situation is created where the customer receives a better price while the hotel gains a client. Another vital advantage of wireless technology is the provision of product related pricing and other relevant information at the point-of-sales.

Mobile phones occupy a distinctly different place in consumers' lives despite the small screen size and processing power of a personal computer or a television. According to Bauer (2005) attributes inherent to mobile marketing - personalization, ubiquity, interactivity, and localization - generate significant potential for this innovative form of commercial communication. Using a company's database, technology and intelligent market segmentation and targeting techniques, allows the messages to be timely and with content which is relevant to the individual.

Influences on m-marketing adoption

In general, consumers go through a number of stages before adopting a product. Initially, they need to be aware that the product exists. Once they know about its existence, their interest needs to be raised in some way in order to consider evaluating it. If they feel that it is worth trying the new product, they would proceed with a trial, and, if satisfied, they could proceed with adopting it. This process is influenced by the nature of the product – in case of innovations their key characteristics such as their complexity, compatibility and relative advantage. Consumers will be more inclined to try new products when they have clear advantages compared with existing ones. This refers, for example, to a medicine that significantly improves on existing ones as well as to technological products which are more compatible with those technological products they own. In addition, consumers are receptive to mobile marketing when they are presented with fun and engaging campaigns, and particularly when marketers are aware of and address their concerns.

However, not all people respond similarly to new products in general (Rogers 1995). The fact that consumers increasingly use the internet as a venue for their purchases might be one important factor to be perceived by companies as a potential value which represents, besides knowledge, satisfaction and implementation, one determinant for the adoption of innovation by companies (Brand and Huizingh, 2008).

Cross cultural research also suggests that culture is an important variable in understanding consumer choices in general and adoption of innovations more specifically. In some societies, people are more willing to try new products relatively fast whereas in others this process is slower. The shape of the consumer adoption curve also varies depending on the society one is referring to. In some societies the curve is wider indicating a greater variability in consumers' adoption patterns. One particular cultural dimension – uncertainty avoidance – is expected to be linked to the rate of adoption of innovations. Uncertainty avoidance, the extent to which members of a society attempt to cope with anxiety by minimizing uncertainty, is expected to lead to different patterns of consumer behaviour (de Mooij; Hofstede, 2002).

In the case of Cyprus, the high level of uncertainty avoidance (Epaminonda, 2004) is expected to lead to a relatively slower rate of m-marketing adoption and the smaller size may lead to more cautious response to personalised marketing campaigns. Also, as indicated in other related studies it is expected that the young will be more willing to accept new innovations faster than older consumers.

Methodology

The methods and techniques employed in this research were chosen to reflect the aims of the research. To elicit the key technological aspects of m-Marketing in the first research stage, a review of books, academic and trade journals and specialized Internet sites on mobile technologies and marketing communication informed the theoretical background of the research. As the main aim was to compare attitudes in two different countries a standardised questionnaire was used in both cases so that responses to the same questions could be contrasted. Familiarity with m-marketing and interest in being informed were two key themes behind the questions and demographic analysis allowed the examination of similarities and differences between groups of respondents.

To better understand underlying attitudes of consumers with regard to mobile marketing, three focus groups were conducted in Cyprus. Focus group interviews have been suggested as an appropriate method for explorative studies (Calder, 1997) and recent research has shown their feasibility in studying mobile services (Jarvenpaa et al., 2003). Through interactive discussion, focus groups provide researchers with elaborative views on the topic (Wilkinson, 2004). The focus groups for this research were conducted by the researchers as moderators/facilitators in a non-structured, informational and natural manner. The focus group interviews followed a semi-structured format flow chart type (Fig. 2) and lasted between half and one hour. The moderators led and developed the discussion. At the same time, the researchers observed group interaction when members were exposed to an idea or concept that was of specific interest/benefit. In total, 3 focus groups with 5-15 mobile user participants in each one were conducted. Their main aim was to explore users' awareness of mobile marketing and explore users' attitudes, behaviours, personal interests, needs and desires. As this paper represents work in progress a comparable qualitative case study will be conducted also in Italy.

Research Results

Analysis of survey questionnaire answers

Respondents were first asked how familiar they were with m-marketing (essentially whether they knew what it was). The majority of respondents in both countries answered negatively; the percentage however of those who claim familiarity in Cyprus seems to be higher (39% compared to 29%). (See Table 1)

To the question whether they would be interested in participating in mobile marketing schemes than half responded negatively. Again more people in Cyprus responded positively (46% compared to 24) indicating possibly more potential for m-marketing (Table 2).

Respondents in the two countries seem to have different preferences in terms of interests as to what they would like to receive promotional materials on their mobile. Whereas in Italy most popular are promotional mobile alerts, alert information on special sales or events and updates in Cyprus they are wallpapers, games and promotional ring tones.

Figure 2.

Table 1. Familiar with m-marketing

	Italy		Cyprus	
	Frequency	Percent	Frequency	Percent
Yes	27	29	230	39
No	66	70	353	59
Not sure/No	1	1	11	1
answer	94	100	60	100
Total				

Table 2. Interested in participating in mobile marketing schemes

	Italy		**Cyprus**	
	Frequency	Percent	Frequency	Percent
Yes	23	24	274	46
No	69	73	318	53
Not sure/No	2	3	8	1
answer	94	100	600	100.0
Total				

Table 3. Most popular categories in terms of interest

Italy	Cyprus
Promotional mobile alerts	Wallpapers
Alert information on special sales or events	Games
Updates	Promotional ring tones

Table 1. Focus group summary results

Focus Groups	Questions	
	Are you familiar with this technology?	
	Yes	No
Students (18-23 years old)	9	10
30-45 year olds	5	3
	Interested in receiving information (from those who were not familiar)	
	Yes	No
Students (18-23 years old)	9	1
30-45 year olds	3	0

Focus Groups Analysis

In this section the empirical findings about Cypriots' perceptions on mobile marketing that derive from three focus groups that were administered for the current research are presented. Two consisted of college students (age range 18 – 30) and one of men and women, ages 30-45. The focus group interviews followed a semi-structured format flow chart type (Fig. 2) and each lasted approximately one hour. Participants were asked whether they are familiar with m-marketing and depending on their answers they were encouraged to describe their feelings towards its use. Table 1 summarizes numerically some main results

The college sample was split evenly in terms of how familiar they were with this new advertising tool. Nine were familiar whereas ten were not. Those who knew about it were already registered and were receiving /notifications advertisements on special offers from the shops of their preference.

After a discussion on the benefits and drawbacks of this new service, those students that were unfamiliar with this technology were asked whether they were interested in getting informed. All of them except one – who thought that it would be annoying to get messages – saw the possibility of using the technology positively, saying that it sounded interesting, convenient and money saving. However, they all agreed that they should be asked before they start receiving advertisements. Female respondents found it convenient to receive information for special offers and promotional coupons though emphasized that it was of major importance to them to receive information on products of their choice. As one interviewee stated:

I would like very much to receive messages on sales, special offers, and promotional coupons but only for products that interest me. I want to have the choice to register for mobile advertisements only for certain products.

(Female student, Focus Group 1)

In the same group male students expressed interest in receiving mobile alerts on special offers on new mobile phone models and related features like wallpapers, ring tones, games and updates. One student echoing at least another two said:

It would be cool to receive mobile advertisements on the latest mobile models as well as special offers, discounts, coupons and software updates.

(Male student, Focus group 1)

In the second focus group respondents were also approximately equally split regarding familiarity with the product. Those who were familiar already receive information for special offers and promotional coupons on products of their choice. One female already registered to receive advertisements from a shoe store. Specifically she stated,

I am already registered for more than three years and I have been receiving alerts on sales from my favorite shoe shop. I find this service quite convenient, money and time saving for me personally. Of course I was asked first whether I agree to be included in the mobile alert list, this was a very positive factor in accepting this new service.

(Female, Focus Group 2)

Whereas two-men were positive towards getting advertisements on special offers on domestic goods since they had big families. Only three men were ignorant, but they showed interest in receiving further information because as they stated they found it convenient and perhaps money saving (though they would like to have the choice to register to receive advertisements of their own interest.)

Despite the small number of participants in these focus groups some broad conclusions can be reached from these exploratory discussions. First, it seems that a significant percentage of Cypriot consumers is familiar with m-marketing even though an equally significant percentage it is not. All participants agreed that this new advertising tool was convenient and money saving and almost all that were unfamiliar with this new tool are willing to get information about it. One main concern was privacy. A comment made by one respondent that seemed to have been shared by almost everyone was:

The most important factor in accepting this new communication service is that I wish be asked first before i start receiving advertisements and be ensured that my personal information is highly confidential.

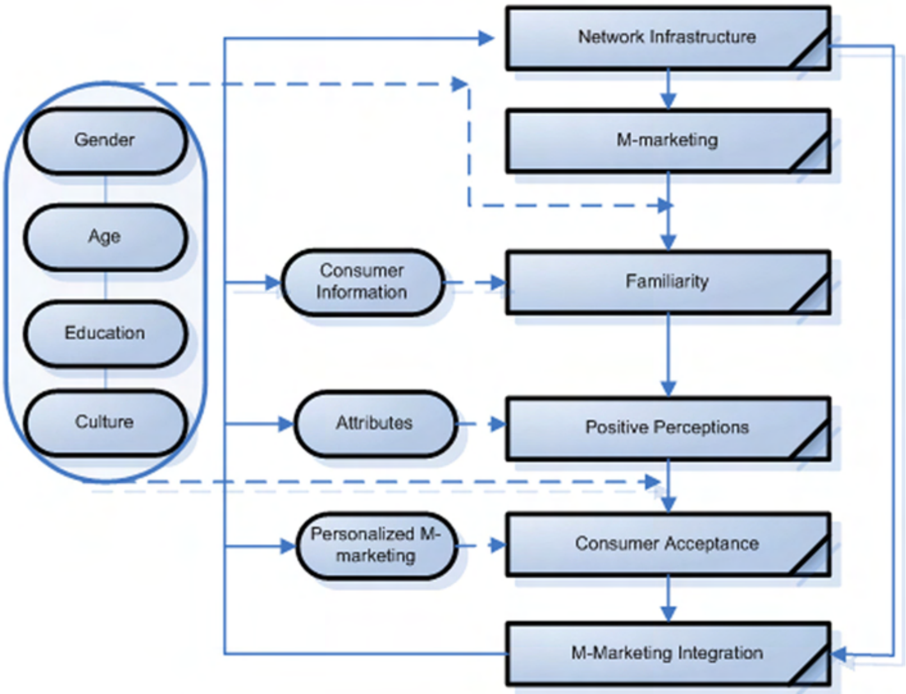
(Male respondent, Focus Groups 3)

M-marketing Integration model

In this section, based on the results of this research a model is presented that aims to summarise the relationships between the various factors that contribute towards m-marketing integration. In business literature, a model could be defined as a conceptual tool that contains a set of elements and their relationships (Osterwalder et al, 2005). The term business model is also closely related to innovation as the concept is related to a whole new range of business design and opportunities. The developed business model, as a simplified representation of how various factors influence the adoption of mobile marketing allows expressing the business logic of integrating mobile technologies in the marketing communication process.

The model in Figure 3 suggests that when network infrastructure exists, m-marketing becomes more viable. The extent to which consumers become initially familiar with m-marketing depends on a number of factors including their gender, age and education. In general, young people, more educated and women tend to be more familiar to with m-advertising and these categories of people tend to have more positive perceptions as well. Culture is also likely to influence levels of familiarity, perceptions and consumer acceptance. In this study, what has been particularly highlighted is the extent to which consumers, in Cyprus are least, worry about their personal data to be shared or generally misused. This is a common concern of course everywhere, and the lack of the comparative element in this study does not allow firm comparisons to be made with other countries – it seems however that this concern is quite pronounced in Cyprus. Finally, findings from the focus groups implied that personalized m-marketing that considers personal preferences of consumers including respecting their privacy has to come to the fore.

Figure 3.



Conclusions

The comparison between Italy and Cyprus shows some differences between the countries. Consumers in the latter country seem to be a bit more informed about its use and are more willing to accept its use (at least that is what respondents stated. This background seems to offer opportunities for companies to make use of this new communication tool. However, the fact that the majority of the respondents are still unfamiliar with the service points to the necessity to create stronger awareness. Some companies have already taken the step to orally ask the permission of their customers to send them informative SMS on special offers, sales and/or promotional coupons and others might follow soon. The lack of explicit written law on the protection of customer rights on mobile advertising, however, is a concern and government agencies would help by taking the necessary steps to ensure the safety of the consumers' privacy rights e.g. confidentiality on personal information and permission request on sending advertisements before this tool can be used extensively. With this in place, mobile and wireless technologies that support the development of a new marketing environment can be effectively used for the benefit of both companies and consumers. Further research is suggested to be conducted to provide more detailed explanatory research findings. These findings should be conducted in several international settings to allow for cultural differentiation.

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DEVELOPING PROMOTIONAL PLANS FOR THE NEWLY ESTABLISHED PRIVATE UNIVERSITIES IN CYPRUS

RIA NICOLETTI MORPHITOU
UNIVERSITY OF NICOSIA, CYPRUS

Abstract

Purpose Of the Research Project

This research project is to investigate the possible Promotional Strategies that the newly established Private Universities in Cyprus can use in order to establish their brand personality and of course attract students. A lot of research has been produced on this issue from a number of institutions on the Methods used to promote Tertiary Education, but fortunately or unfortunately all these theories are partially applicable to the New Universities due to the target markets demands and the restrictions imposed by the local Ministry of Education. Additionally, there are a number of threats in the environment restrict marketing practises.

Expected Results and Conclusions

To investigate the deeper, difference, if any, between the newly established Private Universities in Cyprus and the rest of the European Universities.

Overview

Can you think of a more difficult marketing task than asking a teenager to make a lifelong decision with, in the case of private universities?

Can you think of an industry, outside of higher education, where the product's reputation depends almost totally on word-of-mouth?

Can you think of an industry, outside higher education, where the competition for attention, customers, and money has gotten more fierce in the past decade, yet the "marketing" budgets have remained relatively modest?

All these are just some of the challenges for the newly established private universities in Cyprus. Yet, surprisingly, little has changed in the promotion of the new private universities. Public relations offices continue to churn out news releases and, when in doubt on what to do, someone always suggest another publication. Unfortunately, traditional techniques and approaches just are not enough for these institutions to be heard above the din.

We envision dramatic changes in the way primary universities promote themselves in the future. We use the term "promotional marketing" because we are talking about the techniques for reaching the many constituencies of a college or university, not the "product" of an institution such as adjustments in the academic, social, residential and professional programs (which are also probably necessary).

Research hypotheses and method

The exploratory approach taken in this project is an attempt to overcome the superficial, and investigate the deeper motives among students in an attempt to select an institution.

For the effective completion of the research, and the desired objectivity, both primary and secondary data will be used. Secondary data will be used in order to construct literature review as well as critical literature review. Primary data will be colleted through a structured questionnaire and distributed personally to 100 students.

Background

In his essay, "Cap, Gown, Mouse," Curry (2003) reports that, "The number of people seeking higher education worldwide has grown exponentially in recent years, rising from 13 million in 1960 to 65 million in 1991. It's projected to hit 130 million by 2010. The developing world is no exception. China, for instance, currently sends 6 percent of its students to tertiary education and hopes to increase that figure to 15 percent by 2010" (p. 102).

In fact, the demand for tertiary educational services is increasing more rapidly than developing nations can respond by building universities (Curry, 2003). In response, "Almost all countries have displayed a vigorous expansion in tertiary level education over recent decades. Almost everywhere this expansion of the tertiary level of education is connected with institutional reforms for the selection, management, and channeling of growing masses of students" (Muller & Gangl, 2003, p. 32). Not surprisingly, many tertiary educational institutions are experiencing a number of other challenges today, including identifying how best to accommodate the increasing number of students, mobilize staff and resources, develop relevant curricula and teaching procedures, as well as remaining competitive during a period of skyrocketing costs (Nevin, 2003). According to Wagner, learners at the tertiary level are ". . . more diverse in terms of their backgrounds, interests and career paths. The new challenge is how to adapt program to student demand, rather than the traditional approach of plugging students into programs" (pp. 14-15). Not only are the students themselves becoming more diverse in their educational needs, there remains a fundamental lack of access to tertiary educational facilities throughout the developing world today (Nevin, 2003).

In this environment, a superior approach to the promotion of traditional delivery of tertiary educational services would be to find a place for everyone who wanted higher education as means of enhancing skills and knowledge, improving life-chances and addressing the enormous waste generated by social exclusion (Wagner, 1998). In fact, as Ramcharan (2004) emphasizes, "No country has achieved sustained economic development without substantial investment in human capital" (p. 309). Likewise, as Andersson and Gunnarsson (2003) point out, "The expansion of education not only helps generate technical and professional labor for industrial upgrading, but also enhances opportunities for upward social mobility, including skills enhancement and higher remuneration" (p. 113). This point is also made by Barr and Crawford (2005) who report, "Education and training have a number of characteristics that make them unusual. Though partly enjoyed for its own sake education is, to a large extent, undertaken because it increases an individual's future earning capacity. It has all the characteristics of a personal investment" (emphasis added) (p. 121).

Because it is such an enormous investment of individual time, resources, and effort, the promotion of a tertiary education should focus on identifying what higher education students want and need to learn today. In this regard, Wagner suggests that, "One possible way of doing this is to work more closely with schools as part of the drive to improve their flexibility and understanding of how students want to learn" (p. 16). This approach is congruent with numerous studies that have shown time and again the inextricable association between higher education and expanded employment opportunities (Langouet, 2002).

Therefore, any promotional plan designed to improve access to these students would require reformation of existing policies, appropriate levels of funding, involvement in decision making, and reevaluation of the curriculum (Gair, Miles & Thomson, 2005). For this purpose, one analyst recommends that, "The capacities of these institutions need to be enhanced so that they could respond to society's changing needs in the context of an increasingly globalize world economy" (Ruben, 2007, p. 37).

Introduction

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We envision dramatic changes in the way Private Universities promote themselves in the future. We use the term "promotional marketing" because we are talking about the techniques for reaching the many constituencies of a college or university, not the "product" of an institution such as adjustments in the academic, social, residential and professional programs (which are also probably necessary).

So here are some "predictions" to help give you insight into how institutions might fare in the competitive future. In the new world of higher education marketing, we envision these trends:

- To endear target audiences, the university will have to develop highly visible services for high schools, parents, legislators, alumni and other key influencers.
- Positioning a college with other high profile organizations rather than a hit or miss publicity program (through the media) will be the more effective choice.
- Alumni, the last available and credible "low cost" resource, will have to play a larger role in promoting the institution and recruiting students.
- There will be an increased emphasis on "word-of-mouth marketing."
- Technology will make it possible and also require an effective one to one marketing program.
- Colleges and universities will need to develop a clear position that can be stated simply, effectively and often.
- Publications and communications with prospective students, current students and young alumni will need to reflect this generation's visual acuity, sophisticated taste in media, and insatiable appetite for entertainment.

These will be the new challenges for promotional marketing of higher education in the future.

A Caveat. There is a tendency among some trustees to view marketing in higher education an unsophisticated and amateurish. This many be the case at some institutions. But, to be fair, many admissions and public relations offices are running programs that foreshadow sophisticated one-to-one marketing and promotional programs just now being reported by the business media.

Additionally, colleges and universities are, for the most part, leaders in interactive marketing through the Internet. Some colleges already receive as many as one of three applications electronically and the Internet Home Page for many colleges receive as many as 2,000 to 4,000 "visitors" a week. Low promotional budgets have resulted in some of the most creative approaches to promotion found in marketing. When budgets are tiny compared to the task at hand, creativity has to be plentiful resource.

There is a brave new world ahead for the promotion and marketing of Private Universities in Cyprus, but it is not that colleges are approaching from a standing start. Yet the task is awesome.

Service versus Publicity

Promotion, and especially promotion that provides a service, can play a great part in increasing the visibility, prestige and status of a college or university. With publicity through the media, colleges and universities are at the whim of a fickle mass media industry. Even the best story about your institution can be sabotaged by breaking news.

The key to low-cost promotion is providing services of students such as secondary and employees. The theory is simple: Colleges and universities are at their best when they educate. Educational materials that are made available to already financially strapped high schools demonstrate the institution's commitment to education, are low-keyed, and result in greater visibility. The materials may be posters, videotapes, computer programs or hand-outs.

We have seen some Private Universities credit much of their current success to a consistent use of educational materials aimed at the classroom or the guidance counselor.

We have seen universities produce low budget CD/DVD on voting behavior, medieval music, moral theology, and the "magic" of chemistry.

On-campus workshops on how to choose a college, teen wellness, and tips for teens and parents are other kinds of services to endear an institution to a student or his parents.

High schools, with their very limited resources, not only appreciate, but utilize, materials and teaching tools that fit their programs and can bring an educational component to their classrooms. Adults, looking for ways to better understand the college selection process, also can be great targets.

Reaching the New Generation

Effectively reaching the new generation of students for student recruitment purposes, and eventually alumni communications, will require a shift from traditional media and messages.

First and foremost, neither mass media advertising nor more strident claims about your institution will be effective. We found that only three of 10 young people believe advertising paints a true picture of a product. This generation is very skeptical about that thing that they understand and that includes media and advertising. That is why simplicity and honesty are often more effective and credible in the admissions process – even if it is not as “slick” as the mass media.

The age group hates to be bored. They seek entertainment in everything they do – this not only includes what they expect from college, but how they get their information. One research study actually suggested that the attention span of most adolescents is about eleven minutes – roughly the time between commercials in a typical television show. The need for more exciting and entertaining admissions materials as well a greater use of interactive techniques will become the status quo of tomorrow.

Interestingly, the day of the college video may already be over. Young people see film and video as the ultimate managed medium. After all, they have seen Jurassic Park but they know dinosaurs no longer exist. Great special effect, however, do. In our own studies, we found that only two of 10 respondents said a college video had a great impact on a student’s decision to apply to a college. These young people know that you can manufacture a happy campus, complete with happy kids, and shoot a tree form a hundred angles to make it look like a forest. Student produced material (even videos) or an Internet “chat room” where prospective students can ask questions of students, faculty and staff will have greater impact for many students that a flawlessly produced video.

Colleges will also need to be more cautious of the visual images. This generation is visually sophisticated. In our focus groups, we have found that students often ignore the foreground of admissions photographs and concentrate on the detail in the background. They look for truth in the details, not in the things we want them to see.

The final warning: colleges cannot think all students respond alike. In our studies of students concerning admissions communications we found a variety of differences. Science students, for example, prefer telephone call to printed materials. Students interested in business are more likely to prefer electronic contacts such as e-mail or CD-ROM. Students interested in the humanities prefer student written materials to “official materials of the college.”

Utilizing Alumni

Alumni will need to play a greater role in the promotion of any college or university for practical and economic reasons. A resource that is generally underutilized, the alumni, if handled properly, can be effective players in the marketing and public relations effort. And their service is generally free.

To get the world out more effectively to new audiences, colleges and universities will need to reject the centralized public relations programs of the past where all promotional activities were controlled form the campus. The most successful promotional efforts in the future will involve alumni and parents in target areas developing promotional programs and generating publicity themselves – with gentle oversight form the campus.

Who better to promote an institution in a given city than the community leaders, media mavens, and corporate leaders in a college’s alumni and parent database? A campus public relations professional will be better utilized if he or she serves as liaison to task forces in target cities rather than churning out news releases that are eventually lost on the desk of city editors.

The keys to this effort include:

- A critical mass of alumni and parents. Critical mass is as much determined by the energy and interest of alumni who reside in a city as it is by numbers. Twenty alumni who are willing and eager to devote some time and energy to your university could be enough in a small region.

- Alumni and parents who hold a variety of positions. Alumni and parents who work in the media, advertising, and government can obviously be of help, but so can volunteer community leaders, people with connections, highly visible executives and the vibrant and reliable person who works from his or her home. A target city will require a task force of alumni that coordinates the activities, but many alumni can be helpful even if they only serve on the committee.

- A manageable agenda. Key to this program is making sure the alumni develop a manageable annual agenda. The goal should be to use a variety of alumni and parents to implement the various activities, but no one should be required to be deeply involved in more than one significant activity each year. The goal is to develop a sustainable position for your institution among the important constituencies in the region over a period of several years. A one shot program will have little or no impact.

- Confidence (Faith). There is apparent risk in this approach. You are asking zealous people to carry your institution's message. But the process should not be micromanaged. It is unlikely, under worst-case scenario, that this group of devoted people will do anything to embarrass the institution. All things considered, what is the worst that can happen? The college or university does not get the visibility it had hoped for. Regardless, the alumni – even in disappointment – don't blame the institution and, in fact, redouble their efforts the next time.

Alumni groups have come up with some of the following creative and effective ways to position their alma mater with important organizations in the community:

- Sponsoring "on-stage" receptions for alumni, prospective students and friends following a performance by a major orchestra.

- "Adopting" a local science museum by sponsoring exhibits in the name of the college and "lending" faculty as speakers.

- Holding regular "brown bag" lunches at corporate headquarters on thing ranging from raising adolescents to consumer chemistry.

The possibilities are limitless.

Conclusions

As one can now tell these are not futuristic and far-fetched predictions. All the areas discussed already exist at numerous institutions. Yet change is difficult – especially in higher education. Trustees do not need to get into the operational questions of promoting an institution, but they do need to ask several questions:

- Is their college or university using the tools needed for the future?

- Does the institutional ethos "allow" and encourage the promotion and public relations experts on campus to give up the traditional and ineffective activities so they can turn to new and more productive methods of promoting the institution?

- Do the public relations and promotional experts on campus see the "big picture?" Can they explain who their audiences are, what motivates them and how to reach him?

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STRATEGIES FOR DEVELOPMENT OF EMARKETS IN MONTENEGRO

VUJICA LAZOVIC
FACULTY OF ECONOMICS, UNIVERSITY OF MONTENEGRO, MONTENEGRO

TAMARA MILIC
FACULTY OF ECONOMICS, UNIVERSITY OF MONTENEGRO, MONTENEGRO

Abstract

Information and communication technologies have created an atmosphere where each of the market participants is equal, and there is no difference between big and small ones – there is only a difference between fast and slow. Globalization had an impact on the use of informational-communicational technologies in all forms of business, and therefore it had impact on the transformation of the very industries and processes within them.

There is a new form of business in commerce, which has been widely recognized as electronic commerce or shorter: e-commerce. In tourism, this process has influenced creation of eTourism, in education forming of eEducation, etc. It implies use of new, modern technologies in business and re-engineering of all of the business processes, in order to enable business on global market. Information systems and electronic markets are eliminating time and space frontiers, enabling access to information and their sources, thereby maximizing development and possibilities for development of new products and services. In addition, they are also affecting organizations' operational efficiency, quality of given services, easier acquisition of users and a better coordination of activities between different participants in industry. Attitude towards consumers is changing, together with relation between the very users.

Technology has enabled access to information from any part of the world, 24 hours a day, 365 days in a year. These information can be information regarding weather forecast, value of some national currency, international time, explorers, measure units, as well as information related to making the right decision about buying a certain product or service, choice of a shop where it will be bought, as well as determination of address where the product will be delivered. Besides this, security of the whole system is in a significantly higher level than before and it is constantly improving, so today the use of credit cards for paying became very secure. A contribution to this electronic globalization, or better to call it eGlobalization, was given through new technologies, but also through creation of online Internet communities and a growing use of these services by final users, first of all users of a new generation growing up in a digital environment.

The goal of this work is to analyze the current state of electronic market of products and services in Montenegro, as well as to make recommendations for its development through use of innovative information and communication technologies, and in that way creating eMarket that makes a country compatible and recognizable on global net – Internet.

Key words: globalization, internet, e-market, e-commerce.

Globalization of business and generally of market has lead to a situation where almost all business processes are optimized and transformed in online processes. Of course, this doesn't mean that there is no traditional business any more. It means that today's / traditional business is getting connected more and more to the business of tomorrow, i.e. online business.

Unpredictable development of e-business has lead to creation of new and modification of existing institutions, as well as adopting and understanding new specific terms: e-marketplace, e-marketing, e-banking, e-money, e-auction.

Technologies of electronic business are strongly opposed to traditional obstacles for international business communication – such as geographical, language, and culture differences between potential business partners - and are successfully dealing with them. It is a business without time and space limits .

Influence on organization of work and quality of life

E-commerce has big importance and a very wide area of influence. It is thought that the way of doing business and the way of living will change under the influence of e-commerce in the first decade of this century, more than it changed during the entire 20th century. Based on the first experiences in development of e-commerce, e-government and e-banking, a conclusion can be made that they are opening big possibilities and starting to bring quality changes in business and everyday's lives of people and their work. These changes are concerned with:

- Creation of new activities and services in expansion of the market;
- fast return of the resources invested in e-business;
- increase of efficiency and economy of work and growth of competitiveness;
- decrease of all costs because electronic transactions are far cheaper;
- customers' and users' satisfaction is improved;
- great savings of time are made, therefore allowing possibilities for citizens to use more of their time for productive work, etc.;
- payments are made with electronic money, pay cards, etc.;
- security of business is ensured through use of electronic signature.

Economic aspects of e-business

Organizations can not avoid the Internet's break through. E-business has radically changed way of doing business in companies, as well as their presentation on market and interaction with consumers and competition. The ways in which e-business is making its influence are:

- Omnipresence of technology, which is affecting strategist of e-business to realize that there are more and more users of Internet each year
- Faster publication and bigger accessibility of information
- Bigger transparency and bigger possibilities of choice for consumers
- The achieved big level of globalization and as a result, better supplying with products and services
- New suppliers are focused strictly on e-strategies
- New electronic services found on the market
- Transformation of sales channels; connections made in the traditional chain of values are disappearing.

Necessity for improvement of investments' return, together with big potential risk of insecure investment, was the key stimulus that made interest for including strategies of e-business in many companies. Internet, because of its low costs, coverage of big area and adaptability, is at the same time representing a danger and a chance for the current and ambitious (potential) e-business organizations. Significance of e-phenomenon can not be ignored by use of traditional ways of business and through erosion of powers of existent and new lines of competition.

E-markets

According to Bakos (1998) markets are having a key role in economies, managing exchange of information, goods, services and payments. In the process, they create economic value for buyers, sellers, market agents, and generally for the whole community.

Markets (electronic and traditional) have three basic functions: (1) joining buyers and sellers; (2) managing exchange of information, goods, services and payments related to market transactions; (3) giving institutional infrastructure, such as legislative and regulatory frames, that will enable efficient functioning of market.

During the previous years, there has been a significant growth in use of informational technologies and e-commerce (Turban, 2006).

E-commerce has increased the market efficiency by increasing or developing functions evident in joining buyers and sellers, improvement of transactions management as well as through improvement of institutional infrastructure. All of this together has made e-commerce influence the significant decrease of costs in performance of these functions.

Appearance of electronic markets (or e-marketplace), especially those based on Internet, has changed several processes used in commerce and supplying chains. These changes, made under impact of IT use, have resulted in:

- more information about transactional and mutual environment
- lower costs of information search for buyers
- less asymmetry between sellers and buyers
- bigger temporary distance in time between the order and possession of material product ordered on the e-market
- possibility for buyers and sellers to be on different locations

E-commerce is increasing the power of IT through increase of efficiency, lower transactions and distributional costs, which further leads to more efficient business on markets.

E-markets in developing economies

Developing economies and developed economies differ in way they use e-commerce, as well as in the way they are inclined to this channel of commerce. Developing economies are making struggles with different solutions they are using, and that have been implemented by developed economies.

Developing economies are very often faced with different energetic weaknesses, insufficiently developed infrastructure, unreliable distribution mechanisms, as well as the fact that only few of the consumers own credit cards. This kind of limitations are making difficulties for companies in predicting if an investment in e-commerce will be in their favor and when. On the other side, developing economies are showing significant possibilities in area of e-commerce and joining business and consumers, as well as other businesses.

Traditional approach in use of e-commerce is a concept that each computer user has investment possibilities/capacities to own a computer and make a demanded connection, like it is the case in developed economies. In developing economies, this kind of concepts must be modified so they could enable access with low prices, paying after use, creation of a users' community and including a large possible number of potential and existing users. The pay-offs of e-commerce use in developing countries is more like a return of financial resources. Giving people the opportunity to use the advantages of e-commerce, without introducing big changes in their tradition could represent the highest value.

e-Environment in Montenegro

Montenegro is on its way of creating an informatics society that represents a condition for development and success of electronic services. Opening of market, arrival of new providers of Internet, land lines and mobile phones, improvement of infrastructure, different programs stimulating the use of electronic services, etc. are resulting in good positioning of Montenegro on the world scale when it comes to use of these services.

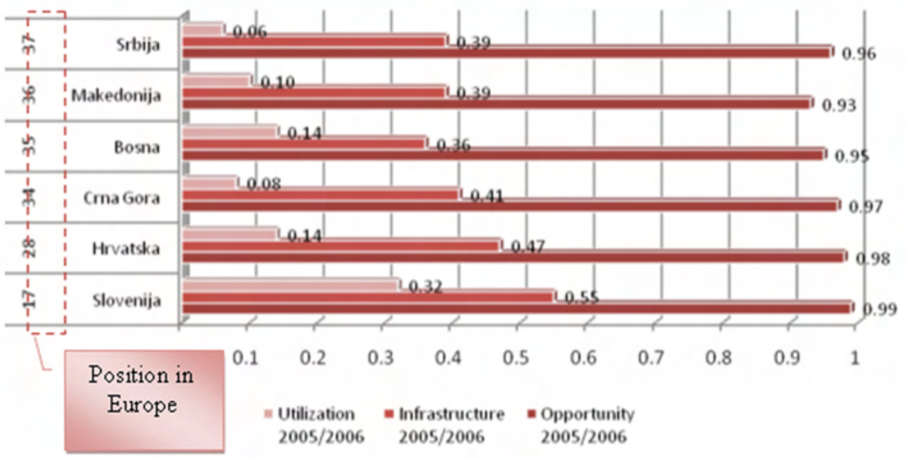
Montenegro's position in Europe and world

According to a research „World Information Society Report 2007", Montenegro is on the 61st place, considering the Digital Opportunity Index. Digital Opportunity Index (DOI) is designed as a tracking tool for progress, in order to overcome the digital gap and implementation of results of World Summit of the Information Society (WSIS).

DOI is a research tool for global and regional trends in infrastructure, their possibilities and use that are affecting the creation of Informatics society. DOI is using and comparing 11 different indicators, grouped in three groups: chances, infrastructure and use.

According to DOI, Montenegro is between middle and high level, it being 0.49. This extent is putting Montenegro in front of some of the countries of ex Yugoslavia, such as Serbia, Macedonia and Bosnia and Herzegovina, and after developed countries of ex Yugoslavia (Croatia and Slovenia).

Figure 1. Collateral illustration of Digital opportunity Index (Slovenia, Croatia, Montenegro, Bosnia, Macedonia and Serbia)



On global level, this index was made for 181 countries. Montenegro's position in Europe, according to DOI, is on the 34th place, before Serbia, Bosnia and Herzegovina and Macedonia.

There is a close correlation between digital possibilities and GDP per capita: digital opportunity should be higher in the more healthy economies, but digital opportunity could also generate the growth of economy, resulting in a positive feedback cycle. In those countries where digital opportunity and economy are on a lower level, there could be a problem in overcoming limited infrastructural investments.

Countries with similar level of digital opportunity could experience different growth of economies, depending from their policies. In some cases, for example, these differences could result in accepting or refusing of (innovative) technology in order to overcome the technological and digital divide.

Montenegro in international organizations

In developing information society, and all services supported by these initiatives, connecting countries of a region is very important, as well as sharing knowledge and experiences. Participating in international organizations makes easier for a country to recognize their needs, possibilities, necessities, etc. One of the initiatives where Montenegro is involved is Stability Pact Initiative, called eSEE (electronic South East Europe).

eSEE Initiative

Initiative for expansion and acceptance of informational technologies in countries of southeast Europe – eSEE has been constituted on demand of Great Britain in summer of 2000, with the main aim to help countries of the region to see the possibilities given by new informational and telecommunication technologies, and promotion of their wider use in region. A Work Group for the Initiative was formed, where representatives of all countries where delegated as e-ambassadors (eEnvoys).

Main goals of initiative actions were defined as follows:

- Helping countries of southeast Europe to see the possibilities given by new technologies;
- Promote full appliance of these technologies in region and disable further growth of digital developing divide between region and the rest of the world, as well as within the very region ,
- Support cooperation between international, bilateral and private donors, who want to provide help to this group of countries;
- Help cooperation between public and private sector and civil society in facing with challenges of informatics society in the very countries,
- Encourage cooperation between very countries of southeast Europe in this domain, it being

a very important element of bigger economic cooperation and achieving stability in region.

As a result of intentions, in October of 2002 Initiative's Work Group, delegated by government's representatives, has made a document called "eSEE Agenda for Development of Informatics Society", adopted in 2002. Agenda has completely followed the model of eEurope action plans, and has defined actions of IT development in region, which were harmonized with European acts and standards, at the same time acknowledging the specifics of our region.

Goal of Agenda for development of informational society in southeast Europe was to speed up reforms and modernization of economies in these countries, support the building of system institutions, upgrade total competitiveness and move actions that would lead to building of all segments of informational society, at the same time being harmonized with the specific characteristics of countries in transition in southeast Europe. Political support in the very countries candidates and in Europe, is a necessary starting point for achieving results in practice and activation of actions that would enable the use of all advantages that information society brings, and lower the digital divide existing between countries of southeast Europe and the rest of Europe. Having in mind the significance of goals defined by the Agenda, countries members of eSEE Initiative have worked on the goals fulfillment up to 2007.

On the other side, emphasizing the necessity of harmonization of eSEE Agenda with new goals set by strategy of European Commission for Development of European Informational Society i2010 and Conclusions of World Summit about information society, and having in mind current situation and priorities on regional and national level, countries of southeast Europe have prepared a proposal of eSEE Agenda+. In this eSEE Agenda+ priorities defined by European i2010 strategy on development strategies were reformulated in accordance with the specific priorities of region.

On the South East Ministry Conference, held by the end of 2007, a new Agenda was adopted, harmonized with the actual EU priorities and Conclusions of World Summit about information society.

eSEE Agenda Plus for development of informational society, gives the frames and support to the development of informational society, in the countries members of Stability Pact of southeast Europe during the period of 2007-2012 and basic goals enacted by this document are:

- Further development of mutual information space of southeast Europe, promoting an open and competitive market for information society and media, at the same time bringing together the mutual European space in the terms of interoperability;
- strengthening innovations and investments in ICT development and education, parallel to development of private sector, and with the aim of instigating economic growth and opening new workplaces;
- achieving inclusive informational society opened to all, that instigates the growth and opening of new workplaces in accordance with priorities of sustainable development;
- improvement of public services and improvement of life standard.

The newest activity within the eSEE Initiative is the creation of "eGovernment" Center for southeast Europe, whose aim is to support development and implementation of development programs for eGovernment through transfer of experiences and best solutions, on national and regional level. This is a way to complete the basis for strategy of development of informational society in southeast Europe and through: eSEE institutional frame, bSEE – infrastructure, ICT forum – support of private sector and eGovernment Center – transfer of knowledge and practice.

What is emphasized is the necessity and importance of existence of such an Initiative for all countries of southeast Europe, bearing in mind more dominant and significant role of IT developing factor in global economy and society from which southeast Europe must not be excluded or marginalized. Therefore, tracking of IT development is becoming a necessity for further economic development and survival of transitional economies of southeast Europe, their easier inclusion on European and global market, increase of total competitiveness of region and raising the level of employment and life standard of their habitants.

Strategies of development of eMarket in Montenegro

When thinking about what motivates the development of eMarket, and with this connected information society, we can identify two, closely related aspects. On one side, this is the market liberalization, introducing a large number of providers in the field of electronic communications, giving more services with very favorable prices, in order to create an open and to all accessible environment. Motivating competition, makes users of services and generally creators of electronic markets feel good, they have the opportunities to use services, etc.

On the other side, to enable these users to have access to electronic market, create and use services of these markets, it is necessary to ensure education, information accessibility, integration of knowledge and skills, as well as interoperability of different societies. And, electronic markets are exactly based on openness and interoperability.

In developing economies, where electronic service are more something spoken about than used, it is necessary to primarily enable users to use and access to Internet, and after this to use different services.

In order to offer these services, a strong political will is needed. Of course, institutional development, making a correct legislative basis, existence of political will, etc. are factors that influence creation of good ambient for development of eMarket. Besides this, learning on others experiences can instigate a development of one country, and decrease the time needed for realization of specific solutions. Because of this, it is necessary to connect countries from a region when creating good solutions.

In order to start using electronic markets, solutions must not be expensive from the users' point of view. Situation where a user should give a big amount of money in order to use solutions that are supposed to save a lot of his/her time and money, should be avoided. Countries in development, including Montenegro, must think about following mechanisms:

- enabling equipment's acquisition to users by very favorable conditions - equipping schools and universities with computer equipment, opening libraries and Internet centers;
- enabling Internet access to biggest possible number of users, providing free of charge wireless access;
- creating a center where courses and education about use and creation of modern services will be organized for employees and citizens in general;
- promoting different solutions through organization of seminars, workshops, participating on TV stations, etc.

EU countries are already working on different solutions instigating creation and survival of eMarket. Countries candidates are slowly transforming in a society based on knowledge. Results are not only achieved through use of technology, because everybody has access to it. What is more needed is knowledge how to use technology in order to achieve simple but efficient solutions.

Conclusion

For modern, open economy of today it is not enough to have the best product or even the lowest prices: its business must be optimized, quick and efficient, and data accessible at any moment.

Montenegro is a small country. Favorable geographical and strategic location, good relations with neighbors, increase of crucial macroeconomic indicators, recognition on world's map of top destinations for numerous foreign investors, are just some of the indicators showing that Montenegro, despite of all its problems, has all the chances to recognize possible directions of strategic development, in that way reinforcing its position in region.

Technology can be exciting, but in the real world elegant technological solutions don't mean anything, unless they make significant business results. Unlike big countries, Montenegro can easily implement small projects, and by combining small projects we can create information society, society using modern technologies and based on economy of knowledge.

Informational and communicational technology instigates society's development through improving efficiency, motivating innovations, improving access to knowledge and information, and adapting to global processes. As a key factor of further technological development there is existence of political will and recognition of eLeader.

Use of revolution in informational-communicational technologies is nowadays improperly distributed between developed countries and countries still developing, as well as between very social groups. However, dream of every country, developed or developing, should be to transform the digital divide into digital opportunity.

Development of information society is one of the most important goals, to which all countries should aim in the following period. Related to this, conditions for development of electronic business are made, and generally for e-commerce in all its forms. Positive clime, good legislative, strong infrastructure and willingness to accept changes are giving positive results. In that sense, Internet and use of ICT can become a tool for strengthening people around the world only if these tools are properly used.

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URBAN REHABILITATION A PROMISING OPPORTUNITY FOR PRODUCT ENHANCEMENT IN TOURISM INDUSTRY ? – A CASE STUDY FROM NICOSIA/CYPRUS

WERNER GRONAU
UNIVERSITY OF NICOSIA, CYPRUS

PANIKKOS CONSTANTI
UNIVERSITY OF NICOSIA, CYPRUS

Abstract

Introduction

The phenomenon of urban regeneration has become increasingly prominent on government agendas in recent years. In this context tourism development has become a familiar element of regeneration strategies in cities around the world. Unfortunately urban regeneration as promising opportunity for the tourism industry and the overall destination is regularly misjudged or even not realized.

Case study from Nicosia/Cyprus

Cyprus has been an intersection of different cultures over the last millennia and each has left its trace in the built environment. The cultural heritage of the island is therefore rich and varied, reflecting both its oriental and occidental influences. In spite of the rich cultural heritage Cyprus today is still mainly a "sun & beach" destination due to the lack of utilizing and promoting its heritage. The capital Nicosia is a city whose image has been especially characterized by the Greek, Venetian and the Ottoman periods. Nicosia became a divided city after the intervention of Turkish troops in 1974. Thus the political situation has resulted in the seldom valuation of the country's heritage as a potential for cultural tourism. Due to the intensive engagement of the United Nations (following the Nicosia Master Plan) a lot of historic monuments have been rediscovered and renovated in the last few years. This large scale urban regeneration created a significant potential for cultural urban tourism and therefore the opportunity to support the further destination development of Cyprus. Unfortunately this potential is not promoted and therefore rarely used through tourists.

This is based on the findings of a survey carried out in September 2006 that questioned the city's visitors on their usage of, and opinions on, the pluri-cultural heritage sites. The survey's results show that the visitors exploit only a minor part of the capital's cultural heritage potential, due to their lack of awareness

Key words: urban rehabilitation, cultural tourism, Cyprus, evaluation

The rise of urban regeneration and its strategies

The phenomenon of urban regeneration has become increasingly prominent on government agendas in recent years. Unfortunately urban regeneration as a promising opportunity for the tourism industry and the overall destination is often misjudged. In the majority of the cases urban regeneration strategies follow a culture-led approach. Increasingly there is seen to be a role for artists in regeneration as the value of the arts in urban development is being promoted by government, local authorities and other development agencies (Park 2004). Creative industries are supposed to create new employment in the heart of the city by avoiding any kind of pollution and at the same time attracting young, well-established and highly educated professionals. The regeneration process is meant to be driven by beautification and/or contribution to an identifiable icon or iconic building to encourage investment in the area (Avery 2007). In this context the role of tourism development as a relevant element of regeneration strategies in cities around the world is regularly ignored. Nevertheless "Waterfronts" or rehabilitation of former dock areas tend to be a global trend since the early 90's. Examples like "The Rocks" in Sidney or "Gastown" in Vancouver proved successful by combining a proper mix of culture, gastronomy and tourism.

Simultaneously, the creation of planned tourist zones to attract visitors/tourists as described by Judd (1999) became increasingly common. This strategy frequently seeks to attract visitors with a series of stereotypical attractions such as flagship museums and galleries, bars and restaurants, etc. As a result of this regularly copied approach, we see interchangeable urban entertainment districts, which are not rooted in the locality and its culture (Avery 2007). In other words those developments frequently lack today's demand by travellers, for authenticity. This paradox, of neglecting the tourism industry as a driving force for rehabilitation of urban areas on the one hand, and establishing what might be called 'stereotypical' planned tourist zones on the other hand has to be addressed openly. The inclusion of the tourism industry can further urge the rehabilitation of old city centres, as it already has in several cases, but to be successful, the role of local culture has to be stressed if it is to have any long-term effects.

The role of urban cultural tourism in the context of urban regeneration

Since the early 1990s urban tourism, and more specifically, city tourism has joined the canon of tourism studies and latterly urban studies (Law 1993; Page 1995). Cultural tourism was feted in Europe as one of the fastest growing sectors of the tourism market (CEC, 1996; Richards 1996), and seen as a panacea for heritage conservation and development worldwide (ICOMOS, 1998). Therefore, the role of cultural heritage within the city centres was remodelled in order to generate cultural tourism. Urban rehabilitation in city centres therefore sets, to a certain extent, the basis for cultural city tourism. The tourism industry can help to utilise the previousy underused urban areas. In combination with other typical inner city functions such as retail or entertainment use, tourism can add another dimension to the "Mixed Use". "Mixed Use" is a phenomenon, and now a ubiquitous response to the Compact City (Jencks, 1999), Urban Village (Aldous, 1992) and new urbanism (Marshall, 2004) movements, which demand higher urban density and the creation of mixed use buildings/blocks combining living, workspace, commercial and entertainment/leisure activities. Diversity, in terms of mixed use and mixed communities (social, tenure), also extends to the temporal use of space – built and open, e.g. markets, parks/squares, festivals, public art/animation – through the evening economy and events (Aiesha/Evans, 2007). All those aspects contribute not only to the quality of life of the inhabitants but are also representing a clear tourism potential. This diversity can be a possible alternative to "stereotypical" planned tourist zones, providing an attraction for urban tourism. Subsequently, stakeholders in urban revitalisation and general urban development within city-centres should realise tourism's contribution to a liveable and attractive city. In addition to the spatial segregation within city centres, in terms of retail-orientated pedestrian areas, designated night-economy areas and planned tourist zones, examples exist where, instead of opting for a single "flagship" attraction or mono-cultural zoning associated with "festival marketplaces" and entertainment districts, diversity was favoured. This is achieved by building a more diverse range of activities and consumer possibilities including local heritage, contemporary crafts and galleries (including showcasing fairs), events and festivals, speciality retailing markets (covered and 'street'), food and evening entertainment, including late night music and dance clubs. This diversity also seeks to attract a wider range of visitors in terms of demographic groups, while also benefiting, local residents, workers and visitors alike (Aiesha/Evans, 2007). Therefore, urban diversity including the aspect of leisure and tourism is the key towards sustainable urban living and working, in contrast to the sterile heritage and touristic zones familiar in many cities, and the seemingly inevitable gentrification effects which accompany city/fringe regeneration.

The utilisation of urban regeneration for tourism

As pointed out in the earlier paragraphs urban regeneration, while sticking to a mixed use approach, is able to generate the potential for tourism utilisation. Nevertheless, the establishment of typical touristic zones which depend on the fluctuating number of tourists, due to seasonality or fashion trends tend to be the case instead of mixed use areas, which could serve a whole variety of target groups in a more heterogeneous way. The long tradition of functional separation even within urban centres has left its traces on today's landscape. Stakeholders such as municipalities or government bodies still frequently lack the perspective of utilising regenerated areas for tourism purposes. Just a dense population of souvenir shops is considered to satisfy the tourist needs. This perspective tends to misjudge the upcoming trends of cultural and city tourism. A growing number of individual, discerning and highly-educated tourists seeking the "real" city in the backstreets of the classical touristic zones soon realise the poor utilisation of such areas. Furthermore, those designated tourism areas, which are usually concentrated in one area regularly face problems of overcrowding within certain periods of the day or the season. Less dense and more multi-functional utilisation may even create a more attractive environment for visitors. Additionally, potential for other urban areas in the surrounding neighbourhoods can be created to enlarge the range of tourist activities and simultaneously to generate additional prospects for instance in terms of cultural or architectural sights by way of a chain reaction.

Case Study Nicosia

Before elaborating on the opportunities to improve the overall tourism product by including regenerated urban areas in the specific case of Nicosia, a short introduction to Cyprus and its capital Nicosia seems to be appropriate.

Cyprus Destination Development

Since the political independence of Cyprus in 1960, tourism was seen as the main source of income for the island's economy. Consequently, a national effort towards the development of a modern tourism destination was vigorously encouraged. The initial successful development was drastically interrupted by a situation resembling a civil war and, finally, the Turkish intervention and occupation in 1974 (Saveriades, 2001). The loss of the main tourism spots in Kyrenia and Famagusta, led to the establishment of new tourist areas. Typically the development in the late 70's and the early 80's focussed on classical "Sun&Beach"-destinations. This led to a rapid development of accommodation infrastructure during the 80's and early 90's. The rising cost of living in Cyprus, new competitive Mediterranean destinations in the mid 90's and, finally, the lack of a diversification strategy in the national tourism industry, led to a noticeable decline in the tourism industry in the end of the 90'ies. Responding to the decline, the so-called Strategic Plan 2010 was developed. This plan, however, mainly focuses on making-up for the as-yet unrealised trends such as diversification and upgrading of the tourism product. Nevertheless this new plan set new and very valuable trends for the introduction of new tourist offers aiming at new target groups, as for instance special interest tourism or cultural tourism. Especially the role of the capitol Nicosia is supposed to be redefined due to the less sun and beach oriented forms of tourism promoted in the strategic plan (Gronau 2006).

Starting point of the study

Nicosia so far only gains a small portion from the tourism-generated income of the island. Nicosia is mainly used as a destination for one-day trips from the sun and beach destinations in Larnaca, Limassol and Agia Napa. Despite the existing rich cultural heritage, the broad gastronomic offers and the extensive retail industry, Nicosia is only able to skim a small portion of the tourist purchasing power and at the same time does not use the existing cultural potentials in an efficient way. Up until today the valorization of the historic centre concentrates on a very small touristic zone, the so called "Laiki Gitonia" which is on the periphery of the historic part of Nicosia. This designated tourism area faces the usual problems (mentioned earlier), in terms of temporarily overcrowding or mono-functional utilization, as described in the paragraph entitled "The utilisation of urban regeneration for tourism".

At the same time the ongoing efforts of the United Nations in cooperation with local authorities in the form of the so called "Nicosia Master plan" for upgrading and rehabilitation of the historic centre, which has suffered through the warlike conditions and the disregard of the local stakeholders, forms a new potential within the historic centre. Entire streets of houses, as well as cultural landmarks such as the former Turkish Bath, Churches and mosques have been restored in order to preserve the multicultural character of Nicosia. The central axis of the historic centre, Ledra Street was upgraded and transformed into a pedestrian zone. Furthermore, financial incentive schemes for renovating traditional architecture were put in place serving to improve the city's appearance and attractivity. Similar efforts of the United Nations are primarily aimed at preserving the multi-cultural heritage of the island in order to stress the role of all ethnic groups and their role in the island's history. This approach is supposed to create awareness for the common culture of all groups on the island and therefore be the initial step towards a reconciliation of the ethnic groups and a possible solution to the Cyprus Problem. Due to the political motivation of the project and the concentration on aspects of urban planning and development, the overall potential of those activities, for instance for the tourism industry, has barely been realized. Cultural heritage in the form of rehabilitated estates has, from the point of view of the many Cypriot tourism practitioners and officers, unfortunately been ignored.

Therefore the optimization of the valorization of the existing potential in a customer oriented manner and the opportunities to strengthen the role of innovative forms of tourism formed the framework conditions for the study. The applicability of strategies towards using the potential of other nearby, urban areas to enlarge the range of tourist activities, cultural or architectural sights and to increase the duration of stay were identified. Considering those facts, a detailed knowledge about the perception of the tourists with regards to the walled city of Nicosia and their spatial behavior within the walled city was investigated. Therefore the study includes the following modules:

- Module 1: Orientation: An analysis of the areas of main tourist attraction within the walled city.
- Module 2: Interests: An analysis of the main activities and interests of the individual tourist, aiming at the identification of the main fields of interest for their visit of the walled city and at the same time the importance of these different fields (e.g.: Sightseeing/ Shopping/ use of gastronomy).
- Module 3: Satisfaction: A customer satisfaction evaluation of the existing offers within the walled city with reference to the identified fields of interest.
- Module 4: Cognition: An analysis of the tourist cognition, with regards to the existing attractions within the "walled city"and their main information sources.

Methodology of the study

The study was performed based on a quantitative approach using a standardized questionnaire. There were two parallel surveys using an identical questionnaire, one including all hotels within the walled city - the questionnaire was handed over at the reception to all guests - within a period of two weeks resulting in 64 usable questionnaires and one survey within the context of face to face interviews. This survey took place on two weekdays mid of September 2006 from 10-18 o'clock to avoid a big number of locals in the area. The major target groups for the survey were tourists visiting the walled city for leisure purpose. The 248 usable face to face interviews were conducted by German students from the University of Trier, Department of Tourism. The interviewees were chosen on a simple random approach by also considering spatial varieties. Therefore 6 different locations within the walled city were used to conduct the interviews. The choice of the locations was on the one hand based on the main tourist areas; on the other hand it was supposed to provide an overview on the frequency of tourists within certain areas of the walled city. The locations are namely (see also map1): Laiki Gitonia, Shakolas Tower Observatory, Green line Ledras, Archbishop's Palace, Famagusta Gate, Omeriye Mosque and Bath.

Preliminary results of the study

The present article will concentrate only on several aspects of the overall study and represents only the first preliminary findings; it will focus especially on the opportunity to utilise the rehabilitated areas within the walled city for tourism purposes in order to decentralise tourism activities and at the same time upgrade the tourism product by including additional attractions. To answer this question the actual spatial orientation of tourists within the walled city and the determinants of this behaviour have to be examined.

Spatial Orientation of tourists within the walled city

When analyzing the spatial allocation of tourists within the old city-centre the dominating role of the very small touristic zone, so called “Laiki Gitonia” becomes obvious, 75% of all interviewees visited the area. Other attractions are visited in general in a decreasing frequency depending on their distance from this touristic area. Only the so called green line, a lookout post into the UN-buffer zone, which is dividing the city of Nicosia since the military intervention of Turkey in 1974 is an exceptional case. At the same time this spot is supposed to be a major centre of attraction due to its role in presenting the everyday reality of the divided island of Cyprus and therefore the high numbers of visitors is not unexpected. In general a strong spatial concentration of tourists within the touristic area and the pedestrian zone, the so called “Ledras Street” area has to be determined.

Close to heavily visited sites as the “Laiki Gitonia” or the Ledras Street, sights like the “Leventis Museum” or the rehabilitated “Omeriye Area” are relatively unnoticed. This fact can be explained by the awareness of the tourists. Those spots show a significantly lower awareness than traditional sights like the “Laiki Gitonia” (see map 3). While analyzing the spatial allocation of awareness towards possible places to visit, a spatial friction becomes obvious. In tourist’s perception there are two spatial and disperse areas to visit, the frequently visited area around the “Laiki Gitonia”, but furthermore the area around the Archbishop‘s Palace and the Famagusta Gate. Due to the lack of awareness towards the additional sights “on the way”, regularly the Archbishop’s Palace area is due to the lack of willingness to walk the rather big distance “just for those two sights” (statement of one of the interviewed tourist) left out of the visit. Therefore the lack of awareness towards the sights on the way, like the Omeriye Area, is also strongly influencing the number of visitors for the Famagusta Gate area. Based on those findings a stronger promotion of the Dragoman-Museum and the “Omeriye Area” would not only contribute to the visitor numbers of those sights but would also lead to an increase of visitors at the Famagusta Gate Area.

Evaluation of the attractiveness of existing sights within the walled city

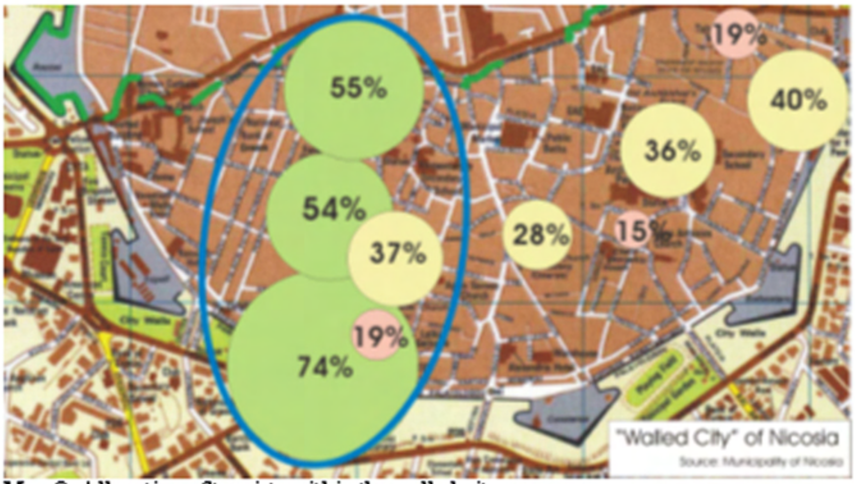
That those spots can be a clear enrichment of the tourist visit to the historic centre of Nicosia becomes obvious by enquiring the satisfaction level of tourists towards those spots and the overall satisfaction level. Table 1 shows that those sites have the same level of satisfaction as the established sights. They are ranked on the same level as the long established “Laiki Gitonia”, only the pedestrian zone and the unique lookout post to the buffer zone show a higher satisfaction level. Using a 5-category scale (1-5), all of the sights were rated as “less attractive.” When referring to the role of the urban rehabilitation for enhancing the tourism product, it has to be realized, that unfortunately amongst those less visited and least known sights, all projects of the so called “Nicosia Masterplan” for rehabilitating the old city-centre are to be found. Their attractiveness is not in doubt, but the awareness towards those sites is rather low. Therefore the existing potential due to the investment for rehabilitating traditional architecture and historic settings is not valorised for tourism purpose. Furthermore the opportunity to enlarge the activity area of tourists, while even extending the duration of stay, is not used. The opportunity of establishing a real-roundtrip through the historic city centre, with the Famagusta gate area and the Laiki Gitonia as corner posts and the rehabilitated areas as walk by sites could not be implemented. The literature on the opportunities that exist for enhancing the tourism product through the urban rehabilitation, do not reflect the everyday reality of the walled city of Nicosia, due to a clear lack of awareness, which can be explained by a deficit in creating public awareness towards such sights. Nevertheless without a doubt the potential exists, due to the positive feedback of the few visitors to those sights. In summary the urban rehabilitation projects contributed to the overall attractiveness of the walled city, they enriched the tourism product, but they were not able to really upgrade the tourism product so far, due to the existing lack of awareness.

Conclusion

According to Park (2004), culture-led urban rehabilitation is to be considered the most common approach in recent years, combined with the upcoming city tourism, is mainly culture driven (Page, 1995 and Richards, 1996). The upgrading of urban areas while stressing their cultural character offers theoretical a promising opportunity to valorise urban rehabilitation also in the context of tourism industry. Theoretically urban rehabilitation can became a vital contributor to product enhancement in culture-orientated tourism industry. To reveal the impacts of these theoretical opportunities in everyday life an empirical research was carried out in the context of the urban regeneration of Nicosia the capital of Cyprus. The empirical findings indicated, based on the ratings of our sample (international tourists visiting the historic city-centre of Nicosia), the potential for tourism industry to gain from the urban rehabilitation process resulting from the Nicosia-Masterplan. The sites established within the context of the Masterplan seemed to be as attractive for tourists as the established existing sights within the historic-centre. Unfortunately their potential is not sufficiently utilised due to the absence of awareness towards those sights by the relevant target-group. It would appear that the potential of those sites in terms of enlarging the area of tourists' activity, the opportunity to extend the duration of stay or just reduce the overcrowding within the touristic area , have not been fully utilised primarily due to a lack of awareness of their existence, based on a clear lack of communication and promotion.

Therefore the role of promotion and marketing in order to exploit fully the role of urban rehabilitation within the scope of the tourism industry, has to be emphasized more explicitly and emphatically. The existence alone of those sites, does not automatically contribute to the culture-orientated tourism-product, without a simultaneous and concerted effort in generating awareness towards those sites.

Map 1: Locations for interviews Source: Municipality of Nicosia



Map 2: Allocation of tourists within the walled city

Map 3: Awareness of sights within the walled city

	attractivity (arithmetic mean)	standard deviation
Laiki Gitonia	2,11	0,90
Ledra Street	2,28	0,83
Green Line	2,70	1,44
Shakolas Tower	2,06	0,93
Leventis Museum	2,05	0,94
Dragoman Museum	2,07	0,95
Omeriye Area	2,07	0,83
Chrysaliniotissa Area	2,11	1,00
Archbishop Palace	1,98	0,89
Famagusta Gate	2,13	0,85

Tab. 1 : Satisfaction level for several sights

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CAUSE RELATED MARKETING: AN IN-DEPTH EXPLORATION OF THE KEY PRINCIPLES AND PROCESSES

IOANNA PAPASOLOMOU AND DR MARLEN DEMETRIOU
UNIVERSITY OF NICOSIA, CYPRUS

Abstract

In the last few years the interest in social responsibility has heightened and received increasing attention from leading corporations as well as SMEs. These corporations have developed their own sophisticated and tailored-made approaches to demonstrate their corporate citizenship, which are a complement to their overall marketing and fundraising strategies. The paper examines the existent literature review in relation to the implementation of cause related marketing (CRM) programmes within various businesses and industries whilst shedding light onto the key factors that contributed to its growth and development. It also explores the impact of CRM strategies on key stakeholder groups such as: shareholders, employees, customers, and communities. The adoption of CRM programmes demonstrates an appreciation of an organisation's impact on society. The investment in the well-being of society through community and CRM programmes generates goodwill and trust amongst that community and therefore reinforces and builds corporate reputation, which has the potential to increase customer loyalty, sales and help a company deal with unfavourable events such as rumours and bad news. CRM has the potential to benefit both businesses and good causes by raising funds, creating awareness and volunteerism for the latter. The challenge is to ensure that the social responsibility demonstrated and the community investment made by the company is understood and that people are aware of it. At the same time there is a need to understand the partners' concerns and needs in order to ensure that the CRM programme will be effective. There is also a need to understand and implement it with integrity and transparency and an appreciation of the mutual benefit it requires. The paper also provides an overview of the key problems and criticisms targeted at the concept.

Key words: Social responsibility, Cause Related Marketing, stakeholders, corporate reputation

Introduction: What is Corporate Social Responsibility?

CSR involves integrating social and environmental concerns into an organisation's corporate operations and into its interaction with stakeholders. The European Commission's Directorate-General for Enterprise and Industry describe CSR as:

"Voluntary business initiatives, in the form of corporate social responsibility (CSR) practices, can play a key role in contributing to sustainable development while enhancing Europe's innovative potential and competitiveness." (http://ec.europa.eu/enterprise/library)

CSR is regarded everywhere as important and helps to promote globalization, competitiveness and sustainability. The European Commission has embraced the concept and has launched a number of initiatives including the Commission's Green paper launched in July 2001 entitled "Promoting CSR". A European Multi-stakeholder forum that was launched in October 2002. The European Commission has highlighted the importance of CSR arguing that it is in their long-term interest and that it contributes to sustainable development by integrating the economic, social and environmental impact in their operations (Euroabstracts 2004). The Commission's latest communications regarding CSR are designed

(1) to give greater political visibility to the concept,

(2) to acknowledge what European enterprises already do, and

(3) to encourage them to be even more proactive and imaginative."

And, at the same time, it aims at fostering the multi-stakeholder approach http://ec.europa.eu/enterprise/library).

According to Frankental (2001) CSR can only have real substance if it embraces all the corporate stakeholders. Enterprise Commissioner Erkki Liikanen in an interview given to Euroabstracts (2004, p. 8) said that: "…the companies that presented their business practices in the European Multi-stakeholder Forum on Corporate Social responsibility – about 40 of them, large and small-said very clearly that it was in their enlightened self-interest to invest in their stakeholders and to care about the environment." Organisations that engage in CSR are sending a signal to their stakeholders: employees, shareholders, investors, consumers, public authorities, etc. that they care about social development, environmental protection and fundamental rights.

CSR can be used to enhance corporate reputation by indicating to its various stakeholders that it intends to meet its moral obligations and expectations beyond what is required at law. To all intents and purposes it is subsumed in the corporate identity. However, from a marketing perspective, it is difficult to reconcile the interests of the various stakeholders since there may be conflicting interests. Despite this, the number of enterprises that have successfully managed to strike this balance is increasing.

The section that follows sheds light on the relationship between CSR and the stakeholder approach.

CSR and the stakeholder approach

The World Business Council for Sustainable Development defines CSR in relationship the underlying ideas of the stakeholder model. Specifically it suggests , CSR is:

"the ethical behaviour of a company towards society…management acting responsibly in its relationships with other stakeholders who have a legitimate interest in the business. CSR is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large."

Central to this view is the idea that social responsibility towards stakeholders guides business activity. CSR is viewed as: "the totality of a company's impact on society at home and abroad through stakeholders such as employees, investors and business partners" (Logan 1998).

The stakeholder theory of the firm provides the basis for analyzing those groups to whom the organisation is responsible. Stakeholders have an increased need to more fully understand and to critique the social and ethical performance of organisations in which they have an interest (Fombrum 1996).

CSR Europe (http://www.csreurope.org) works closely with the European Commission and partner organizations in 18 countries and commits its members to the following principles: "To conduct business responsibly by contributing to the economic health and sustainable development of the communities in which we operate…To be accountable to key stakeholders through dialogue and transparency regarding the economic, social and environmental impact of our business activities" (Euroabstracts 2004, p. 28).

Freeman (1984, p. 46) defines a stakeholder as: "any group or individual who can affect or is affected by the achievement of the organization's objectives." Organisations are not only answerable to their shareholders but also to a wider array of stakeholders: - broadly defined as individuals, groups and categories affected, directly or indirectly, by the activities of the organisation, and who may in turn influence it (Mellahi and Wood 2003, Wheeler and Sillanpaa, 1997).

Stakeholder theory has been extensively discussed in the management studies literature (Freeman 1984 and 1999; Clarkson 1995; Donaldson and Preston 1995; Carroll 1996; Sternberg 1994; Jones 1994; Wheeler and Sillanpaa 1997; Jones and Wicks 1999; Mellahi and Wood 2003). The supporters of the 'stakeholder model' argue that corporate managers must balance the interests of all the different groups who have a 'stake' in the company. Stakeholder theory holds that organizations go beyond the traditional narrow focus on shareholders' interests and short-term profitability, and take into consideration the impact of organizational activities on their stakeholders. This model is founded on the principle of the organisation accepting its social responsibilities towards its multi-stakeholders. Fombrum (1996) stipulates that there is a growing need, even desire, by stakeholders to comprehend and to criticize the social and ethical performance of organisations in which they are interested.

Evans and Freedman (1988) claim the stakeholders must be treated as an end in themselves, and not as a mean to maximizing shareholder value. However, organisations can do good acts even if these are based on self-interest. After all, a key element in motivating organisations to engage in CSR is that it can enhance their corporate image and financial performance (Balabanis et al. 1998). Gibson (2000) said that there is no necessary disagreement between self-interest and morality when it comes to CSR. After all, a person who gives to a charity may do that for at least three reasons: “the person genuinely wants to do good; giving money makes the person feel good; giving money makes the person look good in society”. (Pringle and Thompson 1999, p. xx). The same could perhaps apply to organisations. In fact organisations are operating in an environment of intense competition where consumers are looking for more than simply product performance when they make their purchase choices. Consumers and other stakeholder groups are asking questions about the role of businesses in society and are looking for demonstrations of corporate citizenship.

The way in which organizations act, and the way they are perceived by their target publics and the general public are important factors in managing the reputation of the organisation. Adkins (2005) argues that CSR can enable a business to achieve loyalty among stakeholders; develop strong global partnerships and relationships with the government, opinion leaders, and other social institutions; achieve new market penetration easily; generate positive publicity, and goodwill. However, the absence of CSR can have a negative impact on an organization’s reputation.

Several organizations have adapted their marketing activities to reflect a greater concern and interest for CSR by practicing Cause Related Marketing (CRM). CRM has become one of the most popular forms of corporate giving and enables companies “do well by doing good”. However, it is important to consider how CRM helps address the various needs and interests of stakeholder groups?

Cause Related Marketing and the Stakeholder Model

Pringle and Thompson (1999) argue that the role of organisations in society is under scrutiny. In particular there is interest in demonstrations of good corporate citizenship, built on an awareness and acceptance of the needs of all the stakeholder groups. Many businesses recognize the need to improve their relationships with their local communities and to help them to assume responsibility for improving the quality of life among their local stakeholders. Adkins (2005) suggests that CRM is an integral part of a portfolio of ways that firms can use to demonstrate their responsiveness to the society’s heightened expectations and demands for responsible corporate behaviour.

CRM focuses on joining together the idea of involvement in the community with social issues related to business. This strategy enables organisations to participate in developing growth and sustainability in the communities where they do business and at the same time enhance long-term benefits for themselves. Adkins (ibid) argues that the concepts of commercial activity, partnership, relationship and mutual benefit are key aspects of CRM. Arguably CRM is neither philanthropy nor altruism and those who engage in CRM in order to meet their objectives receive a return on their investment.

Interest in recent years in CRM has increased and it is becoming a popular approach to both marketing and fundraising. CRM reflects the social conscience of an organization (CSR) by simultaneously pursuing solutions to social problems in the pursuit of organizational goals. It concerns the achievement of synergies though forming alliances with different stakeholder groups. It can take the form of such things as providing school equipment, donating books to schools, raising funds for cancer research, the relief of poverty, public health or overseas aid. The long-term well being of all stakeholders are intertwined and the need is for corporate policies, initiatives and strategies to address and reflect the needs and interests of all stakeholder groups.

It has been argued that CRM is simply a cynical exploitation of public sympathy for profitability. Given this there is a need for organisations to approach the communication and promotion of their CSR related activities cautiously. Stewart Lewis, Director, MORI (1998) states that communication of CSR related activities should be emphasized as the public generally has little knowledge of what individual companies do: "When we show people the range of activities companies already undertake they tend to be stunned and impressed."

Good reputation is central to business success and an organisation's most valuable asset. It is something which takes years create and only moments to destroy. CRM can be used to build, nurture, enhance and communicate an organization's reputation. The section that follows sheds light on the relationship between CRM and corporate branding.

Cause Related Marketing and Branding

Kitchen and Lawrence (2003) suggests that organisations need to protect, nurture, and strengthen themselves by building strong interactive and synergistic relationships with all stakeholders who can impact corporate performance. Hence, corporate policy must be formed taking account all stakeholders in the business. Proponents of CSR argue that enterprises can gain many benefits such as enhanced reputation and stronger employee loyalty and retention if they engage in socially responsible activities (Moir 2001). An analysis of 58 studies over the past thirty years emphasize the fact that CSR should be seen as an investment and not as a cost since it can strengthen the intangible assets of a organisation such as corporate reputation as well as minimize risks businesses face (Euroabstract 2004).

Building relationships with customers, employees, communities, and other stakeholders is central to competitiveness. Stakeholder perceptions' and customers' buying habits can be influenced by business attitudes and actions in relation to social responsibility. Organizations need to use the marketing function in order to maximize and utilize these potential benefits in their effort to develop long-term relationships with stakeholders. CRM is a strategy that helps firms address business issues and social issues and provides a new approach to building and enhancing the corporate brand.

Pringle and Thompson (1999) in their definition of CRM describe it as a strategic positioning and marketing tool that links a business or brand to a relevant social cause or issue, for mutual benefit. Sir Dominic Cadbury, Chairman of Cadbury Schweppes plc claimed that CRM is an effective way of strengthening corporate image, differentiating products and increasing sales and loyalty (Pringle and Thompson 1999, p. 3). Businesses that implement CRM are concerned with measuring and reporting their impact on society and are recognizing the concept's potential in helping them build corporate reputation, develop morale and loyalty within their workforce and invest in communities. CRM can help businesses maximize the impact of their marketing strategies and build the value of their brand whilst benefiting the communities in which they operate. The 2001 BITC report revealed that three-quarters of respondents believe that CRM is able to enhance corporate or brand reputation and almost two-thirds believe that it is a good way to demonstrate corporate and brand values. Research findings provided by Business in the Community reveals that 58.2 million pounds was raised for charities in the UK through CRM programs during 2003.

The 'Business in the Community' (BITC) Corporate Survey III (2001) shows that 96% of Marketing and Community Affairs Directors appreciate the beneficial role of CRM in addressing business and social issues whereas, 77% of Chief Executives, Marketing Directors and Community Affairs Directors believe that CRM can enhance corporate brand reputation. Consumers' purchase patterns demonstrate the significant positive impact that CRM programs can have on their purchase habits, which subsequently influences their corporate and brand reputation, differentiation, and the sales of a product, service or brand (Profitable Partnerships 2000). The Cone / Roper (1999) study carried out in the US showed that eight out of ten Americans have a more positive image of firms that support a cause and 94 per cent of Influential Americans have a more favorable image of companies who are committed to a cause, up 6 per cent from 1993.

In order to explore the impact of CRM on businesses and brands, BITC carried out a major study in partnership with Research International, LightSpeed and Dunnhumby entitled 'Brand Benefits'. The study revealed that CRM campaigns are effective and that they influence brand affinity and in turn brand equity, as well as consumer perception, loyalty and purchase behaviour (BITC 2004).

In summary, CRM's key benefits are thought to : enhance corporate/brand reputation, demonstrate corporate or brand values, raise brand awareness, develop customer loyalty, differentiate products and services, increase sales volume build relationships with stakeholders, provide differentiation, and make CSR and corporate community investment visible (BITC 2001; Adkins 2005). A good reputation can also be perceived as a competitive advantage within an industry (Fombrum and Shanley 1990).

The research questions

The researchers were interested in identifying the value of Cause Related Marketing in terms of enhancing corporate reputation and branding in Cyprus. In particular:

a) to reveal people's perceptions and feelings in relation to corporate involvement in activities related to social responsibility and cause-related marketing.

b) to examine consumers' attitudes and preferences towards firms and products associated with Corporate Social Responsibility activities.

c) to uncover people's beliefs in terms of the charities/social causes with which they would like organisations to form social partnerships.

In addition the research sought to shed light onto the key factors that contribute to a successful social partnership.

As a consequence the researchers proceeded with a two-phase research methodology.

The section that follows describes the research methodology approach adopted in carrying out the specific research study in Cyprus. This is followed by a discussion on the key findings that emerged from the study.

Research Methodology

The researchers decided to adopt a quantitative research approach and selected a survey as the key data collection method. Bryman (1988) stated that surveys are probably the most common modes of quantitative research. The study was divided into two phases: the first phase, of the research included a survey of Cypriot citizens and the second phase, included in-depth interviews with the marketing managers of the banking organisations that were ranked as the most socially responsible businesses in Cyprus.

Phase 1

The researchers used a survey approach in order to gather descriptive information in relation to the people's perceptions, attitudes and level of knowledge in terms of corporate involvement in CRM activities, as well as people's preferences in terms of the causes with which they would like organisations to be associated. A total of 740 Cypriots took part in the study. A short questionnaire was prepared with a combination of closed-ended and open-ended questions. The sampling method was the stratified random sampling approach according to which the population was divided in three mutually exclusive age groups (20-35, 36-50, 51 and above). From each group random samples were drawn in the ratio 5:3:2. The decision for this sampling method was based on the main objective of the survey which was to identify a cause that Cypriots and especially young to middle age people would like to see organisations to be associated with. The questionnaire was administered though face-to-face and telephone interviews. The data analysis was carried out with the use of the SPSS and Excel packages.

Phase 2

One of the key findings that emerged from the first research phase was that Cypriots perceived two financial service organizations to be the most reputable firms in terms of CSR: the Bank of Cyprus and Cyprus Popular Bank. The two banks are in the first and second positions respectively in terms of market share. The researchers carried out in-depth semi-structured interviews with the marketing managers of both banks in order to uncover the interviewees' opinions, feelings and experiences in terms of CRM. The difficulty of this method was the analysis and evaluation of data collected. Mason (1996) stipulates that as soon as the data are sorted and ordered, the researcher will be able to make some interpretive sense of it in order to start building some arguments. The researcher must be aware of what constitutes data in the context of his/her research in order to sort and organize the data. In sorting and organizing the data we used a coding system that enabled the researchers to identify key concepts, relevant categories and relationships among them. The sampling method used for these personal interviews was the judgment sampling approach which allowed the researchers to use their judgment to select the population members who are good prospects for accurate information (Kotler et al., 2005, p.356). Since the survey participants ranked the Cyprus Popular Bank and the Bank of Cyprus in the first and second positions respectively in terms of CSR, the researchers decided to interview the marketing managers in order to explore issues such as the rationale for the launch of CRM programs, and the benefits derived from their implementation (See Appendix 1). The duration of each interview was approximately 45 to 60 minutes.

Research Findings

(a) Phase 1

The ethical consumer

The literature reviewed suggests that in a highly competitive marketplace, consumer requirements of their companies and their brands go beyond product performance, brand personality and image. People ask questions regarding the role businesses should play in society and are looking for evidence of good corporate citizenship. Cypriot consumers have expressed beliefs and expectations which businesses ought to respect and take into consideration if they wish to remain competitive in an era which is gradually dominated by ethical and emotional consumers.

The data analysis revealed that consumers expect organisations to be socially responsible. Irrespective of the age of the respondents, the majority (84%) agreed that it is important that businesses need to demonstrate that they are socially responsible.

Consumers' product choice and purchase behaviour is directly linked to the firm's involvement in CSR related activities. More specifically, when the Cypriots were asked to reveal their brand preference in terms of selecting between two brands (A & B) where quality and price were equal the majority (86%) chose the brand that was associated with a good cause. This finding is corroborated by a study carried out by BITC (2004), which showed that CRM can encourage brand switching when price, product and quality are equal. In a number of studies consumers have stated that they support CRM provided that it provides a genuine mutual benefit (BITC 1997, 1998). BITC (2004) reveals that the success of CRM is reflected in heightened levels of consumer awareness. When consumers were prompted with a list of recent CRM programmes, 98% of UK and US consumers were aware of at least one – up from 88% in 2000. In the same study, 7 out of 10 consumers who had participated in CRM programmes said that there has been a positive impact on their perceptions and behaviour. CRM appears to enhance consumers' perceptions and behaviour as well as long-term brand benefits.

In this study consumers classified a business as a "socially responsible organisation" when it formed a partnership with a charity or a cause which has a high impact on society. Respondents were asked to name up to four profit-making organizations in Cyprus which, according to the respondents' opinion, were engaged in socially responsible activities. The Cyprus Popular Bank was ranked in the first place (63%) and the Bank of Cyprus in second place (62%). The Cyprus Telecommunication Authority was ranked in the third place with only 18%. Both banking organizations have launched cause related marketing programmes. The Cyprus Popular Bank has formed a partnership with "Radiomarathon"- a charitable organization in aid of children with special needs since 1992. The Bank of Cyprus has formed a partnership with the Anti-Cancer Society since 1992 and covered all the construction costs of the biggest Oncology center in Cyprus. Since then the bank continues to cover the running expenses of the hospital. An interesting finding was that the organisations which are involved in corporate philanthropy rather than CRM and hence donate money to several causes are not regarded as corporate givers. The study findings found that the "Cyprus Telecommunication Authority - CYTA" was ranked in the third place despite the fact that it has donated by far the highest amount of money than any other company in Cyprus.

When responders were asked to name social organizations/ causes with which they would like the profit organisations to form partnerships, respondents who were over 35 years old indicated the following three causes: Anti-cancer societies (61%), children's rights (50%) and anti-drug societies (44%). On the other hand, the respondents who were younger than 35 years old supported the following views: children's rights (36%), anti-cancer societies (33%) and anti-drug societies (31%). Other causes put forward by the two groups of respondents were: the anti-leukemia society, the society for violence in family, and environmental protection. In a study carried out by the Business in the Community in 2001 in the UK in which 385 chief executives, managing directors, marketing directors and community affairs directors participated, among the top ten cause areas that businesses have supported through CRM were: Children (54%), schools/education (51%), medical/health (49%), and environmental (29%). Health causes remain the most popular cause, with over £25.5 million raised for health charities through CRM in the UK (BITC 2003). Consumers' perceptions should be taken into consideration by Cypriot organisations in order to select and support those causes that are seen to be the most important.

(b) Phase 2

The research findings that emerged from phase one revealed that the Cyprus Popular Bank and the Bank of Cyprus were regarded as the most reputable organisations in Cyprus in terms of their social responsibility. The researchers decided to carry out in-depth interviews with the marketing managers of the two banks. The interviews shed light onto the key factors that contribute to a successful social partnership and highlighted the value of CRM to business success.

The success factors in the social partnership

The research revealed that there are important issues that need to be considered when selecting a social partner. Banks tend to adopt a careful screening process in which the tendency is to reject the collaboration with social organizations with a low impact on society. It has to be accepted by both partners that the success of the partnership depends on mutual effort and dedication and that the CRM campaign requires a long-term focus in order to produce results. It is vital that the expectations of both partners are clearly defined in advance in order to avoid conflicts and misunderstandings. CRM can enable the individual partners to achieve their goals whilst making a significant positive impact on the wider community and that is why CRM is defined as: "a commercial activity by which businesses and charities or causes form partnerships with each other to market an image, product or service for mutual benefit." (Adkins 2005).

In order to clarify the responsibilities of both partners formal agreements are signed stating their expectations, timeframes and objectives. A strategy is also devised in order to have a clear direction regarding problems, objectives, action and evaluation plans. In the agreement the business partner often sets out limitations regarding the social partner forming partnerships with competitive firms.

The success of the partnership relies heavily on the appointment of a liaison officer who is jointly appointed by both partners. The 1998 Corporate Survey II by the BITC in which 68 chief executives from the FTSE companies and 51 chief executives from non-FTSE companies participated, revealed that the Marketing Director should take the key responsibility for CRM (43%) followed by the CEO (15%). A strong communication channel between the partners and the media has to be built in order to establish a continuous flow of information regarding the outcomes of the campaign. It is essential that consumers appreciate the effort and give their support.

Both marketing managers underlined the need for organisations to be socially responsible if they want to maintain a competitive advantage since their consumers and other stakeholders expect businesses to play an active role in the communities in which they operate.

In the 2001 study carried out by the Business in the Community in the UK, 70% of Chief Executives stated that CSR is an essential issue in which their business is actively involved, and 89% of Marketing Directors claimed that businesses should be involved in addressing the social issues of the day. The literature review revealed that corporate participation in social initiatives leads to a range of bottom-line benefits (Kotler and Lee 2005):

- Increased sales and market share
- Strengthen brand positioning
- Enhanced corporate image
- Increased ability to attract, motivate and retain employees
- Increased appeal to investors and financial analysts

Both marketing managers agreed on the importance of ensuring that the CRM campaigns are carefully designed and implemented. In the two CRM programs launched by the banking organizations employee participation and enthusiasm was high which subsequently led to an increased number of volunteers in the events and activities that were an integral part of the CRM campaigns. Adkins (2005) suggests that among the 7 Ps for business involvement in the community is using employee volunteers and gives the examples of the NATWEST UK employee volunteers who help in schools. Both marketing managers claimed that they intend to continue their social partnerships whilst emphasis is placed on developing and implementing more innovative activities to enrich their CRM strategies.

Conclusion

CSR is a concept that holds that businesses should integrate social and environmental concerns in their corporate operations and in their interaction with their stakeholders on a voluntary basis. According to Frankental (2001) CSR can only have real substance if it embraces all the corporate stakeholders. Fombrum (1996) argues that there is a growing need, even desire, by stakeholders to comprehend and to criticize the social and ethical performance of organisations in which they are interested. A responsible business needs to prioritise the best interests of its primary stakeholders. At the same time it needs to play an active role in society by demonstrating its corporate citizenship to its secondary stakeholders such as the local community. This is essential if the business wishes to gain a competitive advantage. Since consumers and other stakeholder groups are scrutinizing and criticizing the role businesses play in society (Pringle and Thompson 1999) companies have to prove their concern for the social problems in the communities they operate. Nowadays, more and more businesses recognize the need to improve their relationships with their local communities and the quality of life among their local stakeholders and the wider community. This need can be potentially fulfilled through an effective CRM campaign in which businesses and charities form a partnership with each other in order to serve their collective self interests and benefit their respective stakeholders.

The present study revealed that Cypriots expect businesses to play an active role in dealing with social problems in Cyprus. The respondents identified two banking organizations as the most socially responsible firms. Both financial institutions have applied successful CRM strategies during the last fourteen years in order to demonstrate their concern for the social problems faced by the local population. The two interviewees revealed the importance of designing and developing a planned, coordinated and controlled CRM strategy which can create a competitive advantage for the business partner by building and strengthening bridges with stakeholder groups and enhancing its corporate reputation.

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Appendix 1: The interview guide

1. How difficult is it for the profit organization to select a social partner?

2. How difficult it is to maintain a social partnership and what are the conditions for its success?

3. How important from a marketing point of view is for a business to be able to demonstrate its social responsibility?

4. Do businesses need to promote their social partnerships to their stakeholders?

4. How effective CRM is in enhancing the corporate reputation?

5. What are the employees feelings and attitudes in relation to the firm's involvement in CRM related activities? Do they voluntarily support and participate in these activities?

6. What are the business's future plans

SERVICE QUALITY IN HOMESTAY TOURISM - A CASE OF MALAYSIA

ANIZAH ZAINUDDIN AND KALSOM ABU BAKAR
UNIVERSITI TEKNOLOGI MARA MALAYSIA (UITM), MALAYSIA

Abstract

One of the new tourism products in Malaysia is Homestay, a combination of tourism and recreation. Tourists will experience the daily life of ordinary people operated by small-time farmers and villagers, monitored and assisted by the Federal Government of Malaysia, via the Ministry of Culture, Arts and Tourism and normally operated under minimal fund. Literally the Homestay services are a holiday concept that started in Europe in the late 70's. Homestay is where tourist gets to stay with a selected family from a different background and culture for duration of time. Additionally, tourists will experience the daily life of locals. Meaning to say, when tourist go for vacation or holiday to one place, instead of staying in the hotel, tourist can choose to stay with foster families nearby tourist visited sites. The impact of the Homestay service industry's activities in Malaysia are tremendous where the business generated an income of more than RM200,000 in the first seven months of 2006, which involving 5,519 tourists of which 1,736 of the tourist were the foreigners coming from Europe, Japan and Korea. Due to that reason, it is important for the Homestay providers to focus on their customers' need and requirements while staying and experiencing Homestay programme. Thus, this paper investigates the perceptions of performance from a variety of Homestays available in Malaysia specifically in Selangor from the tourist's perspective. Four well-known Homestay operators were chosen which are Banghuris, Dorani, Sungai Sireh and Kuala Langat Homestay. A total of 200 questionnaires were distributed and analysed. The questionnaire comprises three sections. The first section is to measure the respondents' expectations of the service quality that they received in any Homestay programme. The second section is to measure the respondents' expectation of the service quality that they received in any Homestay program. And finally, section three is the demographic profile of the respondents. The respondents were asked to rate the service quality on a seven Likert scale, ranging from 1 (strongly disagree) to 7 (strongly agree) for section one and also ranging from 1 (extremely dissatisfied) to 7 (very satisfied) for section two. This questionnaire was constructed based on five dimensions of SERVQUAL which are tangibles (9 questions), empathy (5 questions), assurance (5 questions), responsiveness (5 questions) and reliability (6 questions). The results suggest that for attribute tangible, empathy and assurance, the performance equals perceived expectation. For attributes, responsiveness and reliability, the performance is below perceived expectation. Dorani's Homestay was voted the highest therefore considered the Homestay provider is able to meet with the expectations of the tourist on the variables or attributes identified. This obviously requires Homestay providers' commitment to invest in relevant human capital in order to provide the highest standard of service to consumers.

Key Words: Service Quality, Homestay, Malaysia

INTRODUCTION

The tourism industry in Malaysia remained strong despite the economic slowdown in the first half of the Eighth Malaysia Plan period. The industry continued to be a key foreign exchange earner, contributing to growth, investment and employment as well as strengthening the services account of the balance of payments. It is observed that the resilience of the industry was largely attributed to the active participation of both the public and private sectors in undertaking vigorous promotion and marketing, diversifying target markets, as well as improving competitiveness of tourism products and services to sustain interest among tourists to visit Malaysia. Information gathered from Ninth Malaysia Plan reported that the number of domestic tourism trips increased by 30.1 per cent from 12.3 million in 2000 to 16.0 million in 2005. The number of domestic hotel guests more than doubled from 13.6 million in 2000 to 29.0 million in 2005. This was in tandem with rising household incomes, improved quality of life and regular travel becoming increasingly a part of the Malaysian lifestyle. One of the new tourism products in Malaysia is Homestay, a combination of tourism and recreation. Tourists will experience the daily life of the ordinary people operated by small-time farmers and villagers, monitored and assisted by the Federal Government of Malaysia, via the Ministry of Culture, Arts and Tourism and normally operated under minimal fund. In Malaysia, Homestay Program was launch in the year of 1995 at the Desa Murni, Kerdau, Temerloh, Pahang by the Malaysia Tourism and Culture Minister. It is a program under the Rural Tourism Main Plan that focuses on encouraging the entries of rural community in the tourism sector. Conceptually Homestay services is one of the new agro-tourism products in Malaysia which is a combination of tourism and recreation activities. This new agro-tourism product is seen as one of potential tool for development of rural areas besides its contribution to sustainable environment. The impact of the Homestay services industry activities are tremendous where the business generated an income of more than RM200,000 in the first seven months of 2006 (Bernama), involving 5,519 tourists of which 1,736 of the tourist were foreigners coming from Europe, Japan and Korea. Due to that reason, it is important for the Homestay providers to focus on their customers' need and requirements while staying and experiencing Homestay programe.

SERVICE QUALITY

Services are generally describe in term of four unique attributes, namely intangibility, heterogeneity, inseparability and perishability (Bateson, 1977; Lovelock 1981; Gronroos 1990; Zeithaml and Bitner,1996). In the hospitality industry, other attributes such as imprecise standard and fluctuating demand have been identified and further complicate the task of defining, delivering and measuring service quality. Quality aspects such as friendliness, helpfulness and politeness are likely to be interpreted differently by various guests and are assessed subjectively. Moreover, demand for service in the hospitality industry is generally clustered around peak periods (Sasser et.al 1978) and these peaks periods create an environment which makes it difficult to provide consistent service quality. In the past decade, scholars and practitioners have realized that traditional marketing concepts need to be expanded if they are to address issues that arise in the services sector. As Wright (1995, p.37) observed

"Firms in these industries need marketing skills to cope with the increasing competitive environment and rising consumer expectations."

In addition, there has been a realization that service marketing is the responsibility of everyone within organization, and that organizational marketing need to be embraced as a corporate philosophy. In hospitality organization, this means that traditional ways of marketing products need to be refined to meet the needs of a service industry that is striving for increased brand loyalty and market share through the delivery of high-quality products and services (Oh and Parks, 1997).

Quality in service industries has both static and dynamic dimensions (Day and Peters, 1994). The static dimension represents the expectation of the customers that always changes over time as extra facilities such as in-flight meals become the rule rather than the exception. Dynamic dimensions of quality occurs during service delivery and offers opportunities for the customer to be delighted by the extra efforts of staff , for example to address the customer tangible product which is a primary cause of customer dissatisfaction, dynamic quality, cannot be pre-arranged or scripted, but are nevertheless an important means of customer satisfaction (Ingram et al,1997). According to (Eragi, 2002) Quality as a concept is considered as a philosophy overwhelmed the organization management. It is a continuous improvement. Quality is rather like pornography in this respect. It may not be easily defined, but it is known when it is seen. (Day and Peters, 1994).

Measurement of service quality

In the service industry, definitions of service quality tend to focus on meeting customers' needs and requirements and how well the service delivered meets their expectations (Lewis and Booms, 1983). In order to deliver and maintain service quality, an organization must first identify what it is that constitutes quality to those whom it serves (Gronroos, 1984). Gronroos, (1984) classified service quality into two categories: technical quality primarily focused on what consumers actually received from the service and the functional quality focused on the process of service delivery. Similarly, Klaus (1985) proposes that service quality may be explained in physical, situational and behavioral terms; that is, what is delivered the circumstances for the delivery, and how it is delivered. He argues that service quality standards are commonly determined by providers' past experience and that they most often reflect the physical and technical aspects of a service because these are most easily measured.

Parasuraman et al. (1988) defined service quality as "a global judgment or attitude relating to the overall excellence or superiority of the service" and they conceptualized a customer's evaluation of overall service quality by applying Oliver's (1980) disconfirmation model, as the gap between expectations and performance of service performance levels. Furthermore, they propose that overall service quality performance could be determined by the measurement scale SERVQUAL that uses five generic dimensions: tangibles (the appearance of physical facilities, equipment, personnel, and communications materials); reliability (the ability to perform the promised service dependably and accurately); responsiveness (the willingness to help customers and provide prompt service); assurance (the competence of the system and its credibility in providing a courteous and secure service); and empathy (the approachability, ease of access and effort taken to understand customers' needs). However, comparing service expectations with service performances has offered a more insightful perspective. Performances of quality by those who provide services and those who consume them often have been reported to differ (Klaus, 1985; Reynolds and Jamieson,1954; Parasuraman et al., 1985). In such cases, attributes are transformed by management into service standards, which may not be consistent with consumers' Performances and experiences (La page, 1983). Solomon et al. concluded that a customer assesses quality by his or her performance of the way in which the service is performed. As a result, service quality has been defined as the outcome of a comparison between expectations of a service and what is perceived to be received (Czepiel et al., 1985; Klaus, 1985; Parasuraman et al., 1985). The gap between expectations and performances of performance determines the level of service quality from a consumer's perspective.

Parasuraman et al. (1988) developed the gaps model and subsequent SERVQUAL instrument designed to identify and measure the gaps between customers' expectations and Performances of the service received. Service quality from the consumer's perspective depends on the direction and degree of difference between the expected service and perceived service. Thus by comparing customers' perceived service, and actual performance by homestay for example can determine whether its service standard is appropriate.

The SERVQUAL instrument developed by Parasuraman et al.(1991) has proved popular, being used in many studies of service quality. This is because it has generic service application and is a practical approach to the area. A number of researchers have applied the SERVQUAL model to measure service quality in the hospitality industry, with modified constructs to suit specific hospitality situations (Salen and Ryan, 1992; Bojanic and Rosen, 1993; Getty and Thompson, 1994; Lam and Zhang, 1998;Tsang and Qu, 2000). Parasuraman et al. (1985) identify over 200 attributes of service quality. The pool of attributes were derived from an extensive series of interviews with customers in four different commercial services. Using factor analysis, five main dimensions of service quality were identified. An explanation for each of these dimensions that are used in this research is shown in Table 1.

TABLE 1 Dimensions of service quality

Tangibles (item 1-9) represent the physical facilities, equipment, and appearance of personnel and presence of users. Tangibles can create an atmosphere. The tangible aspect of a service is one of the few dimensions that a potential service patron can know and evaluate in advance participation.

Empathy (item 10-14) dimension includes caring and individual attention to users. Empathy expresses an understanding of the participants' needs.

Assurance (item 15-19) indicates courteous and knowledgeable homestay providers who convey trust and confidence. Assurance contains elements of the organization's credibility, competence and security.

Responsiveness (item 20-24) is the willingness to help participants and provide prompt attention. Customers expect their requests to be handled quickly and accurately.

Reliability (item 25-30) refers to the ability to perform the promised service dependably and accurately. Promises made to an organization' promotional efforts can contribute to participant expectations. Consistency of performance at the highest standard is crucial to reliability.

Source: Parasuraman et al. (1985)

Theoretical Structure for Service Quality Dimension

Many researchers and quality scholars have recognized the need to develop valid and distinct measures of service quality given the rise of service development in the last few decades. Gronroos (1984) tried to explain in his model of service quality how customers perceived service quality based on three points. First, functional quality or how the service is performed and delivered (concerned with the outcome of the service encounter), second, building the image of the firm during buyer-seller interactions (a reflection of the corporate image of the service organization), and finally the overall performance of quality as a function of the customers' evaluation of the service (concerned with the process of service delivery). In his 1988's work, he developed a five key dimensions of service quality represented below: 1-professionalism and skills; 2-reputation and credibility;3-behaviour and attitudes;4-accessibility and flexibility;5-reliability and trustworthiness. Le blanc, et al.(1988) stated that Lethtinen identified three dimensions of quality: first, physical quality (equipment, premises, tangibles); second, corporate quality (image and profile organization); and finally, interactive quality (customer contact with service personnel and other customers). However, among the most popular assessments tools of service quality is SERVQUAL, an instrument designed by the marketing research team of Parasuraman, Berry and Zeithaml (1985, 1988, 1991, 1993, and 1994). They began their work with qualitative research, which suggested 10 dimensions of service quality (reliability; responsiveness; competence; access; courtesy; communication; credibility; security; understanding/knowing the customer and finally tangibles) and through numerous qualitative researches, they evolved a set of five dimensions (Tangibles, Reliability, Responsiveness, Assurance and Empathy) which have been consistently ranked by customers to be the most for service quality, regardless of service industry.

The basic assumptions underlying the SERVQUAL scale is that performance below expectation (obtaining the negative score) leads to a performance of low service quality, while exceeding expectations (obtaining a positive score) leads to a performance of high service quality. Therefore, perceived service quality is the result of the customer's comparison of expected service with the service received. They identify the differences between customers' expectations and performances using three possible scenarios to define how service quality (SQ) is perceived by customer:

- Expectations of SQ are exceed (quality exceeds expectations)
- PS>EX or PS-EX>0
- Expectations of SQ are met (quality is acceptable)
- PS=EX or PS-EX=0
- Expectations of SQ are not met (quality is unacceptable or not less than satisfactory)
- PS<EX or PS-EX<0

The approach of Parasuraman represents the customer entertaining expectations of performance on the service dimensions, observing performance and later forming performance .

Service Quality in the Hospitality Industry

Services are generally described in terms of four unique attributes (Bateson, 1977; Lovelock, 1981; Gronoos, 1990; Zeithaml and Bitner, 1996) namely;

- intangibility;
- heterogeneity;
- inseparability; and
- perishability

In the hospitality industry, other attributes, such as imprecise standards and fluctuating demand have been identified that further complicate the task of defining, delivering and measuring service quality. For example, while firms in the hospitality industry have established policies, rules and procedures to govern the standardization of their product, many aspects of service quality do not lend themselves to standards. Quality aspects such as “friendliness”, “helpfulness” and “politeness” are likely to be interpreted differently by various guests and are assessed subjectively. Moreover, demand for service in the hospitality industry is generally clustered around peak periods of the day or year, such as check-out time or holiday season (Sasser et al.,1978) and these peaks create an environment which make it difficult to provide consistent service quality.

The SERVQUAL instrument and its use in the hospitality industry

Researchers who have used the SERVQUAL instrument to examine consumers’ expectation of hospitality service organizations, while recognizing some of the latter criticisms, found the instrument to be a viable and reliable tool (Carman, 1990; Babakus and Boller, 1992). They reached similar conclusions as to the most important dimensions of the service, that is, assurance, reliability and tangibles, although they did rank them in different orders (Saleh and Ryan, 1991; Fick and Richie, 1991; Bojanic and Rosen, 1994; Wuest et al., 1996). Wuest et al. (1996) also reported that statistical analysis identified no significant differences between ranking of any of the five dimensions. Saleh and Ryan (1991) examined the hotel manager’s performance of consumer expectations and found that the most important dimensions of reliability, tangibles and assurance correlated with the order, but not the degree of consumer expectations. In their research in the hotel sector, Gabbie and O’Neil (1997), reported that the highest expectations of consumers related to the dimensions of reliability and assurance while the dimensions of tangibility and empathy were lowest in their rankings.

Consumer Expectations

Expectations are beliefs about a service that serve as standards against which service performance is judged (Zeithaml and Bitner, 2000). In other words, expectations help customers predict what should happen rather than what might happen (Teare, 1998). Expectations are influenced by personal needs, transitory service intensifiers (Zeithaml and Bitner, 2000) such as temporary and individual needs relating to service, by explicit service promises (staff, advertising and other written publications), by implicit service promises (such as price and the tangibles associated with the service), by word-of-mouth communication (with other customers, friends and experts), as well as by past experience of that service (Zeithaml and Bitner, 2000).

Consumer Performances

Four primary factors influence customer performances of service and affect the customer’s overall performance of quality, satisfaction and value (Zetihaml and Bitner, 1996). These are image, price, service encounters or “moments of truth” and evidence of service (Ugboma et al., 2004; Zeithaml and Bitner, 1996). Image is the set of performances related to the associations held in the consumer’s memory (Keller, 1993). These can be specific (hours of operation and ease of access), or of an intangible nature (trustworthiness, tradition, reliability). A favorable image can positively influence performances of quality, value and satisfaction (Ugboma et.al., 2004). Price can play an important role in performance of service. According to Ugboma et al. (2004), customers often believe that a higher price indicates better quality. A lower price might cause them to doubt the organization’s ability to deliver quality service and even the actual level of service received.

Service encounter, the third factor influencing consumer performances, refers to the “when” and “where” the service provider displays the quality of services to the customer (Gronroos, 2000). Service encounters are reflected in the service recovery ability, adaptability, and spontaneity and coping ability of service providers (Zeithaml and Bitner, 2000). Due to the intangibility of service and the simultaneity of production and consumption, customers look for tangible cues to help them determine the level of service. Evidence of service is often reflected in people, process and physical evidence.

HOMESTAY: AN OVERVIEW

Homestay Definitions

The notion of homestay as an industry is only relatively new (Klepinger, 1995), as it has seemingly grown extemporaneously from the sudden influx of international students requiring accommodation. Consequently the terminology is still evolving (Richadson,2001:2). While the term ‘homestay’ is not yet included in most of the major dictionaries, the Meriam Webmaster Dictionary (Merriam Webster Corportion, 2002) defines it as “a period during which a visitor in a foreign country lives with a local family”, However, it is currently used in Malaysia to refer to the local family environment in which an international or local tourist resides rather than a period of time.

Homestay in Malaysia

The tourism industry remained strong despite the economic slowdown in the first half of the Eighth Malaysia Plan period. The industry continued to be a key foreign exchange earner, contributing to growth, investment and employment as well as strengthening the services account of the balance of payments. The resilience of the industry was largely attributed to the active participation of both the public and private sectors in undertaking vigorous promotion and marketing, diversifying target markets, as well as improving competitiveness of tourism products and services to sustain interest among tourists to visit Malaysia. In the Ninth Malaysia Plan period, concerted efforts will be geared towards realizing the full potential of the tourism industry in order to enhance its contribution to the services sector in particular, and the economy in general. The prime focus will be to enhance the country’s position as a leading global tourist destination as well as promote domestic tourism. As tourism activity generates high multiplier effects across many sectors, it will provide a wider platform for greater inter- and intra-sectoral linkages. More coordinated efforts will be undertaken to mobilise and channel resources to upgrade the requisite tourism infrastructure and facilities as well as to develop more innovative tourism products and services. High priority will continue to be accorded to achieve more sustainable tourism development. The homestay programme was enhanced to increase participation of the rural population in tourism-related activities as well as provide rural household opportunities to supplement their incomes. Based on Ninth Malaysia Plan 2006-2010, an additional 463 homestay operators were trained and licensed during the Plan period, bringing the total to 1089 from 79 villages. More value added activities will be expanded under the agro-tourism and homestay programme such as farm stays and visits to agricultural parks and research stations.

METHODOLOGY

Two types of data collection methods which are questionnaires and interview were used in order to get data and information for the study. The questionnaires were distributed to 200 respondents to four homestays in Selangor using quota sampling (50 questionnaires for each homestay), while the interview were undertaken at the Tourism Selangor Sdn. Bhd. Four homestay were chosen based on their high ranking on their annual income. They are Banghuris Homestay in Sepang, Dorani Homestay in Sungai Besar, Sungai Sireh Homestay in Tanjung Karang and Kuala Langat Homestay in Banting. Banghuris Homestay comprises three villages which are Kampung Bukit Bangkong, Ulu Chuchuh and Ulu Teris. All villages are located at Sepang District of Selangor. Banghuris is a mere 50 minutes drive from Kuala Lumpur and 30 minutes from Kuala Lumpur International Airport (KLIA). Dorani Homestay is located in the Kuala Selangor District. Mostly of homestay host are Malays, Java and Banjar descend while Sungai Sireh Homestay is located in the Kuala Selangor District. It is an agriculture village, boasting of many tropical fruits, flowers and many other natural attractions. This Homestay is the pioneer Homestay in Selangor. Finally, Kuala Langat Homestay is located in the

Kuala Langat District of Selangor. The Homestay provider is Penghulu Mukim Morib and Kalanang. This Homestay comprises 2 villages which are Kampung Endah and Kanchong Darat. Thus, the specific aims of the study are to:

- identify what are the most important variables for the Homestay program;
- explore what variables that have the highest gap ;
- recommend necessary improvement strategies for Homestay providers.

The Instrument

A questionnaire is a pre formulated written set of questions to which respondents record their answer, usually within rather closely defined alternatives. Questionnaires are an efficient data collection mechanism when the researcher knows how exactly what is required and how to measure the variable interest (Uma Sekaran, 2003). The main purpose of this questionnaire is to know the respondents' expectation and performances toward service quality when they are in the Homestay programme. The questionnaire comprises three sections. The first section is to measure the respondents' expectations of the service quality that they received in any Homestay programme. The second section is to measure the respondents' expectation of the service quality that they received in any home stay program. And finally, section three is the demographic profile of the respondents. The respondents are asked to rate the service quality on a seven Likert scale, ranging from 1 (strongly disagree) to 7 (strongly agree) for section one and also ranging from 1 (extremely dissatisfied) to 7 (very satisfied) for section two. This questionnaire was constructed based on five dimensions of SERVQUAL which are tangibles (9 questions), empathy (5 questions), assurance (5 questions), responsiveness (5 questions) and reliability (6 questions).

Table 2: Distributed and collected questionnaire

Rank	Homestay	Date of questionnaire distributed	Date of questionnaire collected	Annual Income For 2006
1	Banghuris	17th March 2007	31st March 2007	RM 209, 253.00
2	Dorani	17th March 2007	17th March 007	RM 122, 750.00
3	Sungai Sireh	18th March 2007	1st April 2007	RM 69, 470. 00
4	Kuala Langat	17th March 2007	1st April 2007	RM 33, 997. 00

Table 3: Attribute of service quality

Attribute		Dimension
01.	Cleanliness and hygiene room	Tangible
02.	Comfort of bed/pillows	Tangible
03.	Quality and sufficiency of fixtures	Tangible
04.	Cleanliness and comfort of bathroom	Tangible
05.	Spaciousness of rooms	Tangible
06.	Attractiveness of rooms	Tangible
07.	Variety of food and beverage meets customer's needs	Tangible
08.	Equipment and facilities are easy to use	Tangible
09.	Promotion strategies to project image of homestay programme	Tangible
10.	Effort taken to understand customer needs	Empathy
11.	A pleasant homestay in delightful surroundings	Empathy
12.	Well known homestay	Empathy
13.	Homestay ensure safety of its environment	Empathy
14.	Has customers' best interest at heart	Empathy
15.	Politeness and friendliness of homestay host	Assurance
16.	Knowledgeable and experience homestay host on service itself	Assurance
17.	Ability to handle complaints and problem	Assurance
18.	Instills confidence in customers about homestay host	Assurance
19.	Customer feel safe and secure in their stay	Assurance
20.	Willingness to help customer	Responsiveness
21.	Way homestay host treats customers'	Responsiveness
22.	Courtesy of homestay host	Responsiveness
23.	Homestay host is never to busy to respond	Responsiveness
24.	Give prompt service	Responsiveness
25.	Price charged is equivalent to the treatment given	Reliability
26.	Price charged is equivalent to the package offered	Reliability
27.	Flexibility of homestay policy	Reliability
28.	Active schedule	Reliability
29.	Efficiency of homestay host	Reliability
30.	Provide services at the time it promises to	Reliability

RESULTS

a) Respondent Profile

Majority of the respondents are between the ages of 21 and 30 making up 85.5% while those in the age group of 31-40 make up 9% of the total respondents. Males constitute 49.5% and females 50.5%. Most of the respondents are single making up of 85% and the remaining 15% are married. 85.5% of the respondents have no fixed income while the remaining 6.5% have income of less than RM2000 and 8% have income of more than rm2000. Majority of the respondents join the Homestay program as part of their university activities whilst 12% are on holiday and the remaining 0.5% are there for their research activities. 89.5% of the respondents are first timers, and 9.5 % of the respondents have experienced Homestay at least once while 1% has experienced it more than 3 times.

Table 4: Respondent Profile

Item	Frequency	Percentage
Gender		
Male	99	49.5
Female	101	50.5
Age		
21-30	171	85.5
31-40	18	9.0
41-50	8	4.0
51-60	3	1.5
Marital Status		
Single	170	85
Married	30	15
Educational Background		
SPM/STPM	14	7.0
Undergraduate	171	85.5
Postgraduate	157	7.5
Income		
No income	171	85.5
Less than RM2000	13	6.5
RM2001-RM3000	16	8.0
Purpose of joining homestay programme		
Holiday	24	12
Research	1	0.5
University Activity	169	84.5
Others	6	3.0
How many times go to homestay programme?		
Once	179	89.5
Twice	19	9.5
Three times	2	1.0

b) Reliability test

Based from the reliability test indicated that the alpha co-efficients for the attributes were high, ranging from 0.7 to 0.9, well above the minimum value of 0.5, which is considered acceptable as an indication of reliability (Nunally, 1967).The findings show that cronbach's alpha for each attribute based on expectation are tangible (0.955), empathy (0.920), assurance (0.9430), responsiveness (4.8640), reliability (4.900). For perception, cronbach's alpha for each attributes were high from 0.7 to 0.9. Based from table above, cronbach's alpha for perception based on ach attribute are tangible 0.962, empathy 0.938, assurance 0.941, reliability are 0.745 and for responsiveness are 0.614 which are below expected value.

b) Overall result on Service Quality

It was observed that for tangibles, the overall result shows that majority of the respondents says the performance exceeds their expectation. The results for empathy and assurance also show that the performance exceeds expectation. For responsiveness and reliability the gap is negative which means that the performance and below expectation except on the variable 'providing services at the time it promises to do' where the gap is positive.

Table 5: Cronbach's Alpha

Dimension for expectation(E) and performance (P)		Mean	Cronbach's Alpha
Pair 1	Tangible (E)	4.7578	0.955
	Tangible (P)	5.0000	0.962
Pair 2	Empathy(E)	4.7460	0.920
	Empathy(P)	5.1390	0.938
Pair 3	Assurance(E)	4.8510	0.943
	Assurance(P)	5.2550	0.941
Pair 4	Responsiveness (E)	4.8640	0.959
	Responsiveness (P)	4.6840	0.614
Pair 5	Reliability(E)	4.9000	0.956
	Reliability(P)	4.5283	0.745

c) Overall result on Homestay's Attributes

For the attributes tangible, empathy and assurance the gap between the overall mean for expectation and performance is positive. For responsiveness and reliability the gap between the overall mean for expectation and performance is negative. Nevertheless, it was found that Dorani Homestay meet with tourist's expectations on all the attributes while Sg. Sireh Homestay performance was perceived below tourist's expectations on all attributes.

CONCLUSIONS AND IMPLICATIONS

This study has drawn on a sample of 200 customers in exploring the key dimensions of the service quality construct, and evaluating how the survey respondents perceive Homestay's expectation and performance on those critically regarded Service Quality dimensions. Using SERVQUAL procedure, reveal that for attribute tangible, empathy and assurance, the performance equals perceived expectation. For attributes, responsiveness and reliability, the performance is below perceived expectation. A closer examination, nevertheless, highlighted some interesting variations and suggested the need for different strategic responses to particular Service Quality dimensions. For example, Dorani;s Homestay was voted the highest therefore considered the Homestay provider is able to meet with the expectations of the tourist on the variables/attributes identified. Thus, other Homestay provides should emulate the approaches used by Dorani as a model of business strategy. The implications of the foregoing strategy development and resource allocation are now discussed.

Success-seeking Homestay providers need to give priority attention to those service quality dimensions such as the responsiveness (the willingness to help participants and provide prompt attention; customers expect their requests to be handled quickly and accurately) and reliability (the ability to perform the promised service dependably and accurately; promises made to an organization' promotional efforts can contribute to participant expectations; consistency of performance at the highest standard is crucial to reliability). It seems strategically sensible for growth seeking Homestay providers to invest and deploy appropriate resources toward achieving significant performance improvements on those service areas where they are most likely to be appreciated and rewarded. Where necessary, such required Homestay's resources may be redirected from the observed "low performance", less expectation, Service Quality areas. This suggestion reflects the increasingly accepted need for strategically managed Homestay to be customer-led and guided in critical decision areas, including setting priorities and deploying resources and capabilities.

Table 6: Summary of Results

Variables	Expectations Rating (SD)	Performances Rating(SD)	Gap a	P-value
—				
1.Cleanliness and hygiene of rooms	4.48(1.51)	4.91(1.15)	0.43	0.00
2.Comfort of bed and pillows	4.84(1.16)	4.88(1.22)	0.03	0.75
3.Quality and sufficiency of fixtures	4.85(1.14)	4.95(1.13)	0.09	0.27
4.Cleanliness and comfort of bathrooms	4.81(1.16)	4.80(1.19)	0.16	0.11
5.Spaciousness of rooms	4.80(1.19)	4.81(1.16)	0.22	0.02
6.Attractiveness of rooms	4.73(1.20)	5.13(1.17)	0.40	0.00
7.Variety of food and beverage meet customer's need	4.76(1.20)	5.13(1.15)	0.37	0.00
8 Equipment and facilities are easy to use	4.76(1.16)	5.01(1.15)	0.26	0.01
9 Promotion strategy to project the image of the homestay program	4.78(1.22)	5.01(1.130	0.23	0.03
10. Effort taken to understand customer need	4.72(1.22)	5.14(1.06)	0.40	0.00
11. A pleasant homestay in delightful surrounding	4.73(1.16)	5.13(1.12)	0.41	0.00
12. Well known homestay	4.74(1.12)	5.09(1.150	0.36	0.00
13. Homestay ensure safety of its environment	4.74(1.15)	5.14(1.06)	0.40	0.00
14. has customers' best interest at heart	4.80(1.20)	5.19(1.07)	0.39	0.00
15. Politeness and friendly of Homestay host	4.91(1.06)	5.16(1.09)	0.25	0.00
16. Knowledgeable and experience Homesay host on service itself	4.87(1.20)	5.21(1.11)	0.34	0.01
17. Ability to handle complaints and problem	4.73(1.18)	5.27(1.09)	0.54	0.00
18 Instils confidence in customer about Homestay host	4.85(1.31)	5.35(1.09)	0.49	0.00
19. Customer feel safe and secure in Their stay	4.89(1.16)	5.29(1.11)	0.41	0.00
20. Willing to help customer	4.85(1.19)	4.71(0.87)	-0.14	0.22
21.Way homestay host treats customers'	4.76(1.20)	4.45(0.65)	-0.32	0.00
22.Courtesy of homestay host	4.86(1.33)	4.48(0.99)	-0.38	0.00
23 Homestay host to be never to busy to respond	5.00(1.25)	4.70(0.70)	-0.30	0.00
24.Give prompt service	4.85(1.24)	5.08(0.77)	- 0.23	0.00
25 Price charged is equivalent to the treatment given	4.85(1.12)	3.69(1.16)	-1.14	0.00
26 Price charged is equivalent to the package offered	4.91(1.10)	4.13(1.08)	-0.78	0.00
27 Flexibility of homestay policy	4.93(1.13)	4.83(0.86)	-0.95	0.30
28 Active schedule	4.91(1.14)	4.62(0.66)	-0.30	0.00
29 Efficiency of homestay host	4.86(1.22)	4.82(0.61)	-0.35	0.69
30 Provide services at the time it promises to	4.95(1.16)	5.07(0.75)	0.12	0.16

* Notes: Mean gap: A positive gap indicated that performances are exceeding consumer's expectation while a negative gap indicated that consumer's expectation are exceeding performances. The scores are measured on a seven-point scale which the higher number is the better expectation and performance. P-value ≤ 0.05. (Two-tailed test).

Additionally, Homestay providers should continue to explore opportunities in this sector. In line with the Malaysian's Government interest and support for the growth of such programes, Homestay providers should look for further continuous improvement in providing high level of service quality to their prospective customers. This obviously requires on-going commitment to invest in relevant human capital in order to provide the highest standard of service to consumers.

DIRECTIONS FOR FUTURE RESEARCH

Future research could consider whether the importanct dimensions proposed in this study is valid in other classes of accommodation, such as hotel, motels as well as resorts. In addition, future research may also look at whether the perceived service quality levels differ by state and countries. This study was conducted solely in Selangor State, Malaysia, and the findings may somewhat differ to findings from other studies conducted in other parts of the country. Moreover, research in training and grooming the right human capital for the service industry such as Homestay can also be explored.

Table 7: Dorani Homestay

Dimension	Mean (Expectation)	Mean (Performance)	Gap (Mean)	P-value
Tangible	4.216	4.556	0.340	0.01
Empathy	4.120	4.660	0.540	0.01
Assurance	4.240	4.812	0.572	0.01
Responsiveness	4.224	4.644	0.400	0.01
Reliability	4.197	4.407	0.210	0.73

Table 8: Sg Sireh Homestay

Dimension	Mean (Expectation)	Mean (Performance)	Gap (Mean)	P-value
Tangible	5.604	5.440	-0.170	0.33
Empathy	5.640	5.600	-0.040	0.83
Assurance	5.760	5.600	-0.160	0.37
Responsiveness	5.950	4.680	-1.270	0.00
Reliability	5.830	4.520	-1.310	0.00

Table 9: Overall Mean

Attributes For All Homestay	Overall Mean (Expectation)	Overall Mean (Performance)	Gap (Mean)	P-value
Tangible	4.7578	5.0000	0.2422	0.00
Empathy	4.7460	5.1390	0.3930	0.00
Assurance	4.8510	5.2550	0.4040	0.00
Responsiveness	4.8640	4.6840	-0.1800	0.01
Reliability	4.9000	4.5283	-0.3717	0.00

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DESIGN AND DEVELOPMENT OF MANAGEMENT COMPETENCIES MODEL FOR HOSPITALITY INDUSTRY IN CYPRUS

YIANNA ORPHANIDOU
UNIVERISTY OF NICOSIA, CYPRUS

ABSTRACT

Hospitality industry in Cyprus promotes the social and economic development of the island. Success for hospitality industry is based on its people competencies. "The culture and civilisation of Cyprus is centred on the human factor, which is of paramount importance in the effort to emphasise the uniqueness and distinct identity of the destination." (C.T.O strategic plan, 2003-2010, p.8). While many studies focusing on generic management competencies have been conducted, few such projects have focused specifically on the hospitality management. A review of the literature reveals many variations to the definition of management competencies. However, for the purposes of this research, Quinn et al. (1990, p14) definition of a competency has been adopted. It is defined as 'the knowledge and skill necessary to perform a certain task or role. A competency suggests both the possession of knowledge and the behavioural capacity to act appropriately'. A study undertaken by Zopiatis (2007) concerning hospitality internships in Cyprus revealed the problem on specific competencies needed by hospitality management students. The re-define of hospitality as behaviour and experience (Hemmington, 2007) has exciting implications for the management competencies needed for the hospitality businesses. New perspectives emerge that takes hospitality beyond services management to a place where hospitableness, a sense of theatre and generosity are central. The new competencies model will be designed based on this dimensions that provides to the hospitality managers a view to the future. The researcher believes that a model must be designed as a future tool and not illustrate the past or the present. This dearth of research poses opportunities for the researcher to contribute new findings for use in human resource recruitment as well as for hospitality management curriculum design. This study aims to identify the competencies required by tertiary students studying in hospitality programs in Cyprus reflected by current trends and as perceived by hospitality educators, hospitality human resource managers and hospitality students, and develops a new management competencies model for the hospitality Industry in Cyprus. To achieve this aim the researcher will 1) examine the existent literature in relation to Management competencies model and Hospitality Management competencies models, 2) identify the factors that lead to the need of specific competencies required for the hospitality industry in Cyprus, 3) develop a preliminary framework based on the specific competencies required for the hospitality industry in Cyprus, 4) empirically evaluate this framework based on the perceptions of the hospitality educators, students and the HR managers of the hospitality industry in Cyprus. For the needs of this research quantitative and qualitative research methods will be used. Hospitality educators, hospitality students of private and public tertiary education and human resource managers of 4 star and 5 star hotels in Cyprus will be the survey sample interviewed and questioned. The outcome of this research will lead to the design and development of a new model that will include those specific competencies necessary for the Hospitality Industry in Cyprus and by that provide a new contribution to Knowledge

KEYWORDS: Competencies; Hospitality Education; Human Resource; Hospitality Management;

Introduction: purpose and significance of the study

Identifying the traits or competencies of successful hospitality managers could enable hospitality experts to develop leaders within organisations, allow recruiters to identify potentially successful leaders for the industry, reduce turnover, and encourage hospitality educators to write and implement a curriculum which encompasses specific traits found in potential hospitality management leaders. (Graves,1996)

Additionally, it also aim to compare the perceptions of hospitality students (the prospective management trainees) on the expectations held of them by the industry

(human resource managers- recruiters).

This study could not only create an awareness in the industry to make the educational institutions well abreast with what they need to be doing in terms of imparting those necessary competencies but also bring to light, for the applicants, the realities about their place in the industry and by comparing their perceptions of the industry's requirements, dispel certain misconceptions that they might have held.

Research objectives

Given the above stated purpose and significance, the researcher will

1. Examine the existent literature in relation to Management competencies model and Hospitality Management competencies models.

2. Identify the factors that lead to the need of specific competencies required for the hospitality industry in Cyprus.

3. Develop a preliminary framework based on the specific competencies required for the hospitality industry in Cyprus

4. Empirically evaluate this framework based on the perceptions of the hospitality educators, students and the HR managers of the hospitality industry in Cyprus.

5. Develop a new model that will include those specific competencies needed for the Hospitality Industry in Cyprus and provide a new contribution to Knowledge

Context of the study

"The culture and civilisation of Cyprus is centred on the human factor, which is of paramount importance in the effort to emphasise the uniqueness and distinct identity of the destination." (C.T.O strategic plan, 2003-2010, p.8). While many studies focusing on generic management competencies have been conducted, few such projects have focused specifically on the hospitality management. A review of the literature reveals many variations to the definition of management competencies. However, for the purposes of this research, Quinn et al. (1990, p14) definition of a competency has been adopted. It is defined as 'the knowledge and skill necessary to perform a certain task or role. A competency suggests both the possession of knowledge and the behavioural capacity to act appropriately'. A study undertaken by Zopiatis (2007) concerning hospitality internships in Cyprus revealed the problem on specific competencies needed by hospitality management students.

Dr Tas in the USA, pioneered a study in 1988, regarding competencies required by management trainees on entry into the hotel work force. Prof. Baum replicated this study for the UK in 1991, to broaden its applicability. Taking that further, Eaton and Christoy, 1995 and Christoy and Karamanidis,1998 conducted studies in Greece.

The re-define of hospitality as behaviour and experience (Hemmington, 2007) has exciting implications for the management competencies needed for the hospitality businesses. New perspectives emerge that takes hospitality beyond services management to a place where hospitableness, a sense of theatre and generosity are central. The new competencies model will be designed based on this dimensions that provides to the hospitality managers a view to the future. The researcher believes that a model must be designed as a future tool and not illustrate the past or the present. Hospitality industry needs graduates armed with competencies that will enable them to lead in the future and this is one of the main deficiencies concerning the existent models mentioned earlier as they all focus on existent practices of the past.

Review of the literature

Having reviewed the literature related to this area, the focus narrowed down on the meaning and significance of management competencies. And there were various definitions that came to the fore to elucidate this term.

Definitions

Since 1970s- The article of David McClelland (1973), "Testing for Competence Rather Than for Intelligence," may be considered to be the starting point of the competence movement. Since then there are a lot of studies concerning competency leading to different definitions and explanations. The most recent ones with a chronological order are the following :

Tas (1988) defines competencies as "those activities and skills judged essential to perform the duties of a specific position. Competence in the performance of these duties is based on one's ability to accomplish specific job-related tasks and assume the role connected to the position."

"Competence is a compound, made up of different parts just like the fingers of a hand [i.e. skills, knowledge, experience, contacts, values, and additionally coordination which is located in the palm, and supervision, symbolized by the nervous system]." (Keen, 1992, p. 112)

"A competency is an underlying characteristic of an individual that is causally related to criterion-referenced effective and/or superior performance in a job or situation. Underlying characteristic means the competency is a fairly deep and enduring part of a person's personality and can predict behavior in a wide variety of situations and job tasks. Causally related means that a competency actually causes or predicts behavior and performance. Criterion referenced means that the competency actually predicts who does something well or poorly, as measured on a specific criterion or standard."(Spencer & Spencer, 1993, p. 9)

"A competency is: a cluster of related knowledge, skills and attitudes that affects a major part of one's job (a role or responsibility), that correlates with performance on the job, that can be measured against well-accepted standards, and that can be improved via training and development." (Parry, 1996, p. 50)

"Competency is knowledge, skill, ability, or characteristic associated with high performance on a job, such as problem solving, analytical thinking, or leadership. Some definitions of a competency include motives, beliefs and values." (Mirabile, 1997, p. 75) "Human competence . . . is displayed behavior within a specialized domain in the form of consistently demonstrated actions of an individual that are both minimally efficient in their execution and effective in their results." (Herling, 2000, p. 20)

Bennett, Dunne and Carre (1999) offer an elegant model to conceptualise generic skills in the higher education sector by suggesting a framework comprising 4 broad managerial skills. These authors argue that the important key skills are fundamentally those associated with being able to manage self, others, information and task. They propose that such a model can be applied "to any discipline, to any course and to the workplace and indeed to any other context" (p. 77). The outcome of this research will show that hospitality industry differs and it has its own characteristics that make it a unique environment that's the reason of the need for a competencies model that will analyse the uniqueness of the hospitality industry and most precisely the needs of the Hospitality industry of Cyprus. Based on the Strategic plan of the Cyprus Tourism organization (2003-2010) the central points of reference for the new tourism product will be the culture and the environment " It must be emphasised at this point that the environment and culture constitute the two main axes that will help Cyprus to bring out its identity and become a unique destination. The culture and civilisation of Cyprus is centred on the human factor, which is of paramount importance in the effort to emphasise the uniqueness and distinct identity of the destination." (C.T.O strategic plan, p.8)

For the purposes of this research, Quinn et al.(1990,p 14) definition of a competency has been adopted. It is defined as 'the knowledge and skill necessary to perform a certain task or role. A competency suggests both the possession of knowledge and the behavioural capacity to act appropriately'.

Why hospitality differs

Based on literature review hospitality industry appears to be significantly different to any other service sector. One of the conclusions of a roundtable discussion with corporate level managers and general managers of hospitality organizations was that hospitality managers need unique skills (Bowen and Ford, 2004) Indeed, consumer research that has sought to apply generic service sector models to hospitality, such as SERVQUAL, has found significant differences to the extent that new models have been developed with different dimensions of consumer satisfaction including DINESERV and LODGSERV (Knutson et al., 1989 Patton et al., 1994; Stevens et al., 1995) In seeking a better definition and understanding of hospitality, a more fruitful starting place might be a consideration of the nature of hospitableness: hospitality as behaviour and experience (O'Connor, 2005). The Oxford English Dictionary (2002) defines hospitality as the 'friendly and generous reception of guests or strangers', while the Chambers English Dictionary 2001 defines it as, 'entertaining strangers and guests kindly and without reward: showing kindness: generous: bountiful'. As Lashley and Morrison (2000) state, 'hospitality requires the guest to feel that the host is being hospitable through feelings of generosity, a desire to please and a genuine regard for the guest as an individual'. The article of Nigel Hemmington (2007) "From Service to Experience: Understanding and Defining the Hospitality Business" analyse in depth the differences of hospitality industry from any other service industry. Hemmington (2007) state "The limited academic debate has been dominated by the application of generic business and management theory. Indeed, as the orphans of the academic world, hospitality academics have perhaps jumped too readily into the world of services management, with little consideration for the true relevance and implications of this perspective for the concept of hospitality and the international hospitality industry". Lashley and Morrison (2000) state that, 'hospitality is essentially a relationship based on hosts and guests' and it is the host-guest relationship that is the key distinguishing characteristic of hospitality from which several other dimensions emerge (Pritchard, 1981; Stringer, 1981). The notion of hosts and guests is fundamentally different to that of managers and customers and is much more socially and culturally defined. Another difference that leads the researcher to design a new model of competencies is the unique characteristic and similarity that hospitality has with theatre. In both hospitality and theatre there is a need to stage-manage experiences and a sense of staging the environment. In both hotels and restaurants the preparation of the front of house as the stage takes time, has to be meticulous, and is critical to the experience (Jayawardena, 2000) Staff, as the cast who provide the performance, need to be selected and developed as performers and need to be provided with the opportunities to perform.

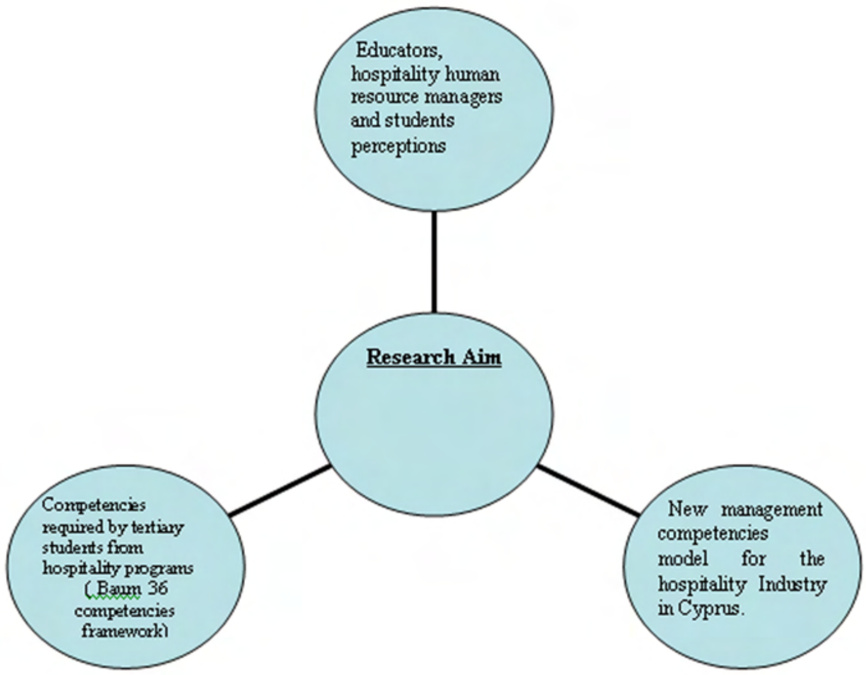
Research conducted in the area of hospitality management competencies

Tas, conducted a study on the specific competencies required by Management Trainees into the hotel work force, in the USA. He compiled a list of those competencies and made them a part of his survey instrument. This was sent out to General Managers of top US hotels with 400 bedrooms or more. 75 managers rated those 36 competencies on a Likert type scale of 1-5. (see appendix 1) The competencies, on the basis of the mean ratings were categorised according to their importance. Six competencies were deemed essential, these centred on human relation skills. The list also formed ground for further studies in the UK and Greece and found its applicability enlarged. Baum adjust the study in the UK and compared findings of the two surveys. Based on the structural differences between the industries in the two countries, he 'based the survey population on a 150 bedroom establishments. The mean ratings and the rank orders of the responses were compared and there were some interesting findings indicative of certain divergences and similarities. "The comparative UK analysis provides the basis for the development of an internationally transferable curriculum for degree or degree equivalent hotel management programmes, focusing on generic competencies which can be complimented by local or national inputs which reflect specific industry or cultural demands." (Baum, 1992).

Graves (1996) undertook a study to compare the perceptions of food and beverage human resources executives and recruiters concerning the personality traits of successful hospitality managers. The results of Graves survey indicated that 'hospitality management recruiters perceived "energy", whereas food and beverage executives identified "trustworthiness" as the most important traits. Okeiyi, Finley and Postell (1994) surveyed hospitality educators, students and practitioners by basing their instrument on Tas's recommended technical and administrative skills and also incorporated food and beverage competencies. They agreed on the prime importance of human relations and managerial skills and found the technical skills of less importance.

This study will go one step ahead of the others by taking into account the hospitality educators', students' and recruiters' perceptions as well. (see figure1)

Figure 1


Educators, hospitality human resource managers and students perceptions
Research Aim
Competencies required by tertiary students from hospitality programs (Baum 36 competencies framework)
New management competencies model for the hospitality Industry in Cyprus.

APPENDIX 1 (BAUM, 1991)

Rank Order (UK)		Composite Mean	Tas Study Rank and Mean (USA)	
	Essential competencies			
1	Manages guest problems with understanding and sensitivity	4.81	1	4.80
2	Follows hygiene and safety regulations to ensure compliance by organisation	4.71	13	3.99
3	Communicates effectively both written and orally			
4	Strives to achieve positive working relationships with employees	4.61	3	4.61
5	Demonstrates professional appearance and poise	4.57	6	4.52
6	Develops positive customer relations	4.56	3	4.61
7	Follows the legal responsibilities associated with hotel operations	4.55	5	4.60
8	Motivates employees to achieve desired performance	4.54	14	3.90
		4.52	8	4.44
	Competencies of considerable importance			
9	Possesses needed leadership qualities to achieve organisational objectives	4.40	7	4.48
10	Maintains professional and ethical standards in the work environment	4.40	2	4.69
11	Effectively manages life-threatening situations such as fire, bomb threat, serious illness etc	4.37	11	4.09
12	Uses past and current information to predict future departmental revenues and expenses	4.31	18	3.75
13	Identifies operational problems	4.24	12	4.00
14	Follows established personnel management procedures in supervision of employees	4.23	9	4.33
	Analyses factors that influence the controllability and level of profits			
15	Delegates responsibility and authority to personnel according to departmental	4.19	20	3.73
16	objective(s)	4.14	16	3.84
	Manages employee grievances effectively			
17	Uses past and current information to predict future hotel reservations	4.12	15	3.87
18	Knows personnel policies which govern supervisory activities	4.06	23	3.61
19	Analyses weekly, monthly and annual financial and statistical reports	3.97	10	4.15
20	Conducts an informative and valid interview with prospective employees	3.95	25	3.49
21	Assists in establishing organisational objectives and their priorities	3.95	26	3.47
22	Assists in the development and control of departmental employee productivity	3.92	21	3.67
23	Develops work flow patterns to meet specific operational requirements	3.87	19	3.75
	Develops reliable revenue and expense tracking systems			
24	Assists in the development and maintenance of budgets for each important element of	3.79	24	3.57
25	the organisations	3.77	34	3.16
26	Appraises employee performance	3.77	31	3.24
	Prepares weekly, monthly and annual financial statistical reports			
27	Assists in operational and strategic planning	3.67	21	3.67
28	Uses front office equipment, effectively	3.65	36	2.96
29	Inspects serviced hotel rooms according to standard operating housekeeping	3.59	29	3.31
30	procedures	3.58	29	3.31
31	Analyses past and present business information to effectively predict future marketing strategies	3.58	17	3.76
32		3.58	28	.39
Competencies of moderate importance				
33	Assists in the development of a balanced programme of preventative security	3.44	32	3.19
34	Assists in the development of an effective energy management programme	3.26	34	3.05
35	Promotes a co-operative union-management relationship	3.11	27	3.45
36	Processes hotel arrivals and departures	2.95	34	3.05

Average rating for all competencies: UK = 4.02; USA = 3.82

Competency statements were rated on a scale of 1 (unimportant) to 5 (essential) by 118 hotel managers. The list above is based on the averages of these ratings. None of the means for the 36 competencies was below 2.5, meaning that all attributes were at least of moderate importance.

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MANAGING CULTURAL DIVERSITY WITHIN THE CYPRUS HOTEL INDUSTRY

COSTAS G. MICHAEL
INTERCOLLEGE, CYPRUS

Abstract

Take a walk through a large hotel in a city or major tourist area of Cyprus and you are likely to encounter employees from many different countries who speak different languages. Growth in Cyprus's tourism has stimulated the demand for workers in hotel industry. European and Non-European citizens increasingly provide a solution to this labour shortage. Thus, the changing composition of the hotel workforce throughout Cyprus is of great interest and it creates many challenges and opportunities for hoteliers in Cyprus.

Interestingly enough, cultural diversity is a global phenomenon and as Devine et al. (2007) and Baum (2006) indicate, cultural diversity is important for the twenty-first century hotel industry due to high levels of mobility between and across continents, which impacts both work and society (Baum, 2006). In particular, many academic researches have examined the impact of cultural diversity on the organization and in many cases cultural diversity has been positively associated with many different organizational consequences, including creativity (Jackson, 1992; McLeod et al., 1996), productivity (Richard, 2000), and problem solving (Watson et al., 1993). Many writers in the diversity field advocate that the philosophy of managing diversity must pervade the entire organization if diversity is to be managed successfully (e.g. Cox, 1994; Kandola and Fullerton, 1998; Higgs, 1996).

As noted by Devine, F. et al. (2007) management theorists such as Kandola and Fullerton (1998) and hospitality researches such as Gröschl and Doherty (1999) and Devine F. et al (2006) have studied workforce diversity. Kandola and Fullerton (1998) identified eleven diversity management models and presented the 'Strategy Web' implementation model. The 'Strategy Web' model of Kandola and Fullerton 1998) was the first to be empirically tested. However, the preliminary literature review of the paper in hand reveals the concerns of Kandola and Fullerton (1998) about the practicality and logic of the abovementioned eleven models. Furthermore, is revealed that none of the eleven models or the 'Strategy Web' model is solely based on the hotel industry.

Therefore, the existing diversity management models are referring to organisations in general and thus, do not encompass the distinguishing characteristics of the Hotel Industry, as they were outlined in the work of Bowen and Fort (2004). The work of Bowen and Fort (2004) revealed the differences between managing a manufacturing organisation and a hospitality organisation by examining the impact of the distinguishing characteristics of services on both manufacturing and hospitality organisations.

This paper reviews the existing diversity management literature and diversity management models and identifies and analyse the distinguished characteristics of the hotel industry. Thereafter, it probes the opportunities and challenges the hotel industry is facing when managing culturally diverse workforce. The outcome of the above mentioned research would eventually lead to the creation and validation a Hotel Industry Specific Cultural Diversity Management Model.

Keywords: Diversity Management, Hotel Industry, Cyprus

Introduction

Take a walk through a large hotel in a city or major tourist area of Cyprus and you are likely to encounter employees from many different countries who speak different languages. Growth in Cyprus's tourism has stimulated the demand for employees in the hotel industry and both, European and Non-European citizens increasingly provide a solution to bridge this labour shortage. Thus, the changing composition of the hotel workforce throughout Cyprus is of great interest and it creates many challenges and opportunities for the Cyprus Hotel Industry.

Cultural diversity is a global phenomenon and as Devine et al. (2007) and Baum (2006) indicate, cultural diversity is important for the twenty-first century hotel industry due to high levels of mobility between and across continents, which impacts both work and society (Baum, 2006). In particular, academic research has examined the impact of cultural diversity on the organization, and in many cases cultural diversity has been positively associated with many different organizational consequences, including creativity (Jackson, 1992; McLeod et al., 1996), productivity (Richard, 2000), and problem solving (Watson et al., 1993).

The literature concerning diversity management in organizations is diverse and as noted by Devine et al. (2007) management theorists, such as Kandola and Fullerton (1998), and hospitality researchers, such as Gröschl and Doherty (1999) and Devine et al (2007), have studied workforce diversity. Many writers in the diversity field advocate that the philosophy of managing diversity must pervade the entire organization if it is to be managed successfully (e.g. Cox, 1994; Kandola and Fullerton, 1998; Higgs, 1996). However, the preliminary literature review of the paper in hand reveals that the existing generic diversity management models do not apply to the idiosyncratic hotel industry and that there is a need of a hotel industry specific diversity management model based on which the hotel industry can more efficiently manage its diverse workforce, capitalize on the opportunities and overcome the challenges of workforce diversity.

Research Aim and Objectives

Based on existing generic diversity management models, the aim of this dissertation is to develop a hotel industry specific diversity management model that will aid hotel management to fully utilize its culturally diverse workforce and create a more productive internal environment, in which every team member feels important and which organizational goals are achieved.

The research objectives of this dissertation are:

1. To examine the existing Diversity Management Literature pertaining to both, organisations in general and the hotel industry in particular
2. To identify and analyse the role of the distinguished characteristics of services within the hotel business environment
3. To identify and examine the level of cultural diversity and the factors which may hinder or encourage diversity management practices within the Cyprus Hotel Industry
4. To establish a diversity management model specifically related to the context of the hotel industry as a contribution to cover the theory gap and in order to aid hotel management to effectively manage its diverse workforce and achieve organisational goals.

Literature Review

Current Literature Review

According to the authors Kandola and Fullerton (1998) it was not until 1987, that the highly influential book, entitled 'Workforce 2000: Work and Workers for the Twenty-First Century' (Johnston & Packer, 1987) published by the Hudson Institute has urged many scholars and practitioners to acknowledge workforce diversity and its effects on organizations. Johnston and Packer (1987) predicted that nonwhites would constitute twenty-nine percent of net new entrants into the U.S. workforce by the year 2000. In fact, the success of this publication urged the Hudson Institute to publish a second study entitled Workforce 2020: Work and Workers in the Twenty-First Century (Judy and D'Amico, 1997). This second study predicted that the U.S. workforce would continue to become more ethnically diverse unless U.S. Immigration policies change.

Interestingly enough, the work of McMillan-Capehart (2003) reveals that prior to 1987, scholars seemed to believe that racial, ethnic, gender and age diversity had no impact on organisations. Moreover, prior to the passage of the Civil Rights Act of 1964 cultural diversity was virtually ignored in the management literature. As McMillan-Capehart (2003: 28) notes, "the Civil

Rights Act and Equal Employment Opportunity Commission (EEOC) of 1964 and Affirmative Action Plan proposed by President Kennedy all opened the doors for culturally diverse individuals in the workplace". Earlier concepts such as ethnocentrism, nativism, assimilation, racism and pluralism had, over the years, their own influence in this lack of management research. (McMillan-Capehart, 2003) Hence, even after 1964 and up to 1990, according to Cox and Nkomo (1990), there was very little research conducted regarding race as a variable in organisation behaviour research.

As mentioned by Cox (1194: 130) "ethnocentrism has been defined as a proclivity for viewing members of one's own group as the center of the universe, for interpreting other social groups from the perspective of one's own group, and for evaluating beliefs, behaviours, and values of one's own group somewhat more positively than those of out-groups." (Cox, T., 1994: 130). Persons with an ethnocentric view judge all other cultures based on their own culture and beliefs and, as McMillan-Capehart (2003) notes, ethnocentrism is inevitable if a person knows only one culture. Consequently, "nativists believe that immigrants should be welcomed or excluded depending on their race, nationality, and historical experience." (McMillan-Capehart, A., 2003: 30). The concept of nativism, according to Higham (1955), Kurowski (1999) and McMillan-Capehart (2003), goes back to the latter half of 19th century and the acceleration in immigration to the U.S. academic literature was shaped by nativist's viewpoints. Therefore, both ethnocentrism and nativism contributed to cover the gap in management literature, especially prior to the passage of the Civil Rights Act and Equal Employment Opportunity Commission (EEOC) of 1964 in the U.S.

Thereafter, the concept of assimilation is focusing on eliminating cultural differences and as McMillan-Capehart (2003: 31) notes, the "objective of the assimilationist is to socialize new members of society, or organizations, so they reject the norms, values, beliefs and practices of their own culture and assume those of society, or organizations". The concept of assimilation led to the term of "melting-pot", which views that new entrants into society or organizations adopt the culture of the society or organization. Even though assimilation can be traced back to the mid-late 19th century and the increased immigration to the U.S., it is still a widely held principle today and "the goal of many organizations is to fully assimilate culturally diverse employees into their company, forcing them to shed their own beliefs and values and assume those of the organization" (McMillan-Capehart, A., 2003: 32). As explained by Cox (1994: 166), "assimilation is one-way adaptation in which organization's culture becomes the standard of behaviour for all other cultures merging into the organisation".

Pluralism differs from assimilation in that it "refers to a two-way learning and adaptation process in which both, the society and entering members from diverse cultural backgrounds change to some degree to reflect the cultural norms and values of others." (Cox 1994:167). McMillan-Capehart (2003) believes that pluralism has been a major influence in academic literature regarding cultural diversity since the passage of the Civil Rights Act in 1964 and that academics began to recognize the futility of the melting pot concept and, instead, realised the benefits of accepting cultural diversity in the workplace.

After this period, as mentioned earlier, the publication of Johnston & Parker (1987), has urged many scholars and practitioners to acknowledge workforce diversity and its effects in organisations. Diversity Management (DM) has emerged as an effective Human Resource Strategy and although there are many definitions of DM, the following two definitions effectively capture its essence:

- "Understanding that there are differences among employees and that these differences if properly managed, are an asset to work being done efficiently and effectively. Examples of diversity factors are race, culture, ethnicity, gender, age, a disability, and work experience." (Bartz et al, 1990: 321);
- "The basic concept of managing diversity accepts that the workforce consists of a diverse population of people. The diversity consists of visible and non-visible differences, which will include factors such as sex, age, background, race, disability, personality and workstyle. It is founded on the premises that harnessing these differences will create a productive environment in which everybody feels valued, where their talents are being fully utilised and in which organisational goals are met." (Kandola and Fullerton, 1998: 8).

However, the introduction of the relative new concept of managing diversity has raised the debate over Equal Opportunities (EO) at work. To date, a number of authors (Hall and Parker 1993; Ross and Schneider 1992; Jamieson and O'Mara 1991; Thomas 1990; Dickson 1992; Kandola and Fullerton 1998; Maxwell, et. al., 2000) view-managing diversity as different from the traditional EO approach. According to Simons et al (1993), EO refers to legally mandated guidelines whose objective is to guarantee that all people, whatever their background, are treated equally and fairly in such matters as pay, promotion, dismissal, and so on. From the above mentioned and according to Maxwell, et al. (2000) it can be concluded that Equal Opportunities are mainly driven by external forces such as legislative compliance, social justice and a concern for ethical and human rights. On the contrary, Diversity Management is driven by the business case, ensuring individual differences are recognised and utilised to ensure effective organisational outcomes (Kandola and Fullerton, 1998). Equal Opportunities have been criticised as to being at best, superficially effective, focusing mainly on disadvantaged groups and, compounding the matter, as promoting discrimination rather than equality (Kandola and Fullerton, 1998; Collins and Wray-Bliss, 2000). Managing diversity is concerned with ensuring that all people maximise their potential (Kandola, 1995; McDougall, 1996), whereas EO primarily concentrates on issues of discrimination (Kandola and Fullerton, 1998). Managing diversity "…represents an overarching organisational strategy that expands beyond equal opportunities thinking by concentrating on the realisation of the potential of all employees at all levels of the organisation." (Kandola and Fullerton, 1998: 167).

Later, a number of measurable benefits and important advantages have been attributed to managing diversity. According to Groschl and Doherty (1999), the relative young age of managing diversity makes it difficult for both, scholars and practitioners to proof the benefits of a diverse workforce. However, a "lack of evidence does not necessarily imply that the claims about benefits are inaccurate or misleading." (Kandola and Fullerton, 1998: 35) Moreover, Kandola and Fullerton (1998) categorized the benefits most frequently quoted by academics and practitioners benefits into proven benefits, debatable benefits and indirect benefits (see Table 1) and, thereafter, recorded the available evidence for each benefit category (see Table 2).

Further to the debate around the benefits attributed to diversity, Groschl and Doherty, (1999) and Maxwell et al. (2000) believe that skilled labour shortages, high levels of turnover and absenteeism and high levels of business failure in the hotel sector can potentially be alleviated through managing diversity. In a case study on managing diversity in the hotel sector based on Scottish Highland Hotels and Stakis Hotels (now merged with Hilton), the researchers Maxwell et al. (2000) concluded that managing diversity is essential function needed for the hotel industry to remain competitive through service quality in the face of changing labour and customer markets.

Many authors have presented models of managing diversity aiming to guide organisations in their quest to fully capitalise on their diverse workforce. Kandola and Fullerton (1998) identified eleven diversity management models and thereafter, presented the 'Strategy Web' implementation model, the first to be empirically tested. The work of Kandola and Fullerton (1998: 69-70) was concerned with the practicality and logic of the abovementioned eleven models and as indicated the "synthesis of the models is quite tricky, as some focus entirely on the process that should be followed in successfully managing diversity (Cox and Blake 1992; McEnrue 1993; Motwani, Harper, Subramanian and Douglas 1993; Thomas 1990; Rossett and Bickham 1994; Ross and Schneider 1992) while others include a mix of both process and content i.e. the initiatives that should be put in place (Jamieson and O'Mara 1991; Harrington 1993; Thierdermann 1994; Bartz et al. 1990; Hammond and Kleiner 1992)". Furthermore, none of the abovementioned models or the 'Strategy Web' model is solely based on the hotel industry. As Kandola and Fullerton (1998) noted, the eleven models are based on case studies, anecdotal evidence or past experience and aim to lead organisations, in general, in their endeavours to fully utilize their diverse workforce. According to Kandola and Fullerton (1998) a crude synopsis of eleven of the models indicates the following core processes:

- Audit the current situation: culture, attitudes, systems and procedures.
- Identify aspects that hinder managing diversity.
- Implement a strategy to eradicate the hindrances.
- Continually evaluate progress of the managing diversity strategy.

Table 1: Categorisation of the perceived benefits

Proven Benefits

Access to talent:

- **making it easier to recruit scarce labor**
- **reducing costs associated with excessive turnover and absenteeism**

Flexibility:

- **enhancing organizational flexibility**

Debatable Benefits

Teams:

- **promoting team creativity and innovation**
- **improving problem solving**
- **better decision making**

Customers:

- **improving customer service**
- **increasing sales to members to minority culture groups**

Quality

- **improving quality**

Indirect Benefits

- **satisfying work environments**
- **improving morale and job satisfaction**
- **improving relations between different groups of workers**
- **greater productivity**
- **competitive edge**
- **better public image**

Source: Kandola and Fullerton (1998: 35)

The validation of the 'Strategy Web' implementation model was based on a survey with organisations from 30 different industrial sectors. From those 30 industrial sectors eleven have responded with 10 or more questionnaires. Even though the service and food sectors were part of this eleven sectors which responded with 10 or more questionnaires, the hotel sector is not mentioned in the survey nor it is mentioned anywhere in the work of Kandola and Fullerton (1998). Following are the eleven sectors, which responded with 10 or more questionnaires in decreasing order:

- Manufacturing
- Government
- Health
- Education
- Service
- Finance
- Food
- Electronics
- Pharmaceutical
- Stores
- Communications

Table 2: Available evidence

Category	Evidence
Proven benefits	▪ **organization savings: recruitment, attrition and training** ▪ **wider pool of candidates** ▪ **Increased flexibility.**
Debatable benefits	▪ **based largely on ambiguous research on team effectiveness** ▪ **inconclusive data on improved quality and customer service**
Indirect benefits	▪ **difficult, if not impossible to establish**

Source: Kandola and Fullerton (1998: 36)

The existing hotel industry specific diversity management literature refers to the development of diversity management in hotels, the benefits and challenges of cultural diversity and only offers some practical recommendations for the hotel industry to better manage its diverse workforce (Gröschl and Doherty 1999; Maxwell et al. 2000; Baum et al. 2007; Devine et al. 2007). In a study of diversity management in San Francisco, Gröschl and Doherty (1999) found that the development of diversity management in the hospitality industry was surprisingly poor. Moreover, according to Maxwell et al. (2000) in a case study on diversity management based in Ontario, Canada, the researchers concluded that, although diversity management is "…essential …the effective management of diversity management remains a challenge for many hospitality managers and their organisations" (Hudges, 1999: 396).

Furthermore, since the existing diversity management models are not hotel industry specific and refer to organisations in general, they do not encompass the distinguishing characteristics of services, as they were outlined in the work of Bowen and Fort (2004). This work reveals the differences between managing a manufacturing organisation and a hospitality organisation by examining the impact of the distinguishing characteristics of services related to organising, staffing and commanding.

According to Bowen and Fort (2004: 395) the customer's search for "a seamless service experience", the intangibility of the service experience, and the high customer involvement in the service delivery system and simultaneous production with consumption create several organising, staffing and commanding challenges for the hotel industry. These challenges are related to the industry's structure, task design, service setting, recruitment and selection processes, internal marketing system and commanding. This implies that the generic diversity management models do not encompass the distinguished characteristics of services and therefore, cannot sufficiently apply in the hotel industry.

Gap in the Literature Review

Managing diversity places emphasis on the nature of organisational culture (Ross and Schneider, 1992; Kandola, 1995; McDougall, 1996) and management styles (Iles, 1995). Indeed, existing Diversity Management literature focuses on organisational culture and describes managing diversity approaches as being the responsibility of all employees (Ross and Schneider, 1992) and, particularly, that of managers (Kandola and Fullerton, 1998). The preceding literature review identified twelve diversity management models. However, all of the identified models are referring to organisations in general and only one, the "Strategy Web" model of Kandola and Fullerton, (1998) was empirically tested. The other eleven were criticized for their practicality and logic and were characterized as "tricky". (Kandola and Fullerton, 1998). Moreover, the empirically tested "Strategy Web" model can be criticized for its validation procedure, since it was based on thirty different industrial sectors. From those thirty industrial sectors, only eleven have responded. Even though the service and food sectors were part of the eleven sectors which responded with 10 or more questionnaires, the hotel sector is not mentioned in the survey nor it is mentioned anywhere in the work of Kandola and Fullerton (1998). Moreover, the existing hotel industry specific diversity management literature refers to the development of diversity management in hotels, the benefits and challenges of cultural diversity and only offers some practical recommendations for the hotel industry to better manage its diverse workforce (Gröschl and Doherty 1999; Maxwell et al. 2000; Baum et al. 2007; Devine et al. 2007) rather than a theoretical basis. Thus, the existing generic diversity management models and the hotel related diversity management practical recommendations are not regarded as sufficient to provide a theoretical underpinning to aid the hotel industry to efficiently manage its diverse workforce.

Contribution to Knowledge

The distinguished characteristics of the hotel industry along with the problems of skilled labour force shortage; high levels of employee turnover and the opportunities and challenges of managing diversity address the need for a hotel industry content diversity management model that will capitalize on the opportunities and overcome the challenges faced by the industry. The dissertation's contribution to knowledge will be the development of a hotel industry specific diversity management model that will aid hotel management to fully utilize the potential of its diverse workforce.

Research Methodology

Introduction

According to Amaratunnga et al. (2000) and Remenyi et al. (1998), research methodology refers to the procedural framework within which the research is conducted, with the topic of research and the research question being the primary factors when choosing the suitable research methodology.

Given the focus of the existing diversity management literature on organisations in general and the sparse diversity management literature pertaining to the hotel industry, the secondary research will initially use the mainstream literature to develop an initial conceptualisation model. Thereafter, a triangulation approach combining qualitative and quantitative research will be used to further develop, redefine and validate the initial conceptualisation model. The philosophy of triangulation is that the weakness of one research method will be compensated by the counter-balancing strengths of the other. As Amaratunnga et al. (2000) note there is a strong support within the research community that research, both qualitative and quantitative, is best thought of as complementary and should therefore be mixed in research of many kinds. Furthermore, "…qualitative and quantitative methodologies are not antithetic or divergent, rather they focus on different dimensions of the same phenomenon. Sometimes, these dimensions may appear to be confluent: but even in these instances, where they apparently diverge, the underlying unity may become visible on deeper penetration" (Das, 1983: 311).

The qualitative research concentrates on words and observations to express reality and attempts to describe people in natural situations while the quantitative research grows out of strong academic tradition that places considerable trust in numbers that represent opinions or concepts. Hence, "quantitative data can help with the qualitative side of a study during design by finding a representative sample and locating deviant samples, while qualitative data can help the quantitative side of the study during design by aiding with conceptual development and instrumentation" (Amaratunga, 2002: 23).

The research design of this study will comprise the following three stages:

Stage 1: Literature Review

In this first stage, the analysis of the existing diversity management literature, whether pertaining to organisations in general or specifically to the hotel industry, along with the existing diversity management models will be examined. Furthermore, stage one will include an in-depth analysis of the distinguished characteristics of services in order to examine their role in the hotel business environment. This analysis will enable the researcher to assess the relationship between diversity management and the hotel industry. Thereafter, an initial model will be conceptualised drawing on the current literature and the hotel industry. This stage refers to the first and second research objective.

Stage 2: Quantitative and Qualitative Research – Exploratory Stage

Quantitative and qualitative research will be conducted in the second stage to help examine how culturally diverse the Cyprus Hotel Industry is and assess the practicality diversity management. The scope of this stage is to assist the researcher to better grasp the essence of diversity management in practice and to identify what factors may hinder or encourage diversity management practices within the hotel industry. Thereafter, this analysis will enable the researcher to redefine and further develop the initial conceptualisation model of diversity management.

This initial research will include both secondary and primary data. The secondary data will assist the researcher identify the level of cultural diversity within the Cyprus Hotel Industry. The secondary data will also examine how the hotel workforce has changed over the years from having once been homogeneous to be culturally diverse now. As far as the primary data are concerned, the researcher will use the survey method and design a questionnaire to:

- further examine how diverse the Cyprus Hotel Industry is at various organizational levels
- identify to what extent hotels apply existing diversity management theory and practices
- and identify possible factors, external or internal, which may hinder or encourage diversity management practices.

The survey method will use a stratified sample to select hotels and hotel management staff in terms of hotel type and location and management staff positions.

Thereafter, through a qualitative case study method, the researcher will seek to further investigate diversity management in practice and any other factors, which may hinder and/or encourage diversity management within the Cyprus Hotel Industry. As defined by Salkind (2006: 201), "qualitative research is a social or behavioural science research that explores the processes that underlie the human behaviour using such exploratory techniques as interviews, surveys, case studies, and other relative personal techniques". Furthermore, Salkind (2006) refers to several techniques and sources of information regarding qualitative research including documentation, archival records, physical artifacts, direct observation, participant observation, focus groups, case studies, ethnographies and historical research. The objective of this qualitative research is to amend the initial conceptualisation model by exploring the ideas and perceptions of all the stakeholders, which may be involved and influence, directly or indirectly, the management of culturally diverse workforce. Research techniques are personal in-depth interviews, focus groups and direct observation. The following paragraphs provide the reasoning for the choice of the qualitative research techniques.

According to Salkind (2006: 203), "direct observation occurs when the researcher is actually or directly adjacent to the environment being studied but is not actually a participant in the environment itself… an unobtrusive method, meaning that the researcher allows the normal activity of the environment to proceed without interruption". Questions can only be asked when the study environment is not interrupted. As Salkind (2006) noted direct observation can prove helpful when assessing formal and informal relationships and networks of the research subject. Direct observation refers to the researcher's indirect involvement in actual hotel work environments, as a "mystery guest" or as regular hotel guest.

Thereafter, focus group is defined as "a gathering of people who are being moderated by a member of a research team and perhaps observed, either openly or secretly, by other members of the research team" (Salkind, 2006: 203). The moderator, researcher, has the task of ensuring that every member of the group is encouraged to equally participate into an open and sincere discussion without forcing his or her opinion on the members of the group. Furthermore, according to Salkind (2006) focus groups can help the researcher gather information, generate insight, determine how group members reach decisions and encourage group interaction. However, it is important that the researcher keep distinct groups separately so that the members of the focus group speak freely. Separate focus groups will be organized for hotel employee union representatives, hotel human resource managers, hotel front line managers / supervisors, hotel front line employees and hotel guests.

Thereafter, personal in-depth interviews with strategic decision makers of the Cyprus Hotel Industry such as the two Cyprus Hotel Associations, the Cyprus Tourism Organization, the Cyprus Human Resource Development Authority, the Ministry of Labour and the Immigration and Naturalization Department will be conducted in order to further analyse their view of cultural diversity within the Cyprus Hotel Industry.

Stage 3: Quantitative Research – Explanatory Research Stage

In the third quantitative research stage a survey method will be conducted. The objective is to test and validate the already further amended model of diversity management within the hotel industry. The validation procedure aims to examine the relationship between the diversity management model and diversity management practices utilised within the hotel industry. A questionnaire will be designed to further investigate the level and effectiveness of diversity management practices within the Cyprus Hotel Industry as they relate to the diversity management model of the hotel industry. This second questionnaire will be based on the above-mentioned model and, contributing to a high level of reliability, it will be sent to the same sample that would participate in the initial survey and implement diversity management practices. This stage refers to objective number five.

Potential Outcome

Drawing on the existing diversity management literature, diversity management models and the hotel industry an initial conceptualisation model is developed by secondary research. Then, this model is further developed and redefined by quantitative and qualitative research and thereafter, tested and validated through quantitative research. The work will contribute to new knowledge by developing a specific diversity management model for hotels differentiating from existing diversity management models referring to organizations in general. The model takes into consideration not only the current diversity management literature but also the hotel business environment in Cyprus including all the stakeholders involved in the Cyprus Hotel Industry. Hence, a coherent body of knowledge in the field of diversity management within the hotel industry will be provided.

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INFLUENCES OF CORE CULTURAL VALUES ON THE STRATEGIC BEHAVIOUR OF SME OWNER-MANAGERS: THE CASE OF SMALL TO MEDIUM-SIZED HOTEL ENTERPRISES ON THE ISLAND OF CYPRUS

ANTONIS ANTONIOU

Abstract

Hotel Organizations in Cyprus are changing from regional to national and some of them into international in their operations. In this environment, there is a desire to learn from this so called "best strategic practice" and to use the generic ideas, concepts and techniques "nation-wide" learning from the "World-Wide" arena. However, it is becoming apparent from a range of fragmented evidence that 'best strategic practices' developed and successful in one context are not necessarily directly transferable to a comparable alternative. More detailed examination suggests that national culture has a significant role to play in determining the precise nature of a best practice when it comes to strategy formulation, and how influential national culture might be in its application. The research aims to critically review influences of culture on the strategic behaviour of managers in Cypriot small to medium-sized hotel organisations in order to find deficiencies in the field and to examine the future research focus on the issue. Specifically, it considers recent studies investigating the influence of cultural values on strategic behaviour and looking at the limitations of such studies for island cases like the Cypriot small to medium-sized hotel organisations. The research starts with the general definitions of culture, strategic management, organisations and organisational culture. The development of the term "strategic behaviour"– particularly, what is meant by this term and how it relates to strategic management in general is very important. In this respect it is wise to focus upon specific aspects of the subject – those of particular importance or relevance to the Island's (SME) hotel industry meaning that "strategic planning" is the direction to take. The previous studies of the influences of national cultural values on the strategic behavior of individuals in SME hotel organisations then considered. Determining previous studies on the national culture of Cyprus shows that Cypriot culture exhibits high power distance, masculinity, uncertainty avoidance and characterized by low individualism (researches done by CTO, HRDA, socio-anthropological studies). The section on cultures would develop national (national identity) and corporate cultures (organisational identity) and also the personal influences (individual influences and personal identity) of the owner/founder. Then a conceptual model would be developed in the literature review and later on tested by the primary research. The new conceptual model would be at first a simple model which is going to be tested as part of the primary research and then, at the end, produce a revised (more sophisticated/ synthetic) model. Presumably the basic approach for the primary research is going to be to undertake a postal questionnaire of a large number of target hotels to determine, in basic terms, how much strategic planning they do, then undertake a smaller number of semi-structured interviews (respondents selected from the postal questionnaire) to discuss aspects related to strategic planning in more detail.

Key Words: culture – national/organisational, strategic behaviour, strategic planning, Cypriot core culture, Cypriot small to medium-sized hotel organisations, owner-managers, entrepreneurship.

Introduction

Hotel Organizations in Cyprus are changing from regional to national, and some even international in their operations. In such changing environments and diverse business practices, there is a desire to learn from this so called “best strategic practice” and to use the generic ideas, concepts and techniques in order to step in to the transformation phase as effective as possible. However, it is becoming apparent from a range of fragmented evidence that ‘best strategic practices’ developed, which are successful in one context, are not necessarily directly transferable to a comparable alternative. More detailed examination suggests that national culture has a significant role to play in determining the precise nature of the best practice when it comes to strategy formulation, and how influential national culture might be in its application (Hofstede’s, 1994).

The research aims to critically review the influence of corporate and national culture on the strategic planning practices of managers and/ or entrepreneurs in small to medium-sized hotel enterprises in order to find deficiencies in the field, and to examine the future research focus on the issue. Specifically, it considers recent exploratory studies investigating the influence of cultural values on strategic planning practices by looking at the limitations of such studies for island cases, like the Cypriot small to medium-sized hotel organisations.

Research Aim: The aim of this research is to develop a model for the measurement of the influences of culture, both corporate and national, on strategic planning in small to medium size hotel enterprises for undersized island cases.

Research Objectives

This research is divided into two sets of objectives. The first sets of objectives (a) to (c) refer to the basis of the research confirming existing knowledge. The second set of objectives (d) to (f) examines the case of contributing to new knowledge.

a. To clarify what distinguishes small to medium hotel enterprises from large hotel enterprises.

b. To examine the existing literature in relation to the influences of corporate and national culture in relation to strategic planning practices.

c. To assess the measurement and examine the identification methods in estimating the impact of corporate and national cultural influences towards strategic planning for the SME, for the undersized island case.

d. To develop a preliminary framework based on the perceptions of corporate and national cultural influences existing at present in the small to medium hotel entrepreneurship for the undersized island case.

e. To empirically evaluate the proposed framework based on the perceptions of small to medium size hotel entrepreneurship for the undersized island case.

f. To propose a conceptual model explaining the relevance and extent of corporate and national cultural influences towards entrepreneurs’ strategic planning practices for the undersized island case.

Preliminary Literature Review

Several loopholes in current island case writings are noticeable: (a) Small to medium hotel enterprises for undersized islands lack a shared definition, (b) a conceptual framework has not yet developed in relation to the cultural influences upon the strategic planning practices of such SMEs for undersized islands, (c) strategic planning matters for the undersized island case have not been addressed, (d) current island studies lack contextualisation, and (e) strategic planning studies are predominantly for the large islands in the world. In view of this, this preliminary literature review intends to shed some light on the topic of culture and strategic planning for the undersized island cases and their future directions. The preliminary literature review has two parts: In part (A), I review, refine, and reconceptualise the fundamental concepts related to the study. In part (B) I discuss the negligence of theory building in relation to corporate and national culture in extant general business strategic planning models.

The SME

With respect to the size factor, an inconvenient fact is that there is no single definition for small and medium sized enterprises for undersized islands. They have been defined as firms with less than 500 employees, whereas “small firms” are those with less than 100 employees (Oughton and Whittam, 1997). The European Commission used the terms “micro” firms, for those with up to ten employees, “small” firms, for those with up to 50, and “medium” employing more than 250 employees. The Department of Trade & Industry in the UK classifies this last group as “large” firms. Any working definition will depend on the particular objectives of the research study for which it was constructed (Brooksbank, 2000).

Through the literature, authors explain that SMEs can obtain learning at local and international levels through co-operative inter-firm arrangements, where co-operation may be defined as reciprocal involvement between firms vertically linked in design and production of determinate goods, allowing access to the knowledge in possession of firms downstream (Golden and Dollienger, 1993).

Corporate and National Culture

National and sub-national cultures influence the nature of inter-firm cooperation and strategic alliances (Hofstede, 1991; Hewett and Bearden, 2001). Furthermore, the characteristics of specific regions, cities and urban/rural communities within nations are crucial factors in the study of localised clusters (Acs, 2002; Steyaert and Katz, 2004).

Parkhe (1991) identifies three distinct components of culture: societal culture, national context and corporate culture. The first of these includes as a subset of the norms, values and personal behaviour of managers. The national context is comprised of the surrounding industry structure, local institutions, such as trade organisations, and the role of local governments and their regulations. The final component is the product of the values, which characterise particular organisations (Hofstede, 1991).

Different cultural influences in particular societies relating to modes of conduct, standards of performance and inter-personal relationships may have an effect on the cooperative behaviour of firms (Chen et al., 1998). In connection to this, Hofstede (1980, 1991) devised indices of cultural differences for more that 40 countries, based on four main dimensions: uncertainty avoidance, individualism-collectivism, tolerance of power distance, and masculinity-femininity. More recently, Williams et al. (1998), Hewett and Bearden (2001) and Steenkamp (2001) have argued that the individualism-collectivism dimension of culture is an important issue in the study of inter-firm relationships, because it reflects personal interaction within a particular society. Thus, in cross-country analyses, it may be expected that inter-firm co-operative behaviour will be influenced by differences in national and sub-national cultures. For example, individual goals may assume greater importance than group goals in more individualist cultures, while interpersonal and informal ties have priority in more individualist cultures where they can contribute to the collaborative process at the individual and firm levels (Chatman and Barsade, 1995; Chapman and Harris, 2000; Hewett and Bearden, 2001). Consequently, levels of individualism-collectivism may influence co-operative behaviour through trust and commitment relationships.

Hofstede et al. (1990, p. 301) also studied organizational culture and behavior in two culturally close nations and noted: “all in all, having gone out to study organizational value differences and having done this in two countries for reasons of convenience, we seem to have mainly caught national value differences”. Since Hofstede (1980a), published Culture’s Consequences, the idea of differences in national cultures, based on his cultural mapping techniques, has been widely disseminated as both a background for industry practitioners and in training new managers. Hofstede’s (1994) analysis was to differentiate between the assumed “shared” values held in organisations, and the “unique” values which could be identified as specific to national cultures. He believed that different national cultures have different attitudes, values, beliefs, habits and convictions and that one must anticipate different behavioral characteristics based on them. National Culture is composed of values that are identified as being widely held by the members of that specific culture which can be established and classified. Such values are acquired in childhood and generally resistant to change in later years, the values of a given nation are formed through its history, the people in the society and their institutions, i.e. family, education, religion, government, law, work etc., and are transmitted through generations (Hofstede’s, 1994).

The concept of national culture for management differences across nations was also supported strongly by Tung (1988) who argues that the same concept can be used to explain difficulties in the management of joint ventures. According to several sources, (Bartlett and Gashal, 1989; Prahalad et al., 1987), one of the initial difficulties of establishing joint ventures is adjusting to the national culture of the host countries. From the above study it was proven that national identity consists of one of the more unseen factors influencing strategic decisions on either side. National Identity is the “set of meanings” owned by a given culture which sets it apart from other cultures. The basic components of the national identity framework are: belief structure, cultural homogeneity, national heritage and ethnocentrism (Herskovits, 1948; Huntington, 1996; 1993). One of the unique elements of the above framework is its attempt to move beyond the consideration of only behavioral and personality characteristics without ignoring their influence on the strategic formation, planning and implementation. Thus, national identity becomes the “set of meanings” owned by a given culture which sets it apart from other cultures. Furthermore, this perspective also fits the multidimensional view of key components of the international marketing environment, based on its high levels of complexity and risk, argued for by Werner et al. (1996).

Accurate environmental scanning does not necessarily lead to comparable organizational response. Corporate managers exercise strategic choice (Child, 1972; Miles & Cameron, 1982; Miles & Snow, 1978; Mintzberg, 1983; Murray, 1978), often choosing what environmental factors to consider (Ryan, Swanson & Buchholz, 1987), and therefore, respond differently (volatility of strategic behavior) to external factors. Strategic decision-makers will often select a single option and robustly justify it as the only viable path (Schwenk, 1985). For example, an environmental diagnosis may produce a technologically intensive industry with a highly innovative future (a fast rate of change, very complex, high degree of novelty, etc.) while corporate management’s preferred strategic behavior is reactive (“We will respond aggressively to any visible threats”). Subsequently, the firm may fail to develop/integrate the required entrepreneurial/ creative strategic behavioral posture so as to respond effectively. Potentially, as the gap increases between the environmental requirements of an industry and the strategic capability of the organization to respond (which we have defined in this research as a strategic capability gap) and/or between the environmental requirements and applied strategic behavior (defined as strategic aggressiveness gap), may lead to the diminishing of financial performance (Ansoff and Sullivan, 1993).

Strategic Planning

Strategy is a term that comes from the Greek strategia, meaning “generalship.” In the military, strategy often refers to maneuvering troops into position before the enemy is actually engaged (B. H. Liddell Hart). George Steiner notes that strategy is what one practiced to counter a competitor’s actual or predicted moves. Henry Mintzberg, in his 1994 book, The Rise and Fall of Strategic Planning [3], points out that people use “strategy” in several different ways, the most common being these four: strategy in plan, in patters, in position and in perspective. Kenneth Andrews presents strategy in his book as a pattern of decisions that reveals the company’s set objectives. Strategy according to Michael Porter is about being different. In short, strategy is a term that refers to a complex web of thoughts, ideas, insights, experiences, goals, expertise, memories, perceptions, and expectations that provides general guidance for specific actions in pursuit of particular ends.

Strategic behaviour is the firm’s behaviour that takes into account the market power and reactions of other firms in the industry. There are a very limited number of studies conducted on the influences of hotel managers’ national culture values upon their strategic behavior, planning and implementation (Harris.S, Ghauri.P, 2000). Probably the most often-cited cross-cultural literature is that issued by Hofstede during the 1980s. Two studies have found national values influencing strategy formation. In an examination of managers’ perceptions within France and the UK, Calori et al. (1992) found industrial, organizational and national influences to be significant.

The Conceptual Framework

The reason for the origin of these problem areas mentioned in the introduction is an inadequate operative collaboration at a functional area level (e.g. research and development, strategic management, cultural issues) between the large and small to medium hotel enterprises. However, a topical study and actual insights lead to the conclusion that it could be possible, especially for small to medium hotel operations to realise an operative collaboration within the help of existing strategic concepts, and in this way, to reduce or even to solve the competitive industry problem areas. As a result of this, three problems arise: firstly, there is no scientific overview in which strategic management problems exist for island cases. Secondly, apart from the great impact of corporate and national culture towards strategic planning practices, there has not been any research in Cyprus specifically, and worldwide in general so far that has carried out the identification of the level of influence of corporate and national culture upon the strategic planning practices of entrepreneurs, who manage small to medium hotel enterprises relevant for the island case. Thirdly, no clear indication exists about the level and/or the measurement of cultural influences upon the strategic planning practices that hotel entrepreneurs' exercise. There is no existing model explaining the influences of culture on entrepreneurship. There has been explorative research, but no grounded theory that aims specifically on the island case.

Johnson, Scholes and Whittington in their book "Exploring Corporate Strategy" made reference to two interlinked diagrammatic themes that have a very close relation to the present study key elements. The authors indicated that: the assumptions and behaviours of individuals within organizations are also influenced by assumptions and behaviour in the parts of the business environment with which those individuals and the organisation as a whole impinge. The authors have then indicated the so-called "cultural frames of reference" indicating the interrelationship of four cultural frames, the national (or regional), organisational field, functional/divisional and organisational to the individual see figure 1.1. Following the "cultural frames of reference" another very interesting part of the puzzle was added, namely: "culture in four layers" indicating that organisational culture is composed of or consisting of four layers: values, beliefs, behaviours and taken-for-granted assumptions. Johnson, Scholes and Whittington's explorative models could be assessed further with the notion of facilitating a new conceptual model of the influences of corporate and national culture towards strategic planning practices of small to medium size hotel enterprises for the undersized island cases. The new conceptual freamework would be at first a simple model, which would then be tested as part of the primary research and then, in the end, produce a revised (more sophisticated/ synthetic) model.

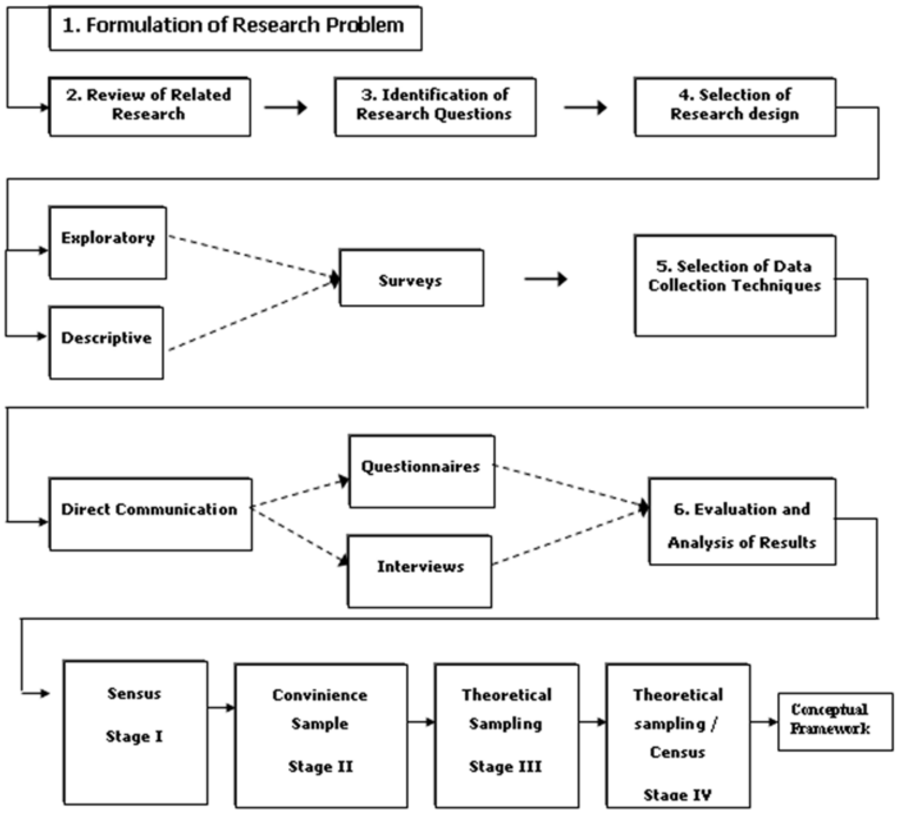
Why choose the Island of Cyprus as the case study

The importance of corporate and national cultural issues for the hotel industry has been increasing enormously since Cyprus entered the European Community family, in May 2004. At present, but especially in the future, hoteliers of small to medium sized operations who act independently in the supply chain are confronted with an enormous lack of strategic planning with problem areas; such view is supported by the human resource department of Cyprus (HRDA, European Project for the SME in Cyprus 2006-2008). The increasing co-ordination effort in the supply chain from the larger hotel operations, the increasing requests from large tour operator groups, the effects of demand fluctuations in the broader European holiday environment, the rise of competition within the small to medium sized hotel operations and the tension in the tour operator-hotelier relationship, all belong to problem areas. It is in turn recommended to choose the island of Cyprus as a case study in order to give a realistic approach to the whole research process but also, as mentioned earlier, to reduce or even to solve the competitive problem areas within the Cypriot hotel industry. Figure 1.2 represents a simplified graphical representation demonstrating the problem areas mentioned above.

In stage one the situation for the case study country, in the present case Cyprus, should to be identified, and in stage two it is important to give a clear and analytical definition of the problem areas, where on stage 3 a conceptual framework would be proposed in order to find possible solutions to the problem areas. In the end testing the model is an option either for this particular research or for further research on the matter.

Methodology - Stages of Research Process

Each of the steps that will be taken is illustrated in the following figure which will be used as a guiding map.



Conclusion

By exploring the relevant literature on corporate and national cultural influences towards the strategic planning practices of small to medium size hotel enterprises for undersized island case, it has been found that no specific and/or relevant model exists covering the formed research issues. However, some very elaborative and specific general business models were found, which are based mostly upon exploratory research, which could allow for a clear indication for amendment, or even remodeling. Therefore, a gap can be noted in the existing literature, in the sense of developing the general business theory of entrepreneurship into the further consideration of the undersized island case and proposing a model that would fit into these specific requirements. By doing so, we then in turn contribute to knowledge.

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ON THE USE OF PHYSIOLOGICAL TESTS IN CONSUMER RESEARCH

ANTONELLA REITANO
UNIVERSITY OF CALABRIA, ITALY

PIETRO CALOMINO
UNIVERSITY OF CALABRIA, ITALY

Abstract

Surveys and questionnaires are frequently used by marketing researchers to understand consumer behaviour. Self report measures, obtained by using these methods, are not always reliable because, many times, consumers do not know the real reasons for their actions and, even if they know, they are often unable to express them in response to a specific question.

Phisyological tests concern a series of laboratory techniques involving the Instrumental detection of messages sent from the human body. The basic principle is that to any change in individual physiological state is associated a change in mental and emotional state. If consumers respondents may be little sincere, the body does never lie, also because many physiological reactions are not under the control of the individual. For these reasons autonomic measures obtained using these methods can be more reliable than self report measures.

In this paper we summarize and evaluate three different laboratory techniques cited in marketing literature: skin conductance measurement, eyetracking analysis and brain imaging. We compare these methodologies placing special emphasis on strengths and weaknesses of each, considering also the cost of the equipment and amount of specific knowledge needed to run such experiments and analyzing data.

Our main purpose is to offer some guidelines to marketing practitioners in the use of such methodologies.

We like also to stimulate practitioner and academic interest in further researching the application of physiological methods in evaluating consumer behaviour.

Key words: physiological tests, skin conductance measurement, eyetracking, brain imaging.

Self report measurements versus physiological tests

Studies on the consumer are one of the main areas of interest in marketing. In order to answer to many research questions, academics and practitioners frequently make trust on surveys and questionnaires. In other words, marketing researchers are really used to ask to their subjects to answer to a series of questions or to express (more or less freely) their opinions on specific themes. Results obtained with these research tools are also called self report measures (Hall, 2004).

No one doubts that surveys and questionnaires are extremely useful for marketing investigations. However, there are also other systems that are still little used in marketing research and that could be very useful in the studies on the consumer. These systems concern a series of methodologies such as the tracking of eye movements or the measurement of the electrical conductivity of the skin and even the use of some tomographic techniques that generate functional images of the brain.

These techniques, which take the name of physiological tests or autonomic measures, are based on the principles of Psychophysiology that is the science studying the way in which the psychological activities generate physiological responses at individual level.

According to the “basic principle of psychophysiology” to any change in individual physiological state is associated a change in mental and emotional state and, conversely, any change in mental and emotional state correspond to changes in physiological state (Green, Green and Walters, 1970). It follows that observations of physiological state of the consumer can be used to understand the behavior or to deduce sensations, state of mind and emotions, without the need make use of questions and questionnaires.

Compared to traditional methods of analysis, the physiological measurements show a higher degree of objectivity. Surveys and questionnaires are not always reliable because often people do not provide genuine answers to questions, especially when these are asked directly. Scholars of the motivational research know that the consumers themselves do not know the real reasons for their actions and, even if they know, they are often unable to express them in response to a specific question (Harry, 1966). Moreover, surveys and questionnaires do not allow the consumer to speak freely. Thus, with them we run the risk of losing part of information, especially on those aspects which, for one reason or another, have been overlooked in the design of questionnaire.

In the same way, also in-depth interviews and focus groups involve some problems. With interviews we run the risk of not being able to tap the aspect of the problem under investigation. With focus groups there is a risk that participants may influence between them and that a leader may be able to impose its views, handing them over the other. In both cases, the presence of the researcher can bring the observed subject to maintain an unnatural behavior.

If consumers respondents may be little sincere, the body does never lie, also because many physiological reactions are not under the control of the individual. Therefore the instrumental detection of messages sent from the body can provide the marketing researcher with information that, if correctly interpreted, may be useful in different areas of investigation as: evaluation of advertising effectiveness, identification of the characteristics of product more important to the consumer and even understanding of determining factors in the choices of purchase.

Despite these potential, some authors have noticed that, until now, the psycho-physiological approach has been little used in the world of companies (Hall, 2004). This is probably due to the fact that the application of these techniques requires the use of complex (and expensive) equipment and some specific skills in analyzing and interpreting the collected information.

Yet it seems that in the last few years attention of enterprises, especially against the most modern techniques (such as that of brain scanning) increased significantly. This is confirmed by the presence of some scientific studies sponsored by large companies, such as that of Erk et al. (2002), commissioned by Daimler-Chrysler.

Several authors (Eaves, 2007; Park, 2007; Thompson, 2003; Parapiboon, 2007; Korschun, 2005; Retico, 2003) refer that many large companies such as Coca-Cola, Ford, Delta and General Motors would have financed similar research projects. Of course, use of these methods of analysis raises many ethical problems and violent reactions of consumer associations. It is therefore conceivable that the companies are reluctant to advertise similar activities.

The aim of this work is (without going in issues of ethics) to provide the researchers a description of these techniques, highlighting advantages and limits and to propose the possible applications in the context of consumer studies. In the following paragraphs, we summarize and evaluate three different laboratory techniques cited in marketing literature: skin conductance measurement, eyetracking analysis and brain imaging. Each method has been applied in marketing research to register and understand consumer behavior in different real life situations and for different purposes. We compare these methodologies placing special emphasis on strengths and weaknesses of each, considering also the cost of the equipment and amount of specific knowledge needed to run such experiments and analyzing data.

Skin conductance measurement: basic principles and marketing applications

Among the others physiological tests, detection of skin electrical response is probably the most well known. Underlying such research is the discovery that the skin has the property to conduct electricity and that this capacity changes in response to external stimuli. The first empirical studies on galvanic skin response can be dated back more than a century ago. In 1888 Féré (quoted by Neumann and Blanton, 1970) discovered that, by placing two electrodes on the surface of the skin, one could measure the changes in the electrical conductivity of the same. He saw also that electrical conductivity of the skin changed as a response to specific visual, olfactory or auditory stimuli.

Two measures commonly used in the studies of this kind are the skin conductance level (SCL) and the skin conductance response (SCR) that come in response to an external stimulus. The skin conductance level (SCL) is the baseline level of skin conductance. An environmental stimulus (sound, smell, sight) can evoke time related changes in skin conductance. These are generally referred to as skin conductance responses (SCR) or as galvanic skin responses (Dawson, Schell and Filion, 2000).

An example of a measurement of the skin conductivity response is shown in Figure 1.

A change in electrical resistance of the skin (SCR) shows that the stimulus was perceived. From that we can assume that the stimulus generated an emotion in the examined subject. The magnitude of the response (SCR) is related to the magnitude of the stimulus. Stronger stimuli give stronger responses (Dawson, Schell and Filion 2000).

It is clear that the measurement of dermoelectrical activity can be extremely useful in marketing research because it allows understanding the emotional state of the consumer without the need to ask questions.

Goodman (1985) reports that - in the studies on the effectiveness of media communication - the detection of electrical conductivity of the skin can be traced back to the end of 1930's. Starting from years '50 (the first study on that field is that one of Golin and Lierly, 1950) many authors have used the detection of the skin electrical activity in advertising research. Particularly interesting are the studies of Caffyn (1964) and that one of Kohan (1968). Both the authors measured the emotional response to advertising using a GSR equipment ending with similar results. Caffyn (1964) concluded that when the researcher uses this "laboratory technique" is really difficult for consumers to misrepresent their feelings. Similarly Kohan (1968) reported that the GSR was a better measure than verbal reports.

More recently authors in advertising research combined the skin conductance measurement with other physiological measure such as the heart rate. For instance Lang (1990) collected and analyzed heart rate data to show both short-term attentional responses and longer term arousal in subjects viewing commercial messages Cassisi et al. (1999) used heart rate and skin conductance measurement to examine reaction of moderate social drinkers to alcohol advertising. They showed some advertisements to two different groups of subjects, one group of drinkers and one group of moderate drinkers. They found that drinkers participants demonstrated increased skin conductance over the test stimuli compared to control subjects.

Hall (2002) used statistical algorithms that translate heart rhythms into a linear scale measuring pleasure and displeasure, combined with changes in skin conductance, to create a normalized measure of emotional response to advertising. He concluded that reading the electrical symbols of the body may offer the simplest and most robust alternative to copy-testing methods. In his later study the same author(Hall, 2004) suggests that this methodology is even better than the one of brain imaging because is less expensive for the researcher and less intrusive for the respondent.

The best review of marketing literature on the measurement of electro-dermal activity has been provided by La Barbera and Tucciarone (1995). They also developed some guidelines for marketing practitioners and academic researchers concerning equipment and statistical formulas that need to be taken into consideration when designing skin conductance research. These guiding principles could be very useful especially when it has been observed that "a lot of previous skin conductance studies in advertising (mostly carried out in the 1960s) failed to find effects of skin conductance because they lacked sensitive equipment and accurate statistical protocols" (Poels and Dewitte, 2006 p.25).

One of the main limitation of skin conductance measurement is that it cannot determine the direction (like/dislike) of the emotion measured (La Barbera and Tucciarone, 1995; Poels and Dewitte, 2006). For example if we measure a raise in electrical conductivity of one person's skin while viewing an advertisement, we can't say that this happened because he liked or disliked the advertisement. Of course, "a fairly simple resolution is to conduct verbal post-interviews following the physiological measurement and ask subjects to report whether the emotion aroused was one of like or dislike toward the advertiser's message" (La Barbera and Tucciarone, 1995, p. 36).

Figure 1 : Skin Conductance Response

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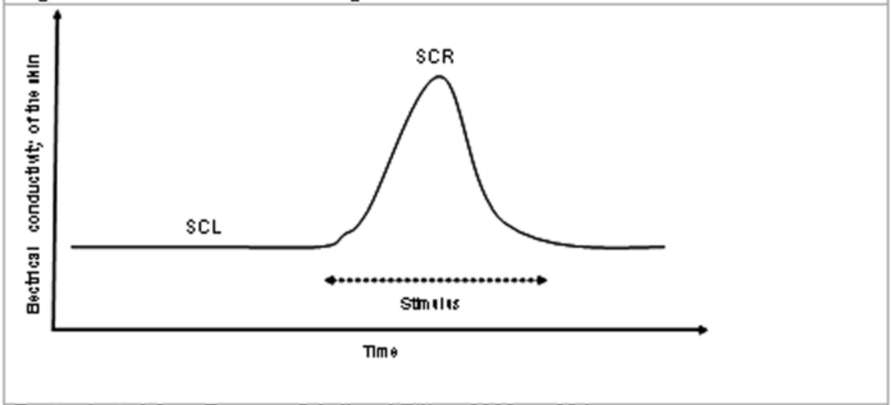

Font: adapted from Dawson, Schell and Filion, 2000, p. 236.

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The equipment needed to carry out a skin conductance research can be easily found on the market with prices ranging from 100 € for a really basic apparatus to some thousands of euros for a more complex model. The good availability of these equipments (and related software) at a reasonable cost makes the research on electrical conductivity of the skin very attractive for academic researchers.

Eyetracking analysis: basic principles and marketing applications

Eye tracking is the process of measuring either the point of gaze ("where we are looking") or the motion of eyes. General studies on eye tracking, as well as those on electro-dermal activity, date back more than a century ago. Huey (1968) reports that the first studies should be allocated to a French ophthalmologist, Louis Emile Javal, who in 1879 observed that reading does not involve a smooth sweeping of the eyes along the text, as previously assumed, but a series of short stops (called fixations) and fast movements (called saccades). This observation raised important questions about eye movement and vision, which were explored during the 1900s. Rayner (1998), reviewing more than one hundred years of studies on eye tracking, identified three different periods: a first one (1879-1920) characterized by the discovery of the basic eye movements (fixations, saccades, etc.) a second one (1930-1958) characterized by the advances in psychological theory that linked eye tracking data to cognitive processes and a last-one (1970-1998) characterized by the diffusion of more accurate eye movements recording systems and easily obtained measurements.

Nowadays, fixations and saccades are still the basis of eye-tracking studies. In fact, the basic assumption of eye-tracking studies is that when looking at a visual display and completing a task, the location of a fixation indicates the area of interest (Just and Carpenter, 1976). The former is also called strong eye-mind hypothesis. It follows that, in an eye-tracking study, the researcher assumes that when a subject looks at a word or object, he or she also thinks about (process cognitively), and for exactly as long as the recorded fixation.

By using a special apparatus (called eye tracker) eye movements can be recorded. Recordings can be used to ascertain the user's attentional pattern over a given stimulus (Duchowski, 2002). This is really useful in a lot of marketing application from the advertisement copy testing to new product testing to web usability testing.

Many marketing researchers used eye-tracking to understand how the consumer disperses visual attention over different forms of advertising and what particular features cause people to notice an advertisement.

Lohse (1997) conducted an analysis of eye movements over advertisements in Yellow Pages.

He concluded that size, graphics, color, and copy all influence attention to advertisements. In another eye-tracking study Rayner et al. (2001) recorded consumers' eye movements while they were looking at some print advertisements. Analyzing collected data, they found that consumers paid more attention to the text part of the advertisements than to the picture part (Fixation durations and saccade lengths were both longer on the picture part of the ad than the text, but more fixations were made on the text regions).

In a similar study, Pieters and Wedel (2004) tried to discover which element of the advertisement (brand, pictorial or text) capture more consumer attention and how consumer attention to the advertisement changes when there is a change in size of each of these elements. They found that the pictorial is better in capturing attention, independent of its size. The text element best captures attention in direct proportion to its surface size. The brand element most effectively transfers attention to the other elements. Only increments in the text element surface size produce a net gain in attention to the advertisement as a whole.

All these studies are important for marketing academics because they increase our knowledge of the consumer. Most of all, these studies show that eye-tracking analysis can be usefully employed by marketing practitioner during the advertisement pre-testing phase in which the advertisement agencies ask to an audience sample to evaluate the ad, prior to placing it in the media.

As well for advertisement, even new products have to be evaluated before submission to the public market. Normally, this procedure is realized by inviting typical consumers or design experts to evaluate the attractiveness or liking by means of questionnaires or association tests.

Recently some authors (Carbon, Hutzler and Minge 2006) investigated the properties of new product component (car interiors) using an eye-tracker. They invited a group of participants to look at some pictures showing different cars interior design and recorded their eye movements over the images. Then they asked the consumers to rate the attractiveness of the different interior designs. Combining answers and recordings of eye movements and the dilatation of the pupil they concluded that highly complex design are generally more attractive then low complex design (more fixations and greater pupil dilatation). Regardless of the results obtained, their study shows that even the new product pre-testing phase can be accomplished using an eye-tracker.

In recent times, with the growing importance of the internet as communication media, researchers started to use eye-tracking analysis to answer many questions about web advertising and web usability (is homepage layout effective? What effect do blurbs on the homepage have compared to headlines? When is multimedia appropriate? Are ads placed where they will be seen by the audience?) .

On the Web, click-through analysis has been for a long time the only way to assess the internet advertising effectiveness. Dreze and Husserr (2003) utilized an eye-tracking device to investigate online surfers attention to online advertising. Their results suggest that click-through rate is an ineffective measure of banner ad performance because (as it came out from their eye-tracking study) people tend to look at banner without clicking on it.

In a review of eye tracking, Jacob et al. (2003) list 21 studies including the use of eye tracking in usability evaluations; authors highlight the difficulties that characterize this kind of studies such as the need to restrict the movement of participants (in order to record eye movements) or the need to process a big amount of collected data. Anyway the recent advances in technology have made incorporation of eye tracking in usability research much more feasible. Modern eye-tracking systems using video-based cameras to monitor the eyes are significantly smaller than the one used few years ago, thanks to tiny micro-lens cameras and smaller and better computer processors. Pupil detection algorithms improved a lot in the last few years and they allow performing laboratory experiment under realistic conditions where observers can move their heads and (sometimes) even walk freely.

A lot of eye-tracking systems are on the market. The characteristics of these products vary from one producer to another. There are essentially two types of eye-tracker: head mounted and remote. The first ones are devices that combine one or more video cameras mounted on the head of the subject by means of a helmet or a pair of eyeglasses. Remote eye trackers instead are stationary devices that usually contain the camera inside a computer monitor. Many eye-trackers integrate pupillometry systems (that allow to measure pupil dilatation) and they are all supplied with easy to use software applications. Prices are ranging from 6.000 € for a low cost remote system to 40.000 € and even more for more complex devices.

Brain functional imaging: basic principles and marketing application

Brain functional imaging is a fairly recent discipline within medicine and neuroscience. Basically, brain functional imaging enables the processing of information by centres in the brain to be visualized directly. So, while the subject is completing his task, the involved areas of his/her brain are "lighted up" on the scan.

Most common methods of obtaining such functional view of the brain are Positron Emission Tomography (PET) and Functional Magnetic Resonance Imaging (fMRI). PET measures emissions from radioactively labeled chemicals injected into the bloodstream and uses the data to produce two or three-dimensional images of the distribution of the chemicals throughout the brain; fMRI instead detects changes in blood flow to particular areas of the brain (without the need of injecting anything in the subject's blood) providing both an anatomical and a functional view of the brain. Before fMRI technology came online, PET scanning was the preferred method of brain imaging. The main disadvantage of PET was that radioactive material was used, so it wasn't really easy to find people willing to go through this test. Since the 1990s, fMRI has come to dominate the brain mapping field due to its low invasiveness, lack of radiation exposure, and relatively wide availability. Consequently fMRI has been largely used in cognitive science to reveal brain structures and processes associated with perception, thought and action. Recently, also economists and marketing scholars have begun to utilize neuroimaging as a standard tool or procedure for research resulting in the creation of new branches of studies called neuroeconomics (Camerer et al., 2005) and neuromarketing (Lee et al., 2007).

The applications of neuroimaging within marketing literature mainly concern consumer behaviour (Lee et al., 2006). In a first time, academic focus was primarily on advertising research: Ioannides et al. (2000) were the first to apply magnetoencelography to observe consumer's brain reaction to different kind of advertising stimuli (affective and cognitive). The scientists found that in each case different advertising stimuli had different effects on consumers brain. As has been noted by someone else (Poels and Dewitte, 2006) this experiment was really "preliminary" in nature because it involved only three subjects, but it leaded other authors to study the same topic. In fact, there are a number of researchers that have adopted, in the following years, some brain scanning technique to study the effect of advertising on consumer's brain (Ambler et al. 2000; Rossiter et al. 2001; Young, 2002).

Today one of the main focus of research is on the assessment of brand effect on consumer choice. Probably the most well known academic research in this field is the one of McClure et al. (2004). In their study, the scientists tried to understand if brand knowledge and cultural messages influence consumer perceptions of products. The authors considered two nearly identical products (Coca Cola and Pepsi), then they studied how consumer brain work when they are asked to choose between them. The researchers first determined the Coke versus Pepsi preference of 67 volunteer subjects, both by asking them and by subjecting them to blind taste tests. Then they asked the subjects to taste one drink or the other. During this second phase they scanned the subjects' brains using functional magnetic resonance imaging (fMRI). The brain imaging technique adopted enabled the researchers to discover the specific brain regions activated when the subjects used only taste information versus when they also had brand identification. While the researchers found no influence of brand knowledge for Pepsi, they found a dramatic influence of the Coke label on expressed behavioral preference because when consumers heard the names of the brand in advance, three out of four preferred Coke. FMRI data showed that, in this occasion, a different brain area was activated. These results suggest that knowing which drink they taste affects consumer's preference and activates memory-related brain regions that recall cultural influences. In other words, McClure et al., have shown neurologically how a culturally based brand image influences a behavioral choice.

In the above cited study of Erk et al. (2002) magnetic resonance has been used to test the reaction of consumers for two different categories of cars (sport cars and small cars). It emerged that objects of high social value (sport cars) resulted in higher reward center activity (orbitofrontal cortices, anterior congulate regions, occipital cortices) than lesser-valued objects such as small cars.

A very similar study has been carried out by Schaefer et al. (2006). The researchers showed to a group of subjects some cars manufactures' logos. Two groups of logos represented cars manufacturers which were familiar or unfamiliar to the subjects. Then they asked them to imagine using a car of these company and used fMRI to scan subjects brain activity. Results shows that logos of the familiar brands compared to logos of the unfamiliar brands elicited activation of a brain area situated in the medial prefrontal cortex. This is in accord with McClure et al. results even if, "In contrast to the above-mentioned studies, subjects in the present study were not asked to judge the brands according to their individual preferences" (Schaefer et al, 2006, p. 864). In other words, Shaefer et al. (2006) suggested that the brand may influence (at an unconscious level) the consumer choice even before the beginning of the rational process of decision-making.

All these results show how neuroimaging techniques can be useful for marketing purposes. At present there are many producers of fMRI scanners on the market, but prices of these devices are really high also because they are mainly used in the medical field. Anyway, most fMRI scanners allow subjects to be presented with different visual images, sounds and touch stimuli, and to make different actions such as pressing a button or moving a joystick. Marketing researchers and practitioners have been slower in adopting such technologies than their colleagues of economics or cognitive science, (Lee et al., 2007). Probably there are many causes for this delay: first, as mentioned above, the adoption of these technologies requires the availability of a very complex and expensive equipment. Secondly marketing academics often not have the crucial knowledge and skills to properly use such equipment, so they could be forced to ask the collaboration of neuroscientists. This assumption raises a third problem, because, from the point of view of a neuroscientist, the purposes of marketing researchers could seem not appreciable or even contrary to ethics.

Final considerations

This work was intended to provide marketing researchers and practitioner a description of some physiological measurements that can be used within consumer studies. We considered three different ways of analyzing the consumers by reading the messages sent from their body (skin, eyes and brain) further than asking them directly.

First of all we explained the very basic principles of each technique; then we provided a brief review of the marketing literature and we highlighted the possible applications of such tests within the marketing field; finally we considered the costs of purchasing the equipment required to carry out such tests and we evaluated the amount of specific knowledge and skills required to run this kind of experiments and analyze data.

Although they are still little used, these tests seem to be, in many cases, more useful in collecting information from the customer than traditional self report measures (survey, questions, focus group, etc.).

Among the other tests, the skin conductance measurement is the oldest and most well known. This test can be used by advertising specialists in the copy testing phase for the assessment of media and advertisement effectiveness. Its major limitation is that it can only measure the emotional response to advertising while it cannot be used to measure the ad. effectiveness at other level of consumer response (cognitive and behavioural). Moreover, it cannot determine the direction (like/dislike) of the emotion measured. One big advantage is that the equipment needed to run a skin conductance measurement test is really easy to find on the market and costs are really low. In addition such devices often integrate other useful functionality as detection of heart-rate. These devices are not invasive, however they usually require subjects to attach two electrodes to their fingers. Anyway, in order to run a skin conductance experiment specific knowledge in the psycho-physiological field is required. For this reason it is advisable for marketing researcher to be helped by a physiologist and by a psychologist.

Eye tracking analysis is probably the most flexible of these tests because it can be employed in a number of different ways from the assessment of advertising effectiveness, to new product (or new package) testing. Many practitioners now use eyetracking analysis to assess web pages usability. In fact, this kind of analysis is usually preferred to the count of click-through and even to the analysis of mouse movement over the screen. Another application of eyetracking is in the retail field for the assessment of in-store product display effectiveness. Many authors think that in today retail's environment what is unseen is also unsold, so an eyetracking analysis can help retailers to put products on the right place on the shelves.

For a long time, the main problem of the eyetracking technology has been the invasiveness of eye-tracking systems. Old eye trackers imposed researcher of restricting the movement of participants with special contact lenses, electrodes, chin rests, bite bars or other components that must be physically attached to the user. Modern hardware has improved a lot overcoming these problems. Recent advancement in technology has greatly minimized the intrusiveness of head-mounted video-based eye trackers. Furthermore, remotely located video-based eye-tracking systems can be completely unobtrusive (see for instance the commercial product Tobii Et-17). This means that now subjects under observation can act in a very natural way. Eyetracking software has improved too and, generally, is really easy to use, not requiring a particular knowledge in the psycho-physiological field. Finally, one of the most interesting aspects of eyetracking applications is the emergence of a number of open source software and even open-hardware projects (see for example, Li et al., 2005; Li et al. 2006; Babcock and Pelz, 2004) that will make this technology available to all in the next few years.

Brain imaging is the newest and most promising of these techniques. PET and fMRI have enabled neuroscientists to see inside the living brain. This simple observation has great implication for marketing researchers and practitioner that could now be able to use this technology for the assessment of advertising effectiveness, the evaluation of brand effect on consumer choice and even for taking the most correct pricing decision. However there are still many elements limitating the use of brain imaging technology within marketing studies. First of all the cost of equipment needed to run a brain imaging experiment is often prohibitive for an academic researcher, especially when compared to the limited amounts of research funds available in some countries. Secondly, marketing researchers need to ask for the collaboration of neuroscientists to define the experimental design and analyzing data. Third, the invasiveness of brain imaging still represents a quite important limitation. Even if fMRI have overcome the limitations of PET and now subject are not still obliged to inhale radioactive substances or inject them in their body, they are still required to enter in a bulky and unfamiliar machine in which they know they will be observed. Under these conditions, it is probable that the subjects will not act naturally. Last but not least, the use of brain imaging techniques in marketing research raises many ethical problems. For a long time marketing has only be seen as the art of selling. Even today many people think that marketing concerns the best way of taking advantage of advertising against consumer interests. Recently, the press reported the news of the first attempts for the application of neuroimaging techniques to marketing researches. But reporters have suggested the (fundamentally wrong) idea that marketing researchers were trying to find a "buy button" in the brain or a way to create "advertising campaign that will be unable to resist" (see the July 2004 editorial of Nature Neuroscience). We know instead that marketing is first and foremost a science studying consumer needs and that neuroimaging is only another way to achieve this goal. Any marketer (academic or practitioner) knows that advertising can't be used to promote a product until this has not been made to satisfy the specific needs and wishes of a specific group of customers.

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QUALITY MANAGEMENT SYSTEMS IN TOURISM:THE SPANISH CASE

M. MAR ALONSO ALMEIDA
BUSINESS ORGANISATION DEPARTMENT, AUTONOMUS UNIVERSITY OF MADRID, SPAIN

JOSÉ MIGUEL RODRÍGUEZ ANTÓN
BUSINESS ORGANISATION DEPARTMENT, AUTONOMUS UNIVERSITY OF MADRID, SPAIN

LUIS RUBIO ANDRADA
APPLIED ECONOMICS DEPARTMENT, AUTONOMUS UNIVERSITY OF MADRID, SPAIN

Abstract

Since the last decade, tourism has the need for differentiation strategies and quality. These strategies were incorporated in industrial companies, such as the automobile industry and the services sector, such as banking or management consultancy, to compete in a new scene marked by profound changes in both supply and demand.

Faced with this situation is created in the first half of the 90´s Tourism quality Plans, with the passage of time, evolved to become, starting in 1996, at the Spanish Tourism Quality System (SCTE), whose methodology is owned of the General Secretariat of Tourism from Spain.

The bet for the quality as key feature of the Spanish tourism policy embodied in the Comprehensive Plan for Quality Tourism Spanish 2000-2006 (PICTE), developed by the Spanish Tourism Administration. That plan is based on 10 programs, including one specifically refer to the quality in the business. It is currently being developed from the Administration, with the help of the industry and the social partners Tourism, the Plan Tourism 2020 with the objective to achieve the Spanish Tourist System was the most competitive and sustainable in the world .

Key words: quality management systems, tourism, diffusion

INTRODUCTION

At the beginning of the nineties, tourist enterprises in some countries began to notice that the competitive advantages on which their businesses were run, and which had converted the tourist sector into a reference, were being considerably reduced. Price competition, as a traditional strategy of many tourist companies, was shown with time to be an impossible, unsustainable alternative, especially in the presence of a setting characterized by its great competitiveness and rivalry (both at a company and destination level), the sudden emergence of new tourist destinations, the globalization of the sector, and the important influence of political, economic, social, environmental and technological factors (Camisón, 2004; Macleod, 2004).

Moreover, in the last twenty years, consumer habits have undergone important changes (Tribe, 1999; Esteve, 2001; González and Bello, 2002). The search for free time, travel for leisure and short holiday breaks throughout the year, have become generalized, thanks to, among other factors, the popularizing of certain means of air transport and, in particular, to the proliferation of low cost companies, or to the emergence of more economical tourist destinations (Alonso et al, 2006; Talón et al., 2007).On the other hand, today's tourist places increasingly greater value on his/her money, has greater experience, and is more demanding in the provision of an individualized, flexible, quality service (Figuerola, 2006; Trunfin et al., 2006). To all the aforementioned, it must be added that there is greater environmental awareness, and a growing concern for climatic change (Nicholls, 2004; Hall and Higham, 2005).

As a consequence, the Tourism sector has seen the need to adopt differentiation and quality strategies, already incorporated in industrial companies, such as the automotive industry, and the service sector, such as banks, or the hospital sector, in order to compete in a new setting marked by great changes, both in offer and demand. A myriad of empirical studies have appeared in the last few years, analysing quality in different tourist sub-sectors, such as, for example, in rural accommodation (Reichel et al, 2000; Albacete et al, 2007), hotels (Sharpley et al, 2003; Tsaur and Yin-Chun Lin, 2004; Briggs et al, 2007), or in tourist destinations in general (Graefe and Vaske, 1987; Wall, 1995; Go and Govers, 2000).

Nonetheless, all of them have been focused on assessing customer satisfaction, or implementing models for Total Quality Management, but none of them has focused on an innovating aspect in the sector: quality assurance by implementing standardized quality management systems to do so.

This research, of an exploratory nature as it is the first study of these characteristics, will analyse how the diffusion of these standards has taken place in tourist enterprises, with the aim of gauging their real impact and forecasting their future importance.

SPANISH QUALITY MANAGEMENT SYSTEMS IN TOURISM (SCTE)

Since their deployment in 1996, the SCTE has had two basic objectives:

1. Equipping Spanish tourism companies of a common methodology to establish a Management system and improving the quality that allows companies to maintain and improve its competitive position.

2. Supporting institutionally Quality Mark Tourist Spanish Q of brand recognition as a destination for quality Spanish.

The system is based on four components:

- Some quality standards for each subsector tourist specific standards that define processes and services and the quality system requirements.

- A system where an independent third party certification ensures that companies fulfil the standards.

- The quality mark Q.

- An agency manager, the Institute for Spanish Tourism Quality (ICTE), which promotes the application of the system and ensures compliance, development and dissemination

The ICTE since its establishment in 2000 born with a mission to strengthen the SCTE and the credibility and reach of the mark of quality tourism Spanish Q. At present, the ICTE has published 17 different quality standards for tourism companies, six of which have been transformed into UNE Rules, which gives greater recognition in the national territory (see Table 1).

EVOLUTION OF THE CERTIFICATION OF THE MARK Q

At end of 2007 over 2,117 companies are certified by the mark Q (see Figure 1).

As can be seen in Figure 1, the distribution of certification is dominated by travel agents (1,164), representing 55% of the total number of registered companies and firms accommodations (445) 21% of certified companies. Then there are an amount well below the lodgings (179), catering (104) and the beaches (59). In other subsectors tourist certificates presente some very low numbers. There is not, at present, any firm time-sharing, or any golf course certificated.

For autonomous regions (see figure 2), tourism certification is more established in Catalonia (301), Madrid (255), Andalucía (225) and Valencia (200).

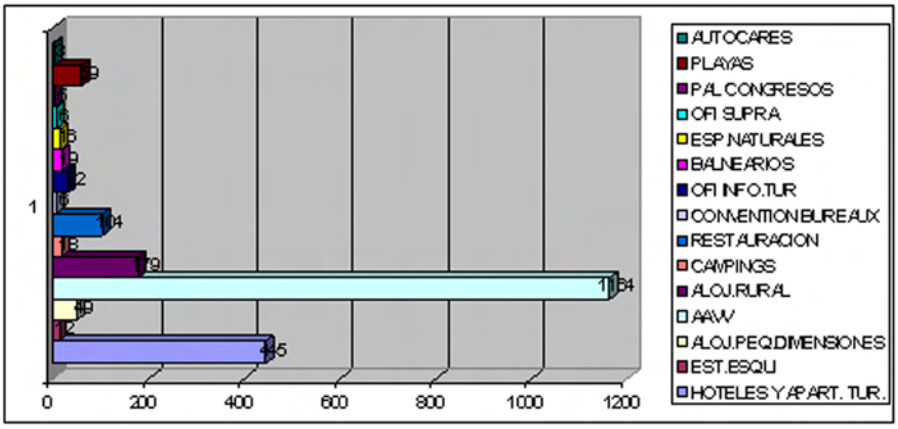
It highlights the fact that in two years, some regions have doubled the number of certified companies (see figure 3) and the Basque Country, Castile Leon and Galicia, Castilla-La Mancha has tripled the number of certifications and has the number has quadrupled in La Rioja. While in other cases, autonomous communities with a strong history and dependence on their economy of Tourism, as the Canaries, the number of certified companies have virtually remained unshaken and others, such as the Balearic Islands have even fallen.

As can be seen in Figure 4 2004 there has been a considerable increase in the number of firms that have been certified with the regulations Q, thanks to the support of the administration and the campaigns both nationally and internationally, training sector and, in 2007, the creation of a directory of certified firms and an information manual on certification.

Table 1. Quality Management Standards tourism in Spain

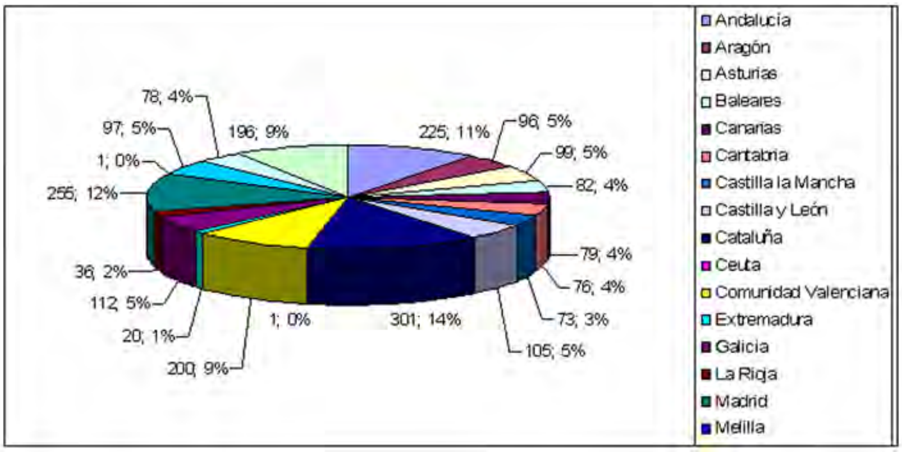
Quality Standard for Travel Agencies. Now UNE 189001:2006 Tourist services and brokerage
Quality Standard for Tourist Accommodations Small Sizes
Quality Standard for Business Tourist Coaches
Quality Standard for Thermal Stations
Quality Standard for Camping and cities Holidays. Now UNE184001: 2007 Camping and holiday Cities
Quality Standard for Golf Courses
Quality Standard for Agritourism. Now UNE183001: 2006 Rural Accommodations
Quality Standard for Convention Bureaux
Quality Standard for Rural Areas and Protected
Quality Standard for Seasons Ski and Mountain. Now UNE 188002:2006
Quality Standard for Tourist Hotels and apartments. Now UNE 182001:2005
Quality Standard for Tourist Information Offices
Quality Standard for Tourist Information Offices of supranational
Quality Standard for Palacios Congress
Quality Standard for Beaches
Quality Standard for Restaurants. Now UNE 167000:2006 Restoration
Quality Standard for Business Time Share

Figure 1. Companies certified with the Q in 2007.



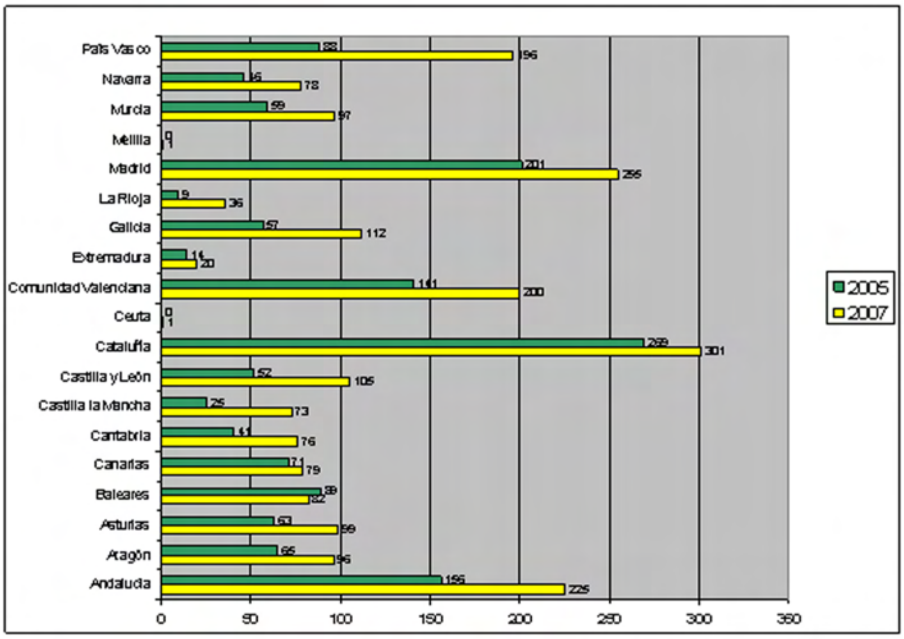
Source: Calculations based on data from ICTE. www.icte.es

Figure 2. Companies certified by the Q autonomous regions.



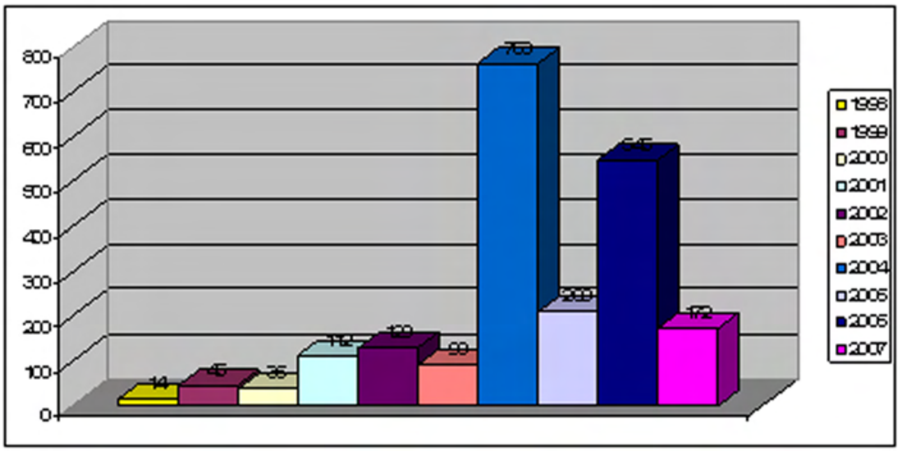
Source: Calculations based on data from ICTE. www.icte.es

Figure 3. Compare years 2005-2007 certified companies with the Q by autonomous regions.



Source: Calculations based on data from ICTE. www.icte.es

Figure 4. Q Certification per year and cumulative.



Source: Calculations based on data from ICTE. www.icte.es

CONCLUSIONS

Although since 2004 certification of tourism enterprises with the trademark Q has increased considerably, it is still inadequate given the number of tourist establishments in Spain and the weight that the tourism sector has in the Spanish economy. The conversion of the regulations Q rule UNE brings benefits to both companies and certified as those who wish to do so, since it allows the choice of auditor; renewal of the certification is done, in line with other UNE regulations, every three years , instead of every two, expands the number of trained professionals to carry out the work necessary to obtain certification and helps make it more transparent and uniform the process of auditing and certification.

Spain has been marked as a goal to lead the international certification in the tourism sector from his experience in the field Spanish. For this part of the committee ISO / TC 228 “Tourism and related services”, which is within the International Organization for Standardization (ISO), in order to develop quality standards for activities and services in the tourism sector. The Secretariat of the Committee is held by Spain through AENOR, as Spanish Agency for Standardization, his counterpart association in Tunisia. The presidency is also Spanish, and the Spanish delegation is represented by the General Secretariat of Tourism and the business sector.

In conclusion we can say that Spain is well positioned to lead the international certification in the tourism sector, but still must make a greater effort internally by the Central Administration, Regional and Local, awareness of the importance and need to incorporate a quality culture in tourism between Spanish companies in the sector.

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THE LEGALITIES OF E-COMMERCE,

ANTONIOS STYLIANOU,
UNIVERSITY OF NICOSIA, CYPRUS

Abstract

The aim of this paper is to provide for an examination of the law relating to Electronic Commerce.

As it has been widely accepted and noted, by changing the way in which goods were manufactured, marketed and sold, the industrial revolution posed new problems for commercial law or, indeed, the consumers. To the same effect, the technological revolution of the 20th century and the new modalities of trade at the beginning of the 21st century are bringing about changes just as great. E-commerce affects the way business is done, the way in which goods and services are marketed, the way in which contracts are made and performed and even the range and type of products which are sold. It therefore poses new challenges for the law, which must respond to these developments and it also poses new challenges for the consumer, who has to adopt himself/herself to these changing circumstances.

Perhaps the most significant aspect of the technological revolution is the development of e-commerce, briefly defined as the marketing and supply of goods and services through electronic media.

E-commerce offers opportunities to both businesses and consumers. It offers businesses access to a wider, potentially global, customer base without the need to maintain an expensive infrastructure of physical outlets. It enables customers for both goods and services to choose from a much wider range of suppliers than is possible using traditional means.

The essential challenge for the law is to facilitate the use and development of e-commerce by creating a suitable legal environment in which it can develop. In particular, if consumers are to be encouraged to use e-commerce, some regulation of the environment may be required to give them the required degree of confidence to do so. To an extent, therefore, the challenge e-commerce poses for the law is the challenge faced by commercial law generally – to strike the right balance between facilitation and regulation.

E-commerce, however, raises a series of problems, which both businesses and consumers should be aware. These include legal issues of data protection, confidentiality, copyright etc. Moreover, public policy issues enter the equation: security of data messages may be improved by use of encryption techniques, but encryption techniques may allow criminals and terrorists to escape the surveillance of law enforcement and security authorities. On the other hand, allowing such authorities to have access to data raises issues of privacy, civil liberties and human rights in general. Finally, it should be emphasized that legislation in this area must not be too technology-specific. The speed of technological advancement now is such that legislation directed specifically at existing technologies would risk freezing the law, making it likely to be quickly rendered obsolete by new developments.

An overview of the e-commerce Directive (2000/31/EC), which is Europe's basic legal framework for electronic commerce in the internal market, will be provided and explained.

Key words: e-commerce law

Introduction:

By changing the way in which goods were manufactured, marketed and sold, the industrial revolution in the late 18th and early 19th centuries posed new problems for commercial law or, indeed, the consumers. To the same effect, the technological revolution of the 20th century and the new modalities of trade at the beginning of the 21st century are bringing about changes just as great. One of these changes is electronic commerce, legally defined in broad terms as any sales or trading transaction that takes place over the internet. From a business perspective, e-commerce is mainly seen as "the use of internet-worked computers to support business operations in order to increase delivery speed and reduce operational costs” (Brinson et al, 2001).

E-commerce affects the way business is done, the way in which goods and services are marketed, the way in which contracts are made and performed and even the range and type of products which are sold. Due to the fragility of normal commercial practices, depending upon different market forces, there is, arguably, discordance between commercial law and e-commerce law. E-commerce, therefore poses new challenges for the law, which must respond to these developments and it also poses new challenges for the consumer, who has to adopt himself/herself to these changing circumstances and familiarize his/her commercial activities with them.

The European Union and subsequently Cyprus has adopted a series of legislative measures and instruments to regulate the growing area of e-commerce. To this respect, an overview of relevant instruments and pieces of legislation is provided, with the aim to pinpoint the essential characteristics of e-commerce in Cyprus' European era in particular. Moreover, an examination of the problems arising out of e-commerce is being made, in order to reiterate the need for wider and more in-depth facilitation of the use and development of e-commerce, with a view to protect to a greater extent consumers and other users of this form of trade.

A telegraphic history of E-commerce: Its nature and function

The late 1990s saw a major development in the way in which goods were traded. Internet-based electronic commerce had become, at that time and today, “the most talked about business phenomenon of the 20th century” (Seybold & Marshak, 1998). Electronic commerce was then seen as a revolutionary commercial idea and a new economy based on the technology of e-commerce has since then emerged (Rosenbloom, 2003). At the first years of its development, however, electronic commerce was looking more and more to be at best an evolution, and as such it is taken to be in the context of this paper, whereby the legal examination of the concept is based on traditional theories of commercial, consumer and contract law.

The future of e-commerce in the 21st century is rather being defined or characterized by the influence of consumer behavior on the one hand, and the development of legal instruments to regulate the changing character of commerce. To this respect, it is important to note the role that technological advances and economics have played, as a major force towards the creation of internet based trade.

Since technology was placed, at an early stage, “on a pedestal and worshipped as the transformational force not only for business, but for society in general on a global scale” (Kalakota & Robinson, 1999), it was forecasted that the internet changes everything, becoming ‘the mantra of the hordes’ of newly minted dot-com startups as well as old-economy businesses, organizations, and government agencies that thought they had better get in tune with the times, even if they had little understanding of the technology (Rosenbloom, 1998). Technology, arguably, has changed our daily lives and societal affairs, and by necessary implication, our consumer behavior. In other words, technological feasibility has driven behavioral change, especially in relation to electronic commerce. The addition of the economic dimension created, and creates, a compelling combination. The internet based trade has proven to be efficient and cost saving for business, which now have replaced, or have added to, the physical infrastructure such as retail stores, shopping malls etc with electrons roaming around in the cyberspace (Rosenbloom, 1998).

Before we turn into an examination of the legalities of e-commerce, it should be noted that at its commencement, electronic commerce was taken to mean the facilitation of commercial transactions electronically by using Electronic Data Interchange, i.e. the electronic transfer from computer to computer of information using an agreed standard to structure the information (EDI) and Electronic Funds Transfer (EFT) technology, which have been developed during the late 1970s. The expansion of technological and economic forces in the 1980s by the growth and acceptance of credit cards have also led to the kick-start of internet based consumer and business transactions relating to trading, selling and buying goods at the press of a button in our keyboards. In the ‘dot com’ era, electronic commerce has evolved into a virtual reality marketplace, whereby consumers and traders meet in the cyberspace, trading from groceries to cars and houses. Starting with Amazon.com in July

1995, electronic commerce has been rising since then to its peak, with thousands of online stores, auction sites such as EBay, supermarkets and everything that our human imagination could think of, transforming trade in two respects: firstly, by changing the way businesses trade their products, and secondly, by giving the option to consumers to choose among a plethora of like products at different places at the same time.

The challenge of legal regulation:

Drastic changes have occurred since the inception of the idea of electronic commerce and its development and evolution and the law had to regulate and keep in pace with them, striving to keep pace with the evolving use of technology for commercial transactions (Friden & Roche, 2006).

The challenge of legal regulation of e-commerce is undoubtedly a major one, touching upon both international and national perspectives. It is argued that the law should be drawn in such lines so as to protect the interests of the people, and in the context under examination, the interests of the consumers.

The United Nations Commission on International Trade Law Model Law:

At an international level, the United Nations Commission on International Trade Law (UNCITRAL), established by the General Assembly in 1966 by Resolution 2205(XXI), has the stated aim of reducing or removing obstacles to the flow of trade created by the disparities in national laws governing international trade. In 1996, UNCITRAL adopted the Model Law on Electronic Commerce, which is intended to facilitate the use of modern means of communications and storage of information, based on the establishment of a functional equivalent in electronic media for paper-based concepts such as ‘writing’, ‘signature’ and ‘original’ (UNCITRAL). It is expected that the 1996 Model Law will play a significant role in enhancing e-commerce and its legal regulation, and will contribute significantly to the development of harmonious international economic relations (GA Resolution 51/162).

The UNCITRAL Model Law on Electronic Commerce applies to any kind of information in the form of a data message used in the context of commercial activities, and thus has an important role on regulating the selling and buying of goods online. Accordingly, it provides for legal recognition of data messages (Article 5), sets the guidelines in relation to information that has to be in writing (Article 6), deals with issues of signing the contract of purchase, establishing that this requirement is met in relation to a data message if a method is used to identify that person and to indicate the person’s approval of the information contained in the data message and that method is as reliable as was appropriate for the purpose for which the data message was generated or communicated, in the light of all the circumstances, including any relevant agreement (Article 7). The Model Law also deals with situations where the law requires information to be presented or retained in its original form (Article 8), the admissibility and evidential weight of data messages (Article 9), retention of data messages (Article 10), formation and validity of contracts, maintaining that in the context of contract formation, unless otherwise agreed by the parties, an offer and the acceptance of an offer may be expressed by means of data messages (Article 11) and acknowledgement of receipts (Article 14). Finally, the model law covers situations such as actions related to contracts of carriage of goods (Article 16) and transport documents (Article 17).

It should be noted that the UNCITRAL Model Law is not a legally binding document. It merely offers national legislators a set of internationally acceptable rules as to how a number of legal obstacles in relation to e-commerce may be removed, and how a more secure legal environment may be created (UNCITRAL, Guide to Enactment). It should also be noted that the UNCITRAL Model Law has not been legislative implemented by any of the Member States of the European Union, except Slovenia, which in 2000 (at a time that she was not a Member of the EU) has adopted legislation implementing provisions of the Model Law.

UNCITRAL has also established particular criteria of technical reliability for the equivalence between electronic and hand-written signatures by its 2001 Model Law on Electronic Signatures. According to the Commission, the Model Law follows a technology-neutral approach, which avoids favoring the use of any specific technical product. The Model Law further establishes basic rules of conduct that may serve as guidelines for assessing possible responsibilities and liabilities for the signatory, the relying party and trusted third parties intervening in the signature process (UNCITRAL).

European Union Law on E-commerce:

The e-commerce Directive 2000/31/EC of 2000 is Europe's basic legal framework for electronic market in the Internal Market. Generally speaking, the Directive removes obstacles to cross-border online services in the European Union and aims to provide legal certainty to business and consumers alike. The Directive aims to benefit information society services from the Internal Market principles of free movement of services and freedom of establishment in a Europe of 27 and possibly more States and establishes harmonized rules on issues such as the transparency and information requirements for online service providers, commercial communications, electronic contracts and limitations of liability of intermediary service providers.

The underlying rationale for the adoption of the e-commerce Directive is, as it was stated above, the realization of the Internal Market principles of the free movement of goods and services in the development of information society services, which will lead, accordingly, to the elimination of the barriers which divide the European peoples (e-commerce Directive, Preamble, paragraph 1). The development of electronic commerce, therefore, will create significant employment opportunities in the Community and could thus benefit the Internal Market.

The e-commerce Directive eliminates the problem of concluding contracts by electronic means. This problem is the most prominent one in relation to e-commerce, since various jurisdictions do not allow for the enforcement of such contracts, thus hindering consumers' behavior in relation to buying and selling goods and services online. Article 9 of the e-commerce Directive essentially calls the Member States to ensure that their legal system allows contracts to be concluded by electronic means. Thus, the first major obstacle to e-commerce – that of its credibility and enforceability – is accordingly being removed.

Additionally, the EU Directive on e-commerce deals with technical issues in relation to electronic commerce, such as placing an order online (Article 11), the liability of intermediary service provides (Section 4, Articles 12-15) and the technical steps for the proper implementation of the Directive (Chapter III).

The European Commission has issued a Report in 2003 on the application of Directive 2000/31/EC. The report concludes that the Directive has had a substantial and positive effect on e-commerce within Europe, creating a straightforward Internal Market framework which allows e-commerce to grow across national borders (Commission's Report, 2003). Feedback from various Member States and Reports from the European Commission, the European Parliament and the Council of the European Union suggest that the e-commerce Directive provides a light and flexible legal framework for e-commerce.

Cyprus and e-commerce:

The Republic of Cyprus passed a number of legal instruments when it formally joined the European Union in 2004 relating to e-commerce. These laws include the Regulation of Electronic Communications and Posts Law (Law 112(I)/2004), the Legal Framework for Electronic Signatures and for Relevant Matters Law (Law 188(I)/2004) and the 2002 Law on Radio-communications (as amended). These laws transposed the European Union's regulatory framework on e-commerce and electronic signatures into national law, but nevertheless failed to introduce the necessary secondary legislation for the Law on Electronic Communications.

As regards electronic signatures, a pre-requisite for buying or selling goods or services on the internet, Law 188(I)/2004 on the Legal Framework of E-signatures and relevant issues, recognizes three different types of electronic signatures. Firstly, the law recognizes the 'electronic signature', which is the most simplified form of signature with the widest application. The relevant Law defines the electronic signature as "the data in electronic form which are attached to or logically associated with other electronic data and which serve as a method of authentication." Secondly, the Law recognizes 'the advanced electronic signature', which is based on the public key infrastructure (PKI), involving the use of encryption technology to sign data, and is defined as:

An electronic signature which meets the following requirements:

(a) it is uniquely linked to the signatory;

(b) it is capable of identifying the signatory;

(c) it is created using means that the signatory can maintain under his sole control; and

(d) it is linked to the data to which it relates in such a manner that any subsequent change of the data is detectable.

Finally, the Law recognizes 'the qualified electronic signature', which, although not being defined in the said Law, is generally accepted to be an advanced electronic signature which is created within a secure signature creation device and authenticated through a Qualified Certificate. All of these types of signatures may have a legal value, i.e. they can be relied upon and bound the signatory or the other party depending on the circumstances. The Law excludes from its application any provisions of domestic laws requiring the use of paper for certain types of documents, such as contracts for the sale of land, which in Cyprus are required by law to be on paper.

Cyprus has additionally implemented EC Directive 97/7/EC on the Protection of Consumers in respect of Distance Contracts by enacting Law 14(I)/2000, published in the Official Gazette on 28 January 2000. Moreover, the Directive on Certain Aspects of the Sale of Consumer Goods and Associated Guarantees has been incorporated into national law by Law 7(I)/2000, published on 28 January 2000. Additionally, Directives 1998/6/EC on Consumer Protection in the indication of the prices of products offered to consumers, 2000/31/EC on certain legal aspects of information society services, in particular electronic commerce in the Internal Market, 1993/13/EC on Unfair Terms in consumer contracts, and 2002/65/EC concerning the distance marketing of consumer financial services have been all implemented into national law by Laws 112(I)/2000 published on 14 July 2000, 156(I)/2004 published on 30 April 2004, 93(I)/1996 published on 8 November 1996 and 242(I)/2004 published on 5 November 2004 respectively.

The aforementioned Directives and Cyprus legislation deal with a variety of legal issues relating to electronic commerce, and therefore their application is of the utmost importance for regulating trade on the internet, and the consumers in general, since they provide for the legal basis on which they could found a claim for breaches of contracts made through the internet. So, for example, the legislation quoted above provides for certain aspects of the information society services and in particular electronic commerce and for related issues and so on (Emilianides, 2007). The aforesaid legislation also deals with electronic invitation to make an offer and acceptance, both core elements of contract law, thus allowing contracts to be concluded by the use of electronic means (Article 12, Law 156(I)/2004).

According to Cypriot (and European Union) legislation, the consumer should be informed, inter alia, about the identification, main activities and address of the supplier, the main characteristics of the financial services to be provided, the fee to paid to the supplier by the consumer and the tax thereupon, the right to withdraw from the contract, the applicable law and competent locus, rights of the parties, and practical instructions for exercising the right to withdraw (Law 242(I)/2004).

Conclusions:

The 12th February 2008 was the 5th Safer Internet Day, established by the European Commission in order to promote safer use of the Internet and new online technologies, including e-commerce. On the occasion of this day, the Statistical Office of the European Communities, Eurostat, presented a selection of statistics concerning internet activities, among of which e-shopping or e-commerce. According to Eurostat, the percentage of individuals aged 16 to 74 in the European Union who ordered goods or services over the internet increased from 24% in 2005 to 30% in 2007. The highest proportions of internet shoppers in 2007 were recorded in Denmark, where something more than half of the population used e-commerce, and the lowest in Bulgaria and Romania, where only 3% of their population respectively used the internet to buy goods or services. In Cyprus only 10% used the internet to make their shopping, and actually the most e-shopping security concerns, i.e. worries about giving credit card or personal details online, were most common in Spain (27%), Finland (26%) and Cyprus (20%).

Those fears, worries and difficulties should be overcome and the law has to keep in track with the continuing developments and evolution in electronic commerce. The consumer has a lot to benefit from the swift evolution and further development of this kind of trade and the market economy will be further improved, thus opening the ground for a better social cohesion, benefits and advantages for the end users. By necessary implication, however, consumer behavior in relation to e-commerce has to be aware of the dangers and problems arising out of such method of trade. In a great majority of the cases, internet fraud might be difficult to be proven, not to say to be enforced against, and this is one of the major detrimental factors counting against more consumer involvement in e-commerce. Confidence-building measures in relation to e-commerce should be provided, not only by law, but also by administrative action, civil society involvement and consumer protection agencies, striking the right balance between facilitation and regulation.

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STUDENTS VIEWS ON HIGHER EDUCATION

YIOULA MELANTHIOU
UNIVERSITY OF NICOSIA, CYPRUS

Abstract:

Even though the area of student choice for higher education has received considerable attention, the research that has been undertaken until now has not directly dealt with gaining a full understanding of the behaviour of students towards the decision to pursue higher education, but has rather concentrated on various factors influencing University choice. In an effort to gather more insight into this behaviour, a two-phase qualitative study consisting of fifty eight (58) interviews was carried out. Laddering interviews were used to gather data in the first phase, which unveiled the motives of students for choice of higher education. In an effort do identify whether students go through a 'decision process' when choosing to pursue higher education or not, narrative interviews were carried out in the second phase. Both techniques used for this study produced rich data presenting a clear picture of students and their behaviour with regards to this important decision.

Keywords: Student choice, higher education, laddering interviews, narrative interviews

Introduction

The area of student choice and higher education has received considerable attention. However, the research that has been undertaken until now has not directly dealt with gaining a full understanding of the behaviour of students for the decision to pursue or not to pursue higher education. Rather, it has concentrated on finding out why students choose one university over the other, what factors affect their choice of institution, why some factors affect the choice of institution more or less than others, how much weight each factor has on the choice of institution, and so on. The understanding of the behaviour of students for choice of higher education overall has not been given adequate attention.

In order to understand the decision for choice of higher education one needs to understand all that leads to this decision, and this can be done by understanding the behaviour which drives it. This paper presents a part of a research carried out, with the main objectives of this research being to discover the motives and values that drive students' behaviour for choice to pursue higher education, to understand the behaviour of students behind their decision to pursue higher education, and to determine whether students go through a decision making process for choice of higher education. The purpose of research and the specific objectives had been developed following an extensive literature review in the area of student choice, and after having identified a number of gaps in the existing literature. A brief introduction to the literature on higher education and specifically student choice will follow.

Higher Education in Brief

Higher education, by definition, includes all types of studies, training or training for research at the post-secondary level, provided by universities or other educational establishments that are approved as institutions of higher education by the competent State authorities (UNESCO, 1993). Higher education can be accessed straight after high school or it could be accessed at any other point of one's life. On an individual level, higher education might lead to a better job and a higher salary, and perhaps a higher quality of life. But it not only helps the individual. The core mission of higher education is to contribute to the sustainable development and improvement of society as a whole by, among other things, educating highly qualified graduates and responsible citizens, providing opportunities for higher learning and for learning throughout life, advance, create and disseminate knowledge through research (UNESCO, 1998). Thus, society and the economy are also considered as large beneficiaries of higher education, other than the people actually pursuing higher education. The knowledge that some individuals acquire from higher education may then be used as a natural resource by society. A resource that can be used to build roads and bridges for example, invent new technologies and successfully produce and market goods and services. A society, or a country, which invests in higher education is investing in the people that will then be able to offer to a country's wealth. The knowledge which is acquired through higher education will be put into use by building better roads and airports for example. This could possibly lead to a good infrastructure and transportation system in, out, and around a country which will in turn attract tourism and could thus work as a country's source of income. Higher education should therefore not be perceived as a service which is benefiting the individual but rather as a public good and a national asset, since its use may be considered as benefiting all. This notion that higher education is vital for society and the economic development was also supported at the World Conference on Higher Education:

"There is an unprecedented demand for and a great diversification in higher education, as well as an increased awareness of its vital importance for sociocultural and economic development, and for building the future, for which the younger generations will need to be equipped with new skills, knowledge and ideals" (UNESCO, 1998).

Higher Education in Cyprus

Cyprus is the third largest island in the Mediterranean Sea, with an area of 9,251 sq. km., and the third smallest country in the EU (after Luxembourg and Malta) both in surface area and in population. Cyprus became politically independent from British rule in 1960 and after overcoming severe economic and social problems caused by the Turkish invasion and occupation, in May 2004 Cyprus became a full member of the European Union.

Recognising the fact that education is closely tied to employment and unemployment levels, some Governments have been increasing the public spend on education, thus investing in their human capital. Government expenditure in Cyprus on both public and private education has risen significantly since its independence in 1960, and is currently at 6.9% of the country's GDP (CYSTAT, 2006). Looking at a comparison of education indicators between European countries, the public expenditure on education as a percentage of GDP in 2003 showed that Cyprus had the third highest percentage investment (7.36%) towards education, after Denmark (8.28%) and Sweden (7.36%) (European Commission, 2008).

Taking a glance at the statistics of education in Cyprus it is difficult for anyone to doubt the need for education of Greek Cypriots. In 2002, Cyprus had the third highest percentage (36%) of people between the ages of 30-34 with tertiary education qualifications, among 29 other European countries (European Commission, 2005). Even during 1974/75 when Cyprus was at war, there were 12,393 enrolments in HEIs abroad, and 718 enrolments in higher education institutions (HEIs) in Cyprus (CYSTAT, 2007).

Looking at the data of new entrants in higher education, the analogy of those in Cyprus versus abroad is striking. The data for 2005/06 show that 81% of high school graduates enrol in HEIs (new entrants) compared to 75% in 2004/05, and 66% in 2003/04. Out of high school graduates who enrolled in HEIs in 2005/06, 38% registered in a HEI in Cyprus and 62% registered in a HEI abroad (CYSTAT, 2007). During the last ten years there has been a change in this ratio however. Up until 2000/01, more (or sometimes the same number of) upper secondary level graduates chose to study in Cyprus than abroad, but after that it appears that more graduates are now choosing to study abroad rather than in Cyprus (Cyprus: Abroad, 4:6). Even with the presence of one University , 7 public HEIs (colleges), and over 20 private HEIs (colleges) offering degrees in Cyprus, still it does not appear to be an appealing option.

Some literature on Student Choice

Following an extensive literature review on the theory of marketing higher education and specifically on student choice for higher education, a number of gaps have been identified. Researchers (Chapman, 1984, Hanson and Litten, 1982, Hossler and Gallagher, 1987, Jackson, 1982) have, in the past, attempted to understand the decision making process of students. What their efforts have been focused on, however, was the decision process of students for choice of a HEI, and did not look at student choice for higher education overall. Moreover, even though with their work they were considered as pioneers for their time to be able to undertake such a difficult task and considerably contributed with their decision making models, the matter still remains that these models were presented more than 20 years ago and many things have changed since then. It may therefore be considered extremely difficult to rely on these theories to explain behaviour today.

Another problem that arose when reviewing the literature was that when taking a closer look at the models proposed by the authors mentioned above, it was noticed that these models stem from consumer behaviour theory and specifically from models which explain the buyer decision process for products. A consumer is defined as a person who buys goods or uses services (COLLINS, 2008). In its most basic form, a student pursuing higher education could be considered as a consumer in the sense that s/he is buying a service. It is therefore not completely illogical to borrow from consumer behaviour theories to explain student choice behaviour. But what is however, illogical is to assume that the decision to buy a shampoo from your local supermarket, or the decision to go to a dentist is the same as the decision to pursue higher education. The decision process for taking such an important decision (for some at least) may not be as straight forward as 'need recognition leads to information search leads to choice' for example, as portrayed in some of the models.

During the recent years, many have come to realise that student choice behaviour is an important issue and thus needs revisiting, so a few more researchers have tried to contribute with their theories. However, what they have done is not tried to understand the decision making process (and if there is such a thing as 'process') of students from the start but rather have used the existing models in the literature proposed so long ago to build onto those. This means that the current research we have in the literature today may be based on outdated and flawed foundations, as mentioned above. The information that exists today is mostly dealing with why students choose one university over the other, what factors affect their choice of institution, why some factors affect the choice of institution more or less or others, how much weight each factor has on the choice of institution, and so on. There is no evidence in the literature which can provide the reasons why students decide, not which university, but rather to pursue higher education.

Lastly, it may be argued that the decision to pursue higher education cannot be portrayed with the use of a flow chart where a student will suddenly identify a need for higher education and possibly embark on a journey to choose the right university. Rather, the student's decision is largely formed starting from a young age, from within the social environment which they grow up in and from where their own aspirations and of what life they are hoping to make for themselves. This 'process' may start from much deeper and may be more complex than simply starting from being exposed to an advertising message from an institution for example, or from simply realising a need.

Methodology

For the purpose of this research, a deductive approach was used to develop a framework and formulate a number of propositions after having reviewed the existing literature on the topic under study. The results of the first phase inductively allowed new insights with regards to student choice to emerge, and were also used to allow for comparisons between the data gathered during the two phases.

Specifically, a qualitative study was carried out in January 2007 and 30 final year high school students were interviewed, using the laddering technique. The second phase consisted of narrative interviews which were carried out with a new sample of 28 final year high school students between August and September 2007. For the laddering interviews, the sampling units were selected by using non-probability quota sampling, whereas for the narrative interviews, the sampling units were selected by using the referral method. Quota sampling was used in both cases in an attempt "to mirror in the sample the characteristics of interest in the same proportion as they occur in the population" (Webb, 2002). The purpose of the laddering interview was to unveil the motives of students for choice of higher education, whereas the narrative interviews aimed to gather information with regards to the 'process' that students go through when deciding whether to pursue higher education, and gather information with regards to how students view higher education. In the section that follows, the results of the 'total sample' of the laddering interviews will be presented, and briefly explained.

Analysis

Out of the 30 students who participated in the first phase of the study, 20 students stated that they have chosen to pursue higher education. Using the laddering technique to gather data, from the 20 interviews carried out within this group, 67 ladders were obtained. On average 3 ladders were obtained from each interview. The minimum number of ladders obtained (per interview) was 2 and some interviews produced a total of 5 ladders. 288 total elements were elicited by the respondents with most ladders consisting of 4 elements. In a few cases some ladders produced 6 elements per ladder. The HVM produced by the 'total sample' can be seen in figure 1.

As the HVM map in figure 1 reveals, 10 out of the 11 total consequences elicited during the laddering interviews appear in the HVM of the first breakdown. Among all the consequences in the map, "more opportunities" (n=19), "money" (n=19) and "independent" (n=13) seem to be the ones that most prevail. These consequences or reasons were the ones which were most often stated by the respondents as being the reasons to pursue higher education. They were the responses given during the elicitation of distinctions stage. So when they were asked what it was specifically that makes pursuing higher education more desirable to them (compared to not pursuing higher education) the most common reasons given were because they will have more (job) opportunities, because it will eventually provide them with money, and because it will provide them with independence. Being that this group has a sample of 20 students, 19 responses means that almost all students mentioned these as the reasons to pursue higher education. Students also mentioned that pursuing higher education will give them the chance to experience "student life" (n=9), provide them with "knowledge" (n=9), be able to "take care of their family" (n=9), lead to a "better / comfortable / easier life", the experience will "mature" them, be able to use their knowledge to "improve their work" (n=5) and be able to use their education to "offer to society" (n=5).

The HVM in figure 1 shows a thick line linking "study" and "more opportunities". This thick line represents direct relations between these two variables. When respondents were asked why they want to pursue higher education, "more opportunities" was the first answer given directly by almost all respondents (since the total sample in this Group was 20). The implication matrix shows this relation by giving a 19.19 rating – meaning that out of the 19 responses, "more opportunities" came as the direct answer to "why do you want to pursue higher education" (study) every time (19 times).

A similar relation can be seen between "more opportunities" and "money". The implication matrix shows a rating of 8.11 between the two variables. This means that this relationship came up during interviews 11 times and these two variables had 8 direct relations. What is interesting to note here is that while the relation between "study" and "money" is given a rating of 14.19 in the implication matrix this direct relation is not shown. This is because the HVM maps created in LadderMap are in accordance with the economy-of-storage assumption (Grunert and Grunert, 1995).

Another strong relation can be seen between "independent" and "student life". Many students responded that the student life that they will experience while pursuing higher education will enable them to be independent. As a matter of fact, all the relations between these two variables were direct, with a 5.5 rating in the implication matrix. There was a strong relation also between "independent" and "mature". Here students felt that by living on their own and taking care of themselves (independent) this would make them more mature.

Figure 1 also shows a few very prominent values that have come out from the interviews as being the motivating factors behind their decision to pursue higher education. All 7 values mentioned by Group 1 appear in the HVM. Among all the values in the map, "fun and enjoyment" (n=17), "being well respected" (n=16) and "sense of accomplishment" (n=14) appear to be the values being mentioned by the most respondents. Students also mentioned that pursuing higher education will also ultimately lead to a "sense of fulfilment" (n=11), "self respect" (n=6), "security" (n=5) and "sense of belonging" (n=5).

Strong direct relations can not only be seen between attributes and consequences, and consequences with other consequences, but also between consequences and values. "Knowledge" has 7 relations with "sense of accomplishment" and 4 of these were directly related. Noteworthy is the fact that "sense of accomplishment" was mentioned by 14 respondents, but it was only directly related with "knowledge" by 4 people. The other 10 references to "sense of accomplishment" had nothing to do with knowledge but rather with other variables.

The other strong relation that is observed in figure 1 between a consequence and a value is the one between "take care of family" and "fun and enjoyment". While the HVM shows a strong relation between these two variables (rating in implication matrix is 5.6), and "fun and enjoyment" seems to have been mentioned by almost all respondents (17 respondents), there are 11 indirect relations between the consequences "money" and "fun and enjoyment". This could mean that students feel that the money that they will be earning once they will have pursued higher education will enable them to use that money to have fun and enjoy their life. The reason that this relation is not shown in the HVM is because of the economy-of-storage assumption that was mentioned earlier on.

A further observation that can be made by looking at this HVM is the direct relation between the values "being well respected" and "self respect". The hierarchical logic behind LadderMap is that attributes should lead to consequences and consequences should in turn lead to values. Also, the laddering technique suggests that the laddering interview is terminated (for every ladder mentioned) when the respondent reaches the highest level of abstraction. During this research it was the case during a few instances that, without the interviewer probing the respondent any further, the respondent would willingly reach this high level of abstraction (and thus mention a value) and then carry on to reveal yet another value. The interviewer of course having recorded the interviews entered the data exactly as recorded on the voice recorder and this is the outcome: a value leading to another value. It is also surprising that this particular relation was mentioned by 5 different respondents and this relation was a direct relation all 5 times. It appears that these students feel that once they gain respect from others for having pursued higher education, it will ultimately make them feel proud of themselves for their accomplishment.

A final observation is that we can see a value leading to a consequence rather than the traditional other way round ("sense of fulfilment" leads to "improve my work"). While this may be considered by some as going against the very law of laddering, Rekom and Wierenga (2007) recently questioned whether or not means-end relations are really hierarchical and recommended that a network representation is more appropriate than a hierarchical value map when means-end relations are symmetrical rather than asymmetrical as hierarchical value maps suggest. So it is possible that students feel that pursuing higher education will make them happy ("sense of fulfilment") and when they feel happy they will work harder / better at their work ("improve my work") which will then lead to feel a "sense of accomplishment".

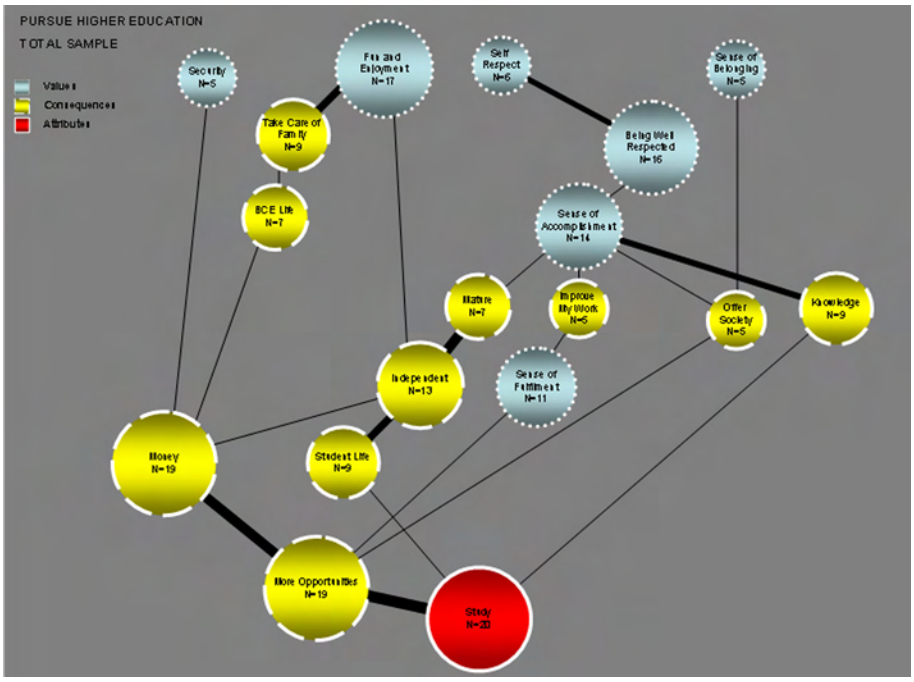
Conclusion

Not only has student choice been investigated from this angle for the first time, but the combination of laddering and narrative interviews used to discover the drivers of the behaviour of students for their choice to pursue higher education, and their overall views with regards to higher education, was an innovative methodological approach which proved to be quite successful in producing rich data.

Since we are in an era where customers more or less hold the future of organisations' success or failure in their hands, neglecting to invest in marketing may be a danger. As the competition among institutions in the higher education sector intensifies, they increasingly behave as corporations (Jarvis, 2000), and universities just like corporations seek ways to keep their publics satisfied. Wragg (1993) expressed strong hostility to education becoming subject to market forces: "marketing subsumes an ideology that makes the needs and wishes of an organization's customer / purchasers more important than its member's preferred methods of working". However, if correctly understood and correctly applied by professionals in education, marketing can be beneficial rather than harmful (Harvey and Busher, 1996) since it could enable institutions to better understand their market and therefore better cater for their needs, resulting in more satisfied customers.

The results of this study, offer some insight into the behaviour of students when deciding to pursue higher education, and this information can be used by HEIs to more effectively communicate their offerings knowing what their most important public, students, have in mind when they think about 'Higher Education'.

Figure 1



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PILGRIMAGES ON FOOT TO FATIMA: PILGRIM SOCIAL-DEMOGRAPHIC CHARACTERISTICS AND PILGRIMAGE CHARACTERISTICS

VÍTOR AMBRÓSIO
ESCOLA SUPERIOR DE HOTELARIA E TURISMO DO ESTORIL, PORTUGAL

Abstract

In this paper, I will argue that among pilgrims sanctuary-towns are extremely popular as revisited destinations. Although the data used were collected some years ago, it is possible to state that they are up to date. In fact, in the tourist segment in question, the changes are often quite imperceptible.

Since its foundation, Fatima has been welcoming every year, between May and October, several thousands of pilgrims who reach the sanctuary-town, after having walked for several days. Most of them do it in order to thank God, and mainly the Virgin, for a grace they have received.

Around 3.000 pilgrims were surveyed. Their answers allowed me to systematize the information, to trace their social-demographic characteristics, to define the pilgrimage characteristics, and to map out complementary logistics.

In the social-demographic characteristics, the focus will be on the following variables: gender, age, civil status, scholarship, and profession.

In the pilgrimage characteristics, attention will be given to: the number of days to accomplish it, the religious practice during the pilgrimage, the number of people who take part in the pilgrimage group, the number of foot pilgrimages to Fatima, and if it is a vow or not.

In the complementary logistics the approach will be the following: the lodging facilities used on the way to Fatima, the lodging facilities used in the sanctuary-town, and the use and the frequency of motorized transportation during a single year.

Figures will be presented in tables so as to compare the results in the different variables used to survey the pilgrims. The ones linked to the congress theme – consumer behaviour and retailing research – will be particularly underlined. Consequently, the pragmatic side of the question will be the one brought to discussion instead of the dogma one.

Introduction

In this paper, I will argue that among pilgrims sanctuary-towns are extremely popular as revisited destinations. Although the data used were collected some years ago, it is possible to state that they are up to date. In fact, in the tourist segment in question, the changes are often quite imperceptible.

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Survey – The number of pilgrims surveyed were 2.940. Three of those were not included in the data to present because they had not started their pilgrimage in Portugal. Two women had left from Galicia (Spain) and a third pilgrim had begun in Holland and walked 2.200 kilometres from there till Fatima.

Some social-demographic characteristics

Table 1 – Gender

	Frequency	%
Men	773	26,4
Women	**2151**	**73,6**
Total	2924	100

Font: Pilgrims Surveyed

Table 2 – Age

	Frequency	%
Until 20 Years	93	3,3
21 to 30 Years	497	17,4
31 to 40 Years	**699**	**24,4**
41 to 50 Years	**752**	**26,3**
51 a 60 Years	518	18,1
61 to 70 Years	248	8,7
Over 70 Years	53	1,9
Total	2860	100

Font: Pilgrims Surveyed

Table 3 – Civil Status

	Frequency	%
Single	437	15,3
Married	**2150**	**75,3**
Widow/er	180	6,3
Separated/Divorced	88	3,1
Total	2855	100

Font: Pilgrims Surveyed

Table 4 – Scholarship

	Frequency	%
Unliterary	170	6,1
4 school years	**1337**	**47,9**
6 school years	423	15,1
9 school years	278	10
12 school years	381	13,6
15 school years	95	3,4
16/7 school years	104	3,7
Master	5	0,2
PhD	0	0
Total	2793	100

Font: Pilgrims Surveyed

Table 5 – To Attend Mass

	Frequency	%
At least every Sundays	**1995**	**70,1**
Once or twice a month	590	20,7
Occasionally	262	9,2
Total	2847	100

Font: Pilgrims Surveyed

Table 6 – Vow Pilgrimage

	Frequency	%
No	532	18,6
Yes	**2324**	**81,4**
Total	2856	100

Font: Pilgrims Surveyed

Table 7 – First Pilgrimage on Foot to Fatima

	Frequency	%
No	**1753**	**61,1**
Yes	1117	38,9
Total	2870	100

Font: Pilgrims Surveyed

Table 8 – Number of Pilgrimages on Foot to Fatima

	Frequency	%
1/2	**481**	**28,2**
3/4	361	21,2
5/6	221	13
7 to 10	219	12,8
Over 10	**423**	**24,8**
Total	1705	100,0

Font: Pilgrims Surveyed

Table 9 - Number of People in the Pilgrimage Group

	Frequency	%
Alone	79	2,8
2 to 10 People	**1221**	**43,3**
11 a 20 People	519	18,4
Over 20 People	**1001**	**35,5**
Total	2820	100

Font: Pilgrims Surveyed

Table 10 - Number of Days to accomplish the Pilgrimage

	Frequency	%
1 Day	74	2,7
2/3 Days	364	13,3
4/5 Days	720	26,4
6/7 Days	**1330**	**48,7**
8 to 10 Days	216	7,9
Over 10 Days	26	1
Total	2730	

Font: Pilgrims Surveyed

Table 11 – To Attend Mass during the Pilgrimage

	Frequency	%
Everyday	392	20,3
Sometimes	744	38,5
Never	**794**	**41,1**
Total	1930	100

Font: Pilgrims Surveyed

Table 12 – Rosary Praying during the Pilgrimage

	Frequency	%
No	126	4,8
Yes	**2475**	**95,2**
Total	2601	100

Font: Pilgrims Surveyed

Table 13 – Lodging Facilities used on the way to Fatima

	Frequency	%
Open air	157	4,7
Tents	470	14,1
Cars	275	8,3
Private Houses	**1045**	**31,3**
Pensions	519	15,6
Hotels	83	2,5
Pavilions	**680**	**20,4**
No use*	104	3,1
Total	3333**	100

Font: Pilgrims Surveyed

* Either the pilgrim was driven back home every single day and brought back, on the following day, to the place where he had been picked up, or the pilgrimage wouldn't last more than one day.

** Some pilgrims used more than one type of lodging facilities.

Table 14 – Lodging Facilities used in Fatima

	Frequency	%
Open air	201	8,3
Tents	**489**	**20,1**
Cars	344	14,1
Private Houses	287	11,8
Pensions	281	11,5
Hotels	81	3,3
Shrine	**695**	**28,6**
No use*	55	2,3
Total	2433	100

Font: Pilgrims Surveyed

* Pilgrims didn't stay overnight.

Table 15 – Use and Frequency of Motorized Transportation during a single year

	Frequency	%
None	257	10,8
1	**791**	**33,4**
2/3	**948**	**40**
4/5	206	8,7
Over 5	169	7,1
Total	2371	100

Font: Pilgrims Surveyed

Conclusion - "The World is a book, who stays at home just reads one page" Saint Augustine (354-430).

Bearing this sentence in mind, it is possible to say that to go on pilgrimage means to discover new pages of the big life's book.

About the pilgrims who revisit often Fatima, one may also affirm that they need to re-read already red pages, in order to find answers for their daily life.

AN EXPLORATORY INVESTIGATION OF THE UNDERSTANDING AND IMPLEMENTATION OF CRM SYSTEMS IN CYPRUS.

RIA MORPHITOU
UNIVERSITY OF NICOSIA, CYPRUS

Abstract

A customer relationship management system, by its simplest definition, is a process to compile information that increases understanding of how to manage an organization's relationships with its customers. In this simple view, a CRM system consists of two dimensions, analysis and action (Cram, 2001).

An independent research and consulting company defines CRM as a management approach that enables organizations to identify, attract and increase retention of profitable customers by managing relationships with them. In other words CRM is a combination of people, processes and technology that seeks to understand a company's customers. "It is an integrated approach to managing relationships by focusing on customer retention and relationship development." (Chen, Popovich, 2003)

This paper aims, through extensive literature review and primary research, to give a clear view of how local companies perceive CRM. Our main purpose is to find out how, and in what extend do companies in Cyprus develop and implement a CRM strategy.

As a general concluding comment we could say that companies in Cyprus apply some relationship marketing principles but their efforts are not based on a strategic plan. Only two out of the ten organizations who responded to our questionnaire have a solid, documented CRM strategy. The actions / methods that most companies use in relation with customer relationship management are mostly result of a ''spur of the moment'' by individuals, either managers or sales staff. It can be easily concluded that most Cypriot companies operate towards CRM in an amateur way.

Key Words - Customer Relationship Management, Loyalty, Retention,

Methodology

Drawing on the above theoretical framework, a review of the purposes of the present study suggests the use of qualitative methods is appropriate. The reason for that is that the aims are partly exploratory - to investigate how private companies in Cyprus perceive CRM and also in what extend they develop and implement a CRM strategy. They are also explanatory- to clarify the advantages for implementing a CRM strategy. Furthermore, the purposes of this research are also descriptive to an extent as it intends to provide a clear picture of the existing situation in the examined background.

Research was based on both primary and secondary sources. Field study, in particular personal interviews through the use of a structured questionnaire was considered to be the most appropriate method for collecting primary data. The respondents were either the general managers or marketing managers of the organizations. In total 10 companies have responded to our inquiry.

Background

Many years ago retailing of anything (groceries, fruit, clothes, banking etc) was very personal. The people providing the services/products would know their customers intimately, their special requirements and treat them different (Russel-Jones, 2002). To survive in today's dynamic marketplaces, companies clearly need to establish strategies that can survive the turbulent changes in the market environment. Recent advances in technology along with changes in legislation have meant that distribution channels are now much more complex than they used to be.

Customer relationship management is not a new concept. In the beginning banking was founded wholly within this concept. In the last 30 years or so though, the concept was eclipsed since much of the customer focus was lost as organizations were preoccupied with mergers, recession, new technologies and regulation (Russel-Jones, 2002). “Customers lost their uniqueness, as they became an “account number” and shopkeepers lost track of their customers’ individual needs as the market became full of product and service options.” (Chen and Popovich, 2003). Recently however-driven by the increasing complexity of the market and increasing competition-CRM has been rediscovered as a major tenet of customer retention (Russel-Jones, 2002). Many companies today are racing to re-establish their connections to new as well as existing customers to boost long-term customer loyalty. Some companies are competing effectively and winning this race through the implementation of relationship marketing principles using strategic and technology-based customer relationship management applications. (Chen and Popovich, 2003)

It is important to note one of the key precepts underpinning a supplier-buyer relationship: “As a supplier you have no right to expect that buyers will continue forever to take your offerings.” You have to earn that right and keep on demonstrating that you are still worthy to supply them (Russel-Jones, 2002).

It is also essential to understand that acquisition of new customers is not the same as retention. Acquisition is necessary to build share initially since it is the first relationship that potential customers have with you. Retention though, has completely different drivers. Satisfaction with the service/products and trust in the organization and its staff are the main factors here. Nonetheless, it costs five times more to acquire a new customer that to retain an existing one.

Literature Review

The need for CRM is underlined by the following three observations:

- Some customers are more profitable than others - some lose you money
- Loyal customers are more profitable - new customers cost 5 to 10 times more to acquire
- Customers expect relationships - companies rarely provide them

A company has to create customer relationships that deliver value beyond the provided by the core product. This involves added tangible and intangible elements to the core products thus creating and enhancing the “product surround” (Zineldin, 2000).

Customer delivered value can be defined as the total value offered to a customer less the total cost to the customer. Total customer value can include functional value of the product, service value, emotional value, social value, conditional value, and epistemic value, and image. On the other hand, total customer cost can include monetary price, time, shopping efforts, energy and psychological cost value.

Now, more than ever, flexibility and effectiveness in business are key elements. A CRM package that fitted your business a decade back may now be hopelessly inadequate.

Companies have to think again if they once rejected CRM because of the costs involved. New, responsive systems can be cheaper than your competitor’s current maintenance bill. And new systems can be a great way of addressing the main points in your business, delivering results fast. However, don’t think of CRM as a quick fix, it’s a strategic tool that impacts the heart of your business, so you need to set goals and then measure the business benefits (Zineldin, 2000).

Data mining can discover patterns of customer behaviour that human analysts would not spot. Technology is widely used by retailers, who create massive repositories of customer data, purchases, names, addresses, income levels and so on, in order to analyse people’s buying habits on a giant scale.

Why? Because that gives them a powerful tool to predict future customer patterns and thus either match business initiatives against the patterns or create new products and services that the data suggests would be popular (Young, 2006).

Four survey results related to CRM applications in UK companies showed that major considerations for companies using CRM is to improve customer satisfaction level, to retain existing customers and to improve customer lifetime value. Providing strategic information from the CRM systems appears less important than improving satisfaction level and customer lifetime value (Xu and Walton, 2005).

When and Why CRM fails

Organizations have been implementing such systems for almost a half century. However, successful implementation is elusive to many companies, mostly because they do not understand that CRM requires company-wide, cross-functional, customer-focused business process re-engineering. Early (2002) noted that 75 to 85 percent of CRM implementations fail. Bain's 2001 survey of management tools ranked CRM in the bottom three for satisfaction out of 25 popular management tools (Rigby et. al., 2002), while Kehoe (2002) found that up to 20 per cent of business executives claim that CRM initiatives had damaged customer relations.

Based on both, the successes and failures that have been experienced, several problems that implementing firms face are identified. Some of these problems are caused by a failure to provide the proper focus for the project, and some are caused by a failure to develop the system in the proper way.

Failure to develop the system the proper way

Both management and the developers contribute to errors made in developing the system once the project gets underway. These errors take the following form:

- The developers lack the required technical knowledge and skills. If it is clear from the outset that sufficient CRM, data warehousing and data mining expertise does not exist within the organization then outside specialists should be added to the team.

- The developers fail to define all the risks and begin by selecting development tools rather than by defining functional requirements and system objectives. Both, management and the developers should agree on the scope of the project. This determination is influenced by the goals and objectives of the new system, by system and project risks that the developers face, and by time and resource constraints.

CRM initiatives require vision and each and every employee must understand the purpose and changes that CRM will bring. Re-engineering a customer-centric business model requires cultural change and the participation of all employees within the organization. Some employees may choose to leave and others will have positions eliminated in the new business model. Successful implementation of CRM means that some jobs will be significantly changed. Management must show its commitment to an ongoing company-wide education and training program. In addition to enhancing employee skills and knowledge, education boosts motivation and commitment of employee and reduces employee resistance (Chen and Popovich, 2003).

- The developers fail to recognize the importance of quality and overlook the importance of privacy and security. The performance criteria are measures of what the users expect from the system in terms of speed, quality, security and privacy. The developers should conduct a feasibility study to consider how feasible the system is in terms of technology, economic justification, legal and ethical issues, and the time schedule.

- Managers and the developers fail to perform a post-implementation evaluation. It must be ensured that job evaluations, compensation programs, and reward systems are modified on a basis that facilitate and reward customer orientation. After all, how people are measured will determine their behaviour.

Questionnaire analysis

Based on the answers of the respondents, we tried to search for the deeper messages that derive from this survey.

In the first part some general information was discussed. Based on the findings of our research, 50% of the companies defined CRM as a combination of people, processes and technology that focuses on decreasing a company's costs and maximizing profits by retaining existing customers and acquiring new customers. This shows that, in general, the definition of CRM and its objectives are not so familiar to most companies in Cyprus. Objectives mentioned in the last two definitions give a more appropriate view to what CRM actually is. Acquiring new customers and decreasing costs is not a CRM objective. Instead, the collection of data related to customers and understanding of their needs and demands are essential elements towards CRM development that will improve customer satisfaction level and customer lifetime value.

Moreover, only 30% of the respondents stated that their company has a CRM strategy. In the same time, the big majority (90%), of the companies agreed that CRM should be part of every company's strategic plan and only 10% stated neutral. Everyone though agreed that there is a direct link between CRM and profit. The question is, if they really believe that why don't they do something about it?

Lastly from the three companies who stated that they already have a CRM strategy, only one started to implement before 1970 whilst the other two started after 2000.

In the second part the question: ''How important do you consider the following to the deployment of a CRM culture in your company?'', was posed for a number of principles. The respondents were asked to evaluate each one of the sixteen statements (on a scale 1-5, 5 being the most important) based on their company's commitment to each one of them.

A detailed analysis of the findings is presented below:

1. ''Select the most advanced CRM software. Technology is the magic wand that will guarantee success.''

90% of the respondents stated that the selection of the most advanced software is not the most important factor for the successful operation of a CRM system. Most of the respondents (60%) valued its importance with the mark 3. Indeed, technology is not the magic wand that will guarantee success; it is mostly up to the cultivation of a CRM culture amongst the management and the employees.

2. Retain current customers and generate repeat orders

60% of the respondents valued this statement as very important (mark 5) while the other 30% ranked it as important (mark 4). Customer retention is one the basic principles of CRM and it should be a priority for every company.

3. Attract new customers

The fact that it costs 5-10 times more to acquire a new customer than retaining a current customer didn't seem to bother our respondents since 50% ranked the acquisition of new customers as 'very important' to the deployment of a CRM culture in their company. No one disagrees that it is important for every organization to increase their customer portfolio. But as CRM is concerned the main objectives are the increase of customer satisfaction and increase of the lifetime value of current customers

4. Ensure that top management is aware of CRM strategies and is capable of giving strong executive support.

For this statement opinions vary. Some consider it not important, some are neutral and for some it is a main concern. The truth is that customer-centric management requires top management support and commitment to relationship marketing principles throughout the entire CRM implementation

5. Give emphasis on HRM – Recruitment and training of new and current employees.

As it was mentioned in a previous chapter, an organization not realizing that CRM ultimately depends on the quality of its employees will never succeed. 70% of the respondents share this belief while there is also a small percentage (10%) that doesn't.

Most companies value their employees and place a lot of emphasis on their training and development, and also acknowledge and reward their employees, which is important for a healthy working environment.

6. Focus on internal marketing and particularly front-line employees

The front line employees are the ones who come to a direct contact with the customers. Again 80% of the respondents value this statement as 'important' and 'very important'.

7. Focus on valued customers

Same picture for this statement. 80% of the respondents believe that their company should focus on valued customers while the other 20% thinks that all customers should be handled the same way. The main belief is that different customers should be treated differently. Employees should have specific instructions about how valued customers are to be treated and what sort of decision-making room for manoeuvre they have. The ultimate objective is to make sure that the particular customer is handled with the appropriate level of care.

8. Welcome complaints. Give your customer a voice.

Complaint management is a topic that wasn't discussed in detail in this project. Although it is considered to be important, especially in customer win back situations. 70% of the respondents stated that customer complaints should be a main concern for their companies.

9. Focus on costs, products and organization.

As far as CRM is concerned focus should be on the customers. 50% of the respondents valued this statement as important for CRM deployment while the other 50% is neutral.

10. Maintain customer data base. Keep contact info and track all contact events.

80% of the respondents highlight the importance of maintaining a customer data base. Firms cannot claim a customer focus or attempt to satisfy customers unless they have customer knowledge. Through data warehousing technology companies can associate and transform customer data into customer intelligence that can be used to form a better understanding of customer behaviour. Customer data includes all sales, promotions, and customer service activities.

11. Use customer info in your day-to-day operations to build relationships. Same comments apply for this statement. Eight out of ten respondents believe that customer information should be used by their companies in their daily operations to build relationships.

12. Analyze root causes of defections. Understand why customers are leaving the company.

The big majority of the respondents (70%) stated that it is very important for their companies to know why customers are leaving them. Such information would enable them to take corrective measures so as to avoid similar incidents in the future or shift to win back strategies.

13. Create employee loyalty.

Only 60% of the respondents noted that employee loyalty is important to the successful deployment of CRM culture within their organizations. Kind of unexpected response since a loyal employee would do anything in his/her power to satisfy a customer in order for his/her employer to be happy. Training can surely develop an employee's abilities but it does not ensure that he/she will perform well unless he/she is happy with the working environment and feels obligated against the company to serve its customers the best way possible. Employee loyalty is a critical factor for CRM.

14. Reward employees on the basis of no. of sales or transactions completed.

A loyal employee shouldn't need this kind of motives to perform well. Although, 40% of the respondents stated that rewarding employees on the basis of no. of sales is a good way to improve their performance. The majority of the respondents though stated neutral. This strategy may create problems in the working environment if employees get competitive.

15. Differentiate- offer something distinctive to the customers.

Whether a company can offer something distinctive to its customers depends on the kind of industry that is engaged. For companies that provide not only goods but also services it is a good strategy to follow. Most of the respondents (70%) agree with that statement. Every customer wants to feel special and important. With the right approach and marketing efforts this can be achieved.

16. Think of the lifetime value of each customer and build a good relationship

70% of the respondents answered that the lifetime value of each customer should be taken into consideration and the creation of a good relationship should be pursued.

Emphasis should be given on the customers who have a good strategic value (potential share of customer) to the company. Personalised campaigns could be created for these groups of customers

Conclusions

Research showed that companies in Cyprus generally apply some relationship marketing principles but their efforts are not based on a strategic plan. All the respondents though agreed that there is a direct link between CRM and profit. The question is if they really believe that why don't they do something about it? 80% of the companies that responded to the questionnaire operate towards CRM in an amateur way. The main driving force of the current implementation of some CRM applications appears to be improving operational efficiency, rather than acquiring strategic customer information. The provision of analytical CRM solutions in Cyprus is limited to some large organizations such as the Hellenic Bank Group. It is suggested that CRM systems should enhance not only an organization's ability to interact, attract and build one-to-one relationships with customers but also the ability to gain customer knowledge.

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CAUSE RELATED MARKETING IN CYPRUS: A COMPARATIVE ANALYSIS OF THE RESEARCH FINDINGS OF THE SURVEY OF 2004 TO THE FINDINGS OF THE SURVEY OF 2007.

MARLEN MARTOUDI DEMETRIOU:
UNIVERSITY OF NICOSIA, CYPRUS

Abstract:

Every modern company, either small or big, tries to build a strong relationship between business and society focusing on both tangible and intangible factors. It strives to effectively compete and differentiate its services or products in a way to enhance its reputation as socially responsible by initiating activities that can contribute to the society's well-being. CRM includes all the different ways in which businesses are benefiting charities and good causes through CRM partnerships that consist of donations, and additional support leveraged through customers, suppliers, or employees. This societal marketing approach can become an effective tool in the hands of the corporations in gaining brand reputation while contributing to the society's well-being.

This paper analyzes the findings of a research which was implemented in Jan-March 2007 among 505 Cypriot Citizens as compared to the research findings of a similar research which took place in Nov.2004-Jan.2005 with a sample of 734. The outcome of the researches reveals the value of Cause Related Marketing on the reputation of the corporations in Cyprus during the last four years.

Key words: Corporate Reputation, Brand Positioning, Corporate Social Responsibility, Cause Related Marketing.

Introduction:

Every modern company, either small or big, tries to build a strong relationship between business and society focusing on both tangible and intangible factors. It strives to effectively compete and differentiate its services or products in a way to enhance its reputation as socially responsible by initiating activities that can contribute to the society's well-being. CRM includes all the different ways in which businesses are benefiting charities and good causes through CRM partnerships that consist of donations, and additional support leveraged through customers, suppliers, or employees. This societal marketing approach can become an effective tool in the hands of the corporations in gaining brand reputation while contributing to the society's well-being.

This paper analyzes the findings of a research which was implemented in Jan-March 2007 among 505 Cypriot Citizens as compared to the research findings of a similar research which took place in Nov.2004-Jan.2005 with a sample of 734. The outcome of the researches reveals the value of Cause Related Marketing on the reputation of the corporations in Cyprus during the last four years.

Literature Review:

Marketers, given the dynamic environment they are facing today, try to identify different approaches of CSR activities that can help them enhance the reputation of their corporation in order to gain a competitive advantage in their marketplace. They also know that citizens have greater expectations from the corporations than simple CSR programs. The largest ever survey of its kind, involving interviews with more than 25,000 people across 23 countries, in five continents took place by a Canadian based company in 1999. According to the survey 2/3 of the citizens who participated in the research wanted companies to go beyond making profits, paying taxes, employing people and obeying laws. They wanted companies to contribute to broader social goals as well and pointed out that contributing to charity projects doesn't really satisfy people expectation to CSR. (Nelson, 2000)

The term 'cause-related marketing' was introduced by American Express in 1983 when it promised to make a donation to renovate the statue of Liberty each time someone used its charge card (Lane et al 2004:781). The end result was a contribution of $ 1.7 million made by the corporation, but the cause-related campaign produced a 28 percent increase in card usage. Since then, too many corporations all around the world have tried to adopt different innovative programs with the expectation to harvest the same positive results as American Express has done. Minette and Drumwright (1996) warned the corporations which wanted to adopt CRM programs that irrespective of the objectives of the campaigns, economic or non-economic, there is a need to ensure that: a) there is a long-term focus, b) the cause should fit the company, and c) the employees should believe the issues'. A marketer who wants to adopt a CRM program must be aware of the fact that well-implemented and promoted CRM programs have the potential to bring enormous benefits in the partnership. On the other hand marketers need to understand that an ineffective CRM campaign can backfire and damage the reputation of the partner organization and harm the work of the charity or cause involved.

Pringle and Thompson (1999) viewed CRM as an activity by which a company with image, product or service to market builds a relationship with a "cause" or a number of "causes" for mutual benefit. More and more corporations are defining their CSR agenda with the aim of identifying initiatives that fit since finding the right charitable partner and forming a long-term relationship can deliver more benefits than make one-off donations.

Baker (2001) said that a very common practice for the firm which establishes an ally with a non-profit organization is to make a donation to the non-profit on the level of sales in a specified period of time. (2001: 555-557) Commercial donors will only commit themselves to support non-profit organizations only if they believe that this ally will evoke the public interest. 'The firms want their donations and their Cause-Related activities to be tangibly correlated" (Mullen, 1997: 42).This means that all those charities which are not so popular to the public will not manage to attract the interest of commercial organizations. The more popular the charity is, the easier for them to choose the commercial organization they want to be associated with. Baker (2001) supports that giving donations is still the most common form of commercial organizations' involvement with non-profit organizations, but this is different to cause-related campaigns. He also said that "is not uncommon for a company to invite non- profit organizations with which they want to be associated. For this reason "non-profits think carefully before they agree on an association with each commercial organization" (Baker 2001: 556).

Kotler (2003:27) believes that companies see cause related marketing as "an opportunity to enhance their corporate reputation, raise brand awareness, increase customer loyalty, build sales and increase press coverage".

In Cyprus as well as in every other country many companies have been involved in CSR activities but not too many in Cause Related Marketing Activities. In order to sense the Cyprus situation in terms of CRM activities and the expectations of Cypriots on those matters a research took place in November 2004- January 2005 and was repeated in November 2006-January 2007.

Primary Research:

Research Aim:

This research aims to examine the value of a Cause Related Marketing Strategy on the reputation of the companies which adopt it throughout the years as well as to identify the "Causes" and Social Organizations Cypriots expect the profit organizations to form "social" partnerships with for the benefit of the Cyprus Society.

Research Objectives:

This action research started in November 2004 and was repeated in January 2007 in order to provide the researcher the opportunity to examine the trend in terms of brand reputation and brand positioning among Cypriot Citizens for the corporations which heavily invest in Cause Related Marketing Strategies.

Phase A: Survey on 740 Cypriot Citizens which took place between Nov.2004-January 2005.

Phase B: Survey on 505 Cypriot Citizens which took place between January-March 2007

Research Objectives-Phase A and B:

1. To identify the degree of agreement of consumers to the need of corporations to be involved in activities of Corporate Social Responsibility (CSR).

2. To study consumer behavior in terms of brand preference for a product that is marketed by a company which has proved its CSR as opposed to a company which has not applied this positioning approach.

3. To study the brand awareness of consumers for companies involved in activities of CRM as opposed to other companies which were simply involved in activities related to CSR.

4. To study the area of activities of the companies with the highest brand awareness given the outcome of the survey.

5. To identify the areas of social activities and causes in which the people in Cyprus would like the profit making corporations to be involved and associated with for the benefit of the Cypriots' well-being.

6. To identify the social organizations and causes which Cypriots would like the Institutions of Tertiary Education of Cyprus to form "Social Partnerships".

Methodology:

A quantitative research approach has been applied in both phases A and B.

A survey research was the method used in order to gather descriptive information concerning Cypriots knowledge on companies' involvement in CRM activities, and preferences in terms of causes Cypriots would like the corporations to be associated with. A short questionnaire was prepared with a combination of closed-end and open end questions. The closed end questions provide the responders with all possible answers which allow him/her to choose among them (Kotler et al. 2005). On the other hand the open-end questions allow responders to use their own words and they are common in qualitative research. The sampling method was a stratified Random Sampling approach according to which the population was divided in three mutually exclusive age groups (20-35, 36-50, 51 and above). From each group random samples were drawn in the ratio 3:2:1. The decision for this sampling method was based on the main objective of the survey which was to identify a cause that Cypriots and especially young to middle age people would like to see corporations to be associated with. The contact methods used were the personal contacts and the telephone.

The analysis of the data collected, was implemented with the use of SPSS and Excel packages.

Research Findings and Analysis:

Phase A and B:

The surveys were based on the five main objectives which have been listed above. The data collected based on those objectives is provided in the tables 1-5 in a comparative form so as the reader can identify the similarities and the new trends from the first to the second phase of the research:

Objective 1:

The first objective of this survey is to examine how strong the interviewees feel about the need for profit-making corporations to be Socially Responsible and play an active role to the solution of a social problem. The outcome of this survey indicated that Cypriot Consumers expect corporations to be socially responsible. Unrelated to their age, the majority of the responders of the questionnaire stated that they expect the companies to prove their Social Responsibility with an average rate of 87% in both surveys.

Objective 2

The second research objective was to study consumer behavior in terms of brand preference for a product that is marketed by a company which has proved its Social Responsibility as opposed to a company which has not applied this positioning approach. Given the research outcome 87,67% in 2004 and 83% in 2007 of responders stated that they would prefer to buy the product which is supplied by a company which is associated with activities of Corporate Social Responsibility.

Objective No.3

The third research objective is to identify the corporations in Cyprus that have managed to position themselves as Socially Responsible and analyze their CSR activities. This information can help us understand the effectiveness of CSR strategies on Brand Awareness and Brand Equity.

The interviewees had the opportunity to name up to four different companies with Corporate Social Responsibility. In the survey of 2004 58% of all responders named the Popular Bank. Very close to the rate of Popular Bank is the Bank of Cyprus (57%) while the third most popular company in this survey is CYTA with only 18% of the responders mentioning its name. At the same position we have the Hellenic Bank but with lower percentage of responders to name this company first as compared to CYTA. What is really interesting in the survey of 2004 is that almost 60% of the interviewees had mentioned both banks as being associated with CSR activities while the next company, in terms of frequency, mentioned in this survey is the Cyprus Telecommunication Authority and the Hellenic Bank with almost 20%. For example only 30% of the responders named the Popular Bank in the survey of 2007 which is almost half of the responders of the Survey of 2004. According to the outcome of the same survey 36% of responders named the Bank of Cyprus as compared to 57% of the survey of 2004. This phenomenon needs to be further investigated by the researcher. At the same time the researcher wants to investigate the reasons that Hellenic Bank which used to be the fourth organization named by the interviewees as Socially Responsible in the survey of 2004 had an impressive low rate of 2% in 2007.

Objective 4:

The fourth research Objective was to study the area of activities of the companies with the highest brand awareness given the outcome of both surveys.

Qualitative research with interviews with the marketing managers of the Popular Bank and Bank of Cyprus took place in the third part of the research process and it is analyzed below shedding light to the reasons that made these organizations so popular. Summary of the reasons are presented below:

Possible reasons for the above rates:

In an effort to better understand the reason for the strong positioning of these Banks, an analysis of their CSR activities is provided below

Popular Bank: has adopted "Radiomarathon" which is by far the biggest charity event in Cyprus and has also been reported in The Guinness book of records as the most successful charity activity in terms of money collected per capita. This event which started 14 years ago takes place every first Monday and Tuesday of November. More than 1,000,000 Cyprus Pounds are collected every year for the benefit of children in need. The enthusiasm of the employees and the management of the bank who volunteer every year to organize this event has positioned the Popular Bank as the organization which knows how to show love and concern to children in need. As one of the volunteers-employees has said "Radiomarathon reflects the best side of our nature and is a measure of love for our neighbors and indeed for ourselves"(www.cypruspopularbank.com/home.htm)

Bank of Cyprus. In 1992 the Bank of Cyprus signed a contract with the republic of Cyprus for the establishment of the Oncology Center. Since September 1998 the Oncology Center provides a comprehensive cancer service to the people of Cyprus and the broader region .The high quality building and equipment, the ten famous consultants who used to work in big Oncology centers in England, Germany and the U.S.A before they came to the center as well as the continuing medical education for the staff, positioned this Center as the best Medical Center in Cyprus. Since all the construction and most of the running expenses of this center are covered by the Bank of Cyprus, Cypriots feel gratitude for this Bank. Every year since 1999, the Bank of Cyprus sponsors the "Christodoula's March" that the Cyprus Anti-Cancer Society (CAS) organizes in order to raise funds for the CAS as well as to increase public awareness about the disease. The success of this annual event reminds everyone in Cyprus the continuous interest of the Bank of Cyprus for our Society's well-being.(www.bankofcyprus.com.au/festival.htm)

It has to be underlined here that both Banks decided to follow a Cause Related Marketing approach in order to enhance their image as Socially Responsible companies. Bank of Cyprus associated itself with activities related to Cancer and Popular Bank with activities related to children in need. Both causes have a great impact on our Society and this can also be identified in the next step of the research. The third in terms of frequency companies mentioned in the research were CYTA and Hellenic Bank. CYTA (the Cyprus Telecommunication Authority) is involved in a variety of CSR activities but not in Cause Related Marketing. Hellenic Bank tried to apply a Cause Related Marketing strategy and for a number of years associated itself to the Association of People with Muscular Dystrophy but two years ago they gave up. The reason for ending up this strategy can become the topic of a different research and paper.

All above analysis of the reasons for the strong Brand Positioning of Popular Bank and Bank of Cyprus drives us to the conclusion that companies which form strong “partnerships” with charitable organizations with great impact in our Society have high return on their “investment” in terms of Brand recognition and positioning.

Objective 5

The fifth research objective was to identify the different Social Organizations and or Causes Cypriots would like to see profit making corporations forming “social partnerships” with for the mutual interest of the society and the corporations. In the survey of 2004 we see that Cypriots above the age of 35 would like to see corporations forming partnerships with anti-cancer societies with a rate of 61%.The same high rate is also applied to the same age groups for a different cause: “Protection of child’s rights”. The third social cause that Cypriots above the age of 36 have indicated in this research is Anti-drug Campaigns with a rate of 42% for the second age group and 42% for the third age group.

For younger people the preferences are more or less on the same causes but with lower rates. As one can see at the table above, the first three causes mentioned above have also been the preferences of younger people but with lower rates. For the first age group the highest percentage is on the “Protection of Child’s rights” with 36% and then on anti-cancer societies with a rate of 33%. What is important to be underlined here is that the younger population expects companies to form partnerships with anti-drug societies with a rate of 31%. It is interesting to keep this point and compare it to the outcome of the sixth research objective. In the survey of 2007 the majority of the interviewees agree that profit-making organizations need to support anti-cancer and anti-drug organizations but they do not agree on Causes like “Protection of Child’s rights and Violence in the Family. They would expect corporations to be more concerned on Environmental problems rather than on any other social problem. Of course the increment in the rates for the environment is understood given the high publicity of the environmental problems all around the world and the role of industries in the creation of these problems.

Objective 6

The sixth research objective is to identify the areas of social activities in which Cypriots would like the Institutions of Tertiary Education (ITEs) to be involved and associated with for the benefit of the Society’s well-being. In the survey of 2004 the responder had to tick on a list of 6 different causes in order for the researcher to identify the “Causes” Cypriots would like the ITEs to be associated with. In the survey of 2007 there was a change on the form of the question for objective No.6.The interviewee was asked to name up to four different causes without being provided any list as in the case of the survey of 2004. This improvement in the format of the question was needed so as the interviewee not to be driven on possible answers as it could have happened in the previous survey.

The responders of the questionnaire in both surveys (2004 and 2007)have shown a great interest in the involvement of the Institutions of Tertiary Education in Anti-drug activities. Unrelated to the age of the responders a big percentage of them have expressed the opinion that ITE must become involved in activities against drugs. Of course in the survey of 2004 the percentage of people indicating Anti-drug organizations as the social organizations they would like Institutions of Tertiary Education to be involved with is very high given the fact that this cause was included in the list of the six causes provided to the interviewees. Thus the responders could have easier put a tick on this cause. It is interesting that among the young people (20-35years old) almost 72% of the responders would like to see ITE involved in anti-drug activities. Given the fact that the majority of the actual and potential “customers” of ITEs in Cyprus belong to this age group, we can not ignore the will of these people.

At the same time in the second age group (36-50), 68.4% of the interviewees have also indicated that they would like to see the Institutions of Tertiary Education in Cyprus involved in anti-drug campaigns. This is also very important information for the aim of our research which is to identify the CRM opportunity for ITEs since the parents of most of the students, who usually pay the fees of their children, belong in this age group. In other words the vast majority of "users" and "buyers" of the services of ITEs have voted for ITEs to be associated with the "struggle" of our society against drugs. It is encouraging too that older people who belong to a generation which is away from drugs has also voted for the same cause. More than 60% of people above 50 would also like to see the ITE s involved in Anti-drug activities. It is important to underline at this point that the interviewees had the opportunity to vote for more than one cause. Actually they could vote all in the list and they could even add more causes which were not included in the list. Nevertheless the fact that they have voted for almost 70% on average on Anti-drug campaigns and for the next in popularity cause only 46.3% does not leave space for doubts. The Cause Related Marketing Opportunity for Institutions of Tertiary Education in Cyprus is in Anti-drug campaigns.

In the survey of 2007 the responders were not given any list and they were only asked to name up to 4 causes. The responders have also indicated other causes that they would like Institutions of Tertiary Institutions to be involved into but for all the other causes the percentage is very small that it does not affect the conclusion of the researcher that Cypriots expect ITEs to be highly involved in the serious social problem of Cyprus which is the problem with "Drugs". Another point which is of great interest to the researcher is that the second "Cause" Cypriots expect the ITEs to become associated with is the Environment though the percentage is by far lower in both surveys.

Conclusion:

Every organization tries to build a strong reputation since a strong name generates faith and trust between an organisation and customers and the society, motivates employees, provides a competitive advantage, and affects peoples' attitudes which in turn affect behaviour towards an organisation. It is important to acknowledge that no company can afford to ignore corporate reputation and tries to identify innovative practices that can create positive impressions at an unconscious or conscious level. Corporate Social Responsibility can be one of those practices that can send positive messages to the public creating positive impressions about the corporations. Cause Related Marketing is also a very dynamic approach in sending positive messages to the public if the corporation allies with a Social Organization with great impact in the Society. In Cyprus two Financial Institutions have formed long-lasting relationships with very important social organizations creating a strong reputation among Cypriots given the findings of a survey which took place in 2004 with 740 interviewees and a repetition of this survey in 2007 with 505 interviewees. The strong Brand Positioning of Popular Bank and Bank of Cyprus drives us to the conclusion that companies which form strong "partnerships" with charitable organizations with great impact in our Society have high return on their "investment" in terms of Brand recognition and positioning. At the same time given the outcome of the surveys of 2004 and 2007 profit-making organizations or Institutions of Tertiary Education which will be involved and associated to activities which will eliminate the problem of Drugs will be embraced by the Cyprus Society.

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Biography:

Marlen Martoudi Demetriou is an Assistant Professor in Marketing. She holds a BSc. degree in Business Administration, a Post-Graduate Diploma in Marketing Management, an MBA degree in Marketing and a Doctorate in Professional Studies degree in Societal Marketing. She has been at Intercollege the last 21 years as a Full-Time lecturer in Marketing. Her Research Interests are on Societal Marketing, Corporate Social Responsibility, Corporate Philanthropy and Cause Related Marketing. Her research work has been published in International Conference Proceedings and Journals (4 journal papers and more than 14 conference proceedings papers). She is also the organizer of different social activities like the Annual Festival of Young Volunteers (since 2002) and the Annual Festival of the Friends of the Mental Retardation Prevention Center (since 1995).

CULTURAL HERITAGE 2.0 – "PROSUMERS" AND A NEW COLLABORATIVE ENVIRONMENT RELATED TO CULTURAL HERITAGE

PIER AUGUSTO BERTACCHINI
UNIVERSITY OF CALABRIA

ANTONIO FERACO
UNIVERSITY OF CALABRIA

ELEONORA PANTANO
UNIVERSITY OF CALABRIA

ANTONELLA REITANO
UNIVERSITY OF CALABRIA

ASSUNTA TAVERNISE
UNIVERSITY OF CALABRIA

The objective of this research is the creation of a cooperative and collaborative environment, in which the user represents both the consumer and the producer of content, applied to Cultural Heritage. In particular, in this kind of environment virtual reconstructions of ancient worlds, and connective paths (created by scripts) among them, will be used through strategies very similar to those present in Second life and Wikipedia, where the content is created by users. In this view, it is foreseen that a huge quantity of active users (the "prosumers") will produce and enjoy the contents using the Open Source technology. Since such a content concerns archaeological goods, we called the system Cultural Heritage 2.0.

The general context we refer to consists of: 1) the theory of Wikinomics (Tapscott & Williams, 2007), and its main principle of "peer production": the Web is used as a global platform for exchange, and all the users can access, modify the current contents creating new ones, and freely collaborate; 2) the technological paradigm of Web 2.0, referring to a whole of approaches to use the Web in a new and innovative way: it involves the technologies that make the data independent from the producer or from the website they belong to (that is, the information can be divided in different units moving from a website to another); 3) contents concerning Cultural Heritage, already selected, collected and classified by numerous national and international projects, among which the "Museum System and Virtual Museum Net", and "NETConnect - Connecting European Culture through New Technology"). In particular, NetConnect has the aim of connecting three European archaeological scenarios (located in Italy, in Germany, and in Poland) by theoretical researches and technological paths.

In conclusion, Cultural Heritage 2.0 introduces a new model for the creation of value, and foresees a globalization in the field of Cultural Heritage through a simplified access for a wider active participation to the cultural world patrimony, as well as the sharing and exploitation of the culture itself. Furthermore, the new environment foresees the application of the most advanced technologies (Virtual Reality, 3D Computer Graphics, Mobile Devices and Web) not only for the fruition of archaeological goods, but also in the field of Edutainment.

Keywords: Prosumer, Cultural Heritage, peer production, Web 2.0

Introduction

In the last decades, Internet has become the most diffused communication channel for the divulging of knowledge, services and information, cancelling the physical distances between the position of information and the one of users (Reitano, 2002). But the web is also widely considered as a key factor of speeding up social and cultural change; it represents the merging of information and communication technologies and enables flows of information and capital, and communication and cooperation regardless of space and, possibly, time (Holtgrewe, 2004). But the net is not only used as a tool for processes as Information Retrieval (IR), but it also offers to the users the opportunity to meet each other in virtual spaces, where their own experience, thoughts, and believes can be shared. In this way virtual communities learn and build collective knowledge and there is an "establishment of discursive practices that enable virtual experience" (Hemetsberger & Reinhardt, 2006).

This sharing of individual contributions and retrieving information among Internet users, which is growing faster and faster minute after minute, has caused a change from a primarily vertical command and control web world to an horizontal connective and collaborative one. This caused the development of open source software, which users can download and implement what they want; as Hemphill (2005) affirmed, "the use of free software has reached a critical mass and found an attentive audience". In fact, open-source software allows the access to source code, also giving the possibility to the user to freely distribute them; one of the most well-known is Linux, an operative system whose programmers contribute with their own skills without any kind of payment and "give away the operating system" (Pitt et. al., 2006). In this context the knowledge is shared in an evolutionary dialogue, which consistently produces high quality results (Bowden, 2005), and the differentiation between consumer and producer as two separate entities is defeated. In this way consumer and producer coalesce into the same person (Mattelart, 2002; Dacin P.A. & Brown T.J., 2006; Pitt et. al., 2006; Schembri, 2006), acting voluntarily to keep themselves well informed and capable of making decisions about the goods and services they will use (Hyman, 1986). Prosumer's activities have four characteristics: they promise high cost saving, require minimal skill, consume little time and effort, and yield high personal satisfaction (Kotler, 1986).

This concept of prosumer has been developed since the 80s (Kotler, 1986; Van Raaij, 1993), even if at the beginning it was linked to the production of "real" goods and services which were realized by the consumer himself/herself; only in recent years the concept has been linked to "digital" material, consumed and produced via Internet. Nowadays many companies are replying to this new impulse, giving the possibility to their users to use virtual spaces, in which to create and insert their own materials. Some example is given by IBM (Foster, 2006), that developed a new software based on these technologies, or by several editors that offer to the readers the possibility to interact with writers, for a better understanding of the readers' taste and for an adjustment of the editorial production.

In this paper we propose the creation of a new platform using the technologies of web 2.0 to favour the diffusion of Cultural Heritage, supporting the collaboration among the users for the promotion of the archaeological patrimony of a territory. We called this platform Cultural Heritage 2.0, to underline the link between the Cultural Heritage and the web 2.0.

In the first section we will present the technology at the basis of the system, in the second one the contents already available, provided by several national and international projects on Cultural Heritage, like those relative to Magna Grecia realized by the Evolutionary Sistems Group at the University of Calabria. In both the sections we highlighted the role of prosumers, and in particular the immersive and interactive experience of young users interested in the use of advanced technologies, but not aware of the archaeological contents..

The features of Cultural Heritage 2.0

Cultural Heritage 2.0 uses the technologies of web 2.0, focused on the information sharing among users. In web 2.0 take place the information sharing, that is the efficient and effective exchange of information among users (Sippings, 2007), a platform allowing the collaboration among users, exploiting the characteristics of open source, and supporting the development of technologies, contents, and quality of information (Zhou & Benton Jr., 2007). The use of this environment is increasing, because it allows a "more powerful, more engaging, and more interactive user experience" (Tredinnick, 2006).

The most famous definition of web 2.0 is surely that of a "platform, spanning all connected devices; Web 2.0 applications are those that market the most of the intrinsic advantages of that platform: delivering software as a continually-service that gets better the more people use it, consuming and remixing data from multiple sources" (Thomas, 2006). In fact, this definition underlines web 2.0 as an effective tool allowing an architecture of participation, in which the end-user is an active part in the creation of the product, is a collaborative co-creator (Wilson, 2006).

Web 2.0 has been developed around the social software, that allows the building and the maintainance of virtual communities in which are possible participation and collaboration, like blog, wiki, RSS (Really Simple Syndication, a suite web-content syndication protocols) or other peer-to-peer networks (O'Reilly, 2005; Wilson, 2006; Tapscott & Williams, 2007; Tredinnick, 2006).

Since web 2.0 has been developed thanks to the passage from the proprietor software (web 1.0) to open source ones (web 2.0), we show figure 1, which underlines this evolution process in relation to 4 main variables: meaning, experience, text, physical (Pitt et. al., 2006).

Regarding the meaning, in a closed source users have only the possibility to download information (broadcast); in an open source they have also the possibility to upload their own material and to exchange it with other users (in this way the material can be modified and improved). Relating to the experience, user can activily partecipate and live a "generative" experience; regarding the text, it can be interactively modified, and the user is not only audience but also becomes an author. Moreover, regarding the physical part of the product, this is highly customized, because the user is also the producer, and create the material according his/her specific taste. In other words, in the web 1.0 contents were created by the producer/proprietor, and the consumer could not participate in the process of formation or modify the; in web 2.0 producer and consumer coincide.

From an operative point of view, the difference between web 1.0 and web 2.0 can be explained analysing the evolution of the software used for the creation and consumption of contents (see Table 1, adapted from O'Reilly, 2005):

Software are related to the management of

- pictures. One of the first software used in web 1.0 for the management of photos was Ofoto (then it was bought by Kodak), which allowed users to upload jpeg images online, to share online photo albums with friends, and to purchase physical silver-halide prints of photos. In web 2.0, Flickr can be considered the evolution of this program, because helps the users to share photos, and to develop new methods to organise them;
- music. Mp3.com allowed to the user the downloading of musical excerpts for payment, whereas napster allows the exchange of musical excerpts for free;
- encyclopaedias. Britannica Online was one of the most important digital encyclopaedias for payment, and a team of experts was working for its updating, whereas Wikipedia is free, and each user can update and modify it;
- personal pages. In web 1.0 users had personal websites, and visitors could not modify them; in web 2.0 users have a blog to exchange and share contents. Blogs are virtual spaces initially used like diaries, but in the years they have been developed to become a tool of information; they are a cheap and fast way of publication on web, and allow the integration of different web contents with particular aims;
- publication, search and management of contents. At the current time contents are not the publication of a producer, but they can be created by the collaboration of different users; regarding the search of contents, pages in web 1.0 were organised in directory, whereas in web 2.0 are organized in a structure based on tag (a particular element which "marks" documents present in Internet). Moreover, in web 1.0 contents could have links to the contents of other web pages (stickiness), but in web 2.0 contents are available for other sites to use (syndication); the content management systems has been changed with wiki system. In the wiki it is particularly evident the impulse to participation; wikis, like blogs, provide to

the users a virtual space where it is possible to insert their own materials, but also support the creation of a "full-scale websites with its combination of templates, authoring tools and audit trails" (Tredinnik, 2006). The wiki takes methods of the open-source software movement with its realization of the benefits of collaborative software development, and applies it to information resource management and development.

Content and aims of Cultural Heritage 2.0

Regarding the contents already available, Cultural Heritage 2.0 could use the contents provided by several national and international projects on Cultural Heritage, which collected different kind of materials (aerial pictures, documents, and so on) on many archaeological areas. In addition, some projects focused on the digital reconstruction of archaeological scenarios and the realization of multimedia, as well as the use of Virtual Reality, GIS and mobile devices for the fruition and conservation of ancient goods. Among these project we underline those relative to Magna Grecia, realized by the Evolutionary Sistems Group at the University of Calabria:

- "Virtual Museum Net of Magna Graecia" project, financed by the POR (Operative Region Programme) 2000/2006, aimed at the promotion of an overview of the whole Calabrian archaeological patrimony related to Magna Graecia.
- "Connecting European Culture through New Technology" – NETConnect" project, promoted by Culture 2000 European Programme, aimed at the creation of common connective paths relative to three European archaeological scenarios (Magna Graecia in Italy, Glauberg in Germany and Biskupin in Poland).

Regarding the research and cataloguing of materials in "Virtual Museum Net of Magna Graecia" (Bertacchini et al., 2006), 1238 photos have been selected; 676 cards of documentation have been predisposed; 431 aerial photos of the archaeological places have been acquired by the Calabrian police force; 72 cards on the finds of Reggio Calabria museum and 28 cards on the finds of the Sybaris museum have been predisposed; the recording video and the photos of seven museums and four sites have been realized. Moreover, the project foresaw the three-dimensional reconstructions of some monuments of Calabrian Magna Graecia like a theatre, a temple, a house, and an agorà. Also some goods have been virtually reconstructed, minimizing the differences in perception between the archaeological find and its three-dimensional modelling, through the use of virtual reality techniques in an immersive environment (Bertacchini et al., 2007). In Figure 2 you can see the ruins of the ancient quarter called "Centocamere" in the polis Lokroi and the virtual reconstruction realized in the Virtual Museum Net of Magna Graecia project.

NETConnect project concerned the definition of cultural interconnections among the chosen European archaeological sites and foresaw the digital reconstruction of the sites, the diffusion of multimedia contents and the use of GIS technology for providing geographical information about the scenarios. In particular, archaeological experts worked on providing three cultural scenarios, based on Italian, German and Polish ancient societies, and in finding evidences on cultural interconnections, economic, cultural and artistic links between the scenarios. The of state-of-the-art technology like Virtual Reality was at the service of citizens for spreading visibility of interconnected aspects of European culture. Furthermore, the 3D reconstructions of the three cultural scenarios was visualized within interactive environments based on cheap Virtual Reality technology, also accessible through the Internet. In Figure 3 you can see a representation of connections among the three archaeological sites of Glauberg, Biskupin and Magna Graecia.

Regarding the fruition, in Cultural Heritage 2.0 the user could be both consumer and producer, in particular he/she can:

1. select different materials (documents, texts, pictures, multimedia files), following paths linking these materials among archaeological scenarios (the user is the consumer of the content);
2. create her/his own desired content by using alternative methods and technologies, realizing new paths linking the new content (the user is the producer of the content).

In this view, in Cultural Heritage 2.0 virtual reconstructions of ancient worlds and connective paths (created by scripts), will be used through strategies very similar to those present in Second

Life and Wikipedia, where the potentially unlimited content is created by users.

Moreover, the user can experience an immersive and interesting experience, especially for that part of population which is less interested in the archaeological heritage but more sensitive to the use of new technologies (Mason et al., 2006). In order to obtain a "full immersion" in the historical, cultural and economic reconstruction of the poleis, the user can begin from a "manipulation" of archaeological and historical documents, from the maps of the ancient buildings and the historiography, to arrive to the navigation in virtual reconstructions. These are, by their "nature", visually based, in the sense that within them, the immediacy of the image is prevalent in relation to the sequential nature of the text and the sound. They are interactive since it is required of the user that he act; they are connected to anything that can be shared. Given these characteristics, it is consequential that the use of information in a virtual context, that is, the acquisition and processing of knowledge, takes place in a motor- sensory manner, while in a real context one learns for the most part in a symbolic- reconstructive manner (Antinucci, 1998a, 1998b), which is more tiring on account of the mental effort required. Acquiring knowledge in a manner which is in itself powerful and further enriched by computer technology (both material and intellectual) (Bilotta et al., 2007) is a good reason for aligning it with Arts and Culture, since greater knowledge is a forerunner to good use of the artistic heritage in all of its physical and relational complexity (Casillo, 2003). The objective is that of enriching the moment in which artistic phenomena are learned, offering a possible level of understanding of them and enjoying them.

Conclusions

In Cultural Heritage 2.0, the new platform we intend to realize, which uses the technologies of web 2.0 to favour the diffusion of Cultural Heritage, users are authors, producers, and consumers of the product. They can choose their own point of interest, upload and download information, realizing a system that is continuously updated, personalized, and based on the users' taste. These "prosumers" participate to the creation of the environment linked to Cultural Heritage and to live a "full immersion" in the historical, cultural, social and economic reconstruction of the archaeological sites.

Moreover, Cultural Heritage 2.0 foresees a globalization in the field of Cultural Heritage through a simplified access for a wider active participation to the cultural world patrimony, as well as the sharing and exploitation of the culture itself, by using an approach in the field of edutainment. In this way the platform could bridge the gap between an exponential demand for information and contents, linking the reaching of knowledge and skills to an engaging and attractive learning.

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Figure 1: The passage from a proprietor source to an open one (Pitt et. al., 2006).

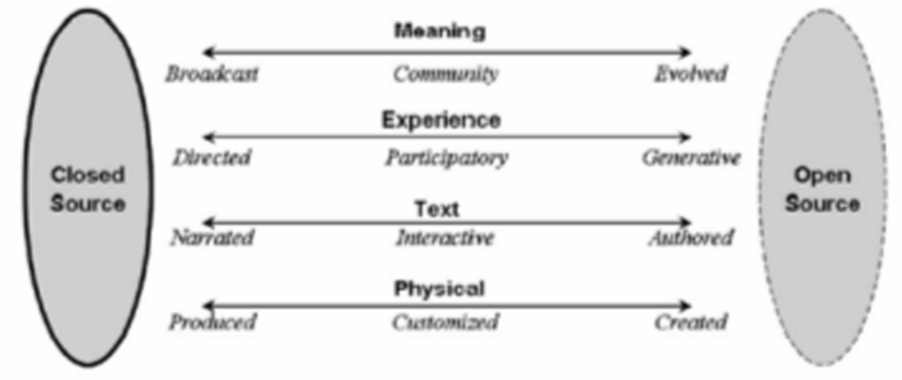

Figure 2. The ruins of the ancient quarter called "Centocamere" in Lokroi and its virtual reconstruction.

Figure 3. A representation of connections among the three archaeological sites of NetConnect project.

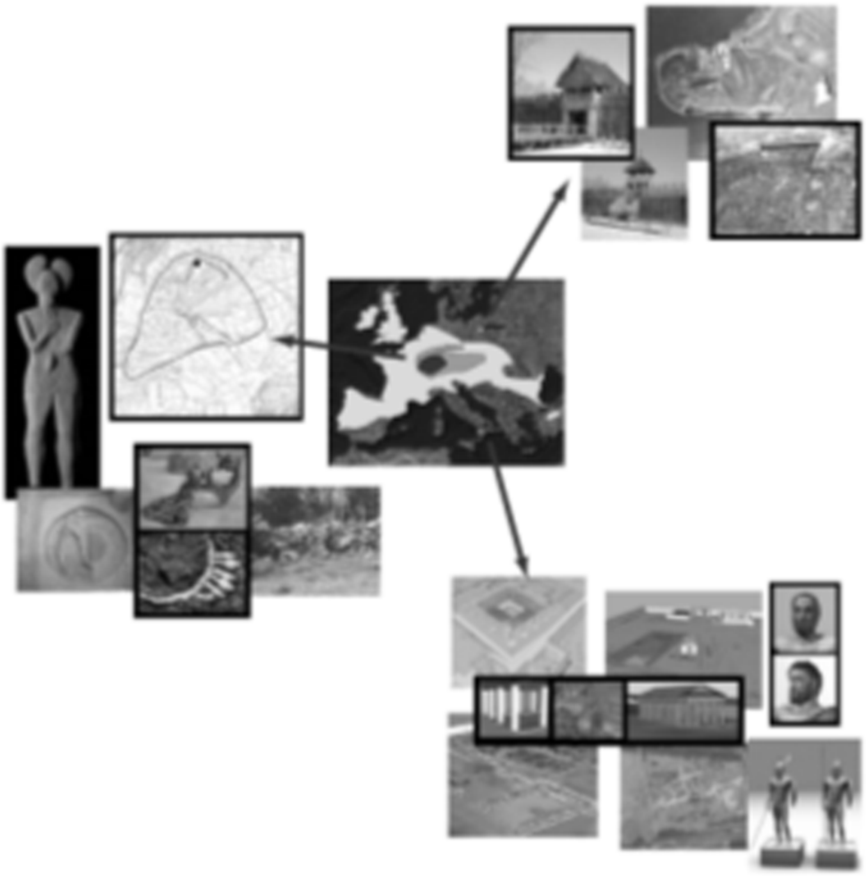

Table 1: Evolution of the software used in web 1.0 and web 2.0 (adapted from O' Reilly, 2005)

Web 1.0		Web 2.0
Ofoto	-->	Flickr
mp3.com	-->	Napster
Britannica Online	-->	Wikipedia
personal websites	-->	blogging
publishing	-->	participation
directories (taxonomy)	-->	tagging ("folksonomy")
stickiness	-->	syndication
content management systems	-->	wikis

THE RELATIONSHIP BETWEEN CUSTOMER SATISFACTION, CUSTOMER LOYALTY AND BUYING INTENTION

ABDULLAH OKUMUS
ISTANBUL UNIVERSITY, TURKEY

ZEHRA BOZBAY
ISTANBUL UNIVERSITY, TURKEY

Abstract

There are too many supermarket retailers in today's marketplace in Turkey. While some retailers are very successful, others are however unsuccessful in their business. Retailers want to attract and hold customers who spend more money in their stores in order to increase the possibility of success. Thus, it is necessary to create, evaluate and retain the loyalty of customers for retailers.

Driven by rapidly changing retail environments, more demanding customers, intensified competition, and slow growth markets, retailers are more than ever obliged to continually focus on establishing customer satisfaction and customer loyalty. Understanding how customer satisfaction and customer loyalty develop remains one of the crucial retail management issues today. Thus, in order to take competitive advantage, retailers must understand the customer behavioral process that could lead their buying intentions.

In this study, the relationship between customer satisfaction, customer loyalty and buying intention is addressed. The objective of this study is to empirically test a model of relationships among customer satisfaction, customer loyalty and buying intention. Customer loyalty is investigated by examining two dimensions which are behavioral loyalty and attitudinal loyalty. Data was obtained from 600 shoppers in Turkey via questionnaire. The data was analyzed by structural equation modeling in order to test all the relationships between variables in the model. Results of structural equation modeling analysis indicated a good fit between the model and the observed data.

The findings supported the proposed hypotheses, which are consistent with the theoretical framework. A number of notable findings are reported related to customer satisfaction, attitudinal loyalty, behavioral loyalty and buying intention. The results indicate that customer satisfaction influences attitudinal loyalty and buying intention. In addition, empirical study reveals that attitudinal loyalty has an impact on both behavioral loyalty and buying intention. The results also suggest that attitudinal loyalty has more impact than satisfaction on buying intention. Thus, fostering favorable attitudinal loyalty holds key to gain customers' buying intention and behavioral loyalty.

The contribution of this paper is to model all the relationships between buying intention and its antecedents, and to test these relationships simultaneously. The results have implications for both retailing managers and researchers in order to predict customers' buying behavior. From a strategic viewpoint, this suggests that retailing managers can focus on customer satisfaction and customer attitudinal loyalty to develop effective marketing strategies and plans in order to gain customer behavioral loyalty.

Keywords: Customer Satisfaction, Behavioral Loyalty, Attitudinal Loyalty, Buying Intention, Structural Equation Modeling.

Introduction

The retailing industry in Turkey has undergone drastic changes, resulting in a market place which is characterised by intense competition. The Turkish retailing market has become very active and competitive because the number of supermarket retailers increased sharply to meet customers' needs. As the competitive pressure continues, consumers will become more selective in their choice of supermarkets. And, the occurrence of committed and often inherited relationships between a customer and his / her supermarket is becoming increasingly scarce. To survive in today's competitive retailing industry, supermarket retailers must create and maintain customers loyal. Because customer loyalty become more crucial for retailers, the challenge of gaining loyalty presents a challenge of a more in-depth understanding of the antecedents of loyalty.

Customer satisfaction is a key determinant for gaining customer loyalty. During the past decades both marketing academicians and practitioners have been intrigued by the relationship between customer satisfaction and customer loyalty (Dick and Basu, 1994; Fornell, Johnson, Cha and Bryant, 1996; Hallowell, 1996). Most of the studies, however, have concentrated on the relationship between customer satisfaction and customer loyalty and to a somewhat lesser extent on the relationship between customer satisfaction, customer loyalty and customer's buying intention. Surprisingly, research on the relationship between customer satisfaction, customer loyalty and customer's buying intention in retailing industry has also remained limited, both in actual number as well as in scope. In this study, a model that describes the relationship between customer satisfaction, customer loyalty and customer's buying intention in Turkish retailing industry is proposed.

Conceptual Backround

Customer Satisfaction and Customer Loyalty

Customer satisfaction is considered as an antecedent of customer loyalty (Bitner, 1990; Bloemer and Ruyter, 1998; Tse and Wilton, 1998). Na, Marshall and Keller (1999) view satisfaction as a resulting variable of strong associations or images, along with preference and loyalty. There are many different definitions of satisfaction in the literature. Hunt (1977) defines satisfaction as an evaluation of an emotion in a service context. This implies that satisfaction reflects the degree to which a consumer believes that the possession and / or use of a service evoke positive feelings based on disconfirmation paradigm in process theory (Rust and Oliver, 1994). Similarly, Giese and Cote (2000) define satisfaction as a summary response of varying intensity, with a time-specific point of determination and limited duration, directed towards focal aspects of product acquisition and / or consumption. Caruana (2002) defines customer satisfaction as a post purchase, global affective summary response, that may be of different intensities, occurring when customers are questioned and undertaken relative to the retail services offered by competitors (Koo, 2003).

More directly related to the retailing, Bloemer and Ruyter (1998) define satisfaction as the outcome of the subjective evaluation that the chosen alternative (the store) meets or exceeds expectations. This conceptualization stems from the disconfirmation paradigm (Oliver, 1980) in which satisfaction is believed to occur through a matching of expectations the consumer elaborates on the evaluation of a store (Koo, 2003). No matter how customer satisfaction is perceived, however, there can be no doubt that it is the key to customer loyalty in the supermarket retailer.

Customer Loyalty and Buying Intention

Customer loyalty has become the battlefield for retailers, as they try to attract customers to their stores. The generation of customer loyalty has been a primary objective of marketers for decades because retaining customers requires less marketing resources than recruiting new ones (Knox and Walker, 2001; Reichheld and Sasser, 1990; Reichheld, 1996; Birgelen, Wetzels and Ruyter, 1997). As Enis and Paul (1970) and Hallowell (1996) noted, stores with a larger share of loyal customers tend to be more profitable because they attract a larger share of consumer expenditures. In addition, loyal customers are less costly to serve than non-loyal shoppers (Al-Awadi, 2002). Loyal customers are a competitive asset to any business organisation as customer loyalty serves as a barrier to competitive entry and thus, by implication, is also a key determinant in predicting market share and profitability (Bosshof and Gray, 2004).

Customer loyalty has been defined in various ways, from a probability of repurchase to proportion of purchase (Sivadas and Baker-Prewitt, 2000). Knox and Denison (2000) defines customer loyalty as the consumer's inclination to patronize a given store or chain of stores over time. At a general level, customer loyalty is a positive propensity toward a store or brand. It is suggested that consumer's commitment is necessary condition for customer loyalty to occur (Bloemer and Ruyter, 1998). According to Bloemer and Ruyter (1998), when there is no store commitment in the consumer's repeat visiting or buying behavior, the consumer becomes spuriously loyal, or a consumer with inertia repeat visiting behavior (Dick and Basu, 1994). A critical review of the many definitions of loyalty suggests that loyalty is both attitudinal and behavioral construct (Dick and Basu, 1994).

So, the customer (store) loyalty can be defined as the biased behavioral response, expressed over time, by some decision making unit with respect to one store out of a set of discount retail stores, which is a function of psychological decision-making and evaluative processes resulting in store commitment (Jacoby and Chestnut, 1978; Knox and Walker, 2001).

In the literature, there is extant evidence about the relationship between buying intentions and buying behaviour. Buying intentions are personal action tendencies relating to the product / brand (Bagozzi, 1979; Ostrom, 1969). Buying intentions represent the person's motivation in the sense of his / her conscious plan to exert effort to carry out a behavior (Eagly and Chaiken 1993). Thus, a concise definition of buying intentions may be as an individual's conscious plan to make an effort to buy a product / brand or buy from a store.

Methodology

Research Model & Hypotheses

The purpose of this study is to develop a model for supermarket retailers to identify all relationships between customer satisfaction, customer loyalty and customer's buying intention. This study explores the relationships between customer satisfaction, customer loyalty and customer's buying intention in the Turkish retailing industry. Figure 1 visualizes the research model and hypotheses based on the purpose of the study.

Customer satisfaction is defined as a customers' overall evaluation of the performance of an offering to date (Johnson and Fornell, 1991). The importance of customer satisfaction on customer loyalty is so well recognised that some major economies now measure customer satisfaction at the industry level using large sample surveys to predict customers' loyalty (Ranaweera and Prabhu, 2003). Customer satisfaction has a strong positive effect on customer loyalty across a wide range of product and service categories (Fornell 1992; Fornell et. al. 1996). For example, Bolton (1998) finds a positive effect of customer satisfaction on the duration of the relationship for cellular phone customers, and Bolton and Lemon (1999) show a positive effect of customer satisfaction on customer usage of telecommunications subscription services. In the study, it is proposed that customer satisfaction has a significant influence on both attitudinal loyalty and behavioral loyalty.

H1: The higher the level of customer satisfaction the higher the level of attitudinal loyalty.

H2: The higher the level of customer satisfaction the higher the level of behavioral loyalty.

As an overall evaluation that is built up over time, customer satisfaction typically mediates the effects of customer loyalty on customer's buying intention (Gustaffson, Johnson and Roos, 2005). Customer satisfaction has a strong positive effect on customer's buying intentions. In a large-scale study of automotive customers, Mittal and Kamakura (2001) show a strong, albeit nonlinear, effect of customer satisfaction on repurchase behavior, such that the functional form relating satisfaction to repurchase is marginally increasing. On the basis of the studies, it is expected that customer satisfaction has a significant influence on buying intention.

H3: The higher the level of customer satisfaction the higher the level of buying intention.

It is currently accepted that customer loyalty consists of two interrelated dimensions as attitudinal loyalty and behavioral loyalty. The behavioral aspect of loyalty focuses on proportion of purchase measure of a specific product / brand, while attitudinal loyalty dimension is measured by psychological commitment to the target object (Caruana, 2002). In the study, it is expected that attitudinal loyalty have a significant influence on behavioral loyalty.

H4: The higher the level of attitudinal loyalty the higher the level of behavioral loyalty.

A review of the literature reveals numerous studies that have reported buying intentions as surrogate measure of loyalty in a service environment (Shaw-

Ching, Furrer and Sudharshan, 2001). Thus, it is hypothesized that there is a positive relationship between loyalty- behavioral and attitudinal- and buying intention.

H5: The higher the level of attitudinal loyalty the higher the level of buying intention.

H6: The higher the level of behavioral loyalty the higher the level of buying intention.

"Table 1 here"

In order to test the research model, a survey was administered to consumers living in Istanbul. A total of 600 surveys were completed on a voluntary basis. From the demographic data in Table 1, respondents were from both gender (males 44 percent; females 56 percent), and had an age of 42-49, mostly civil servant and self-employed and had 4-6 people family size. Approximately half of the sample had university and over grade, and the others had high school and lower degrees. The sample was represented by high income level and most of them had their own car, so being a car drive distance to the store is not a problem.

Based on a review of the relevant literature and previous measures, multi-item scales were generated. All scales employ five-point agree-disagree statements. A three-item measure adapted from Lockshin, Spawton and Macintosh (1997) is used in order to determine satisfaction levels of customers related with the store. Satisfaction was measured by items such as "When I come out of this store I am usually satisfied. (S1)", "When I consider my shopping experience at this store I am satisfied. (S2)" and "In general, when I think of this store I am satisfied. (S3)"

At a general level, customer loyalty is a positive propensity toward a brand or a store. Different measures of this propensity towards brands and stores have been reviewed by Jacoby and Chestnut (1978) and, more recently, by Dick and Basu (1994). Loyalty may be expressed in behaviour and attitude. In the study, customer loyalty was measured by attitudinal loyalty and behavioral loyalty indicators. Attitudinal loyalty was measured by "The store is my favorite store. (AL1)" and "The store is my first choice in shopping (AL2)". Behavioral loyalty was measured by proportion of purchase (BL1) and amount of purchase (BL2).

In addition, a three-item formative scale used in marketing literature was adapted from Sirohi, Mclaughlin and Wittink (1998) in order to measure customer's buying intention. These three measures of customer's buying intentions are such as "The probability that I will shop at that store is very high. (BI1)", "I would recommend this store to others. (BI2)" and "I would definitely shop at that store in the future. (BI3)".

Hypothesis Testing

In the study, confirmatory factor analysis and structural equation modeling with AMOS 6.0 were conducted simultaneously to test the hypotheses. The four-factor measurement model was validated using confirmatory factor analysis. Before estimating the model, the reliability estimates of the measurement items were verified using Cronbach's alpha to assess the internal consistency of the constructs in the proposed model. Table 2 shows that the standardized factor loadings for all constructs ranged from 0.627 to 0.998. Next, a confirmatory factor analysis was performed to assess convergent and discriminant validity of the scales. As Fornell and Larcker (1981) argue, convergent validity is achieved if the AVE in items by their respective constructs is greater than the variance unexplained (i.e., AVE>0.50), and this was true for all the constructs. The alpha values ranged from 0.74 to 0.94 (see Table 2), exceeding the minimum hurdle of 0.70 (Hair, Anderson and Black, 1995). These were all above established standards and therefore the conclusion was that the unidimensionality and reliability of the measures used were satisfactory in this research context.

The resulting measurement model was $\chi 2$=68.938, p = 0.001, degrees of freedom (df) =29; the sample size is large enough than the degrees of freedom should be considered. $\chi 2$/sd value 5 or less indicates good fit between measurement and the data (Maxwell, 2002). This value is 2.37 and it clearly indicates good fit. Goodness of Fit Index (GFI) = 0.977; Adjusted Goodness-of-Fit Index (AGFI) = 0.957; Normed Fit Index (NFI) = 0.991; Relative Fit Index (RFI) = 0.986; Incremental Fit Index (IFI) = 0.995; Tucker-Lewis Index (TLI) = 0.992; Comparative Fit Index (CFI) = 0.995; Root Mean Square Error of Approximation (RMSEA) = 0.048, which indicated a good fit. The large chi-square value was not surprising since the chi-square statistics in AMOS had been shown to be directly related to sample size (Doney and Cannon, 1997). GFI, AGFI, NFI, RFI, IFI, TLI and

CFI exceeded the recommended 0.90 threshold level. In addition, RMSEA were lower than 0.05. The results indicated a good fit between the model and the observed data (see Table 3).

As predicted in Hypothesis 1, satisfaction was found to be a significant factor in determining attitudinal loyalty (t = 14.381, p<0.001). However, the relationship between satisfaction and behavioral loyalty was not supported (t = 0.09, p>0.05). Satisfaction had a positive and significant impact on behavioral intention (t = 4.870, p<0.001) as supported in Hypothesis 3. Attitudinal loyalty had a strong positive and significant impact on behavioral loyalty (t = 19.411, p<0.001) as supported in Hypothesis 4. The proposed model also conjectured that attitudinal loyalty would directly influence buying intention as supported in Hypothesis 5. The result provided support for this link as well (t = 6.849, p<0.001). However, the relationship between behavioral loyalty and buying intention was not supported (t = -0.411, p>0.05). Standardized regression weights and t values for the hypothesized relationships are shown in Table 4.

Conclusion

In this paper, the relationship between customer satisfaction, customer loyalty and buying intention in a retail store setting is examined. The prime objective of this study is to take a closer look at the antecedents of buying intention. In terms of the model distinguished between customer satisfaction, customer loyalty and buying intention, satisfaction found as an antecedent of attitudinal loyalty and buying intention but not behavioral loyalty. In addition, the data reveal that attitudinal loyalty has positive effect on behavioral loyalty. Moreover, a positive relationship between attitudinal loyalty and buying intention is found in the study. Furthermore, the results show that behavioral loyalty is not associated with buying intention. In sum, all hypotheses supported except of the link between satisfaction and behavioral loyalty and behavioral loyalty and buying intention.

An important theoretical implication of the research is that framework structures understanding of the relationships between customer satisfaction, attitudinal loyalty, behavioral loyalty and buying intention. The findings of research reveal that customer satisfaction and attitudinal loyalty do have a clear impact on buying intention. The two distinguished antecedents together explain most of the variance in buying intention, implying a rather substantial grasp of the construct.

The attitudinal loyalty is the most important determinant of behavioral loyalty although behavioral loyalty doesn't provide customer's buying intention. In addition to the strong impact of attitudinal loyalty on behavioral loyalty, the extent to which the supermarket is the customer's first choice and the favorite store in shopping significantly determine customer's buying intention from that store.

Finally, positive effect of satisfaction on attitudinal loyalty turned out to play a significant role in buying intention. It is found that satisfaction is not related with the behavioral loyalty. This may be caused by the structure of retailing industry in which many retailers enter the market continually. An interesting finding of the study is that there is not a relationship between behavioral loyalty and buying intention. This may occur from being loyal to a supermarket does not guarantee to continue to buy from that store.

The implications of the study are also for retailers that they should seriously consider the impact of customer satisfaction, attitudinal loyalty and behavioral loyalty on buying intention. Companies increasingly look to customer satisfaction and customer loyalty as keys to achieve market leadership. Understanding what drives these critical elements, how they are linked and how they contribute to their companies' overall equity is fundemantal for success. Customer satisfaction and customer loyalty are the two important routes to obtain customer's buying intention. Thus, for retailing managers, findings have important implications with regard to retailing strategies.

Limitations

As is the case with any research, the study presented exhibit limitations that should be considered. First, the study is limited to the identified variables simply because the focus of the investigation is on the composite set of links between customer satisfaction, customer loyalty and customer's buying intention. Second, the findings may be limited to the sample and the store investigated in this research.

The empirical relationships reported in this study are tentative in the sense that they are based on cross-sectional data collected at one moment in time. Longitudinal research that focuses on the dynamics of the different constructs over time is needed to define the exact causal nature of link between the constructs.

For the purpose of cross-validation, additional exploration of the relationships needs to be extended beyond the sample and setting reported in this research. Moreover, further conceptual and empirical research may yield a more in-depth insight into the nature of buying intention.

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Figure 1 Proposed Model and Hypotheses

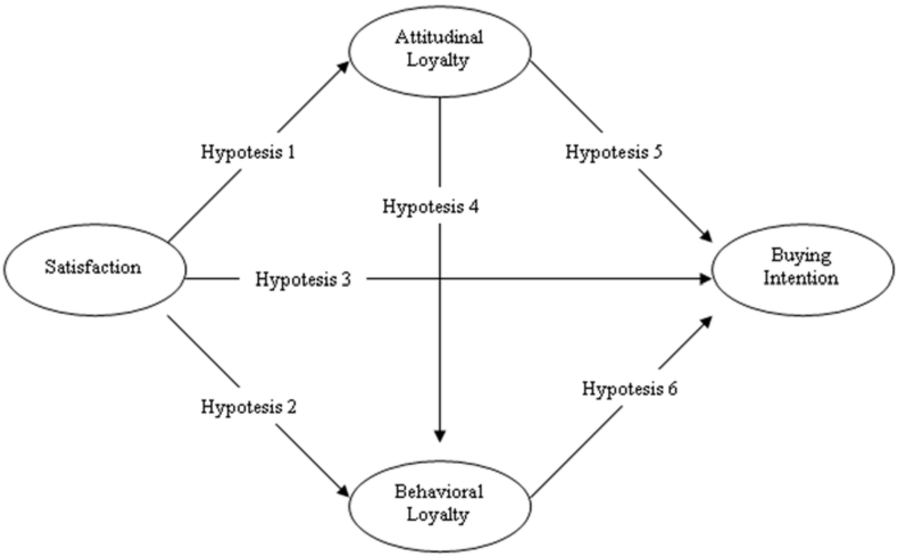

Table 1 Demographic Characteristics of Respondents (n=600)

Age	n	%	Income (YTL*)	n	%
18-25	91	15.2	300 YTL and less	11	1.8
26-33	147	24.5	301 YTL-600 YTL	69	11.5
34-41	96	16.0	601 YTL -900 YTL	146	24.3
42-49	157	26.2	901 YTL - YTL	108	18.0
50 and over	109	18.2	1200 YTL -1500 YTL	88	14.7
Total	600	100	Over 1500 YTL	178	29.7
			Total	600	100
Family Size	**n**	**%**	**Occupation**	**n**	**%**
1-3 people	243	40.6	Self employed	145	24.2
4-6 people	344	57.3	Merchant	18	3.0
7-9 people	13	2.1	Tradesman	24	4.0
Total	600	100	Worker	62	10.3
Education	**n**	**%**	Civil Servant	149	24.8
High schoolandlower	298	49.7	Retired	72	12.0
University and over	302	50.3	Housewife	120	20.0
Total	600	100	Other	10	1.7
			Total	600	100
Distance to the Store	**n**	**%**	**Car Ownership**	**n**	**%**
Walking distance	281	46.8	Own a car	417	69.5
Car drive	319	53.2	Doesn't own a car	183	30.5
Total	600	100	Total	600	100
Marital Status	**n**	**%**	**Gender**	**n**	**%**
Married	420	70.0	Male	264	44.0
Single	180	30.0	Female	336	56.0
Total	600	100	Total	600	100

*1.2YTL= 1$

Table 2 Measurement Model Results

Construct	Statements	Standardized Loadings	Composite Reliablity	Average Variance Extracted
Satisfaction			0.89	0.94
S1	When I come out of this store I am usually satisfied.	0.998		
S2	When I consider my shopping experience at this store I am satisfied.	0.992		
S3	In general, when I think of this store I am satisfied.	0.994		
Attitudinal Loyalty			0.90	0.89
AL1	The store is my favorite store.	0.872		
AL2	The store is my first choice in shopping.	0.928		
Behavioral Loyalty			0.79	0.74
BL1	Proportion of Purchase	0.627		
BL2	Amount of Purchase	0.931		
Buying Intention			0.75	0.83
BI1	The probability that I will shop at that store is very high	0.839		
BI2	I would recommend this store to others.	0.853		
BI3	I would definitely shop at that store in the future.	0.682		

Tablo 3 Model Fit Summary

Fit Indicators	Abbrevations	Default model1	Saturated	Independence model
Discrepancy	CMIN	68.938	0.000	7620.847
Degrees of freedom	DF	26	55	10
Discrepancy / df	CMINDF	2.377		169.352
GFI	GFI	0.977	1.000	0.272
Adjusted GFI	AGFI	0.957		0.110
Normed fit index	NFI	0.991	1.000	0.000
Relative fit index	RFI	0.986		0.000
Incremental fit index	IFI	0.966	1.000	0.000
Tucker-Lewis index	TLI	0.958		0.000
Comparative fit index	CFI	0.966	1.000	0.000
RMSEA	RMSEA	0.041		0.201

Table 4 Structural Model Results

Hypoteses	Relationship	Standardized Regression Weights	t Values	Hypotheses Testing
Hypotesis 1	Satisfaction → Attitudinal Loyalty	0.562*	14.381	Supported
Hypotesis 2	Satisfaction → Behavioral Loyalty	0.045	1.211	Not Supported
Hypotesis 3	Satisfaction → Buying Intention	0.205*	4.870	Supported
Hypotesis 4	Attitudinal Loyalty → Behavioral Loyalty	0.823*	19.411	Supported
Hypotesis 5	Attitudinal Loyalty → Buying Intention	0.631*	6.849	Supported
Hypotesis 6	Behavioral Loyalty → Buying Intention	-0.035	-0.401	Not Supported

*Parameter estimate is significant at 0.001 significance level.

INTELLECTUAL PROPERTY, REPUTATION AND BRAND ISSUES AFFECTING TRADE WITH ASIA

ALAN WARING
CHIEF EXECUTIVE, ASIA RISK, HONG KONG

ROBERT YOUILL
HEAD OF ENTERPRISE, ASIA RISK, HONG KONG

Abstract

The economy of the People's Republic of China (PRC) continues to grow at a high rate (still around 11%GDP). The numbers of new millionaires and many more with high disposable incomes in the PRC are burgeoning, as evidenced by growing numbers of Chinese tourists overseas, car ownership, the property market and the Chinese stock market. There is an unquenchable thirst for consumer products. A similar picture is emerging in other Asian economies. However, there is a 'dark side' to this economic miracle – product counterfeiting, theft of intellectual property (IP), unsafe products and, in some instances, accusations of slave labour and child abuse in local factories. For Western companies buying or sourcing in Asia, the risks to their corporate reputation and brand should not be under-estimated. Recent high profile examples include unsafe toys, toxic substances in toothpaste and contaminated foodstuffs as well as counterfeit car parts, computers, DVDs and clothing. Counterfeiting of credit cards from Western banks is on a huge scale. Equally, Western luxury brands now want to sell into China and Asia generally to tap the new consumer wave there. Such global brands and their reputations are at high risk from unscrupulous criminal gangs and lax regulatory enforcement in Asia.

This paper examines the risk issues relating to intellectual property, product safety, reputation and brand affecting the two-way trade with Asia. Case examples, including those worked on by members of the Asia Risk team, are used to illustrate the phenomenon. Current approaches to deterrence, prevention and mitigation are discussed.

Key words: risk, intellectual property, reputation, brand, product safety, counterfeiting

The Asian Economic Miracle

The economy of the People's Republic of China (PRC) continues to grow at a high rate. In 2007, the growth rate was 11.4%, the highest in a 13-year period of continued growth (Fuzhan 2008). Exports of manufactured products are a key factor and China's trade surplus increased by 48% in 2007. The numbers of new millionaires and many more with high disposable incomes in the PRC are burgeoning, as evidenced by growing numbers of Chinese tourists overseas, car ownership, the property market and the Chinese stock market. There is an unquenchable thirst for consumer products. A similar picture is emerging in other Asian economies.

Threats to IP & Brands and their Consequences

There is a 'dark side' to the Asian economic miracle. Unsafe products, product counterfeiting and other theft of intellectual property feature prominently in trade concerns raised by Western governments against China. However, such allegations have also been leveled at other Asian countries.

The following are some recent data (Interpol 2007) on intellectual property theft:

- Counterfeiting costs legitimate businesses $200 billion to $250 billion annually.
- Since 1982, the global trade in illegitimate goods has increased from $5.5 billion to approximately $600 billion annually.
- Approximately 5%-7% of the world trade is in counterfeit goods.

- Each year an estimated US$ 8 billion worth of drugs sold is counterfeit.
- The entertainment industry loses over US$ 1 billion annually to piracy.
- Fortune 500 companies each spend an average of US$4 million per year combating the theft of their intellectual property.
- In the Unites States alone, over 750,000 jobs are lost annually as a result of counterfeit merchandise.
- Some companies are losing 40% of revenue to such theft.

According to Smith (2007), “The cost of piracy to the U.S. economy, from a recently-released study, amounted to at least $58 billion in 2006, cost 373,375 jobs and 16.3 billion in earnings, and resulted in lost government tax revenue of $2.6 billion. Reducing piracy globally is an economic and policy necessity”.

The US Government Trade Representative’s Office produces annual statistics regarding copyright industry losses (USTR 2007). For the Asia Pacific Region, for the two years 2005 and 2006 the total estimated trade losses were just over US$6bn in each year. The US government’s so-called 301 List of countries that will be penalized for failing to impose effective IP controls place India, PRC and Thailand in the Priority Watch List. Others on the Watch List are Indonesia, Malaysia, Pakistan, Philippines, South Korea, Taiwan and Vietnam.

On the product safety side, on average some two-thirds of all US product recalls are of imported goods and of these the large majority are made in China (CPSC 2007). Since the beginning of 2007, there has been widespread media attention to a number of cases of alleged unsafe Chinese products exported to the West. These cases include: 20 million toys recalled by Mattel, 100,000 drink bottles recalled by Asda, pet food recall by Wal-Mart, contaminated toothpaste and Bindeez/ Aqua Dots toys recalled in USA and Australia.

Sometimes the unsafe products result from counterfeiting. There is growing concern about fake pharmaceuticals in particular as these often have attenuated or no pharmacological effect or else toxic side-effects. Recent cases of fake medications reportedly made in China or Hong Kong include: anti-cancer drugs, anti-malaria pills and other medicines. Patients have died or been seriously harmed.

Implications of Threats

“Trademark counterfeiting and copyright piracy are serious Intellectual Property (IP) crimes that defraud consumers, threaten the health of patients, cost society billions of dollars in lost government revenues, foreign investments or business profits and violate the rights of trademark, patent, and copyright owners. Fake products pose a significant safety threat to consumers worldwide. Unsuspecting customers and patients put their health, and even lives, in jeopardy each time they use fake medicines, alcoholic beverages, food products and travel in automobiles or aircraft maintained with substandard counterfeit parts”. Source: www.interpol.int).

For Western companies buying or sourcing in Asia, the risks to their corporate reputation and brand should not be under-estimated. Equally, Western luxury brands now want to sell into China and Asia generally to tap the new consumer wave there. Global brands and their reputations are at high risk from unscrupulous criminal gangs and lax regulatory enforcement in Asia (Youill 2006, 2007a).

IP & Brand Risks and Product Liability affect the whole enterprise. Increasingly, there is recognition that risk exposures interact and therefore an integrated and systemic approach to managing Enterprise Risks is required (Waring & Glendon 1998). The World Economic Forum Global Risks Report 2008 (WEF 2008), for example, contained the following key message:

“The world has become more complex and interconnected with risk becoming systemic. We have to up our game very dramatically”.

Tackling different kinds of risk exposure as a set of isolated silos is no longer tenable. Organizations are exposed to a multitude of interacting risks that affect the whole enterprise, directly or indirectly (Waring & Tunstall 2005, Waring 2006a and b, Waring 2007). Thus, the whole fabric of a company is threatened since Intellectual Property and Brand Risks interact with other risk areas as finance, HR, corporate security, R&D, manufacturing and product safety. Both supply and value chains are also vulnerable to IP threats. Ultimately, but often with remarkable speed and stealth, a company’s overall image and reputation may suffer as well as resulting in permanent damage to their individual brands. An organization's sales, revenues and share values may be hit to such an extent that the survival of the organization itself becomes uncertain.

Thus, IP & Brand Protection and Product Safety are a vital aspect of the robust Enterprise Risk Management required for an organization to meet corporate governance obligations to shareholders and other stakeholders.

Case Studies

Case One: Chinese Counterfeit Retail Goods

On December 5th 2007, US Government federal law enforcement officials announced the arrests of 10 individuals on criminal charges related to the smuggling of an estimated $200 million worth of counterfeit goods. The arrests were the result of an undercover operation by Immigration and Customs Enforcement that began in June 2006.

Posing as a corrupt union official at the Port of Newark, a law enforcement agent reportedly received nearly half a million dollars in bribes from the arrested persons and co-conspirators. The money allegedly was paid to clear the illicit cargo - including counterfeit Nike, Burberry, Chanel, and Baby Phat footwear, apparel, and accessories - through customs undetected.

According to the authorities, the Chinese-made counterfeits were shipped with falsified bills of lading through Port Newark to a number of warehouses throughout New York City, and the surrounding metropolitan area, where they were subsequently distributed to retail-level vendors.

Case Two: Optical Disc Counterfeiting in Malaysia

In November 2007, Malaysian authorities raided three illegal optical disc manufacturing plants. They recovered six multi-million dollar replication lines, several hundred infringing master copies and thousands of infringing optical discs containing both popular music and Hollywood movies.

The Royal Malaysian Police, working with music industry anti-piracy operatives, acting on information received moved against the first illegal facility on 20th November. The raid netted three optical disc production lines and more than 6,000 infringing optical discs.

A review of evidence recovered from the first facility led to the location of a second illegal optical disc factory in the same town. The police subsequently raided this facility and located a further two illegal production lines together with several hundred infringing optical discs.

The Royal Malaysian Police then passed the investigation and exhibits to the Ministry of Domestic Trade and Consumer Affairs (MDTCA) who, together with music industry investigators, identified a third related illegal replication facility. When the authorities approached this optical disc plant they discovered the owners attempting to remove a sixth replication line in a heavy goods vehicle. This replication machinery was also seized during the course of the operation.

Subsequent investigation revealed that the illegal factories were part of the same organized crime syndicate and the illegal compact discs that were being manufactured were destined for both local Malaysian and overseas markets.

Case Three: Operation Blackout, Asia-Pacific

The Motion Picture Association (MPA) announced in early February 2008 that Operation Blackout, an Asia-Pacific wide anti-piracy enforcement operation initiated by the MPA that ran from November 2007 - January 2008, resulted in the arrest of 675 suspected pirates, seizures of more than 2.6 million pirated optical discs and 1,200 optical disc burners. The burners were capable of producing thousands of pirated movies a year and potentially millions in illicit revenue. Operation Blackout included 894 raids undertaken by enforcement authorities in 12 countries across Asia-Pacific. As with previous similar operations, the raids were aimed at targeting the producers, distributors and sellers of pirated movies.

Case Four: Fake Anti-Malarial Drugs (Newton et al 2008)

Since 1998 the serious public health problem in South East Asia of counterfeit artesunate, containing no or sub-therapeutic amounts of the active anti-malarial ingredient, has led to deaths from untreated malaria, reduced confidence in this vital drug, large economic losses for the legitimate manufacturers, and concerns that artemisinin resistance might be engendered.

With evidence of a deteriorating situation, a group of police, criminal analysts, chemists, palynologists, and health workers collaborated to determine the source of these counterfeits under the auspices of the International Criminal Police Organization (INTERPOL) and the Western Pacific World Health Organization Regional Office. A total of 391 samples of genuine and counterfeit artesunate collected in Vietnam (75), Cambodia (48), Lao PDR (115), Myanmar (Burma) (137) and the Thai/Myanmar border (16), were available for analysis. Sixteen different fake hologram types were identified. Tests confirmed that all specimens thought to be counterfeit (195/391, 49.9%) on the basis of packaging contained no or small quantities of artesunate. Chemical analysis demonstrated a wide diversity of wrong active ingredients, including banned pharmaceuticals, such as metamizole, and safrole, a carcinogen, and raw material for manufacture of MDMA ('ecstasy'). Evidence suggested that at least some of the counterfeits were manufactured in southeast People's Republic of China. This evidence prompted the Chinese Government to act quickly against the criminal traders with arrests and seizures.

Current Approaches to IP, Brand Protection and Product Safety

Most companies continue to seek solutions to their IP requirements either by contracting-out to service providers or by creating an in-house 'security' capability. However, they also rarely take into account the political, economic, legal, social and global contexts in which the business seeks to grow.

Research and experience (Youill 2005a and b, 2007b) reveal that such solutions are invariably:

- Reactive
- Focussed on monitoring and treating symptoms
- Short-term in nature
- Narrow in scope
- Fragmented
- Not integrated with overall Enterprise Risk Management
- Lacking in long-term cost-effectiveness.

Both companies and service providers often assume that low-level general security and litigation responses offer sufficient protection and that top-down corporate IP and Brand Protection is somehow unnecessary. Many service providers offering IP protection services describe what they do as 'enforcement', 'litigation support', 'investigations' and 'intelligence gathering', all of which indicate reactive piece-meal solutions to the problem.

Traditional in-house security solutions are often as ineffective as contracted-out services. Managements often have a poor understanding of the actual role and expertise of their security personnel, to whom they may have unwittingly entrusted IP and Brand Protection along with numerous other security responsibilities. Effective IP and Brand Protection is usually beyond the skill and time resources of general security staff faced with many other legitimate demands.

A credible strategy and strategic framework are required for long-term effective IP and Brand Protection and these rarely feature in either traditional in-house approaches or those from service providers.

A similar picture emerges regarding Product Safety. Although the overall life-cycle approach that is required to ensure product safety (Waring & Tyler 1997, Waring & Glendon 1998) is now mature and widely used, in the new industrial nations there may be a tendency to cut corners and turn blind eyes. Cheap labour and a contract-out culture may encourage false assumptions by principals that all necessary monitoring, tests and risk controls have been carried out by sub-contractors. As the cases cited above show, this may be illusory. In societies with lax regulatory enforcement and widespread corruption, false test certificates and safety documentation may be obtained easily.

A New Approach

The approaches to IP & Brand Protection and to Product Safety that are recommended by the authors share the following features:

- Proactive
- Focussed on tackling causes not symptoms
- Long-term in nature
- Broad and comprehensive in scope
- Life-cycle approach and joined-up systemic thinking
- Integrated with overall Enterprise Risk Management
- Long-term cost-effectiveness

The authors see the protection of a both a company's intellectual property and the safety of its products as requiring the same basic life-cycle approach, which is necessarily holistic, strategic and takes account of multiple contexts and risk interactions. This life-cycle approach takes in the entire life of a product, starting from the earliest kernel of an idea for a product through design stages, piloting, component sourcing, production, marketing, sales, advertising, distribution and so on into the future.

This new approach to IP & Brand Protection is first to examine all the factors, both internal and external, now and in the future that may impact upon the particular company and its IP & Brands. With a clear understanding of the company's risk exposures and contexts, a tailored IP protection 'blueprint' is then developed that establishes a coherent policy and strategy and a framework of best-practice standards and procedures at all levels of the company. This approach allows the enterprise to prevent IP protection problems before they have the ability to significantly impact the company's brands and reputation.

The Product Safety approach is broadly similar but focuses on rigorous application of safety standards and assurance methods throughout the product life-cycle from concept, design, materials selection, fabrication, construction, prototype testing, production, marketing, sales, distribution, service life, maintenance, repair, disuse and ultimate disposal. Product recall policy must be both clear and appropriate.

Conclusions

Unsafe products, product counterfeiting and other theft of intellectual property feature prominently in trade concerns raised by Western governments against China and other Asian countries. Global brands and their reputations are at high risk from unscrupulous criminal gangs and lax regulatory enforcement in Asia. IP & Brand Protection and Product Safety are a vital aspect of the robust Enterprise Risk Management required for an organization to meet corporate governance obligations to shareholders and other stakeholders. Traditional approaches to protection by companies have not been cost-effective. The protection of a both a company's intellectual property and the safety of its products require the same basic life-cycle approach, which is necessarily holistic, strategic and takes account of multiple contexts and risk interactions.

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SMES AWARENESS OF THE RELEVANCE OF INTERNATIONALISATION

HANS RUEDIGER KAUFMANN
UNIVERSITY OF NICOSIA, CYPRUS

LUTZ SOMMER
ALBSTADT-SIGMARINGEN UNIVERSITY, GERMANY

MANUEL HAUG
ALBSTADT-SIGMARINGEN UNIVERSITY, GERMANY

SUSANNE DURST
UNIVERSITY OF APPLIED SCIENCES, LIECHTENSTEIN

WERNER GRONAU
UNIVERSITY OF NICOSIA, CYPRUS

Abstract

The research project, whose content refers in essence to 'learning and teaching', 'entrepreneurship' and 'internationalization of SMEs should illuminate the 'international awareness' of SMEs, respectively the dichotomy between the identified necessity to expand into foreign markets and the implemented actions. Related to this, is also the question as to the competence of international action, specifically regarding the expert competence to manage expansion activities. Taking into account that SMEs often act as suppliers or distributors, this research refers to consumer behavior and decision making in the field of Business-to-Business. As a preliminary definition of 'international awareness' the following working definition was decided upon: the attitude of an individual entrepreneur towards the importance of global markets coupled with the preparedness to act accordingly. The main research aim is to categorize 'international awareness' of German speaking SMEs (in Liechtenstein, the Austrian county of Vorarlberg, the Eastern part of Switzerland and the German county of Baden-Wuerttemberg focusing on the area of Albstadt-Sigmaringen) with regard to cognitive factors (insight, logic), affective factors (emotions) and conative aspects (preparedness to act). This German speaking area had already been commonly allocated, i.e. in the Interreg IIIB projects focusing on cross-cultural and interregional branding. A research objective is to identify if differentiated categorizations of international action competence can be identified. The management of SMEs, in contrast to that of large companies, is regarded to be stronger influenced by idiosyncratic characteristics of the regions where the SMEs are located. Hence, a special emphasis is put on the explanation or cultural idiosyncrasies and identities. Against this background, the main hypothesis of this research project is that a relationship exists between factors relating to identity and the dichotomy between the actually existing international consciousness and the implementation of international strategies. Consequently, the already well researched bunch of material international barriers for the internationalization of SMEs (i.e. lack of capital or lacking international market information) shall be amended by non-rational aspects to provide for a holistic explanation of problems SMEs have in the international arena. Latter might have positive implications for entrepreneurial training and education in the field of international entrepreneurship. In addition to the problem zones mentioned above, it appeared interesting to research how the learning process of entrepreneurs is structured with respect to soft factors, as for example, trust. The research project targets, besides scientific results in terms of hypothesis testing and model development, to develop recommendations for methodological sound academic and non-academic entrepreneurial training and professional development to overcome the identified gaps in decision-making and implementation. The paper

presents descriptive and, as work in progress, initial multivariate analyses.

International Awareness of SMEs

The globalization of product and capital streams is one of the biggest challenges for SMEs in the last decades. Efficiency, quality and productivity are increasingly coming to the fore. Globalization entails a variety of chances for SMEs, i.e. new export and supply markets. Especially, the development in Central and Eastern Europe represents a source for enormous growth potential for SMEs (Sommer, Skare and Kosjerina, 2005; Kaufmann, 2008). The entrepreneur is regarded as an optimizing agent, which capitalizes on disequilibria, gaps or slacks in markets and/or organizations (Boyett, 1997). Possible disequilibria entrepreneurs might capitalize on refer, for example, to changing customer value migration and social trends, public budget constraints, economically marginalized rural areas, a changing socio-economic structure in industrialized countries with an increased emphasis on services, specific industry segment problems (especially in transition countries), utilizing local heritage (i.e. location branding), a lack of diversification and creativity, a rising gap between rich and poor or brain drain. However, recent studies show that a discrepancy exists between the intended expansion activities and the consecutively actually implemented steps. This means that, as far as international markets are concerned, SMEs would be limited in their, otherwise so useful and efficient, dis-equilibration role.

Descriptive research (Kaufmann, 2008) implies that small and medium sized enterprises reflect a gap between awareness of internationalization issues and actual implementation strategies for internationalization. This application gap of entrepreneurs in areas, where infamiliarity with new market and value systems exists could also be found in the field of internationalization of SMEs. In line with the ENSR survey (EU, 2005) a Rhine Valley survey, embracing Liechtenstein, Graubuenden and St. Gallen as well as the Austrian county of Vorarlberg, a gap was identified between the perception of the importance of strategic preparatory work for internationalization and the actual investment in its implementation (Kaufmann, 2008). In other words, a behavioral deficit refers to the observation that, notwithstanding the identified importance, none or only insufficient practical implementation steps are undertaken (see Table 1).

Moreover, an analysis of failed expansions points to a lacking stringency when implementing internationalization strategies (Sommer and Haug, 2004).

This implies the question in which form internationalization of SMEs takes place. Exclusively, exporting which is the dominant form of market entry of SMEs does not suffice any more when foreign customers have higher demands in service and consultation. The implicit closeness to international customers cannot be achieved by exporting activities only (Menke und Schmidt, 1995). Rather a local presence is demanded (Swoboda, 2000) which SMEs can often not afford due to serious resource restrictions (Zentes and Swoboda, 1999). These statements are supported by the Rhine valley survey which reflects that SMEs prefer market entry forms with the lowest degree of complexity: direct and indirect export (17). The view of testing the international waters seeing exporting as a probe phase was confirmed by 9 SMEs. The other extreme of the continuum of market entry strategies, the fully controlled foreign subsidiary or acquisition was preferred by 11 SMEs. The newer market entry options of strategic alliances, virtual market entry and also co-operative market entry forms (Joint Ventures, Licensing and Franchising) do not seem to be very interesting for Rhine Valley SMEs. However, the SMEs indicated that they intend to either expand on their international business activities (10) or to change into more sophisticated market entry strategy (Kaufmann, 2008).

Besides resource related barriers deficits appear in internationalization processes related to knowledge and decision making . This refers to SME specific management processes. Whereas in large enterprises managerial levels are characterized by a “high level of institutionalized job sharing” (Schmidt and Kiefer, 2003, p. 1264; translated by the authors) companies from the Mittelstand are determined by a traditional entrepreneurial self-conception” (Henke, 2003 p. 23ff; translated by the authors) bunching important functions of the CEO or owner-entrepreneur which, not seldom, acts intuitively. This decision making by intuition must, per se, not be bad, however, due to the ever increasing complexity of the daily work, especially faced in internationalization decisions, professional managerial approaches are highly recommended

(Kirsch, 1997). Approaches for selecting foreign markets, for example, can be differentiated between behaviour orientated and decision orientated, analytic-rational approaches. A behaviour orientated approach explains the decision process being determined by motives and objectives. One factor for selecting and consecutively entering markets for less internationalised companies is due to a high degree of uncertainty low geographical and cultural distance (Breit, 1991; Goette, 1994). Here, Hofstede´s (1980; 1991; 1997) model comes into play showing that the motive of uncertainty avoidance influences the market selection process. Besides this pragmatic and more intuitive approach the decision orientated approaches are based on heuristically or analytically derived determinants (Meffert and Bolz, 1994) of the macro environment as, for example, general purchase conditions, analysis of political risks, country specific success factors, or segment specific success factors, risk indices, i.e. Beri index (Beri, 2005). Breit (1991, p. 85) provides a survey of selection approaches in the German and English speaking countries referring, for example, to checklists, cost-benefit analyses, mathematical programming, portfolio analysis or risk simulation.

The Rhine Valley survey showed that 14 SMEs (32%) are exclusively engaged in the German speaking markets whereby 8 of these SMEs intend to expand their international activities. Moreover, one third of all SMEs prefer to enter those markets which are similar to the home market supporting the behaviour orientated approach. This is also confirmed by 12 SMEs selecting foreign markets based on ´coincidentally happening chances´ representing the most preferred selection method. Only 7 SMEs base their market selection on a systematic analysis of foreign markets (i.e. checklists or portfolio methods) pointing to a gap of decision orientated market selection methods. This more behaviour orientated approach of Rhine Valley SMEs might apply that better market opportunities in more culturally distant markets are foregone. With education and training on inter- cultural management, diversity, complexity management and decision orientated market selection approaches this situation might be reversed.

A further influential factor in this respect is seen in the identities which are developed and defined in the regions. This refers to influences on entrepreneurial behavior based on patterns of actions and the qualities of relations in the region. In this context, a basic problem regarding management decisions refers to the fact that entrepreneurs follow in ambiguous situations routine patterns, which are based on their experience. This means that a framework of past experience and knowledge is the basis to process new information and the decision making. They only change this behavior if a routine led to a flawed decision (Hohenthal, 2002). This phenomenon even more underlines the uniqueness of entrepreneurial decision making processes which are characterized by a variety of idiosyncrasies. Apparently, entrepreneurs dispose of the awareness of the necessity of internationalization and its chances and risks, the concrete materialization of this knowledge, however, reflects deficits. There is empirical evidence that a very early and stringent internationalization is positively correlating with the SME's growth implying quick and decisive actions (Lu, Beamish and Ivy, 2002). A newly emerging Mittelstand generation might trigger an improvement but a fundamental change is not regarded as realistic. This short discussion points to the theorem of Ajzen and Fishbein (1970) according to which attitudes and behavior are in no close relation to each other.

The identity concept

Concepts of identity refer to ethnic, national, and cultural identity as subcategories of social identity (Goffman et al, in Zwahr, 2003), the individual's role, character and existential identity (Burke, 1991), the individual's self-concept (Burke, quoted in Reed, 2004) and salient identity (Stryker, 1981; Arnett et al, 2003).

Table 1: The Strategy Implementation Gap

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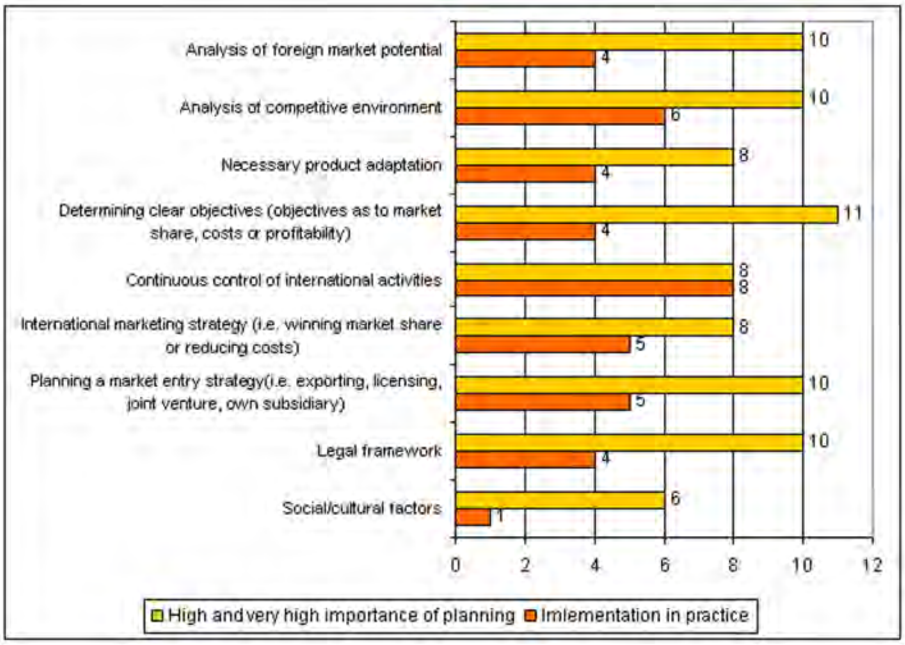


Character and salient identity

Referring to character identity, Katriel (1992, quoted by Malach-Pines et al, 2005) links traits like personal strength or decisiveness to a mature identity. In addition, referring to the ability of the individual to deviate from cultural programming the concept of salient identity becomes apparent. Trompenaars (Trompenaars, 1993, quoted by Morrison, 2000) states that culture arises by interacting people whilst simultaneously determining future interaction. Argyle (1969, quoted by Morrison, 2000, p.61) continues. “In this manner social valuables such as knowledge and status are exchanged, in a negotiation of a self-identity, which may be partly innate (albeit modified by culture), and partly acquired from culture”. So, although culture positively or negatively influences the attitudes towards entrepreneurship (Morrison, 2000) this concept is not regarded sufficient to explain and trigger individual entrepreneurial behavior. The concept of identity is proposed to be included.

In a situation characterized by new value systems the entrepreneur has to develop a situation relevant new character, existential and social identity necessary to redress the disequilibria in the respective situation. A model, which informs the newly required disequilibrium relevant identity of the entrepreneur, is DeVos’ and Romanucci-Ros’ (1974) concept, which relates idiosyncratic ethnic identity to basic concerns of interpersonal relationships. The model provides the entrepreneur with suggestions for different instrumental (achievement, competence, responsibility, control-power, mutuality) and expressive behavior (harmony, affiliation, nurturance, appreciation, pleasure and fortune) to bridge the respective disequilibria situation. Instrumental and expressive behavior is scaled in negative (socially unsanctioned), indeterminate and positive (socially sanctioned) ones.

Group, regional or social identity

Thompson et al (2000) explain a break out and international expansion of local initiatives by the existence of a community identity highlighting the crucial role of relationships. The quality of relationships is a key variable of the concept of identity. Identities exist insofar people are participants of structured social relationships (Rosenberg and Kaplan, 1982). These structured social relationships require that social role positions are both, allocated and accepted by the participants of this relationship. Reed (2004) in line with Arnett et al. (2003) holds that social identity can not only be addressed but, even more, externally stimulated.

Compared to the connotation that regions are limited to market, labour and raw materials a new thinking refers to regions as a complex of social relationships (Keating, 2001). There is widespread agreement that all relevant stakeholders of a region are required to build networks, although their objectives are different (Keating, 2001). These relationships facilitate the generation of new jointly created knowledge or core competences. Furthermore, these relations and the social identity of the individual influence the process of his/her perception and interpretation and, consequently, the individual's action potential. This means that relations are fundamental for the way of thinking and the self-development of an individual. Relationships are made of trust, continuity or reciprocity.

Initial findings

This paper reflects work in process. Not all the open ended questions, especially those relating to character and existential identity which had to be coded for inclusion into regression analysis have been included into the analysis.

Table 2 shows that the majority of 74% of the respondents are very aware or aware of the challenges of international businesses.

Table 2: Awareness of the challenges

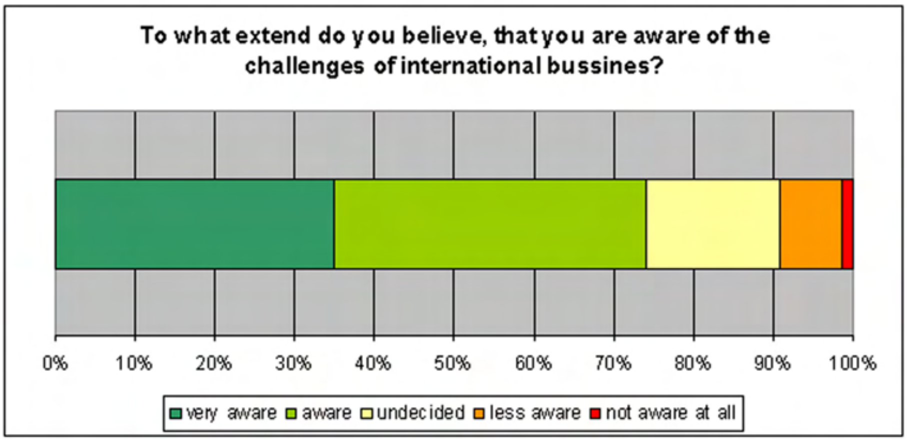
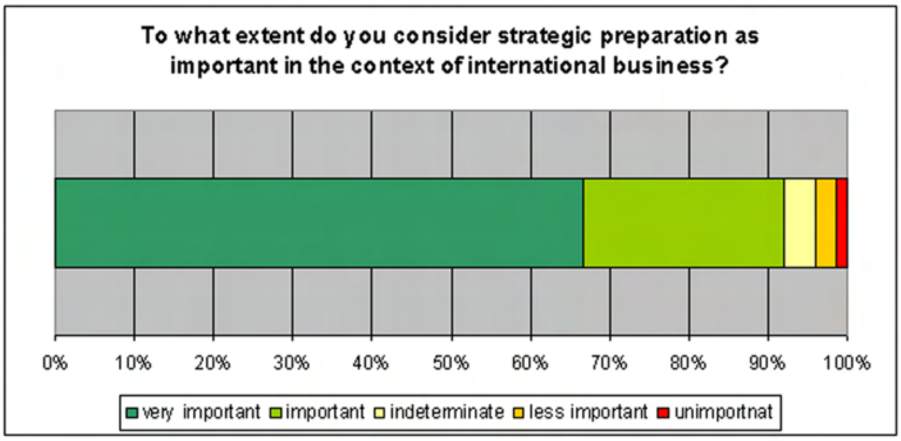


Table 3: Importance of strategic preparation



Also, more than 90% of the entrepreneurs regard strategic preparation as very important or important (Table 3).

In addition, 76.6% of the respondents attribute culture a very important or important role when developing international strategies (Table 4).

Summarizing the descriptive findings of table 2-4, there seems to be a high level of international awareness as to key international topics. However, the Rhine Valley study was confirmed in that, notwithstanding a high level of awareness, internationalization strategies are not implemented and materialized by concrete steps pointing to the cognitive gap (Table 5).

A cognitive gap, in terms of a lack of a management information system, might point to one important reason (Tables 6 and 7). The majority of respondents does not have and does not plan the introduction of a management information system underlining a lack of appreciation of systematic information when preparing decisions in terms of 'going international'.

Table 4. The role of the cultural dimension

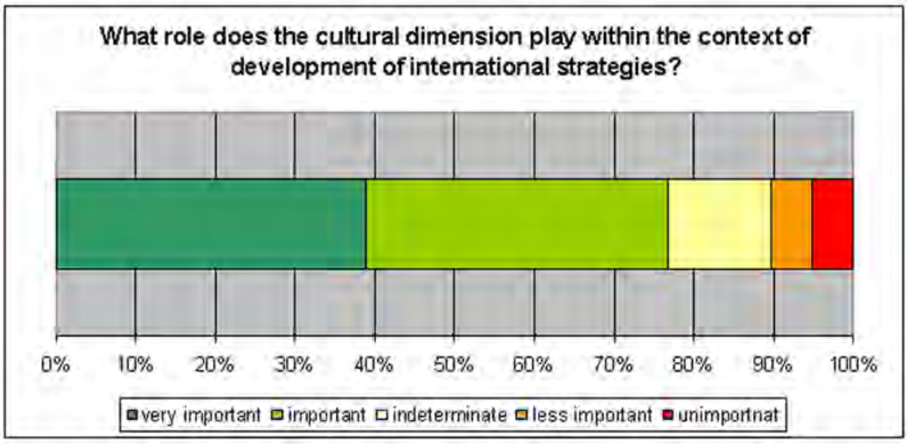


Table 5. A lack of implementation of strategy

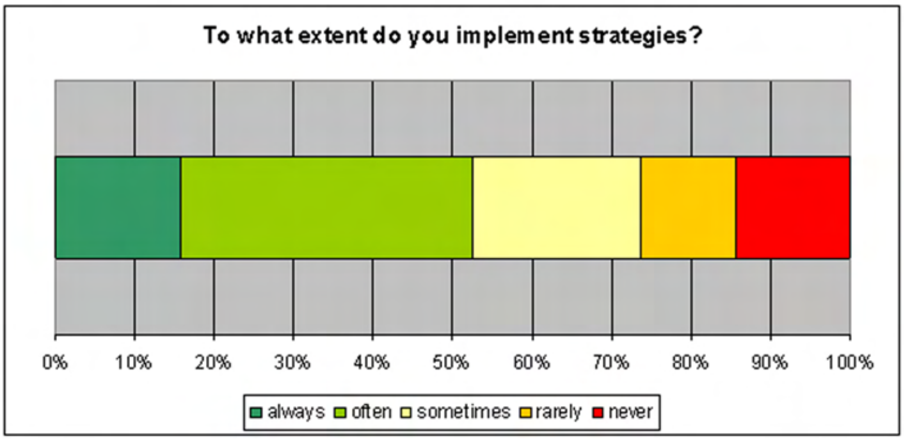
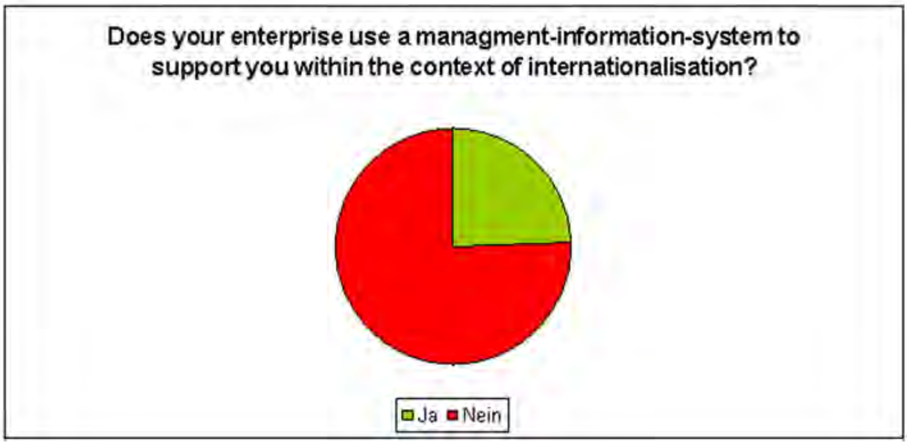
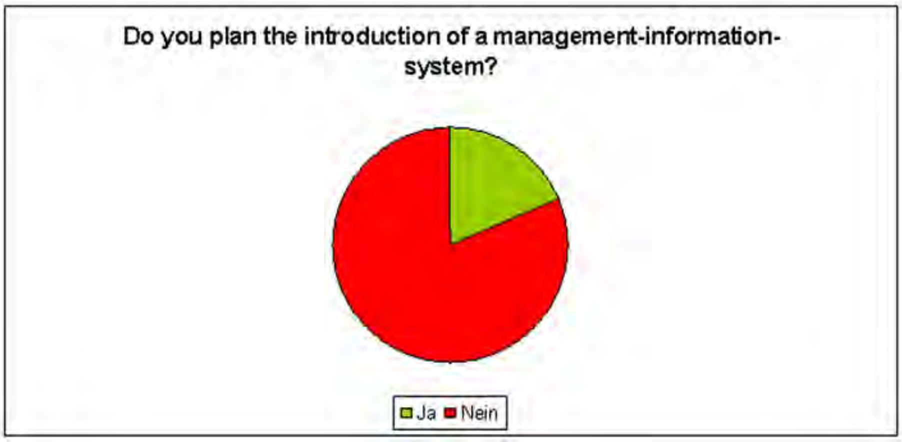


Table 6/7. Lack of Management Information System





This cognitive gap is further indicated when contemplating the a question designed to elicit the underlying reasons for the emergence of a salient identity role which is the basis for interpretation and initiation of entrepreneurial behavior. The salient identity roles of entrepreneurs have been regarded to refer mainly to a feeling of responsibility (34.2%) and target orientation/Ambition/Success Orientation (16.5%) – see Table 8.

The underlying reasons for the emergence of these roles have been referred to parents/family (31.6%) followed by the competition/market/professional activities (21.5%) and other personal experience (10.1%).

Education/Schools/Studies/Teachers which is the basis for more systematic and conceptualized knowledge only achieve an appreciation by 7.6% of the respondents (Table 9). This finding might indicate that the current salient identity roles do not suffice to interpret a very complex, often inexperienced, international business environment which is characterized by a new value system and that 'synthetic experience (Kaufmann, Davies and Schmidt, 1994) should be considered in international entrepreneurship education. Also, other salient roles as curiosity/innovation (currently only 6.3%) or interdisciplinary thinking (currently 6.3%) are suggested to gain prominence. Interestingly, the perceived successful character identities of international entrepreneurs (Table 10) are dominated by soft skills (soft skills- 17.04%; language skills-15.56%; knowledge of the culture of the target country-14.07%; respecting and considering cultures-12.59%, knowledge and education (11.11%) but these are quite weakly reflected in a characteristics profile preferred by the entrepreneurs (Table 11) where a higher appreciation of, for example, decentralization, multi-linguistic skills, strategic alliances, ambiguity/ complexity or lobbyism would be expected. Again, there seems to be a dichotomy between the awareness of desirable character identities and the actual competence pointing again to 'synthetic experience'.

Table 8. Salient identity roles

Aspects	Frequency	Percentage
responsibility	27	34.62%
target-orientation/ambition/success-orientation	13	16.67%
others	10	12.82%
social consciousness/human solidarity	6	7.69%
curiosity/innovation	5	6.41%
interdisciplinary thinking/organizational skills	5	6.41%
harmony/family	4	5.13%
reliability / dependability	4	5.13%
openness / honesty	3	3.85%
perseverance / discipline	1	1.28%

Table 10. Perceived skills of international entrepreneurs

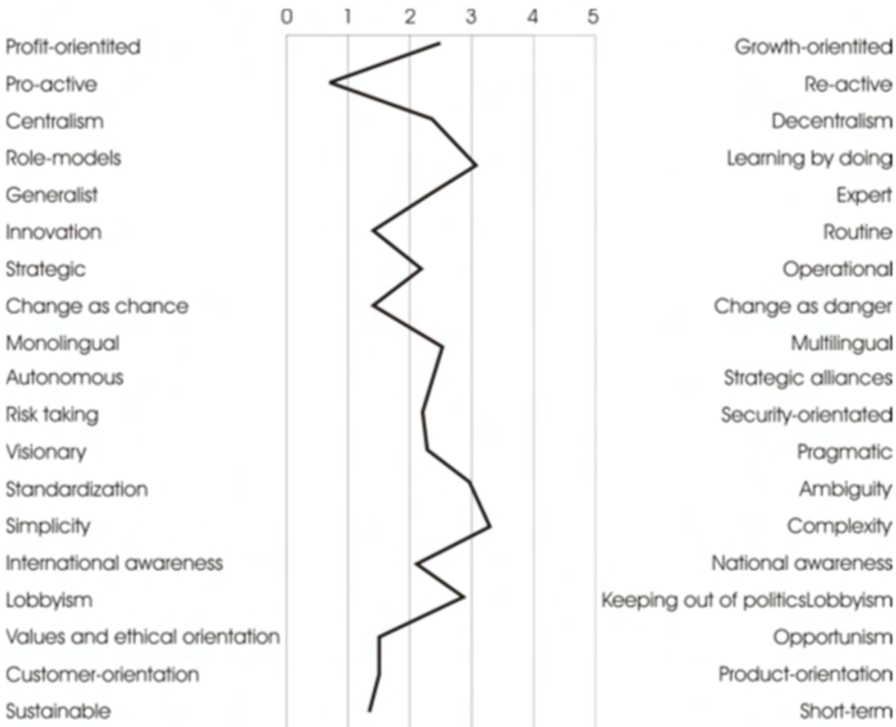
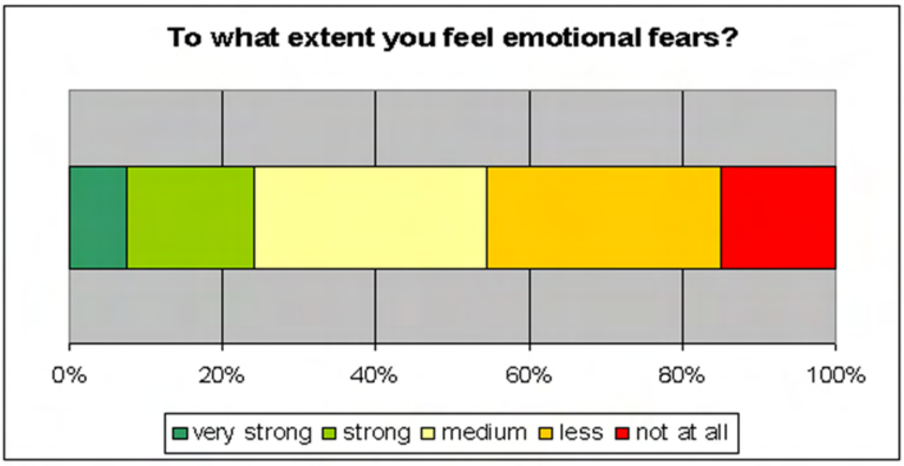


Table 11. Profile of preferred characteristics and traits

Aspect	Frequency
soft skills	23
language skills	21
knowledge of the culture of the target country	19
respecting and considering cultures	17
knowledge / education	15
open-mindedness	11
target-oriented	6
holistic thinking	5
no morale, arrogance, egoism, unscrupulousness, cold-bloodedness	4
self-confidence, assertiveness	4

Table 12. Fears and insecurities in international business



In addition to the conative and cognitive gaps, also an affective gap exists (see Table 12) pointing to a problematic existential identity. The majority of respondents (54,4%) perceive to a very strong (7.6%), strong (16.5%) or medium (30,4%) extent of emotional fears or insecurities when doing international business.

The research concludes that these detrimental aspects could be derived by the perception of an uncertain economic future (which is not based on rational systematic information), a capital deficit and on problematic economic framework conditions on a regional level (see Table 13).

Taking into account that the lion share of relations refer to the membership of the Chambers of Commerce, professional bodies or lobby associations (see Table 14) it is suggested that mainly the affective gap might be tackled by providing relevant information, cross-cultural experience, training or informal networking by these organizations.

Table 13. Aspects of the regional/national identity

Aspects	Mean
uncertain economic future	2.670886
capital-deficit	2.893333
economic framework conditions on regional-level	3.067568
performance-orientation	3.177215
international orientation	3.192308
technology and innovation	3.202532
economic framework conditions on EU-level	3.215385
marketing	3.230769
implementation of ideas	3.24359
networking and communication	3.25641
quality of cooperation amongst different companies	3.320513
entrepreneurship	3.35443
international business know-how	3.36
economic framework conditions on national-level	3.363636
satisfaction with the company-culture	3.402597
ecological responsibility	3.43038
ethics in business	3.486842
business liberty	3.493671
economic situation	3.512821

Aspect	Frequency	Percentage
chamber of commerce	31	39.24%
professional body	28	35.44%
lobby association	11	13.92%
public research institutes	3	3.80%
private research institutes	3	3.80%
other organizations (Rotary,...)	3	3.80%

An initial Pearson Correlation test (see Table 15) with significant variables negatively correlates the question as to implementing strategies with a capital lack of SMEs and with performance orientation (Leistungsorientierung). These are two factors derived from an index of national identity factors. Positive correlations refer to character identities as pro-active/reactive, innovation/routine, and lobbyism/lack of political engagement as well as learning from role models/learning by doing (see Table 11). An initially conducted multiple regression analysis with the 'extent of strategic implementation' as the dependent variable elicited the following independent variables: active/reactive, simplicity/complexity, international awareness/ national awareness, the importance of strategic preparation, values and ethics/opportunism as well as profit-orientated/growth orientated. The total explanation by the adjusted R Square was 0.487 (Table 16). It has to be mentioned that this was only an initial analysis and that more emphasis will be placed on factor and multiple analysis in the following progress of analysis.

Table 15. Correlation analysis

		shortage of financial resources	commitment to performance	active/ conservative	role-models/ learning by doing	innovation/ routine	lobbyism/ stay out of politics
shortage of financial resources	Pearson Correlation	1	.057	.158	.126	.256(*)	.307(**)
	Sig. (2-tailed)		.630	.177	.286	.027	.008
	N	75	75	75	74	75	73
commitment to performance	Pearson Correlation	.057	1	-.515(**)	-.299(**)	-.501(**)	-.369(**)
	Sig. (2-tailed)	.630		.000	.008	.000	.001
	N	75	79	79	78	79	77
active/conser vative	Pearson Correlation	.158	-.515(**)	1	.409(**)	.624(**)	.451(**)
	Sig. (2-tailed)	.177	.000		.000	.000	.000
	N	75	79	79	78	79	77
role-models/ learning by doing	Pearson Correlation	.126	-.299(**)	.409(**)	1	.365(**)	.484(**)
	Sig. (2-tailed)	.286	.008	.000		.001	.000
	N	74	78	78	78	78	76
innovation/ routine	Pearson Correlation	.256(*)	-.501(**)	.624(**)	.365(**)	1	.511(**)
	Sig. (2-tailed)	.027	.000	.000	.001		.000
	N	75	79	79	78	79	77
lobbyism/ stay out of politics	Pearson Correlation	.307(**)	-.369(**)	.451(**)	.484(**)	.511(**)	1
	Sig. (2-tailed)	.008	.001	.000	.000	.000	
	N	73	77	77	76	77	77

a Predictors: (Constant), active/conservative

b Predictors: (Constant), active/conservative, simplicity/complexity

c Predictors: (Constant), active/conservative, simplicity/complexity, international/national awareness

d Predictors: (Constant), active/conservative, simplicity/complexity, international/national awareness, To what extend you consider strategic preparation as important in the context of international business? e Predictors: (Constant), active/conservative, simplicity/complexity, international/national awareness To what extend you consider strategic preparation as important in the context of international business? values/ethical behavior/opportunism

f Predictors: (Constant), active/conservative, simplicity/complexity, international/national awareness, To what extend you consider strategic preparation as important in the context of international business?, values/ethical behavior/opportunism, profit-orientated/growth-orientated

Table 16. Multiple Regression Analysis

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.375(a)	.141	.127	1.23390
2	.520(b)	.270	.245	1.14711
3	.613(c)	.376	.343	1.07001
4	.675(d)	.455	.417	1.00791
5	.709(e)	.502	.458	.97215
6	.733(f)	.538	.487	.94534

Conclusion

In international entrepreneurship, SMEs seem to face barriers in exerting their, otherwise so efficient, dis-equilibration role, which points to still existing high potential for this capability in the future. The research concludes that all three aspects of international awareness, namely cognitive, affective and conative, are impacted and need to be addressed in international entrepreneurship training and/or education. An initial multivariate analysis shows that the identity concept might be a promising route to follow when explaining the dichotomy between the 'international awareness' of SMEs and the actual implementation of concrete actions. Both, national identity, salient identity, character and existential identity proved to be relevant concepts confirming the hypothesis that a relationship exists between the identity variables and the actual implementation of strategies. The analysis points to indicative teaching and training elements to redress the balance.

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SME MARKETING COOPERATION USING A META-BRAND – THE ROLE OF DECISION MAKERS

LUTZ SOMMER
LBSTADT-SIGMARINGEN UNIVERSITY, GERMANY

MANUEL HAUG
LBSTADT-SIGMARINGEN UNIVERSITY, GERMANY

Abstract

Without any doubt globalization is currently the most important development for economies all over the world. While large companies very often react effectively and efficiently to the pressure globalization causes, Small and Medium Sized Enterprises (SME) face a lot of problems. To resolve these problems co-operation could be an appropriate strategy. This is especially true for the field of marketing. Very often, SME neither have ambition nor abilities to pursue a professional marketing policy. For example, small and medium-sized businesses often lack of a comprehensive brand management. Teaming up with other companies from the same sector could be a means to close this gap. Such cooperation could include a strong branding element in the form of a meta-brand.

As empirical data show, the potential such cooperative arrangements have is not equally represented by the actual numbers of cooperating SME, particularly on international level. Here, the companies' decision-makers, very often owner-managers, seem to play a crucial role. This paper tries to investigate this issue by taking into consideration several elements. A company would either enter or set up a marketing cooperation only if the management is convinced that this strategy is favourable to the company. Furthermore, the success of such cooperation depends on the different knowledge and experience of the actors as well as on the legal, cultural and economic frameworks and traditions of their home countries. The main goal of this research is to get an impression on how the decision-maker evaluates the cooperation's factors of success and how this evaluation is influenced by the key attributes of the cooperation on the one hand and the decision-makers' cognitive constructs on the other. Special attention is paid to the meta-brand aspect. Furthermore, with respect to managerial cognition, the focus is on psychological issues.

Since this study is a work-in-progress paper, the emphasis is on both drawing up the main research questions and developing a conceptual framework for the above mentioned assessment processes of SME decision makers. This framework is based on an extensive literature research. As this paper represents a starting point for further research, a methodology for further refining and testing the model is presented. This includes suggestions on sampling, data elicitation, and data analysis.

This paper is thought to provide a first insight in a small or medium-sized company's decision-making process with respect to marketing cooperation using a common meta-brand. So beyond doubt, the emphasis of this paper is on explorative research the results of which need to be verified in the course of further studies.

Introduction

The importance of SME for today's economies cannot be overstated. The share of SME in the total number of companies in the economy is between 96 and 99% in most OECD countries. The European Commission states that "SME play a decisive role in job creation and exports and act as a factor of social stability and economic drive […]" (European Commission 1998). While SME seem to play a crucial role for many economies around the world, they nevertheless have several weaknesses compared to large companies. SME frequently show a lack of both capital and human resources – recent research showed that this is especially true in terms of managerial skills (OECD 2002, pp. 13 et seqq.).

This lack of resources can also be observed when looking at the marketing practice in SME. As a study by Cohen and Stretch (1989) states, most cited problems of owners of small companies are marketing related. "Marketing is seen, thus, as a troublesome and problematic undertaking for SMEs" (Krake 2005, p. 229). Hill (2001) points out that SME very often show a clear sales orientation; other aspects such as brand management play a minor role only. This is surprising as the benefits of brands are widely recognized (e.g. Shocker/Weitz 1998).

Due to a lack of resources, Marketing in general is often a problematic field in SME, which of course opposes a goal-oriented communication and the build-up of a strong brand (Krake 2005, p. 228). Cooperation – which can be implemented in several forms – represents a possibility to encounter the challenge of lacking resources (Moschett 2003). Of course, cooperation can be directly related to common communication policies or brand management, respectively. One will find several different forms of brand cooperation in practice (e.g. Kaufmann at al. 2005). Based on the definition by Kernstock (1998) – who describes the usage of a common umbrella brand by a group of more or less independent SME which continue to manage their individual brands – this paper is based on the assignment of meta-brand issue to brand cooperation in general. The empirical research with respect to meta-brands, especially when it comes to SME related studies, seems to be rather thin.

Therefore this paper tries to make a contribution to that particular field of research. Cooperation issues have been studied from various perspectives. Following Pansiri (2005) who outlined that one important perspective is the actor who decides about participating in cooperation – i.e. the manager –, the special emphasis of this study is on the impact of managerial cognition in terms of how do managers assess aspects relevant for deciding whether or not to participate in a cooperative arrangement. The purpose of this paper is to draw up an analytical framework which enables scholars to examine in detail the role of managerial cognitions in the decision making process on accession to meta-brand-based cooperation.

This paper proceeds as follows. In the next section, the contextual basis of the research topic is outlined. Section 3 sees a brief discussion on managerial cognition, while section 4 will present the research questions and the conceptual framework. The following section deals with methodological issues, i.e. how the research framework can be implemented. Section 6 concludes this paper, presenting implications and limitations of our research agenda. This research is embedded in the EU-funded project RegioMarket .

Theory: marketing cooperation and meta-brands

As already mentioned, SME often show serious deficiencies with respect to marketing strategy and measures. This is often due to a lack of resources and skills. Marketing cooperation represent an instrument to overcome these shortcomings. They can have national scope but could also be the base for global marketing activities (Chen/Huang 2004). As a result, marketing activities of SME are very often limited to sales (Hill 2001), promotional aspects, thus, play a minor role. Therefore, building up strong brands is rather difficult for SME (Krake 2005, p. 229). Brands fulfil a wide range of functions for potential customers: they could facilitate the identification and strengthen the remembrance; they are an orientation when deciding for certain product goods and services, they are a medium of trust, they serve as an indicator for competency and quality, and are said to have an image function (Meffert 1998, pp. 785 et seqq.). Not surprisingly, brands represent an important pillar in communication policies.

A means to overcome SME's backlog in terms of professional brand management is cooperation. With respect to brand management issues, there are several forms of cooperative arrangements. For Co-Promotion, at least two brands are used together for advertising purposes, whereas in the case of Co-Branding a product is launched by using at least two different brands. Ingredient branding represents another form of brand cooperation. Here, the brand of an important product element is pointed out explicitly in the course of the main product's promotion (Kaufmann et al. 2005, p. 2). Sattler (2003) lists several factors of success for brand-related cooperation, such as a good brand fit, product fit, and reputation of the brands to be combined.

Table 6 - Recent studies in the field of brand alliances

Author(-s)	Research topic
James (2006)	Extension of Aaker and Keller's (1990) model to brand alliances
James/Lyman/Foreman (2006)	Strategic issues of brand alliances
Simonin/Ruth (1998)	Basic effects of brand alliances
Gammoh/Voss/Chakraborty (2006)	Consumer evaluation of brand alliance signals
Heller (2005)	The impact of a partner's sector and reputation on brand alliances
Voss/Gammoh (2004)	Influence of a further partner participating in the brand alliance on the evaluation by the customers
Bluemelhuber/Carter/Lambe (2007)	Country of origin - specifications on products as special form of brand alliances
Lafferty/Goldsmith (2003)	Effects of linking charity and brands

The table below provides on overview of recent research in the field of brand alliances.

Figure 9 - Organizational options for Meta-brands

Organizational and branding-based Strategy

Alternatives:

-Main focus Meta-Brand
-Secondary consortium
-Collective Brand
-Combination of own and Meta-Brand

Besides the brands which an enterprise uses for its products and services, there are also "on top" brands, under which several individual brands are combined. This could be in the form of the so called Umbrella Brand, which embraces different product categories of the same company, e.g. Philips or Canon (Kapferer 2004, P 301 etc). The Meta-Brand is somewhat different as the "on top" brand is used by several legally independent companies. A classic is the STAR ALLIANCE brand (Kernstock 1998), which represents an alliance brand (He/Balmer 2006). Also, there exist secured labellings for so called typical products which can be explicitly assigned to a certain sector or certain population group; one will find many examples in the food sector (Bonetti 2004). Not surprisingly, there exist several archetypes of meta-brands which differ in terms of importance of the individual company brands and the range of responsibilities of the meta-brand's management (please see Bonetti 2004, pp. 760-761 for details). Figure 1 shows some alternative strategies for meta-branding:

The first alternative would dilute the importance of the individual company brands whereas the second strategy represents a variation of the first as there is an additional organisational unit responsible for the sales and marketing administration. In case the number of partners is rather small and their product portfolio is rather homogenous, the collective brand-concept can be used. The last strategy in Figure 1 allows the meta-brand to play a support-related role only, i.e. the companies' individual brands are in the foreground. By reviewing the literature on meta-brands, it turns out that standard literature seems to pay little attention to this particular topic. This is especially true for SME related research.

Quality labels represent a concept which is somewhat similar to the meta-brand construct. A product bearing such a quality seal means that several minimum standards – both in terms of product and process-oriented requirements – are fulfilled. This implies that there is a set of criteria whose compliance is assured by a fully differentiated certification and control system. A closer look on the literature in this particular field shows that quality labels play an important role especially in the food sector, but also ecologically oriented quality assurance systems see a significant rise in numbers and importance (e.g. Imkamp 2000; Björk 2004). There are several interesting findings in the field of quality labels. For example, Yasin et al. (2007) show, that a product's country-of-origin label can positively and significantly influence its brand equity. In this sense, the origin signs, which are seen as quality indicators and hence contain individual aspects of a brand (Lee/ Tai 2006), can actually be described as Meta-brand.

In recent years there evolved a trend in the branding-oriented research related to branding of cities, regions, and countries (Hankinson 2001; Erm/ Arengu 2003; Hall 2004). These destination brandings are basically a variation of Meta-brand as the destination as a whole is branded, which means that in the customers' perceptions, the touristic services provided by this particular area are directly linked to the brand. Thus, companies operating in the destination can profit from this brand without being embedded in a detailed brand system defining rights and liabilities. The main challenge for the destination brand's management is to coordinate the behaviour of the potential users according to the guidelines defined for the brand (Gnoth 2004).

As the available research in the field of meta-brands is rather limited, this paper aims at contributing to this research stream. This is done by explicitly addressing the cooperative arrangement such a meta-brand is generally based on. Our approach refers to the antecedents of cooperation and pays special attention to the role of the owner-managers of SME who are of crucial importance for making decisions of strategic relevance.

Research orientation: owner-manager's cognitive constructs

Based on the approach by Street and Cameron (2007), who presented a research concept distinguishing four antecedents to cooperation, i.e. organisational characteristics, industry specificities, relational factors, and individual traits, the topic of this paper relates to the last subcategory. This is of particular interest as it deals explicitly with "the owner and/or entrepreneur, small business managers […]" characteristics (Street/Cameron 2007, p. 243.).

Why dealing with personal characteristics? Beyond doubt, SME are very often characterized by the central role of the owner-manager. Many scholars argue that it is him who is not only responsible but also in charge of operational and strategic issues. Volery and Mensik (1998) state, that in SME the company's identity is often assimilated to its owner-manager. Westerberg et al. (1997) posit that strategic decisions are very often made by one single person – of course, the owner-manager. So when dealing with how decision of strategic relevance are made in SME, it is him who deserves great attention. Scholars argued that decision-making is all but a purely rational process, i.e. it cannot be assumed that firms behave like rational actors. Moreover, Simon (1957) as well as March and Simon (1958) emphasized that managerial cognition is limited; thus, it cannot be assumed to be purely rational.

So, in order to understand a manager's decision making, a wide range of influences have to be taken into account. It is known, that individuals are affected by the complexity of decisions and contextual factors (Acedo/Florin 2006). But there is no doubt that also their personal characteristics play a role. A ground-breaking work by Hambrick and Mason (1984) presented an important contribution in the form of the so called Upper Echelon theory which deals with the impact top managers and their characteristics have on their respective organizations. They state "that organizational outcomes – strategic choices and performance levels – are partially predicted by managerial background characteristics" (Hambrick/Mason 1984, p. 193). Examining the impact of top managers' individual characteristics and their interpretation of external impulses on the way they make decisions meanwhile represents an important pillar in the strategy literature (Acedo/Florin 2006).

Although scholars recognized the meaning of personal characteristics with respect to decision making, “the cognitive perspective on strategic management is still in its infancy” (Hodgkinson/Maule 2002, p. 212). Not surprisingly, many researchers did not address the whole range of manager’s traits but reduced their activities on exploring the impact of observable characteristics (Markoczy 1997) – such as perceptions and demographic aspects (e.g. Zou/Stan 1998) –, as they thought that the observable variables guarantee a sufficient predicting power for an individual’s perceptions and cognition (Acedo/Florin 2006). It turned out that this perspective was not extensive enough. It can be assumed, that the cognitive style of an individual influences his perceptions and subsequently the decision-making process (Wiersma/Bantel 1992). This led to a refinement of the managerial cognition issue. Based on corresponding research results, the paradigm now states that not – only – demographic aspects affect decision making but – also – cognitive variables do influence the way, an individual gathers, filters, and processes information before a decision is made (Markoczy 1997). Now that it is clear that cognitive elements affect the owner-manager’s decision making it can be assumed, that these cognitive constructs – in this case the managerial cognition – directly or indirectly influence the firm’s behaviour (e.g. Porac et al. 1989; Hodgkinson/Sparrow 2002). Behaviour refers to issues such as internationalization, competitive strategies implemented, and others. Beyond doubt, also cooperation is assigned to the fields of strategic nature – in other words, cooperative arrangements represent a strategic option for SME (Hoffmann/Schlosser 2001). As decisions having strategic relevance are surely made by the owner-managers themselves – this idea allows for other people advising the owner-manager – his cognitive characteristics will impact the question whether or not participating in cooperation, and if so, which form of cooperation is preferred. As early as 1975, Schermerhorn emphasized that “decision maker attitudes and predispositions towards cooperation” (Schermerhorn 1975, p. 853) play a role when decisions on cooperation are about to be made.

In the field of cooperation, many scholars investigated personal traits which are more or less sociology-oriented. So far, several of these characteristics have been examined. Among them are – not surprisingly – ethnicity and gender (Alizadeh 1998; Moore/Moore 1999). Furthermore, family roots (Renzulli et al. 2000), cultural influences (Oughton/Whitman 1997; Elo 2003), and the role of personal networks (Dodd et al. 2002) have been investigated. For some researchers, one’s personal character also seemed to be relevant (Young/Olk 1997). There are also studies with respect to personal traits which are more related to the business world, such as entrepreneurial orientation (Weaver/Dickson 1997), experience (Bruderl et al. 1992), and willingness to learn (Beecham/Cordey-Hayes 1998). Trust represents another important field in the context of personal characteristics, several studies are available (e.g. Volery/Mensik 1998; Rus/Iglic 2005; Kocak/Edwards 2005; Fink/Kraus 2007).

Despite the fact that cooperation such as strategic alliances represent an important element of an organization’s competitive strategy (Pansiri 2005), there are only few studies which explicitly address cognitive aspects. The earliest study was presented by Eisenhardt and Schoonhoven (1996), who dealt with why companies consider the formation of strategic alliances. They stated, that the traditional approach to answer this question – i.e. transaction cost theory – is everything but sufficient as it neglects strategic and especially social factors. As one may expect they found evidence that a company’s strategic position seems to influence alliance formation. What is more interesting in their results is that “strong social positions” – e.g. large, experienced and well-connected top management teams – play an important role as well. Tyler and Steensma (1998) addressed the field of technology oriented alliances. They investigated whether or not executives’ experiences and perceptions have an impact when they assess the possible participation in such a technological alliance. Among the factors they examined were age, work experience, and education, furthermore perceptions of their firms risk attitudes and past experiences were considered. They found that positive experiences in the past have a positive impact on the assessment, furthermore, people having a technological background are more likely to see the opportunities the alliances offer than managers with a non-technological education. A study by Dickinson and Ramaseshan (2004) examined the antecedents that seem to have motivational influences on cooperative marketing. Their research agenda explicitly combined external factors – i.e. industry and regional characteristics, respectively – and internal contingencies – both company and management related. Management characteristics investigated include managerial commitment, perceptions, and experience. While clearly stating that industry characteristics are an important driver for cooperative marketing, they also found evidence that high levels of behavioural commitment and managerial experience result in higher cooperation. Pansiri (2007) studied strategic alliances in the tourism sector where the particular interest was on the issue of alliance formation. His findings show, that company characteristics influence the formation of alliances. But also top managers' characteristics – especially risk-taking attitude and experience – affect the decision making on whether or not to participate in an alliance or not. However, the impact of these characteristics seem to be rather low, as their predictive power in terms of number and geographical scope of alliance are not that important. He further emphasizes that future research shall examine which impact on the decision making process not only a single person but a top management team, i.e. a collective, has.

While the studies by Dickinson / Ramaseshan (2004) and Pansiri (2007) at least partially refer to cooperative marketing arrangements, none of them deals with meta-brands. In order to get more insight into this particular field of research, this paper defines a conceptual framework for examining the decision-making process in SME with respect to participating in meta-brand based marketing cooperation. In particular, the role of the meta-brand in terms of making the cooperation more attractive – and the cooperative arrangements more stable once formed – will be addressed. But we intend to contribute to the managerial cognition field of research as well. We follow a recommendation by Hambrick and Mason (1984) who pointed out that when examining strategic decision making, greater attention should be paid to psychological characteristics. This is supported by Gallén (1997), who stated that a manager's personality needs more investigation as it links cognitive processes to strategic decisions.

Research questions and conceptual framework

As already outlined above, we will now present a conceptual framework which allows investigating the owner-manager's assessment of meta-brand based cooperation. Our objective is to get a detailed understanding of how this assessing process exactly works and which impact the meta-brand itself has on the owner-managers decision making.

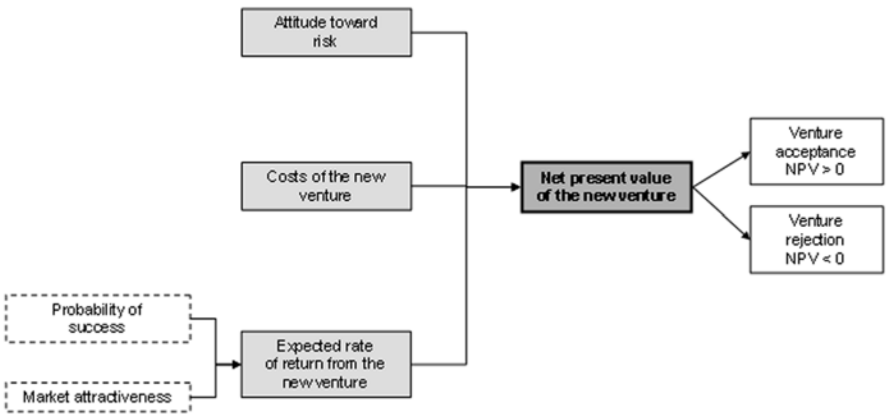
Thereby, this work is based on an already existing meta-brand framework (Sommer et al. 2007). This model is based on expert interviews as well as SWOT analyses and Best Practice examples in the field of renewable energies. The research too was embedded into the project RegioMarket and took place in 2007. The core element of this model is represented by the meta-brand and its main features, such as common communication policy and others. On the other hand, the framework comprises factors of success for the underlying marketing cooperation, e.g. compatibility and commitment. We assume that certain meta-brand aspects have a positive or negative influence on certain factors of success. For further details, especially with respect to the number and character of relations, please see Sommer et al. (2007).

As our framework explicitly addresses SME we follow the assumption by Westerberg et al. (1997) that strategic decisions – assessing and possibly entering meta-brand based cooperation clearly belonging to this category – are very often made by a single person. The research design therefore is construed for SME where one person – typically the owner-manager – makes decisions with respect to enter a cooperative arrangement. Furthermore, as already outlined, the owner-manager clearly forms the character of his company. As a result, the company's goals and values are often congruent to those of his owner. We therefore assume that his very attitudes and perceptions are in the foreground, making large company oriented concepts dealing with mangers perceptions of their firms' attitudes (see for example Tyler/Steensma 1998) – e.g. on risk – not feasible for our framework

Our theoretical starting point is decision making. Summarizing the managerial cognition research presented above, it can be stated that "individuals are boundly rational and the variance in rationality between actors results from differences in mental understandings […]" (Tyler/Steensma 1998, p. 958). So when relying on decision theory, it is clear that the classic rationality approach assuming fully rational individuals "choosing among alternatives in a way that 'properly' accords with preferences and beliefs" (Ivanova/Gibcus 2003, p. 7) is not applicable. Rather – as one can see from the findings of Tyler and Steensma (1998) – a bounded rationality can be assumed. According to this theory, an individual strives for maximization of utility but suffers from not having complete and definite information at his disposal (Simon 1986).

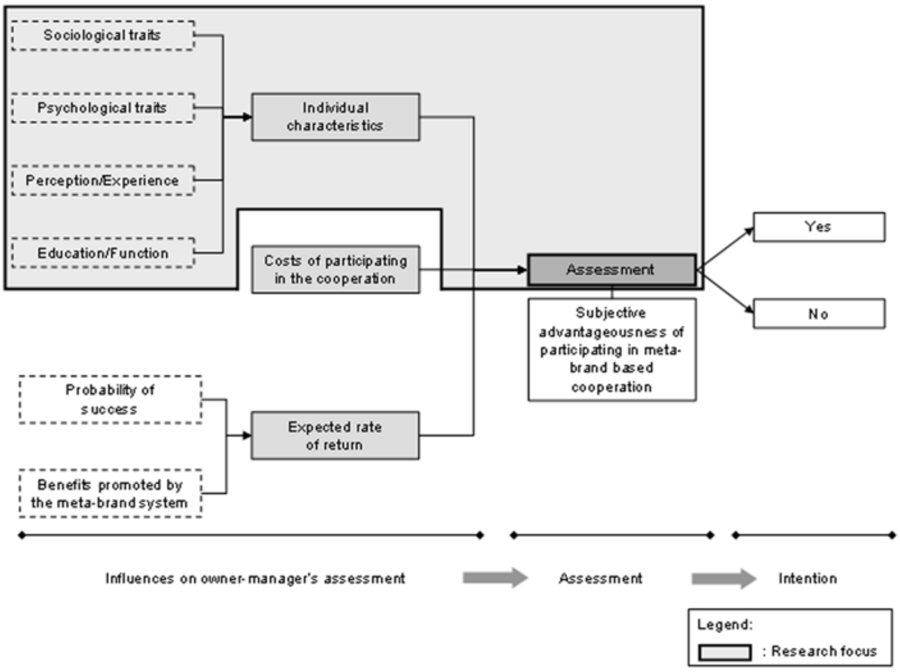
In order get an overview of the factors that influence the strategic decision making process, these considerations are packed into a basic decision model which is given in Figure 2. This draft stems from a proposition by Campbell (1992), who discussed a model aimed to explain how individuals decide whether or not to be an entrepreneur. He emphasized that this concept is purely economic in nature, explicitly neglecting other factors which may be relevant. Nevertheless, he was fully aware that "there are sociological, cultural, and psychological factors that are important" (Campbell 1992, p. 22). Based on a generalized version of this model by Ivanova and Gibcus (2003; see Figure 2), we add further elements to this concept accounting for specific characteristics of the owner-manager.

Figure 10 – Generalized model of entrepreneurial strategic decision-making based the model developed by Campbell (1992)



Source: modified according Ivanova/Gibcus 2003, p. 33

Figure 11 - Strategic decision making by owner-managers



Source: modified according to Ivanova/Gibcus 2003

The model depicted above formally describes how the owner-manager makes a decision with respect to participating in a meta-brand based cooperation. Whereas the influence of the rather economic-related part of the model – i.e. expected rate of return and costs for participation – are clear, the question of the impact of the individual characteristics needs clarification.

Therefore, we put for our first research question:

RQ1: Which role play owner-manager's personal characteristics when deciding on whether or not participating in a meta-brand system?

In order to investigate this question, a research model has been developed. Though the framework is based on the approach by Tyler and Steensma (1998), several extensions were made. First, the model shall explicitly capture not only cooperation-related aspects but also the meta-brand concept. Furthermore, the set of factors which are supposed to influence the owner-manager's assessing of the meta-brand systems has been complemented: the research model not only comprises observable sociological factors, but also psychological and cultural influences. This is to follow the recommendation that psychological factors should be part of an analysis dealing with cognitive constructs and their impact on deciding on strategic options (Hambrick/Mason 1984; Shane et al. 2003)) such as entering or managing, respectively, cooperative arrangements. Therefore, our second research question is as follows:

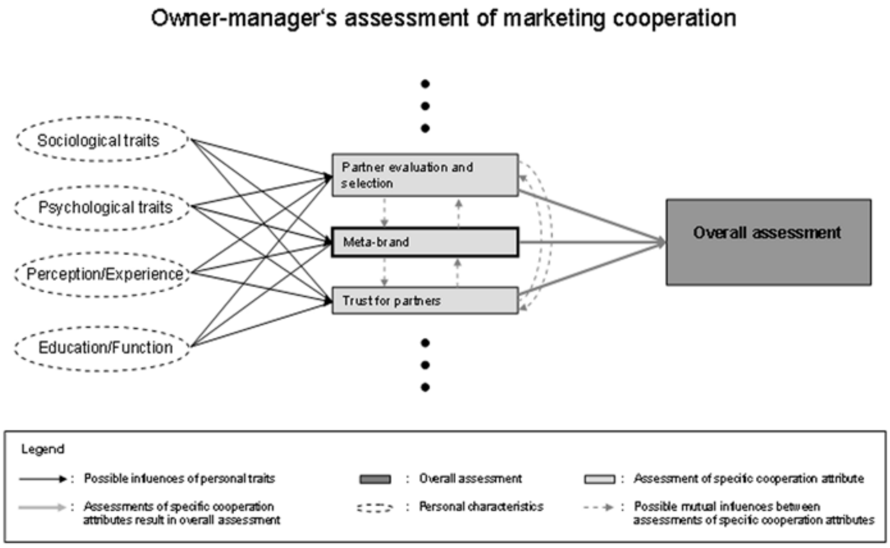
RQ2: Which impact do psychological factors have – compared to other personal traits – in terms of the way an owner-manager assesses a possible participation in a meta-brand based cooperation?

Shane et al. (2003) suggested that when modelling firm-level entrepreneurship, not only psychological aspects should be taken into consideration but scholars should also control for opportunity. This refers to embedding the research in a specific context (Wincent/Westerberg 2005). As we are particularly interested in meta-brands, we explicitly consider this contextual setting in two ways. First, it is basically the underlying marketing cooperation to be assessed by the owner-manager. Second, the main feature of this marketing cooperation, i.e. the meta-brand is likely to be evaluated by the owner-manager. Thus, for our third research question we get:

RQ3: How does the meta-brand influence the owner-manager's willingness to enter a marketing cooperation with a meta-brand? More precisely, does the meta-brand influences the other cooperation attributes and does its assessment have an impact on the other attributes' evaluation?

Figure 4 summarizes our considerations. In order to analyze the set of possible influences, we suggest the use of regression analysis. To capture the relationship between cooperation attributes and assessment, multiple regression can be used, whereas the possible effects the personal traits exert on the assessment process – which are probably moderating in nature – call for the use of moderated hierarchical regression. Please see the next section for further details on measurements and analysis instruments.

Figure 12 - Research model to investigate owner-manager's assessment of marketing cooperation with special focus on meta-brand



Methodology

Now that the research concept has been clarified, the research agenda, i.e. how a model shall be processed, will be presented. Basically, capturing cognitive processes is somewhat difficult, as the characteristics of mental models cannot be directly observed but only indirectly accessed. The scholar either relies on the individual's expressed beliefs or inferences from their behaviour are made (Williams 2001). A special form of the latter is experimental design. Schwenk (1982) suggested that this method represents a valuable instrument when dealing with strategic management issues. Nevertheless, it seems to be still underutilized today as only a few researchers opted for the use of experimental design (Hodgkinson/Maule 2002).

The methods we intend to use are twofold. First, the main approach chosen is experimental design as suggested by Tyler/Steensma (1998). In order to capture the assessment process, experiments seem to be an appropriate means. They can be processed in the form of several case studies. The target group consists of owner-managers as described above. Here, the individual is provided with a set of specific situations, which differ with respect to several environmental parameters. The basic situation is the same for each case, i.e. the owner-manager has to decide whether his company would participate in the meta-brand system described in the case study. As the environmental factors – such as number of partners, scope of underlying cooperation, business environment, and others – vary over the different cases, and each owner-manager would have to deal with each case, one would get a comprehensive picture of how the individual's assessment varies when confronted with different situations. The main advantage is that this instrument reflects not only the decision-making style of the owner-manager but also the context of his company. Not surprisingly, experimental research design has some weaknesses, such as a rather artificial context; furthermore, it can be called in question whether or not extrapolations from the laboratory really contribute to capture real world processes. On the other hand, experiments seem to be especially appropriate to investigate and elaborate causal hypotheses, as many interferences and complexities of a real business situation are excluded (Schwenk 1982). Furthermore, this instrument seems to be of high relevance when it comes to deal with bounded rationality (Schoemaker 1990).

As mentioned above, there are several shortcomings of the experimental approach. These can be cured by complementing the experimental design by field research. Indeed, Schwenk (1982) argued that the combination of experimental and field research will yield promising results as this combination guarantees both scientific rigour and practical relevance. Therefore, field research is considered to be the second pillar of our research concept. Here, two variants should be taken into consideration. First, in-depth interviews with experts can serve to refine the findings from "the laboratory" both in terms of verifying and complementing the respective results. Second, a quantitative oriented survey tool can be used in order to explore the behaviour owner-managers whose companies already participate in meta-brand or similar systems showed when deciding on the participation in the underlying cooperation. Inferences from their current behaviour in the cooperation and from their reported behaviour in the decision phase would be an appropriate strategy to carefully check the results from the experiments. By any means, experts such as scholars and owner-managers themselves should be included in the elaboration of the research tools, regardless the methods actually implemented.

Which explanatory variables should be included in the research model? As for the cooperation attributes, there is a wide range of possibilities. We suggest including the elements defined by Sommer et al. (2007). Since experts from both the science and the business world will be included in the process of developing the experimental design, other items might be added to this set. With respect to the personal traits, we propose to integrate items used in other studies. As one can see from Figure 4, the framework contains four different categories of personal traits. Variables assigned to each of these can be found in Table 2.

With respect to measuring the variables given in Table 2, we basically propose to use the same tools as the authors who developed the respective item sets. Generally, Likert scales are used, the same is done for capturing the assessments.

Control variables to be included in the concept comprise firm age, firm size, environmental dynamism, and environmental competition (Miller/Friesen 1982). With respect to the sample itself we focus on owner-managers of SME in the Renewable Energies sector in order to guarantee continuity to previous research. As for the sample size, we follow the suggestion by Hair et al. (1998) who claimed that a critical sample size is about 200 respondents or participants, respectively.

With respect to data analysis, several instruments can be used. To test the individuals' model of assessment for example, stepwise regression can be used. Hierarchical regression would allow for testing direct effects of independent variables (Tyler/Steensma 1998). Moderating effects, which tend to be frequent when investigating individuals' characteristics, can be examined by making use of moderated hierarchical regression as suggested by Ireland et al. (1987). Furthermore, structured equation modelling could be considered, as this method is appropriate for both exploratory and confirmatory research. Hodgkinson and Sparrrow (2002) underlined the potential of combining standard cognitive methods and structural equation modelling.

Table 7 - Explanatory variables

Table 7 - Explanatory variables

Sociological traits	Psychological traits
Social background Cultural background - national level Cultural background - sub-national level Ethnicity Gender Age cohort Existing personal networks	Tolerance for ambiguity Proactive behaviour Positive attitude toward cooperation Entrepreneurial type Self-efficacy Need for achievement Positive outlook Trust predisposition Tenacity
References	*References*
Alizadeh 1999 Renzulli et al. 2000 Steensma et al. 2000 Felzenstein/Gimmon 2007 Blisson/Rana 2001 Moore/Moore 1999 Tyler/Steensma 1998 BarNir/Smith 2002	Westerberg et al. 1997 Gupta/Govindarajan 1984 Bateman/Grant 1993 Steensam et al. 2000 Pollnac/Carmo 1980 Fröhlich/Pichler 1998 Wincent/Westerberg 2005 Papadikis et al. 1998 Weber/Miliman 1997 Brunetto/Farr-Wharton 2007 Chandler/Jansen 1992 Hmieleski et al. 2006

Experience / Perception	Education / Function
Cognitive style Work experience Alliance experience Alliance success Managerial perceptions	Professional orientation Functional background in company Level of education Educational orientation Competence
References	*References*
Allinson/Hayes 1996 Humbrick/Mason 1984 Dickinson/Hamaseshan 2004 Tyler/Steensma 1998	Hitt/Tyler 1991 Dearborn/Simon 1958 Hambrick/Mason 1984 Chandler/Jansen 1992

Conclusion

As shown above, managerial cognition is said to play an important role in terms of strategic management. Of course, this is especially true for strategic decision making. Subsequently, when investigating cooperation either with respect to formation or managing the partnership, cognitive constructs are of crucial importance. Despite the fact that researchers acknowledge the relevance of managerial cognition for examining strategic management, this research stream in some respect is still at the beginning (Hodgkinson/ Maule 2002). Looking at the publications available in this field, one can see that particularly the suggestion to consider psychological and socio-psychological factors is still waiting for more attention. The same is true for cognitively-oriented research on cooperative arrangements: the number of studies in this particular field is rather low, the few available ones being both interesting and illustrative. Beyond doubt, for SME oriented research, managerial cognition is a very important field, as these companies often are characterized by having a single decision-maker. It is he who makes all relevant – hence: strategic – decisions, regardless the department which is affected. Therefore, studies combining cognitive constructs and SME are of high importance. But it is not only cognition and strategic management which deserves more attention, but also the field of meta-brands would benefit from more studies dealing with this particular issue. As we learned from section 2, only little research has been done here. As meta-brands systems require a critical number of companies cooperating, these topics are somewhat related and seem to be a promising field of research.

Thus, the contribution of this paper is twofold:

- On the one hand, the conceptual framework – see Figure 4 – addresses the managerial cognition issue with a special focus on cooperation among SME. Especially, we follow a recommendation by several authors and integrate psychological aspects in our framework. This allows clarifying what impact these factors have compared to sociological influences and contributes to the examination of influences on SME's alliance formation.

- On the other hand, our contextual focus is not only cooperation in general, but meta-brand based cooperative arrangements in particular. Thus, our research also provides new insights in this specific form of marketing cooperation, especially in terms of the antecedents for participating in such cooperation. Last not least, the research work will yield more insight in how SME owner-managers decide on strategic options.

- The proposed research model will also yield some managerial implications.

- As for the practical implications of the research, new and more insight into the way owner-managers decide on strategic issues contributes to understand possible deficiencies in their decision making. This surely provides starting points for seminars and university courses aiming at remedying these shortcomings.

- The role of SME in modern economies is without any doubt a crucial one, this true in terms of job creation, innovation, and economic growth. Not surprisingly, SME "are the backbone of virtually all economies in the world" (Wattanapruttipaisan 2003, p. 66). Thus, SME play also an important role when it comes to strengthen regions in terms of improving their competitive position. This can – among other options – be done by regional cooperation of SME. In other words: getting SME to join forces not only strengthens their own competitive situation but also the region as a whole. Therefore, a detailed understanding of how owner-managers assess cooperation in general and meta-brand based arrangements in particular allows third party institutions such as economic development agencies to get better and more information on how these owner-managers can be persuaded to participate in cooperative arrangements.

- Last not least, the cognitive profile of owner-managers will not be unique rather one would find specific groups. Getting more insight into their cognitions would allow bringing together people with similar cognitions and thus a similar mind set. This would probably increase the formation of cooperation in all likelihood and contributes to making them – once established – more stable.

When talking about limitations, first the challenges induced by the necessity to choose appropriate methods of data elicitation related to managerial cognitions has to be mentioned. Furthermore, using the right instruments to measure the managerial cognition is somewhat difficult. Nevertheless, we believe that the set of methods presented in Section 5 are appropriate instruments for the research to be undertaken. This is especially true as we will make use of experimental design, avoiding the disadvantages entailed with purely relying on verbal expressions. Limitations of artificial experimental design can be overcome by complementing this category of research by more or less ex post facto oriented field research. Furthermore, reliability in terms of a positivistic replicability will be hard to achieve. We therefore follow a suggestion by Eden and Spencer (1998), who express support for the idea of conceptualizing reliability as limiting the negative effect of preconceptions by the researcher – we think, that this is a realistic goal.

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FROM POS TO POD (POINT OF DIFFERENTIATION)

BERND HALLIER
MANAGING DIRECTOR OF EHI RETAIL INSTITUTE, COLOGNE/GERMANY

Prolog

One of the oldest documents about the point of sales is the "Tacuinum Sanitates" with 200 miniatures. This book was ordered by the Cerutti family from Verona/Italy in the end of the 14th century. Nearly a benchmark for us today is the picture of Annibale Carracci in 1580. At the picture of the butcher-shop we see the variety of different animals as well as differently cut meat. Both butchers are wearing white cloths and Carracci attracts the view to the knife of the butcher at the left hand side. The right hand side butcher offers (POS-Marketing) one of his best cuts! Another wonderful basis of a POS-Marketing story is the 1983 painted naive picture of Jan Balet. Linked to the company Name "Hermann Fritsche" we get the message that this store is in existence since 1890. 100 years tradition is showing us longstanding satisfaction of the customers. An additional authority is the postman on the left hand side; he is a representative of the government. The presentation of the products is arranged for harmonization: the hanging is synchronized. The family – white dressed – symbolizes the "clean" business/correctness/law and order. Even the dog fits into this context. To summarize the pictures: they connect the salespeople with their products. The pictures create imagination of actions within those stores. Those companies/outlets are building trust within the consumer. Trust is most fundamental for the product itself, for the pricing of the product, for the service of the store . Trust is the basis for repeated store-visits. Trust is the basis of loyalty: to the store – and to the products.

POS – Marketing

POS-Marketing is instore-marketing: the marketing in the store! POS – Point of Sale has different routes as a modern marketing tool . First: in the middle of the 20th century "service-shops" in Western Europe were transformed into "self-service". Self-Service created a whole POS-industry; nowadays push-strategies change to demand-strategies and brand-building by differentiation.

Historically after World War II Europe discovered and copied US-supermarkets. It was the turn from service –stores with counters to self-service outlets. Instead of explanations from the storeowner now the package/the display had to explain the product. Second: mass-distribution started as well on the level of products as also on the level of store-multiplication. Coca Cola was also one of the great pioneers of POS-Marketing. The third reason for POS was the explosion of the assortment within the stores. The assortment of the neighbourhood –store with 200 articles grew to supermarkets with 7,000 or 8,000 articles. Hypermarkets in the 70 ies started with 20,000 articles. Beside via advertising by mass-media in the 70ies "instore-marketing/ below the line-marketing/ point of sales-marketing" was developed. This means: new products in the big modern stores or product reanimation need "visual support" for example via POS-material. If alone for 10 percent of today's supermarkets' articles a promotion is planned , you have 2000 promotions or per week 40 promotions! Its two main functions were to attract the consumer's eyes and to decrease out-of-stock situations. Due to the explosion of the assortment POS in the 80ies and 90ies in Western Europe became a War of Displays! POS-marketing in the 70ies, 80ies and 90 ies was consumer-industry driven. Generally producers' interests clash with retailers' interests. The interest of producers is to promote his product-brand. The interest of retailer is to sell a category! The focus of this period was "sales" or "push".

POP-Marketing

The oversupply of "me-toos" and high capital-costs changed in phase two the focus from "push" to "pull/purchase". Solution: POP – "purchase" is focusing the demand-side. Retailers and industry-category captains discovered tools like "shelf-optimization", "efficient consumer response" and the "total supply chain" (see chart 1/References 3-15). But based on sociodemographic data and applied by all retailers of a region/county it leads to uniformity. This again quite often leads to discounting prices/lower margins.

Cooperative Marketing

One possibility to escape the price-war is to build partner-promotions inbetween with brand-manufactures and selected retailers. In Northern Germany in 1980 for example there was with one retailer the cigarette Lux Filter" promoted by an exclusive cards-tournament; with another retailer "Peer 100" was promoted by winning in those markets exclusively rowing-boats out of gun for the near-by seaside; the third retailer had a promotion for "Lord Extra" : winning scooters for young ladies.

POD-Marketing

Retailers have to look for differentiation: their store has to become a brand – different to the stores of all competition. The differentiation can be by store-size, be the layout of the store, by lights or colours, by the design of the equipment, by technologies. The outdoor –specialist Globetrotter has in the center of his market a swimming-pool for divers. Metro for example tried to get a modern image by the Metro Future Store initiative: the Shopping Cart was the part of the Metro Future Store - it worked like a GPS an a car.

Another POD-Strategy is to make the retailer a brand. IKEA or ALDI are brands: they are standing for a special life-style or consumer-behaviour.

Conclusion

POS/POP/POD are in a very dynamic process. This is true for the total time-axis of retail as well as for the life cycle of a product. (Chart 2/Chart 3) Many new ideas can be seen all three years on the biggest show world-wide which is organized all three years in an over 100.000 square exhibition floor (net) for modern shopping equipment: the EuroShop Fair (www.euroshop.de)

Appendix

Chart1 (Empowerment-Retail)

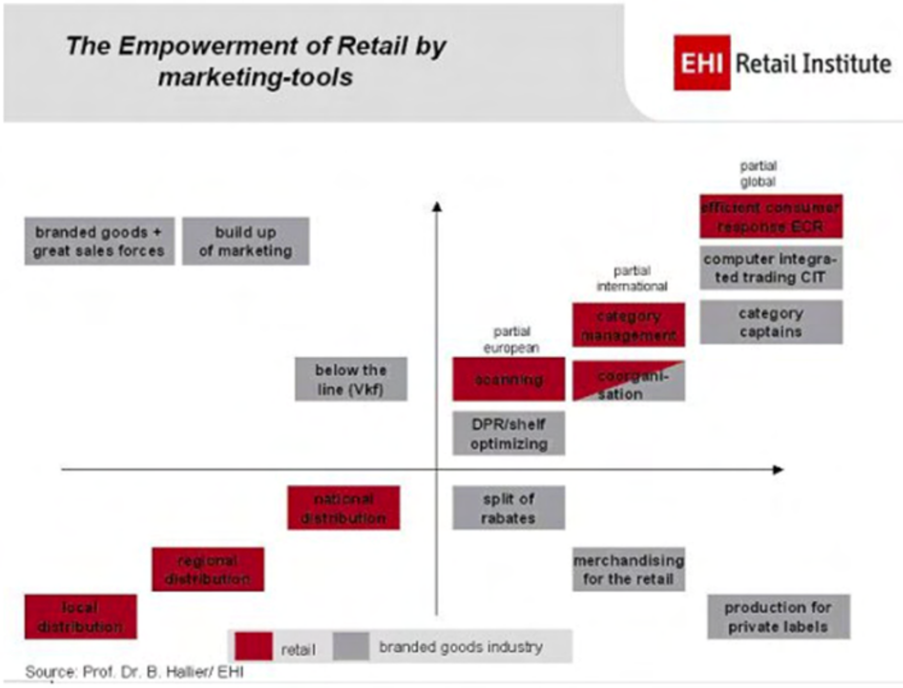
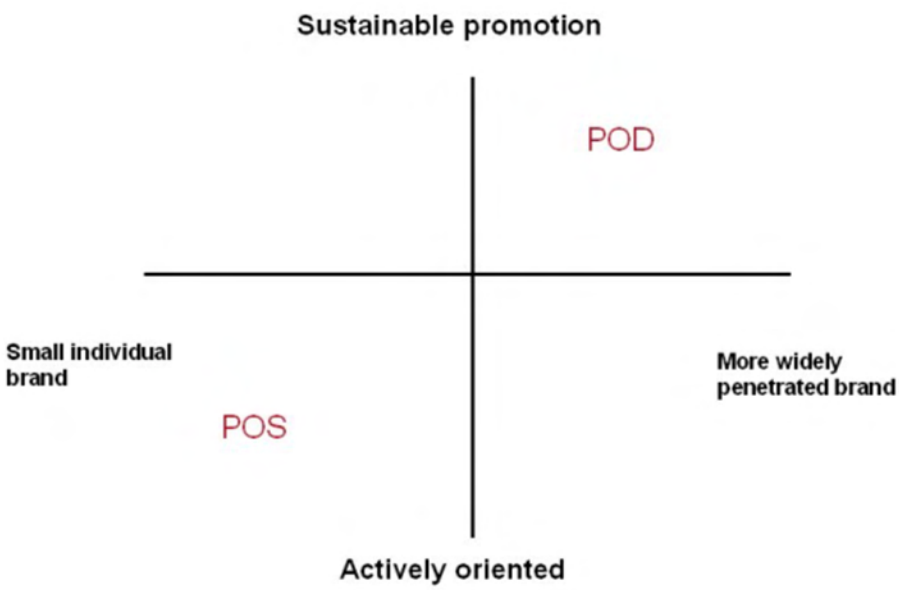


Chart 2 (Sustainable Promotion)



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THE IMPORTANCE OF CULTURE AND HERITAGE IN THE PROMOTION OF CHALKIDIKI, GREECE AS A TOURIST DESTINATION

EUGENIA WICKENS
BUCKINGHAMSHIRE NEW UNIVERSITY, UK

Abstract:

The Chalkidiki region in Northern Greece is promoted primarily as a 'sun, sea and sand' rather than a cultural destination. Travel brochures convey information about beaches, the number of hours of sunshine, location and facilities of the accommodation and details of the nightlife. Less emphasis is given to details of special interest tours to nearby cities such as Thessaloniki, or ancient sites or museums, which might inform the foreign visitors to Greece with special interests in the culture and heritage of this destination. Drawing upon qualitative evidence from a broader research project on international visitors' expectations and perceptions of Greece this paper will discuss the motives and profiles of the Cultural Heritage tourists in Kalimeria, a village resort in Chalkidiki. It will be argued that Cultural Heritage tourists are attracted to this region for its historical and cultural heritage as well as its sunny weather. Interest in the 'other' is a strong motivational factor for many visitors to Chalkidiki, which suggests that it should be used as a marketing tool promoting the local culture, traditional hospitality and warm welcome of Greeks. The paper will conclude that since travel brochures are one of the key elements in communicating the tourist product for a destination such as Chalkidiki, tour operators need to rethink their marketing strategies by conveying the culture and heritage of this destination in their promotional information. Heritage attractions and traditional aspects of the Greek culture should be promoted as essential parts of cultural tourism in Chalkidiki. Heritage sites in Chalkidiki are uniquely placed to respond to the growing tourists' desire for alternative products.

Keywords: tourist motivation, culture, promotional material, marketing alternative products

Introduction

The Chalkidiki region in Northern Greece is promoted primarily as a 'resort of Northern Greece, with golden sandy beaches and crystal waters', an 'ideal destination for people who are in love with life and action' rather than a cultural destination. Travel brochures convey information about beaches, the number of hours of sunshine, location and facilities of the accommodation and details of the nightlife. In addition they often include photographs of the exterior of hotels, swimming pools, and beaches. Less emphasis is given to details of special interest tours to nearby cities such as Thessaloniki, or ancient sites or museums, which might inform the foreign visitors to Greece with special interests in the culture and heritage of this destination. Both policy-makers and the tourist industry view culture as one part of the total tourism product, rather than as a distinct market segment to be developed.

Drawing upon qualitative evidence from a broader research project on international visitors' expectations and perceptions of Greece, this paper will discuss the motives and profiles of the Cultural Heritage tourists in Kalimeria, a village resort in Chalkidiki. It will be argued that Cultural Heritage tourists are attracted to this region for its historical and cultural heritage as well as its sunny weather. Analysis indicates that these visitors use Kalimeria as a base to explore other places in Chalkidiki.

Visiting other villages and historical monuments taking walks amongst the hills in the hinterland are some of the main holiday activities undertaken by them. Research shows that these tourists want to experience something new, whether it is the cultural traditions or ethno-history (way of life) of Chalkidiki. The study clearly indicates that respondents are interested in the 'other' that is, in the history and culture of the whole region, including local food, folk music, handcrafts, architecture and the Greek language. The interest in the 'other' is a strong motivational factor for many visitors to Chalkidiki, which suggests that it should be used as a marketing tool promoting the local culture, traditional hospitality and warm welcome of Greeks.

The paper will conclude that since travel brochures are one of the key elements in communicating the tourist product for a destination such as Chalkidiki, the tourism industry, especially tour operators, needs to rethink marketing strategies by conveying the culture and heritage of this destination in their promotional information. One aspect of promotion is 'generating desire' for the product – 'making people want to come to a destination, to visit an attraction… ..to buy from a tour operator' (Seaton and Bennett, 2001:193). Heritage attractions and traditional aspects of the Greek culture should be promoted as essential parts of cultural tourism in Chalkidiki. Heritage sites in Chalkidiki are uniquely placed to respond to the growing tourists' desire for alternative products.

The Literature

Several analysts argue that Greece's natural beauties, particularly it sunny beaches, are preferred to its culture and historic monuments (Leontidou, 1991, Komilis, 1994, Coccossis, and Parpairis, 1996, Buhalis and Diamantis 2001). For instance, Leontidou (1991:84) writes:

'If Greece is one of the cradles of Western civilisation… this is hardly evident in the nature, destination and seasonality of tourist flows. Instead, the country's mild climate… its natural beauty and especially the clear sea are preferred to its culture, heritage, myths and historic monuments'.

Likewise Komilis, (ibid.) argues that 'sun-lust' tourism is the predominant form of tourism in Greece. 'Sun-lust' tourists on a two week sun, sea and sand holiday, do not come into contact with local people. It is further argued that lack of knowledge, understanding and sensitivity on the part of tourists to the local culture, of the host community characterises the sun-lust tourist. Such research assumes that culture is not a primary motivation for visiting Greece including Chalkidiki. The beautiful landscape and the climate are said to be the main attractions. For many analysts, it is obvious that people go to Chalkidiki to have fun in the sun. This perspective is commonplace amongst those thinkers who bemoan the growth of tourism and who prefer to use secondary sources as their main source of information on this phenomenon. A key characteristic of research to date is that many scholars, in recognising the key role that travel brochures and advertising material play in informing as well as influencing tourists' wants, appear to be content to use such secondary sources as evidence in support of their arguments on why people visit destinations such as Greece. For instance, in their analysis of travel from the aristocratic Grand Tour through to the age of mass tourism Turner and Ash (1975:11) assert that modern tourists, as opposed to travellers of the past, are only interested in pleasure, escape, and sunshine. For them holiday places such as Greece: 'roll across the page evoking images of sun, pleasure and escape.. we are offered these destinations as retreats to a childlike world in which the sun always shines, and we gratify all our desires'

While an analysis of travel brochures may be necessary in order to gain an insight into contemporary tourism in Greece, on its own it is insufficient for a full understanding of this complex cultural phenomenon. A major failing of many existing studies arises because they are grounded within traditional methodological single paradigm' frameworks, rather than the more appropriate multi-paradigm approach adopted by the Chalkidiki study (Wickens, 2002). Evidence from such multi-paradigm grounded research suggests that the tourist is a polymorphous consumer and different tourist types experiences the same host community in different ways. One of the key findings of the Chalkidiki study is that cultural attractions and the traditional aspects of Greek authentic life, religion and history are still a continuous source of fascination to foreign visitors. The 'Cultural Heritage' tourists are attracted to Chalkidiki for its historical and cultural characteristics as well as its sunny weather.

Tourism in Chalkidiki

Chalkidiki is now a well-established destination for foreign visitors. The Chalkidiki region is situated southeast of Thessaloniki, Northern Greece. The coast of this thickly wooded area comprises three peninsulas: Kassandra, Sithonia, and Mount Athos (a monastic republic). Kassandra is surrounded by the Aegean Sea and edged by curving beaches that give the visitor a feel of being on an island. The region of Chalkidiki has undergone extensive and rapid development since the 1970s. In particular, Kassandra has developed fast and evolved into one of the largest tourist destinations in Northern Greece. It has a number of thriving beach resorts with extensive modern tourist accommodation, including large hotel complexes, small family run hotels and lots of self-catering apartments/ studios. The whole region has a plethora of attractions, including the Petralona caves with its paleontological interest, the ancient site of Stagira, the birth place of Aristotle and several traditional villages such as Arnea, found on the slopes of Mount Holomon.

Chalkidiki is marketed as an area of 'genuine unspoilt beauty'; a 'hidden paradise'; 'the cleanest sea in the world'; 'mild climate throughout the year; ' a well developed hotel infrastructure; 'beach bars and clubs; as an ideal destination for 'scuba diving, wind surfing… for people who are in love with life and action' (see, Wickens, 1996). In a revealing comment, Andreadis (President of the Chalkidiki Hotel Association said: 'we've done a good marketing campaign and we're very family orientated, with clean beaches and good quality accommodation....' Chalkidiki, like other holiday regions in Greece, can guarantee the sun (Wickens, 2002). It is not surprising, therefore, that Chalkidiki, becomes congested during the summer months with both foreign and domestic visitors.

The Research Setting

Kalimeria lies towards the foot of Kassandra. It is approximately one hour's drive from Thessaloniki airport, a main arrival point for tourists. Kalimeria is representative of the village resorts found along the western and eastern coasts of Kassandra. Because of its size, the type of tourists it attracts, and the level of tourist development, it provided an ideal location for the study. The village authorities have actively encouraged the development of tourism since 1980s. Promoting the place as a tourist attraction led the authorities to adopt a new commercial name for the village. This decision to 'ennoble the village name' (Wickens, 1994) was part of a marketing strategy, designed to project the distinctive image of Kalimeria as a 'greener paradise'. The metamorphosis of a small fishing/ farming village into a cosmopolitan holiday resort is symbolised by the adoption of its new name, which was designed to convey a new and modern identity.

Kalimeria attracts package holidaymakers of various nationalities, primarily British, Austrian and German. This meant that semi-structured interviews could be conducted with the English-speaking respondents at various sites, including tavernas, and cafes. In total, 86 British tourists participated. The profile of participants indicated that the majority were in professional managerial occupations. All the participants stayed in the resort for a fortnight. An overwhelming majority reported that they were on a package holiday. Fieldwork also revealed that, the travel brochure was the major source of information for these visitors to Chalkidiki. The technique of clustering data was used for placing 18 participants (couples with young children) into the category of 'Cultural Heritage' tourist. This process involved a constant examination of differences and similarities in participants' accounts. Clustering helped to identify a number of tourist types presented in 'The sacred and the profane: a tourist typology (Wickens, 2002). For the purpose of this paper only one of these tourist types –'Cultural Heritage', will be considered.

Cultural Heritage Tourists

Within this category all participants placed a strong emphasis on the cultural aspects of the host community. Although this was their first visit to Kalimeria, all participants had some previous holiday experience of Greece. In comparing Kalimeria with other Greek communities which they had previously visited, participants told me that 'this place is less touristy than Corfu'; 'I like the casualness of the place, the general atmosphere of the whole place'; 'the place is not swamped by big hotels and so you can see the Greek people, the true way of life and not an artificial way of life'; 'the old village is real Greek, it still has several old buildings'; 'it preserves features, for instance old buildings, churches, tavernas of an authentic Greek village life'. The theme of an 'authentic Greek village' was common in conversations with Cultural Heritage tourists. Participants identified the culture and history of Greece as well as its natural beauties as the primary reasons for their visits. As one participant put it: '…Greece has so many things to offer….. can provide a number of things.. the interest holiday side of things.. ..sailing and water sports, cultural attractions, traditional hospitality as well as the conventional, sunbathing type'.

Their interest in 'Greekness, such as the Greek way of life, is reflected in many of their holiday activities. For instance, with Kalimeria as their base, and using public transport, they visit other villages located away from the coast. One such village, Aghia Paraskevi was described as a 'typical Greek village', as 'lovely and peaceful place' and as a place 'not geared towards tourism'. This is how one participant described Aghia Paraskevi:

'Yes we did travel around the peninsula and although some parts are touristy… Kallithea is very commercialised – you can go two or three miles away from the main coastal road – and find places which I can describe as the true Greek way of life….. Aghia Paraskevi was very casual, friendly and very quiet – no bars or discos'.

Another participant said:

'We enjoy travelling around on our own.. it is very special for us… Like an adventure, because we don't know exactly where we are going to go next… we have a rough idea and we like to visit our villages and ancient sights… and we don't know the time of the buses or how we are going to get there, or how we are going to get back to Kalimeria, we just have to work it out on our own and off we go.. and I like it - my wife life its – it's like an adventure'

Organised excursions to the historical monuments of Thessaloniki, to Stagira, and to the Petralona caves were also undertaken by Cultural Heritage tourists. As one female participant who was travelling with her husband expressed it:

'You can always escape… we try to get about on the local bus and that's quite a good experience… it's also nice listening to the Greek people, yapping to each other, especially the old women in their black clothes… yesterday, we were in Thessaloniki… oh yeah, we spend most of our time sightseeing and visiting other villages'

Similarly this participant said:

'We had a car for 10 days and toured around the peninsula……..We've visited Mount Athos, and a small village on top of a mountain … and Paliouri. Paliouri is a nice place with lots of old buildings that have a lot of character…. Yes, we also spent some days by the sea relaxing'

In actively seeking to sample the village life in Kalimeria, these tourists also come into contact with locals and Greek holidaymakers. The 'unexpected friendliness' and hospitality of their hosts was a common theme to arise in our conversations. This is illustrated in the following extract from a conversation with a female participant:

'Last night we just happened to be getting off the boat and walking up along the beach and these people… just dragged us - into their party. There were lots of Greek people dancing on the beach and they were cooking the little fish – and they shared the fish with us and it was wonderful experience, it was just wonderful…. That wouldn't happen in England'.

Their narratives show that Cultural Heritage tourists are motivated by the desire to experience the 'Greek way of life. When asked if they would return to Kalimeria, a common response from participants was that they would like to 'visit other parts of Greece'

The very special sites of Greece, the 'classics', 'archaeology' and 'Greek folklore', were identified by participants as significant 'pull factors' for visiting Kalimeria. However, being in a Greek village/resort and sampling its culture was also a strong motivational factor and this was reflected in their narratives. It is also clear that in pursuing 'Greekness', they also come into contact with their hosts. Other factors identified by them were interpersonal, such as the desire to meet Greek people and make new friends, or simply to pursue one's interest. The case of the Cultural Heritage type provides evidence that tourists can achieve a meaningful cultural experience through their interactions with their Greek hosts. Indeed these foreign visitors are travelling to Greece for the purpose of understanding and experiencing a culture that is somehow different from their own. Their narratives reveal that they are interested in the 'other, that is, in the history and culture of the whole region of Chalkidiki, including local food, Greek folk music, handicrafts, architecture and the Greek language. As a consequence, they come into close contact with local people. These findings contrast with the prevailing view that package holidaymakers to Greece are only interested in the sun and having fun.

Concluding Points

The paper has argued that although many foreign visitors to Chalkidiki are concerned with the 'authentic' sunny weather, there is also evidence that a significant number - the Cultural Heritage type - are interested in the culture and history of this region. Their narratives show that they combine sightseeing with a holiday on the beach. They do not view their travel as simply as holiday in the sun where the principal goal is rest and relaxation abut they want to do something unique on their holiday, such as visiting other villages and historical monuments, taking walks in the hills in the hinterland, and doing a lot of foot-slogging in the evening around the back streets to see the 'true way of Greek life'. Interest in the 'other' is a strong motivational factor for many visitors to Chalkidiki, which suggests that it should be used as a marketing tool promoting the local culture, traditional hospitality and warm welcome of Greeks. Travel brochures are missing opportunities by focussing only on the 'sun, sea and sand' appeal of Chalkidiki. Emphasis should also be given to details of traditions and culture-based tours to nearby cities such as Thessaloniki, and to ancient sites and museums.

Since travel brochures are one of the key elements in communicating the tourist product for a destination such as Chalkidiki, tour operators need to rethink their marketing strategies by conveying the culture and heritage of this destination in their promotional information. Heritage sites in Chalkidiki are uniquely placed to respond to the growing interest of tourists expecting 'authentic' travel experiences. Furthermore, in an increasingly competitive tourism market, it is vital for the tourist industry to know and understand not only who travels, but also how tourist locations such as Chalkidiki are experienced by individual visitors. Detailed knowledge of tourists' motivation can be used to promote and market Chalkidiki appropriately, recognising and giving visibility to special forms of tourism which would offer unique experiences to foreign visitors.

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WOMEN SHOPPERS IN CYPRUS- BEHAVIOUR, BELIEFS AND PERCEPTIONS OF SELF

ALKIS THRASSOU
CHRISTIANA KONE
ANDRIANA PANAYIDOU

Abstract

This research aims to study the theoretical context of female shopping behaviour, to define its nature in Cyprus and to identify its factors and underlying causes The academic and scientific value of the research lies primarily in its focus and depth which allow both the profiling of a gender-specific single stage of the consumer behaviour process (women's shopping), but also its multi-perspective comprehension through the interrelation of constituent factors and behavioural motivators. The research offers further value to business knowledge through its prescriptive conclusions on retailing applications and general marketing practice. The methodology is largely founded upon a phenomenological paradigm, which was deemed best towards understanding the human behavior from the participant's own perspective. Both quantitative and qualitative methods were used to allow accurate scientific quantification and measurement where possible; and subjective insights and in-depth comprehension of attitudes and perceptions where necessary. The findings show an intensely hedonistic behaviour among women shoppers, which demands for special marketing focus on retailing; both in terms product retailers' choice and in terms of retailers' design and customer logistics. Additionally women self-perception in terms of advertising and stereotypes' influence was found to contradict diachronic beliefs of marketing practice and research.

Keywords: Shopping, Retailing, Women, Beliefs, Perceptions, Stereotypes, Cyprus

Introduction

Background to the Research

For women, shopping is an action frequently seen as complementary to their female role. According to Kelly (1991), "the traditional woman's role (as wife, mother, and lady) has undergone change owing to the revolution in shopping heralded by the development of the department store". According to Laermans (1993), "Women were redefined as professional shoppers or consumers and their performance of their traditional roles was thoroughly 'commodified' or redefined in terms of commodities." There is proof that women take their role as shoppers seriously and women's magazines such as Ladies' Home Journal (USA) and Good Housekeeping (Britain) present the woman consumer as a "capable and knowledgeable person who derives pleasure from her expertise in shopping" (Nava, 1995).

Research Objectives and Value

This research aims to study the theoretical context of female shopping behaviour, to define its nature in Cyprus and to identify its factors and underlying causes. Towards this aim, four specific objectives have been set:

1. To undertake an extensive literature review on the subject that will set the theoretical foundation on which primary research will be based.

2. To construct a primary-research based profile of women's shopping behaviour in Cyprus.

3. To identify and comprehend the factors and motivators underlying women's shopping behaviour in Cyprus.

4. To draw explicit conclusions of both descriptive and prescriptive nature primarily towards marketing application.

The academic and scientific value of the research lies primarily in its focus and depth which allow both the profiling of a gender-specific single stage of the consumer behaviour process (women's shopping), but also its multi-perspective comprehension through the interrelation of constituent factors and behavioural motivators. The research offers further value to business knowledge through its prescriptive conclusions on retailing applications and general marketing practice.

Methodology

The paper includes the distilled findings of an extended literature review but is based mainly on primary research. It is largely founded upon a phenomenological paradigm, which was deemed best towards understanding the human behavior from the participant's own perspective. The research is also based on a positivistic paradigm towards identifying and comprehending social phenomena underlying behaviour irrespective of the subjective situation of the individual (Collis and Hussey, 2003). Both quantitative and qualitative methods were used to allow accurate scientific quantification and measurement where possible; and subjective insights and in-depth comprehension of attitudes and perceptions where necessary. This methodological approach naturally led to a by-default triangulation approach that overcame some lack of data and potential bias.

More specifically, the research included a survey of women in Nicosia (capital) with a sample of two hundred and twenty interviewees. The questionnaires were distributed and completed in the form of personal interview and included mostly closed-end questions. The sample was based on multistage random selection and is representative of the population residing within the geographical boundaries of government-controlled areas of Nicosia (Cyprus Statistics Department, 2002). The research also included two sets of long personally conducted in-depth interviews. The first set comprised of twenty women shoppers and the second of ten experts in the fields of consumer behaviour, women's behaviour, marketing communications and/or retailing. Some secondary data were also utilized, further to the theoretical literature review, but these were of limited quantity and value.

Literature Review

Contemporary Gender Shopping Behaviour

Woodruffe (1996) argues that shopping as a leisure activity for women could be imposed and biased, because shopping is often seen by women as a legitimate activity, belonging to their gender role, and not necessarily experienced as a leisure activity. Studies in culture anthropology have identified that people carry out the activities in their lives along a continuum from doing one activity at a time, that is the "monochronic behavior", to doing two or more activities at the same time, which is called the "polychronic behavior" (Hall and Hall,1987). Going shopping is a major source of relaxation, associated with females, but the activity is under pressure due to time limitation, changing social roles and technological advances. Women that have a polychronic behavior can handle, and have the tendency from their nature, to do more than one activities during a day such as go for shopping, take care of children and the household all in parallel. Even though men are also play a significant role in shopping activities, including shopping for the household, it is usually not a pleasurable activity for them (Dholakia, 1999).

Shopping is largely a gendered activity. Available research on shopping behavior suggests that shopping is a "female typed" task (South and Spitze, 1994). Bloch et al. (1994) have recognized four types of shoppers – enthusiasts, traditionalists, grazers and minimalists in the context of shopping behaviors. Clothes shopping for women are considered to be more attractive since "it is an opportunity for self-expression, fantasy, a break from the normal routine of shopping and perhaps a little self-indulgence" (Buttle, 1992). It is considered to be more pleasurable and expressive. Women are more active in shopping than men, as women enjoy shopping and actively plan on browsing as part of their experience, while most men claim to dislike shopping and less than half report making time to shop and browse. Recent work indicates that men have increased their participation in "traditional" types of shopping previously thought to be dominated by females, but they are more likely to "grab and go" and not participate in the social aspects of shopping (Otnes and McGrath, 2001).

Fischer and Arnold (1994) have defined gender role attitudes as beliefs about 'appropriate' roles for men and women. Cultural and social conditions are noted as determining the construct of gender role attitude and it is this construct that is under pressure. Gender role attitude was been measured in terms of agreement with the statement: "shopping is primarily a woman's responsibility". There are many reasons to go shopping and social reasons are particularly important: "shopping is a spectacle in which one is both performer and spectator, it is seeing and being seen, meeting and being met, a way of interacting with others" (Lunt and Livingstone, 1992). There are three motives why people and more specifically women go for shopping: interactions with family, utilitarian and shopping as pleasure.

Retailing is the final activity towards making products available to consumers. The most important factors constituting store attractiveness are 'design' and 'layout' (Dunny, P and Lusch, R 2005). Retailers in today's time-pressured society feel compelled to accurately understand how shoppers' time-use influences their in-store behaviors. It is not enough to say that shoppers choose retail venues based on convenience in order to spend less time shopping. Shoppers have a number of retail-choice criteria including retail environment and its fit with their personal shopping style (Soars B, 2003). Some female shoppers may patronize selected venues in order to spend less time shopping. On the other hand it is not fully clear whether such shoppers perceive certain retail venue characteristics as time-saving. For example, self-scanners at checkout are designed to speed the process, but may be perceived by some shoppers as untrustworthy, complicated, confusing and more time consuming (Zaltman, G 2003). Women are also likely to patronize retailers who create an environment that matches their time-use preferences while they shop. Polychronic time use shoppers for example, frequently enjoy changing among activities, and like retailers to provide a variety of product presentations, free trials and demonstrations. On the other hand more monochronic shoppers may simply wish to focus on their desired purchases (Soars B, 2003). Ultimately, retailers need to better understand how different types of shoppers wish to use their time, since time-driven behavior is not identical in all shopper situations, even among those who are or are not time-pressed.

Women, Advertising and the Effect of Stereotypes

Advertising is a very powerful industry as immense amounts are spent every year for it. Most people are exposed to over two thousand advertisements a day (Kilbourne, 1999), and this naturally has strong personal and social repercussions (Kilbourne, 2006). It is known that advertising influences consumers' choice of brands, but a natural subsequent question relates to the degree of the effect on more fundamental personal characteristics. One of the major accusations of advertising is that it causes women to have a negative self-image. According to the Kinsey Institute (www.kinseyinstitute.org), Western culture women have more negative feelings about their bodies than women in any other cultures. There is and was a common belief that beautiful women are happier, more successful and have better husbands (Etcoff, 1999). Gender and age are powerful means of sub-dividing persons (Cronin, 2004). Women and children are the primary target groups in advertising according to the Greek Institute of Consumers (www.inka.gr) and advertisers are charged with perceiving women as easy targets and with using social models to create insecurities among the female gender.

Even if images of women are not always the same, several themes or stereotypes reappear; like the housewife who is thrilled with a new cleaning product, or the sex object men long for (American Advertising, 2006). A stereotype is a fixed or conventional image of a person or group of people (Tvontario, 2006). It conforms to a fixed or general pattern, a standardized mental picture that is held in common by members of a group and represents an oversimplified opinion; prejudge attitude, or uncritical judgment (Merriam Webster's Dictionary, 2006). Advertisers use these shorthand notions in order to communicate in a relatively easy and fast way with the public (Brierley, 2002). A stereotype is actually an image in action, for example: a housewife stereotype is a beautiful woman cleaning the house. No matter what stereotype is being projected, the image of the woman is always the same: attractive, thin and well-groomed. Forty years ago women were acknowledged for their housework, today for their beauty (Wolf, 2002). To start with, the vast majority of pictures women look at are images of other women in women's magazines; "they are interested in checking out the competition" (Etcoff, 2000, p.62). While men look at women, women watch themselves being looked at from both sexes (Wolf, 2002), and so their subjective sense of the importance of their appearance is enhanced.

On their part, advertisers flood the magazines and television channels with young thin models whose imperfections have been airbrushed out of existence. Women's magazines usually have a girl on the cover, while men's magazines when they have a woman on the cover she is frequently naked or half-dressed. Women and their body are largely demeaned (Kilbourne, 1999). Women are constantly projected with nrealistic, unauthentic and unattainable images of women, with potentially detrimental social and psychological effects on many, especially young women. These images have in fact become a central cultural force, defining behavior and social life (Ewen and Ewen, 2000). The ideal body image is seen everywhere and comparison with the self-image is unavoidable. As this image is "reproduced again and again, it becomes fact" (Ewen and Ewen, 2000, p:192). Many women internalize the stereotypes projected and judge themselves and others by the industries' beauty standards. However, this processes is frequently subconscious as are its effects.

Advertising has long-been accused of being socially wasteful, that it destroys the finer things of life and that it is immoral, deceptive and traffics in half-truth (Sandage and Fryburger, 1960). Also that it perpetuates stereotyping, or as its practitioners claim that it had done this in the past. Advertisers have now realized that stereotyping alienates potential customers and look for ways to make advertisements more realistic so that they will expand their market segments for a wider variety of products (Lee and Johnson, 1999). As women have passed from the domestic area to the professional arena, their expectations have changed and so have their representations (Belch and Belch, 2001). A natural after all evolvement since advertising uses stereotypes in the context of contemporary trends. As Cronin (2004, p: 82) mentions: "[advertising] is a temporary stabilization of a flow of beliefs and commercial values into a representation form". In the defence of advertising and with regards to images, it is supported that people know a beautiful face or body when they see it; they do not need to be told that this is a beautiful face; they already know it, no matter race or culture. Even three to six month old babies stare significantly longer attractive faces (Etcoff, 2000). "People who feel empty make great consumers" (Kilbourne, 1999, p:257), but advertising is not to blame for all emerging problems. The other point of view therefore is that problems such as lack of self-confidence or negative self-image have in-depth psychological and sociological foundations; and assuming that advertising is their cause is just a superficial approach. Advertising is a part of organisational activity related to communicating. It is not trying to solve the world's problems. The problems are real but advertising may be only their reflection, not their cause.

Research Results (primary – surveys)

This section presents the results of the research and is divided into two parts. The first presents those related to women's exhibited shopping behaviour and the second their perceptions regarding advertising and stereotypes' effects. The latter investigates not the actual effect but the perceptions that women shoppers have of the effect. The questions were asked in the first person thus inviting and enticing responses based on perceptions of self.

Women's Exhibited Shopping Behaviour

Figure 1 indicates that married women go for shopping approximately two to three times per month, which is more frequent compared to other marital statuses. This is explained by the fact that married women shop not only for themselves, but for the whole family. They must buy clothes and all the necessary goods for their children, their husband and for the house.

Figure 1: Relationship between marital status and shopping frequency

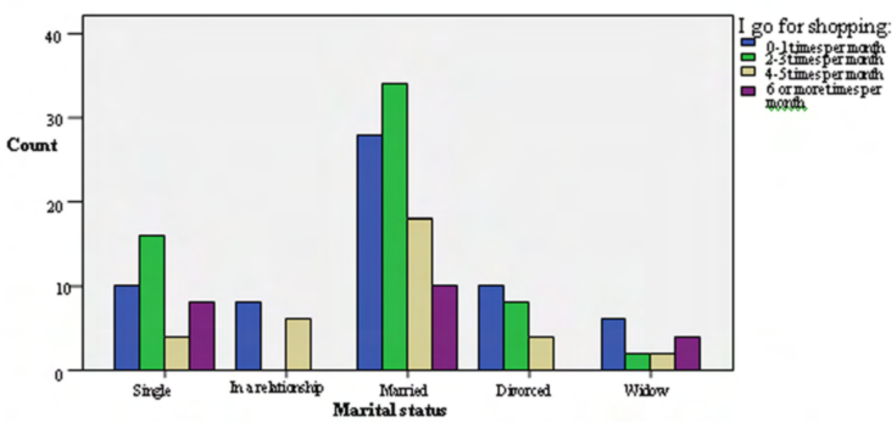
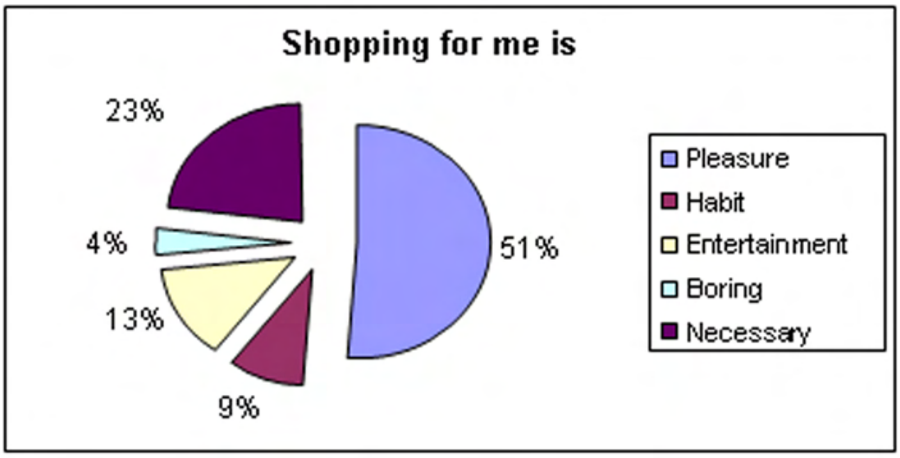


Figure 2: What shopping represents



The vast majority of women (85%) answered that they enjoy going shopping. Additionally, shopping for personal clothing appears to be exclusively an individualized responsibility for women. With regards to the question 'What is shopping for you?' (figure 2) just over half (51%) of the respondents answered that shopping is 'pleasure'. From a comparison of data it also concluded that for married women shopping is in fact a pleasurable necessity.

Regarding 'who women shop for' the results of figure 3 show that most women tend to go shopping for themselves and their family.

The following results provide greater insight to the exhibited behavioural patterns of women shoppers as well their affective associations. As it can be seen from table 2, the vast majority of women (45%) prefer to go shopping with friends. What is important to notice is also that 88% does not prefer to go shopping with people outside their friendly environment, while a large percentage (57%) tends to go shopping alone.

Figure 3: For whom do women shop

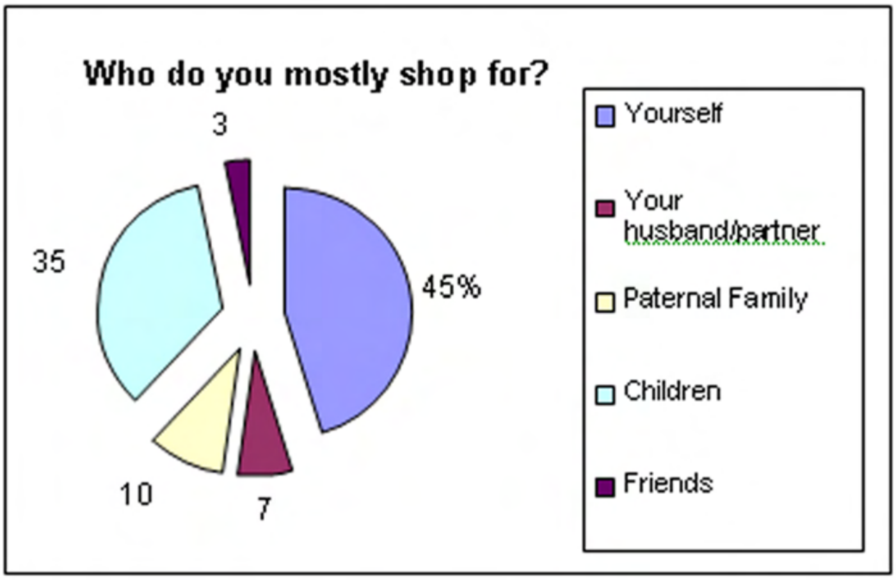


Table 2: Who do women go shopping with?

	Always	Almost always	Usually	Almost never	Never
Alone	18%	21%	18%	20%	23%
With friends	13%	10%	22%	24%	31%
With family members	12%	13%	24%	22%	29%
With others	2%	3%	7%	23%	65%

Shopping is frequently associated with feelings both during the actual process and after its completion. The in-process emotions are presented in table 3. The majority of women from all the ages portrayed a positive affective association with shopping and said that their mood is changing during the shopping process. A small percentage actually associated the shopping experience feelings with those of being at home, stressing their familiarity with the process but also their relaxation and comfort with the process.

The emotions of women shoppers with the completion of process were also measured with positive emotions being predominant and especially 'satisfaction' (figure 4)

Interestingly, the majority of the respondents state that when they go for shopping they only buy what they first had in mind to buy, while a noticeable minority (35%) state the opposite (figure 5).

Table 3: Affective association with the shopping process (Major findings)

	Always	Almost always	Usually	Almost never	Never
Excited	16%	18%	31%	11%	24%
Happy	19%	12%	31%	16%	22%
Depressed	5%	13%	17%	20%	45%
Stress	5%	9%	19%	23%	44%
Rejected	8%	9%	15%	20%	48%
Angry	6%	3%	15%	20%	56%
Neglected	5%	13%	17%	20%	45%

Figure 4: Affective association with the completion of the shopping process (Major findings)

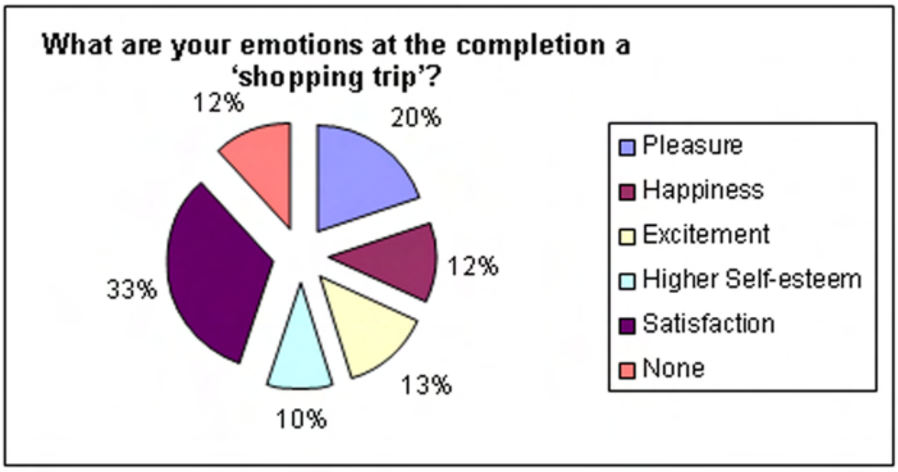


Figure 5: Do women buy only what they first had in mind?

An important issue in regards to women and shopping is their spending tendencies. Figure 6 presents these tendencies by age group. The preference for apparel is obvious and not surprising. The reasons behind though are impossible to comprehend through this research findings.

Figure 7 shows the degree to which women purchase products which are normally beyond their financial capacity. As it can be seen, women of the late middle-age segment appear to be in fact more liberal in this respect. One explanation is that this specific group is the one with the fewest family responsibilities and also professionally and income-wise well developed.

Another question that respondents had to answer was "do you compare prices at different stores when you shop?" As it can be seen from figure 8, the older age groups almost always compare prices when they shop. The survey did not provide any indication why this happens and neither did the literature review. The interviews nevertheless did indicate that the matter is probably a result of the behavioural idiosyncrasy of this age group.

Table 4 relates to the question "Did you ever buy something that you didn't really need". Though similar to the question of figure 6 this question investigates not the tendency to buy products which are too expensive for one's pocket, but the tendency to buy things which are not necessary. The results show no extreme patterns, though there is an overall slight tendency to not buy unnecessary products.

Figure 6: Product category preferences

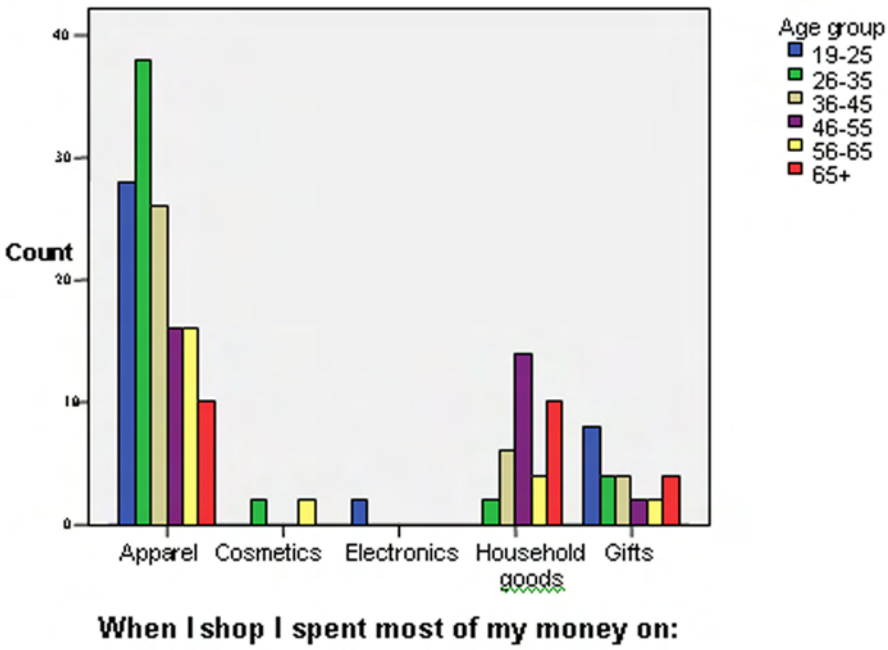


Figure 7: Purchase of products that are not really affordable

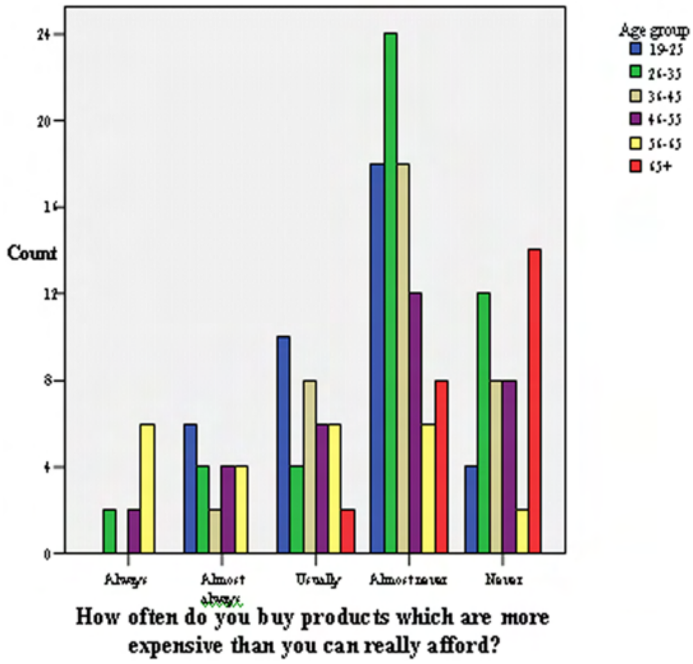


Figure 8: Price comparison in relation to Age Groups

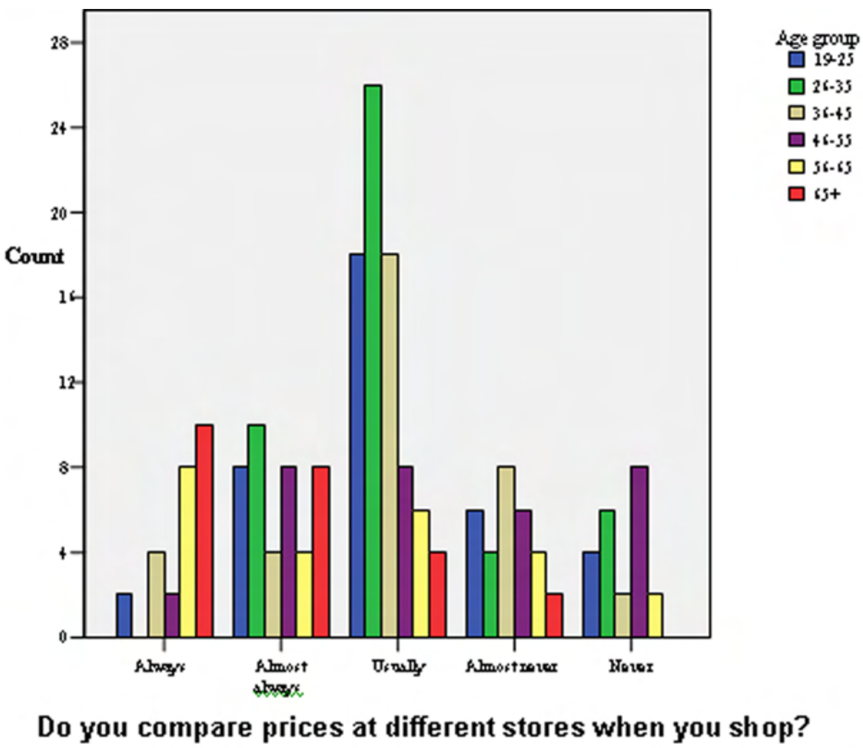


Table 4: Did you ever buy something that you didn't really need it?

Always	5,0
Usually	11,0
Sometimes	29,0
Rarely	38,0
Never	17,0
Total	100,0

Table 5 presents the results of a question included to measure the relative importance placed by women shoppers on customer service. The Questionnaire purposely did not define 'good customer service' as this is highly subjective and could create confusion. The results are not surprising and they are consistent with the importance generally placed on retail customer service.

Table 5: How important is good customer service when you are shopping?

Extremely	25,0
Very much	32,0
Somewhat	29,0
Not very	11,0
Not at all	3,0
Total	100,0

The research also measured the degree to which women believe themselves to be fashionable i.e. whether they like to follow changes in fashion and latest fashion tendencies (table 6). The results show that on average they believe to be not very influenced by fashion. It is important though to note that this question is not measuring the effect of fashion on women behaviour but really their perception on the matter as part of their behaviour.

Table 6: How important is it for you to be up to date with the latest fashion?

Extremely	13,0
Very much	19,0
Some what	27,0
Not very	22,0
Not at all	19,0
Total	100,0

Women's Shopping Behaviour: Perceptions on Advertising and Stereotypes' Effects

The question whose results are presented in table 7 aimed at evaluating the perception of the degree to which advertising leads women to purchase products which are not deemed necessary by their own assessment. According to the results women relatively strongly believe themselves not be carried away by advertising. The results are expected but they are not taken at face value. They are interpreted in reality not as a measurement of the actual power of advertisements on women, but of the perception of the latter on the power of advertisements to affect them.

Table 7: Purchase of a product without needing it because of its advertisement

Never	26.0
Rarely	33.0
Sometimes	36.0
Frequently	5.0
Always	0
Total	100.0

The following table (8) presents the results to the statement "advertised products have the qualities presented in their advertisement". It is in essence a measurement of the trust women-shoppers display towards advertisements, as this arises from their own experiences. The results show a clear and strong distrust to advertisement direct or indirect claims, an attitude largely expected. 98% of the respondents state that advertised products have the qualities presented in their advertisement only 'sometimes', 'rarely' or 'never'. 31% gave only the latter two descriptions. At the same time only 2% answered 'frequently' and none 'always'.

Table 8: Advertised products have the qualities presented in their advertisement

Never	6.0
Rarely	25.0
Sometimes	67.0
Frequently	2.0
Always	0
Total	100.0

Figure 9 provides some interesting results in relation to women-shoppers' beliefs as to marketing communications' persuasion abilities. Though the answers are of course subjective it is noted that the three most important persuaders are 'information', 'special offers' and 'brand trustworthiness'. On the one hand these results may be questioned on the basis that emotional appeals, testimonials etc may be effective but at a subconscious level and consequently their power and effect is not recorded. On the other hand and irrespective of the effect of other 'soft' methods, it is validly seen that women consciously chose to trust the three methods listed above. Also interesting is the fact that 'brand trustworthiness' is itself a relatively 'soft' persuader yet women do note it, thus indicating the importance of branding.

The media inform people of new products, of the benefits/drawbacks of existing products, make comparisons and give advice. Frequently, magazines will carry out what they call a product market research where they present the best, in their opinion, products such as: cellulite creams or swimsuits. The next table (9) shows the degree to which women find this information reliable. The results show that though there is some scepticism, women do trust this information to some degree, and clearly much more than do advertisements.

Figure 9: Advertising approaches that can convince the audience to buy the product (%)

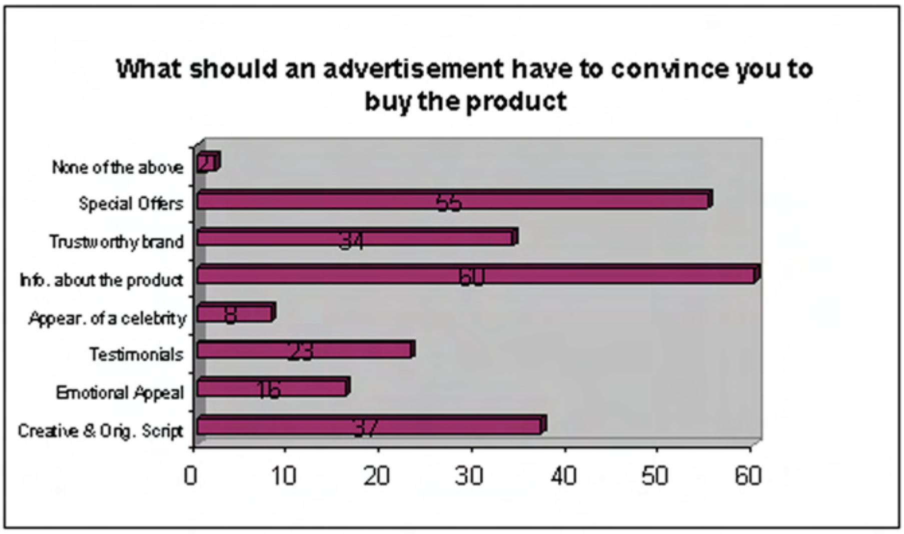


Table 9: The information given by the media is reliable

Never	0.0
Hardly ever	15.0
Sometimes	76.0
Almost every time	7.0
Always	2.0
Total	100.0

Stereotypes are generally not used as a measure for comparison for most women, as indicated by the next table (10). In fact over half the respondents stated that they 'never' or 'hardly ever' compare them selves with media stereotypes. These results though, once more are only recorded as perceptions, since again the question relates to personal/psychological processes which are rarely fully conscious. Additionally, stereotypes are not necessarily images to identify with but ones of aspiration. Consequently even if the diminished association with media stereotypes is indeed true it is still not a measure of the effectiveness of these stereotypes.

Table 10: Comparison/association with media stereotypes

Never	32.0
Hardly ever	19.0
Sometimes	35.0
Almost every time	11.0
Always	3.0
Total	100.0

The continuous exposure of women to advertising stereotypes can influence them both positively and negatively as 62% of the respondents believe (figure 10). It is noted that this question is asked in the 'third person' and therefore it is not a personal one. It is not therefore a personal perception and it is less influenced by potential respondent's attempts to look better. It is therefore in a sense more reliable though more vague at the same time.

The literature review has shown that existing research significantly questions the degree of realism associated with women stereotypes projected through advertising. This question does not test this position, but it does measure the beliefs of women regarding the question. Table 11 shows that the general impression of women is that advertising stereotypes reflect reality to a relatively small degree.

Figure 10: How advertising stereotypes influence women (%)

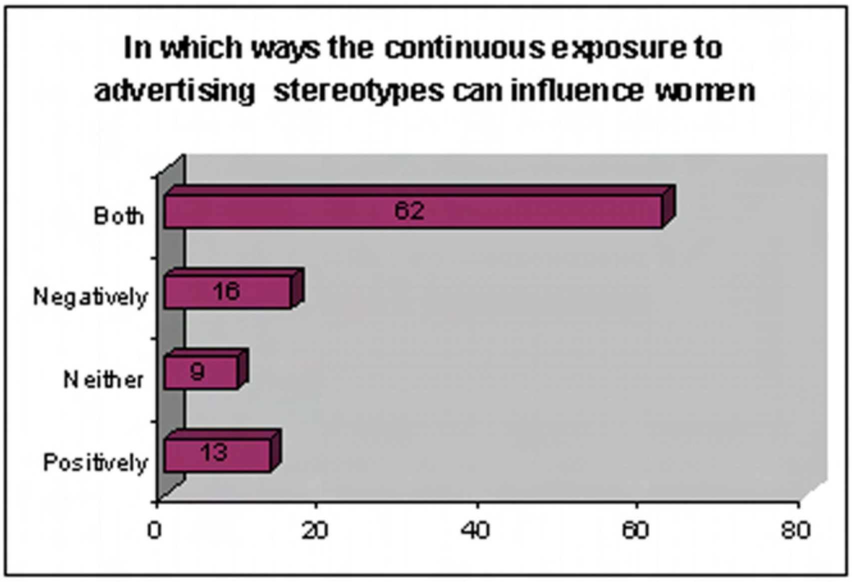


Figure 11: Influence factors (%)

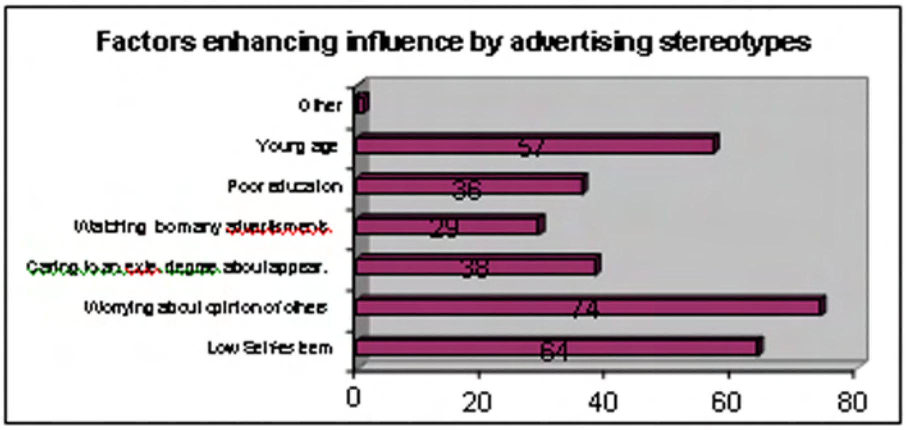


Table 11: The stereotypes projected through advertising reflect reality

Never	7.0
Rarely	28.0
Sometimes	59.0
Frequently	5.0
Always	1.0
Total	100.0

The following question investigated women's perceptions regarding personal factors that enhance influence by advertising stereotypes. From a set list prepared consequent to preliminary research, pilot survey and interviews, the three most popular answers were: 'worrying about the opinion of others', 'low self-esteem' and 'young age' (figure11). Once more the results are not an identification of the true factors but a recording of women's perceptions on the matter. In reality the results indicate that women believe that influence by advertising stereotypes is associated with personality/character and that influence is in effect a result of weakness. Indirectly, they also associate young age with weakness.

Conclusions

Women's Exhibited Shopping Behaviour Profile and Perceptions

The above results allow the construction of a profile of women's exhibited shopping behaviour in Cyprus: married women shop more frequently then other-status women; for women shopping is predominantly pleasure-oriented; they mostly like to shop with friends while many prefer to do so alone; most feel happy and/or excited when shopping; usually they buy what they intended to buy and little more or other than that; their preferred purchases (expenditure-wise) are of apparel; they will frequently buy products they cannot really afford and products they do not really need; they will sometimes save at the expense of necessities to buy desired products; they consider good customer service at the retailer as very important; and they get satisfied and happy with the completion of their shopping excursion.

Regarding women's perceptions on advertising effects in Cyprus: women believe themselves not to be lured by advertisements towards buying unnecessary products; they are generally apprehensive of advertising claims; they believe factual/informational advertisements to be more convincing; they moderately trust media's recommendations on products; the majority does not identify itself with any stereotype and does not compare itself with any; they are skeptical as to the realism of ad-projected stereotypes; they view 'low self-esteem' and 'others opinion' as primary influencers by ad-stereotypes; and they state that they are only moderately affected by stereotypes in terms of feelings and self-value.

Effects on Retailing Applications and General Marketing Practice

The research findings, apart from their contribution to gender consumer behaviour academic knowledge, can also be interpreted towards application in retailing and wider marketing practice. Incorporating all the results into general findings, the most important one is clearly the confirmation of women's shopping behaviour as a hedonistic one. 'Pleasure', 'happiness', 'excitement' and 'satisfaction' make up the affective background to women's shopping; both in terms of the actual activity and in terms of its evaluation after completion. Far from a simple academic deduction the finding is in effect a measured observation of practical significance. For women the products are not ends in themselves. The purchase stage/process itself is also a primary factor, both of motivation and satisfaction. In one sense the products are not the aim of shopping, but the excuse.

For retailers it means that they should focus on making the experience of shopping as positive as possible, as much as they should focus on their product quality and variety. The elements of design, layout, ambiance, customer logistics etc. are therefore evidently ones of increasing importance. For product marketers in general the phenomenological interpretation leads to the conclusion that special attention must be paid to their choice of retailers as this affects their marketing as much as the product itself. Overall, the notion that consumers purchase not the product, but the experience of the product, appears to be truer among women shoppers. Marketers consequently are required to review their marketing mixes and shift focus from the tangible to the intangible, from the utilitarian and functional to the perceived and experiential.

The second important set of findings relates to women's perception of marketing communications, especially advertising and the use of stereotypes. The results are not valid in terms of understanding true effects, owing to the subjectivity of the statements that was enhanced by the personalised nature of the questions. This methodological approach though, allowed the understanding of subjective perceptions and beliefs of women concerning the underlying motivators of their own shopping behaviour. The conclusions are interesting as they portray individual perceptions and beliefs of self-behaviour, which collectively put, contradict theory and practice; both in the marketing and the sociological contexts. Women shoppers individually view themselves largely as psychologically and behaviourally 'immune' to advertising and stereotypes. At the same type diachronic marketing and sociological practice and research (see literature review) support the opposite.

On a final note, the research supports the view of marketing as a process that needs to adapt to an increasingly experiential and decreasingly utilitarian contemporary consumer world. For marketers this is a positive realisation since all things considered the effective use of a product usually far outlasts the experience of its purchase. As consumer value shifts from the former to the latter the absolute result of increased sales is clear, evident and welcome.

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THE PRACTICE OF CAUSE RELATED MARKETING IN SMALL AND MEDIUM ENTERPRISES (SMES): THE CASE OF BMW IN CYPRUS

IOANNA PAPASOLOMOU
INTERCOLLEGE

Abstract

In building understanding of Corporate Social Responsibility (CSR), Cause Related Marketing (CRM) has an important role to play and it is an effective way to build the brand, create product awareness, and make CSR and community involvement visible. CSR can be part of the range of stimuli presented to target audiences in order to build a good corporate reputation. The paper discusses the efforts of the BMW agent in Cyprus in working towards this end and highlights a partnership with the Cyprus Football Association (CFA) in supporting a charitable organization in the fight against drug addiction whilst creating product and brand awareness regarding the 320i model in the local market. Cause Related Marketing (CRM) has become one of the most popular forms of corporate giving. It provides the means to use the power of the brand to publicly demonstrate a firm's commitment in addressing the social issues of the day. The method of promotion will have particular appeal to small and medium sized enterprises (SMEs) since it can be a relatively cheap and economic way to create awareness of a new product, service or brand. This case study demonstrates that CRM can be a highly potent tool for achieving marketing objectives as well as a significant contributor in addressing social issues and the needs of charities and causes. CRM works by integrating the core trading objectives and activities of a business with the needs of a particular cause or charity. It has the potential to deliver greater benefits per pounds spent by achieving a wide range of business, marketing, and social benefits. These include building and enhancing corporate and brand reputation, differentiating the brand, building relationships and loyalty, demonstrating the organisation's values, develop morale and increasing sales and income

Key Words: Corporate Social Responsibility (CSR), Cause Related Marketing (CRM), SMEs, Cyprus (BMW),

Introduction: The European Union and CSR in SMEs

Bloom and Gundlach (2001) define CSR as: "The obligations of the firm to its stakeholders – people and groups who can affect or who are affected by corporate policies and practices. These obligations go beyond legal requirements and the company's duties to its stakeholders. Fulfillment of these obligations is intended to minimize any harm and maximize the long-run beneficial impact of the firm or society."

The European Commission has launched a policy of promoting the uptake of Corporate Social Responsibility which is built on a number of initiatives such as the European Multi-stakeholder Forum launched in October 2002 and the Commissions Green Paper launched in July 2001. An integral part of the EU CSR policy is fostering CSR among SMEs through initiatives that include conferences, round table discussions and research studies. These efforts coincide with a growing literature on CSR amongst small and medium sized enterprises (SMEs). Currently there are 25 million SMEs (employing between 10 and 250 employees) in the enlarged European Union employing more than 100 million people (Grayson 2006). In the UK there are over 4 million SMEs (Grayson 2006) and in Cyprus the micro-enterprises (less than 10 people) represent 94.8% of the total number of enterprises (The micro-enterprises in Cyprus in 2000, 1998). The European Commission defines CSR as: "a concept whereby companies integrate social and environmental concerns in their

business operations and in their interactions with their stakeholders on a voluntary basis." (http://ec.europa.eu/enterprise/csr/campaign/index).
The CSR concept is related to the "Triple Bottom Line" approach, whose main idea is that "…for an organization to be sustainable it must be financial secure, it must minimize its negative environmental impacts and must act in conformity with societal expectations." (European Commission 2002, p. 7). The European Commission's report on European SME's (2002, No 4) states that half of the European SMEs are involved, in different degrees, in external socially responsible causes: 48% of the very small enterprises, and 65%-70% of the small to medium-sized enterprises. It also appears that there is a gap between the North and South European countries in terms of SME's involvement in CSR, for example in France 33% of SMEs were involved in socially responsible causes and 83% in Findland. A socially responsible corporate behaviour implies not only complying with relevant legislation but also investing into human capital, the physical environment and the relationships with stakeholder groups. Each corporation is involved in CSR activities in its own way according to its core competencies, resources and stakeholder interests but in addition to the cultural values and tradition of the country in which it operates. CSR is a big opportunity for smaller companies, says professor Ken Peattie. In his article the "The CSR agenda" (Business 2004) he refers to a major American study of 675 small businesses that revealed that those firms that were regarded as 'civil leaders' (those with a high level of community involvement) were also the most successful in terms of business performance.

SMEs and CSR

Hollidays (1995) and Carson and Cromie (1990) claim that SMEs have a number of distinctive characteristics that differentiate them from larger corporations, and in turn affect the nature and extent of the SME's CSR activities. These characteristics can be determined by the inherent characteristics and behaviours of the entrepreneur or owner/manager and by the inherent size and stage of development of the enterprise (Gilmore et al. 2001). In small enterprises the firm's ownership and management are concentrated in the hands of the same individual(s) and as a result the owner makes personal choices about the appropriate ways to allocate funds; small business managers/owners have strong links with their local communities and therefore, the reputation of the company at its location and its image as an employer influence the choices made with regards to CSR; SMEs often lack personnel and financial resources and are influences to a larger degree by the economic fluctuations of a country hence their CSR activities vary (EIM &ENSR 1996). SMEs also have short-term business pressures, cost issues, and the entrepreneur/owner usually has a negative attitude to change (Observatory of European SMEs 2003) and their organizational structures are less rigid, sophisticated and complex than in large firms. From an organizational size perspective, most of the existing key concepts and tools addressing CSR issues have been developed in the context of large corporations. A key rational is perhaps the higher public profile of large organizations which attracts attention and generates interest about their CSR programmes. Also, their larger budgets and resources enable them to engage in CSR activities that can attract the media's and public's attention.

The 2003 Observatory of European SMEs suggests that half of the European SMEs are involved, to different degrees in CSR activities. According to the ENSR Enterprise Survey 2001 results, the key rationale for the SMEs involvement in CSR is related to ethical reasons, the desire of the entrepreneurs to 'give something back to the community'. Belgium, Finland and Ireland were the only exceptions to this. SMEs in these countries engage in CSR in order to improve customer loyalty, and relations with the community. European SMEs are concentrated in three areas of CSR activity: sport, cultural and health/welfare activities and their contribution is in the form of donations, either in cash or in kind, conducted in ad hoc or irregular basis and mostly concentrated in local communities. Among the key benefits that can be derived from their involvement in CSR is an increase in customer loyalty and better relations with the general community/public authorities. 51% of the SMEs carry out CSR activities on an ad hoc, occasional basis often unrelated to their business strategy whereas 45% conduct them on a regular basis (Observatory of European SMES, 2003). However, any business initiative in order to be effective it needs to be integrated in the firm's business strategy in order to ensure that the entire organization is geared towards its implementation on a formal basis. The ENSR Enterprise Survey 2001 sheds light on some of the key barriers that hinder SME's activities in this field. Around 19% and 16% respectively, identify the lack of time and financial resources as their main barriers for involvement. The MORI (2000) survey carried out in the UK indicated money and time considerations as the main barriers whilst 'bureaucracy/red tape' or lack of awareness and understanding of social responsibility were also among the reasons revealed in this survey.

From a geographical, it appears that there is a clear North-South European divide in terms of SME involvement in CSR. The highest involvement is observed in the North (Finland, Denmark, Iceland, and Norway) and the central European countries (i.e. Austria, Liechtenstein). The Netherlands, Irland, Sweden, Portugal, Belgium, Luxembourg, Switzerland, Germany and Portugal follow with the Southern countries such as Spain, Italy and Greece as well as France and the United Kingdom in the last place (Observatory of European SMEs, 2003). The literature review did not reveal any evidence regarding SMEs in Cyprus but this might be due to the fact that Cyprus gained entry in the EU in May 2004 and hence sufficient data is unavailable. However, it can be suggested that since Cyprus shares common characteristics with the Southern countries such as Greece it is also characterized by a low SME involvement in CSR.

Despite the fact that the popularity of CSR among European SMEs varies among countries, the evidence derived from the literature review suggests that there is a supportive trend which is conducive to the growth of CSR among this size of businesses. CRM is one high profile and positive way of demonstrating, communicating and leveraging CSR activity to the general public. The section that follows discusses the underlying principles of CRM.

Cause-Related Marketing (CRM)

An increasing number of corporations are attempting to align their CSR with business motivations. The effort is placed on 'marrying' the corporate strategy of community involvement with social issues related to their business. CRM is a prime example of the partnership formed between corporations and charities to raise both money and brand awareness. CRM has become one of the hottest forms of corporate giving. There has been noteworthy growth and interest in CRM over the past few years (see for example Fellman, 1999; Dupree, 2002). Dupree (2000) suggests growth of interest in CRM is due to consumers' growing social consciousness, while Fellman (1999) argues that companies are taking a more strategic approach to their community involvement efforts, and are seeking ways of benefiting community organisations whilst also furthering company business goals. It could even be that the scope of achieving differentiation has decreased considerably. It is no longer effective to differentiate your corporation and the brand through price and product differentiation. Linking the firm with good causes and communicating the image of a 'good citizen' to target publics can enhance the Corporate Brand, the corporate reputation, as well as the reputation of the brands. CRM includes all the different ways in which businesses are benefiting charities and good causes through CRM partnerships that consist of donations, and additional support leveraged through customers, suppliers, or employees. Heightened criticism and the demand for more ethical and socially responsible behaviour has transformed stakeholder expectations of business' roles and responsibilities. CRM has the potential to provide the means to use the power of the brand to publicly demonstrate a firm's commitment to addressing the social issues of the day through providing resources and funding whilst addressing business marketing objectives.

CRM has been defined as the public association of a for-profit organisation with a non-profit organisation, intended to promote the company's products or service and to raise money for the non-profit (Polonsky and Macdonald, 2000). Business in the Community, defines CRM as "a commercial activity by which businesses and charities or causes form a partnership with each other to market an image, product, or service for mutual benefit." (http://www.bitc.org.uk). "CRM is about using marketing money, techniques and strategies to support worthwhile causes whilst at the same time building the business. A company promotes its image, product and services in conjunction with a good cause, raising money for the cause and at the same time enhancing its reputation, demonstrating its values, enlisting consumer loyalty and purchase of its own products and services." (Adkins 2005). While, Kotler (2003) defines CRM as: "an opportunity to enhance their corporate reputation, raise brand awareness, increase customer loyalty, build sales and increase press coverage".

In the case of a profit-making organization, the organisation, brand, product or service may become stronger and more successful as a result of the relationship. In the case of the cause, benefits may involve creating more awareness for the cause and increased contributions to help fund the purpose of the cause. If CRM is handled effectively it can produce substantial benefits both for the corporation and the charitable organization. The corporation gains an effective marketing tool while building a more positive public image. The charitable organization gains greater visibility and important new sources of funding. However, CRM has stirred some controversy. Critics argue that CRM may eventually undercut traditional "no-strings" corporate giving, as more firms will expect marketing benefits from their contributions. But does it really matter? After all business are profit-making institutions. There is a thin line between increased sales and an enhanced corporate image and charges of exploitation. The key motive for business engagement in CRM is the mutual benefit derived from the partnership. For example, if a corporation launches community programmes that focus on creating awareness for issues, problems and causes related to the local community, it will be able to enhance its corporate image whilst the local community is materially benefited through donations in money and employee time.

The research study

The current literature on CRM is limited to a discussion of the nature of CRM and how it may be practiced within a specific business sector. In this study we set out to add to the literature available. As a result, we have produced an in-depth case study report on the CRM campaign launched by the BMW (Cyprus). Since the current literature on CRM is limited as to what CRM is or how it is implemented, it was important to explore the experiences and views of different individuals in order to unveil its nature and scope within a specific context. This, in our view, provides sufficient ground for adopting a case study approach.

The research study sought to explore the rational for the implementation of CRM by the BMW distributor in Cyprus. The data was collected through primary and secondary data sources. Secondary sources included an analysis of promotional material related to the campaign such as presentations, promotional leaflets, television advertisements, and press conferences. Primary information was collected through carrying out in-depth personal interviews with members of the charity and with the members of the organising committee of the CRM campaign. In total the researchers carried out ten interviews with members of the BMW's marketing department and five interviews with members of the charity's organising committee. The interviews, which were tape-recorded, lasted for approximately one hour. The researchers did not use an interview guide but instead they encouraged the interviewees to share their perceptions and experiences regarding the rationale, the nature of the CRM campaign, and the emergent benefits.

The area of study lends itself more to qualitative types of research since it attempts to uncover the nature of people's experiences and perceptions regarding CRM. According to Mason (1996) theoretical propositions or explanations of the data are developed in a process which moves from the particular to the general. Thus, we attempt to build theory in the area of CRM by using qualitative data as the primary source. The research findings enable the researchers to contribute to knowledge regarding the practice of CRM grounded in reality (real experiences, interpretations, and actions of the interviewees regarding CRM). This provides a powerful means for understanding CRM within the specific industries. The analysis of qualitative data was carried out through the adoption of a grounded theory approach. The grounded theory approach is a qualitative research method that uses a systematic set of procedures to develop an inductively derived grounded theory about a phenomenon (i.e. CRM). Strauss and Corbin (1990) identified procedures for analysing, and in particular, for coding qualitative data. The systematic procedures adopted: open, axial, and selective coding were used to generate and provisionally test various themes (for example CRM, corporate reputation) and relationships (for example CRM and corporate reputation, CRM and the launch of new products) and enable the development of categories, associations, and comparisons that lead ultimately to the development of theory.

The interpretive nature of grounded theories holds that the researchers need to critically reflect on and incorporate into the emerging theory the perspectives of those actors that are judged to be significantly relevant. An underlying principle of Eisenhardt's (1989) and Strauss and Corbin's (1990) approaches to theory-building research, and one carefully adopted here, is to begin the research with an open attitude toward the implementation of CRM, rather than test particular hypotheses regarding the term. Goulding (2002) suggests that grounded theory is now an established methodology in management research (Crook and Kumar 1998; Parry 1998; King 1996; Sperber-Richie et al., 1997) and in marketing (Hirschman and Thompson 1997; Burchill and Fine 1997; de la Cuesta 1994; Houston and Venkatesh 1996; Goulding 1998; 1999a; 1999b).

BMW's CRM campaign

In spring 2005 BMW launched the 'three' series model in Cyprus. Their marketing strategy usually consists of two types of activities: below the line and above the line. The first incorporates the use of TV and radio advertising and the second all the activities that do not directly incorporate advertising. The core promotional activity is the planning and launch of an event in which the BMW dealer invites 4000 people to attend and to which audience it introduces the new product. The head of BMW's marketing department stated:

"Our challenge was to launch the BMW 3 series in the Cyprus market as the sports sedan – setting the benchmark at an even higher level by offering unparalleled dynamics, premium substance and efficiency. We had to maximize the PR effect of our budget and not repeat what has already been done by us or the competition. We would like to give a different polish both to the brand and to this model…ideally we wanted to stress the 'responsible' side of our culture facet." (Marketing Manager and head of the CRM campaign)

This time the marketing team was determined not to repeat something, which had been done before. The starting point for the campaign was BMW's core values: Joy, Dynamism, Culture, and Individuality. These values shaped the brand's identity. The value that tended to be weak was 'culture'. There was a need to clarify and emphasize the central cultural values embraced by the company. This gave them the rationale for designing and launching a campaign that would highlight BMW's efforts to be seen as a socially responsible organization.

Although the marketing team identified three social problems faced by Cypriot society today namely, drug abuse, cancer and traffic accidents, the area of drug abuse was considered to be a neglected one and in need of financial support and publicity. Several research studies carried out by governmental and private organizations revealed that drug abuse is one of the most serious social problems in the country. The Cypriot government has launched a strong campaign on 'Drink and Drive' and many private and public organizations support cancer research and cancer patients and their families. However, currently, Cypriot charities only receive the amount of £ 6,000 per annum from the government and have to rely heavily on donations and the work of volunteers.

The BMW dealership decided to form a partnership and support Ayia Skepi, a charity supporting drug addicts in rehabilitation. Initially, there were some concerns among the members of the marketing team since the word 'drugs' has a negative connotation. The association of the BMW brand with drugs could have had a negative impact on the company's and brand's reputation and the efforts of the organization to raise money for a social cause could back fire. However, after careful consideration, the marketing team decided to go ahead and launch the campaign feeling confident that the potential positive impact could outwait any negative associations.

Ayia Skepi was formed when one of the most famous Monasteries in Cyprus was faced with an increasing number of drug addicts seeking support and help in 1999. The Greek Orthodox Church decided to create an organization whose members would work on a voluntary basis in order to help drug addicts in rehabilitation. When it was launched the Church donated a piece of land on which to build a rehabilitation centre with money raised from donations. Ayia Skepi offers support to drug addicts who use 'hard' drugs such as heroine. The support takes the form of a team of psychologists who offer psychological support and guidance and rehabilitation programmes have a duration of 12-18 months. During this time the drug addicts are not allowed to leave the centre for more than one day. Currently, there are over sixty people who have undergone the rehabilitation treatment successfully and have rejoined their communities.

At the outset of the campaign there was a need to get a permission from the head quarters of the BMW Group in Germany. BMW gave the go ahead and suggested that such activities should be adopted by other BMW agents around the world. The BMW group appears to be actively involved in social programmes which have such goals as:

- Increased road safety
- Promoting understanding among people and opposing violence
- Achieving increased recognition of highly gifted children and young people
- Educational projects in kindergarten and schools
- Creating understanding and mutual trust in communities where the company is located
- Fighting HIV/AIDS

The corporation has embraced these areas for its sociopolitical commitment because they reflect its corporate culture and goals (http://www.bmwgroup.com). It is evident from the corporation's web site that BMW is not the sponsor of these activities instead its primary role is to initiate and launch its own projects. Among the social responsibility spectrum, BMW supports activities that are related to the physical environment, its employees, community relations, and culture.

As noted earlier, the desirable outcome for the campaign in Cyprus was to strengthen the 'culture' element of the corporate brand and at the same time create awareness and knowledge for the new product. BMW had 30,000 Cyprus pounds available for the launch and promotion of a new product. However, the team decided to find a way to maximize the financial benefits for the charity and towards this end BMW donated a 320i to Ayia Skepi. The next step was to get permission from the Cypriot government in order to issue raffle tickets to raffle off the donated BMW. After many efforts and difficulties, the government gave a permission to the charity but not to the BMW to issue the raffle tickets. 75,000 raffle tickets were issued and BMW joined forces with the Cyprus Football Federation, in promoting and selling the tickets. To promote the camplaign, the Football Association decided to use the last two Cyprus 1st Division National Football Championship matches of the season of all of the teams in the league (a total of 14 football matches). Football tickets for these matches were sold at a higher price (£1 higher than the normal selling price) and the extra revenue created by the price increase went to the charity. At all the football matches 320i cars were driven on the football pitch and there was live TV broadcasting of the cars being driven in the stadiums. The CRM campaign, under the name "Value of Life" was eventually launched in April 2004 and its duration was six weeks (4th April 2005-23rd May 2005).

- On the 4th of April 2005 the marketing team invited fifty-one journalists from automotive, lifestyle, and business press and representatives from all the Cypriot TV stations to a press conference in order to create awareness regarding the campaign. The press conference was organized at the BMW's showroom in Nicosia (the capital of Cyprus). Clips from the video-taped press conference were then broadcast through TV stations.
- An advertising campaign promoting the CRM campaign and the new 320i car was launched through a wide array of media. This included television, newspapers, and magazines (60% TV, 30% press-national and local) and the remaining 10% was allocated to outdoor advertising in the form of posters, billboards and banners. Several national newspapers devoted front page coverage to the campaign.
- BMW got permission from local municipalities to exhibit 320i cars in central locations such as town squares and art galleries in all the cities in which the campaign ran. Raffle tickets were also sold through the offices of the Cyprus Football Association, and the charity's central offices. The selling points were supported by members of the charity and BMW personnel who worked on a voluntary basis. All the representatives of the campaign wore hats and t-shirts exhibiting the slogan of the campaign: "Value for Life". All selling points were also equipped with a banner promoting the campaign.
- Publicity for the campaign was created by the local press which produced several articles praising the efforts of the corporation: "BMW 3 draw in aid of drugs rehab centre", "Value for Life in the fight against drugs", and "BMW dealer teams up with Cyprus FA in drugs fight" reporting on several events that were integral parts of the campaign.
- BMW permitted each raffle holder the opportunity to visit the BMW showroom and test drive the new 320i car. At the same time each prospective client taking a test drive was given a raffle ticket.

Although at the beginning of the launch the key aim was to promote the new product, this gave way in turn to a determination to achieve the maximum possible benefit for the charity. It became a quest for all the partners and the participants including BMW employees. By the third week, 48,000 raffle tickets had been sold. By the end of the campaign the total number of tickets sold was 75,000, increasing the money raised to £ 75,000. All the partners claimed that the CRM campaign had produced many benefits which exceeded their expectations. All the stakeholders felt that the campaign was about partnership and mutual benefit. Giving this mutuality and joint ownership is important because it ensures that each side appreciates the contribution, strengths and weaknesses of the other and all strive to achieve their mutually agreed objectives.

The benefits to the BMW:

- Enhanced corporate and brand reputation

The head of the marketing department claimed that: "We believe that such activities have the potential to strengthen the company's reputation… we have received positive feedback from our customers, our agents, members of the public and of course our employees. The campaign has given the company a more 'human' face…it has brought us closer to the society."

- Created awareness and knowledge for the new product

A member of the BMW's marketing team claimed that:

"The campaign has definitely created awareness for the new BMW series…the number of test drives were higher than ever before especially for a new car. And if the company can benefit others whilst generating sales for its products then this is the way forward."

- Can improve the firm's standing in relation to its competitors

"In the luxury car sector…competition is aggressive and we have very little to differentiate ourselves from our rivals. I strongly believe that such campaigns can enhance our reputation and set us apart from our competitors. Although we do not have any hard data…if the public can associate the firm with such causes then we can be ranked first in terms of corporate reputation." (a member of the BMW marketing team)

- Increased staff morale and created a sense of camaraderie among employees

"The campaign has united staff for a common cause. It has established a sense of camaraderie, it has increased teamwork, and it has definitely improved the quality of the work environment." (another member of the BMW marketing team).

The benefits gained by the charity:

- Raised £ 75,000
- Publicity for the charity and its cause
- Opened up new horizons for potential partnerships

The benefits to the society:

The campaign has increased awareness regarding one of the most serious social problems, drug addiction, in Cyprus.

Conclusion

This case study demonstrates that CRM can be an effective strategy for achieving marketing objectives as well as a significant contributor in addressing social issues and the needs of charities and causes. CRM works by integrating the core business objectives and activities with the needs of a particular cause or charity. In order for the tool to deliver the expected benefits there is a need to integrate it in the overall marketing mix and view it as an integral part of the long-term strategy of the corporation. CRM is strategy which many SME's might consider as an appropriate way of assisting the marketing of their products. It is a relatively cheap way of creating awareness of the product and the company but at the same time is likely to be viewed with much enthusiasm by all stakeholders in the organisation since it has considerable societal value.

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"TV COMMERCIALS: IS IT A STRONG PROMOTIONAL TOOL FOR CORPORATIONS?" AN EXPLORATORY RESEARCH TO MEASURE TV ADVERTISING EFFECTIVENESS BASED ON CYPRUS REALITIES.

MARLEN DEMETRIOU
UNIVERSITY OF NOCOSIA, CYPRUS

THEODORA VARNAKKIDOU
UNIVERSITY OF NOCOSIA, CYPRUS

Abstract

Consumers, today, live in a world surrounded by uncountable commercial messages and influence-persuasion efforts 24 hours daily. Those attempts are coming from everywhere, even from the least or not expected sources, and increase like a virus. "It is estimated that an average person comes across more than 1,500 commercial messages per day". "The average person will see 250 television advertisements per week, 350 poster sites, and 400 press advertisements per week". "Young people will see around 140,000 different ads between the ages of 4 and 18" (Kitchen, 1999:120).

Therefore, the role of the advertisers is very difficult nowadays since they have to fight to attract attention and interest of the consumers, create awareness about specific products, create positive attitudes and convince the audience that the particular brands presented are better than the competitive ones and of course to try to stimulate demand and consumption. All these tasks have to be implemented within the limited time restrictions of a TV commercial, at the proper time and place. Thus the need for an in-depth research concerning the effectiveness of the messages given to potential buyers' characteristics is more than necessary nowadays.

This project presents the research findings of an exploratory research which took place in Cyprus, on May 2007 on a sample of 104 consumers. The research concentrates on the television advertising messages and aims to measure TV advertising effectiveness and impact from different perspectives in Cyprus realities. More specifically, the survey aims to find out if the consumers' attention is attracted by the TV ads, and if consumers are truly watching the ads, as well as with what frequency. It also examines the reasons why the ads are seen/ not seen. Moving on, consumers are evaluated based on whether they notice the brand/product names advertised. Then, the survey makes an effort to discover if consumers get convinced to buy the advertised products, and find the reasons that discourage purchases. The categories of products that are usually bought due to the TV ads are revealed too. Furthermore, the survey reveals the relationship between personal values and product characteristics advertised and the decision to purchase or not the advertised product. Finally, this survey examines which ad elements attract attention more easily and influence the consumers the most. All the influences of the TV commercials were determined based on diverse ages, gender, family status, residence, household sizes, and educational and income levels.

The method of collecting data was through structured, standardised questionnaires, personally delivered to the 104 sample consumers. The survey concentrated on adult Cypriot residents living in the urban and rural district of Nicosia and *the research findings were analysed with the use of SPSS and Excel packages.*

To state some of the survey's findings, women were found not only to watch TV ads more often, but also to be more affected to buy the advertised products. Only 1 out of 4 persons, usually 18-39 years old, notices the brand names advertised, and just half of the consumers buy products advertised on TV. Convenience products are most frequently bought, with ad repetition empowering persuasion efforts. Mainly trust and usefulness issues are highlighted among the consumers that do not get convinced to buy. Children and women appeals, as well as celebrities, have a greater influence impact on the consumers, whereas creative scenarios, music, and photography illustrations also are considered enough. Pleasant and humorous ads are found to be more effective than serious ones.

Key words: Communication Process, television advertising, advertising effectiveness, consumer behaviour

Introduction:

According to McKinsey and Co. (2006:1), by 2010 traditional TV advertising will be 1/3 as effective as it was in 1990, with a 37,0% reduction due to message saturation, 23,0% decrease because of switching offs, 15,0% decline coming from less purchasing power, and additional 9,0% based on limited attention resulting from multitasking. Even if those ratings were questioned by some researchers, they are not the only ones involving negative predictions concerning TV advertising and the yielding effectiveness. Together with the fact that consumers are no more the "passive victims of the 1950s and 1960s mass production and mass communication techniques" (Brierley, 2002:243), but are rather powerful, active, experienced, and educated human beings, tired and saturated from being targeted by promotional arrows asking for their money, effectiveness levels are very much questioned.

Also, based on the fact that quite considerable amounts of capitals are spent on advertising campaigns, and that plenty of time and efforts are devoted on designing and developing those campaigns, as well as on spotting the more appropriate media to broadcast the ads, measuring reach and target market characteristics, the question of whether at the end all those worth it in terms of really having an impact on the consumers arises. Do they really reach the desired target audiences after all, and if yes, are those giving the appropriate attention to the ads and trust them enough so they can receive the correct messages and get convinced to follow them, either through a purchasing behavior or otherwise?

Literature Review

Advertising consists one part of the promotional tools, lying under the mass selling communication efforts, and it is defined as "any paid form of non-personal communication of ideas or products in the prime media, i.e. television, the press, posters, cinema, and radio" (Jobber, 2004:414), as well as mass transit vehicles, the internet or any other new media. Being more specific, good advertising tries to give out a clear and competitive message, consistent to the other marketing communication efforts, subjected to the marketing strategy and objectives of a firm. This message is tried to be given out fast but at the right time, to a large number of people, and at a low cost per contact.

Debate on the way advertising works let to the arousal of numerous models that try to give explanations. The more dominant ones are the Strong Theory of Advertising, with its origins found in the USA, and the Weak Theory of Advertising, that gains acceptance mostly in Europe.

The Strong Theory of Advertising, also known as the AIDA model, suggests that advertising tries to achieve customers pass through four progressive pillars. First is to gain customers' Attention, and then hold their Interest, so it can arouse them the Desire, which would hopefully lead them towards favorable Action. In the beginning, in a cognitive stage, the advertisement needs to be strong enough to catch the attention of the targeted audience, and build awareness for the product advertised. Moving on to an affective stage, the advertising needs to hold on the interest of the consumers, and provide the information needed, in order to affect their evaluation process, develop favorable attitudes, and rise desire for the advertised product/brand. The final stage is for the consumers to be convinced to take action-that is to affect their behavior so they acquire the product.

The AIDA model has been criticized for concentrating on switching the non-buyers into buyers, while advertising is addressed to people who have bought the product before as well (Jobber, 2004:422). Moreover, the AIDA model does not take into consideration what is happening after the action stage. In addition to the above, data show that not for all types of products strong desire is needed before action. This is true, especially for inexpensive products, which may be bought just for trial, curiosity, or because they are not that expensive to be tasted.

The Weak Theory of Advertising (Awareness-Trial-Reinforcement, ATR), appears as an alternative explanation model. This supports that advertising builds awareness and interest at a first stage, then creating some doubtful wishes for trying the advertised products, and later on, after purchasing is achieved, provides reassurance and reinforcement. Research in the fast moving consumer goods shows that people buy from a variety of brands, with loyalty to a single brand not to be given, and with new brands enter their choices only occasionally. Advertising is expected to retain and even empower the relationships with the customers already buying the brand's products, thus advertising's target market has already in mind the targeted products for which reinforcement is requested.

The level of involvement is another parameter that influences buying behavior and suggests which advertising theory is followed. As far as high involvement products is concerned, where more information needs to be collected prior purchasing, and where alternative products are also taken seriously into account, the Strong Theory of Advertising applies better, since strong desire needs to be awaken towards a specific product before action is followed. On the other hand, the Weak Theory of Advertising is more likely to take place for low-involvement decisions, where the consumers usually do not so much think of brands before they act. In this case, advertising tries to build reinforcement for the brand advertised, so it is kept in the brands from which the customer will choose to buy.

Due to advertising costs, risk, and uncertainty, advertising research is the most common research that promotion research companies deal with. It is divided into message research and media research, and gives advertisers measures of their campaigns' value (Lee, and Johnson, 1999:104). The outcome of advertising research aims to provide information to the advertisers concerning the possible effectiveness of their research campaigns and media planning decisions.

In the case of our research project the emphasis is mostly on the television advertising effectiveness, since TV advertising in Cyprus enjoys significantly highest expenditure levels compared to any other forms of advertising (£25millions (€42,72millions) on TV ads versus £7millions (€11,96millions) on magazine and newspaper ads, £4millions (€6,83millions) on radio ads, £3millions (€5,13millions) on street ads, and £2millions (€3,42millions) in new means such as the internet, email advertising, banners etc; Mourettou, 2006). Moreover, television is the most widely used means of communication, while it is considered being the easiest way to persuade people massively and promote products more effectively, since TV ads combine color, sound, and pictures, and are consequently more vivid, more impressive, more alive, and sparkling the senses and the imagination quite easily. Also, they are easier to remember and attract our attention, interest, and desire towards the advertised products, increasing the probabilities for the TV commercials to have a greater impact to the public.

Research Methodology:

This research aims at measuring television advertisements' effectiveness and impact on the consumers. More specifically, this project's Objectives are to:

1. Investigate whether Cypriots actually watch television commercials, and spot the frequency this advertising exposure occurs, measuring in that way the commercials' effectiveness in generating and maintaining the audience's attention. Moreover, notice the reasons the ads are seen/not seen.

2. Realize whether brand/product names are actually passed onto the audience's attention.

3. Discover if consumers get convinced to buy products that are advertised through television and state the reasons that discourage purchases where that holds.

4. Find out what categories of products are usually more possible to be bought because of the television advertisements.

5. Determine the degree to which the advertised products' characteristics and consumers' personal values influence purchasing behavior.

6. Discover which of the advertisements' aspects gain the consumers' attention more easily and influence their buying behavior the most.

In order to gain a sense and a general picture of the market and answer the basic questions of this project, a primary research based on structured, standardized questionnaires, personally delivered to the sample consumers was undertaken. The questionnaire consisted of 25 questions yielding in quantitative as well as qualitative data. 104 Cyprus residents living in urban and rural Nicosia were reached (the concentration on Nicosia was due to time restrictions). A mixture of adult consumers of various ages, sexes, family statuses and educational and economic backgrounds were questioned, so as to enable research hypotheses to be tested. Data were analyzed through SPSS and Excel packages.

Research Findings:

Most Cypriot consumers claim to spend 0-4 hours daily in front of a television, with women prolonging this time. Only 2,9% of them though declares watching the TV ads always (all women), whereas another 2,9% states it never watches TV ads (all men) (Objective 1). 16,3% watches ads frequently, 54,8% sometimes, and 23,1% rarely. It seems that advertisements frequently attract women's attention (12,5%) more than men's (3,8%), whilst in "sometimes" measures men (30,2%) are more attracted than women (24,0%). Therefore, products targeting women have more chances to be bought if they are advertised through TV rather than products targeting men. Advertisers on the other hand, should find ways to attract men's attention more easily.

Consumers in higher income levels watch ads sometimes or rarely, whilst the people watching TV ads frequently and always have incomes only up to €17,000. Educational levels matter too.

Advertising watchers of all ages find the most TV ads informative (42,3%) or annoying (34,6%). The informative role of ads is most recognized by women whilst the ads are seen as annoying mostly by men. Men are also the majority of those who claim that the ads are useless for them (9,6% men, while only 1,9% women), whereas an equal percentage of 5,8% of both sexes enjoys watching ads, since they believe they are entertaining. Entertaining perception of ads is developed in persons 18-39 years old. Income and educational levels are not found to be important parameters in gaining perceptions about the way people generally characterize the majority of the TV ads.

Regarding the 2nd Objective, hardly 2,0% of the sample claimed they never notice the brand/ product names, and additionally 17,6% that they rarely give attention to the brands advertised, indicating advertising ineffectiveness. On the other hand, though, almost half of the rest consumers notice brands sometimes, 25,5% frequently, and 6,9% always, increasing chances that purchases of those brands would be achieved. The surprising is that not only those who stated that they find TV ads informative or entertaining notice brands advertised, but also those who said they believe that ads are annoying, indicating that they can actively watch ads even though they might find them frustrating. Consumers of 18-39 years are more liable to brand notice, followed by less than the half frequency by ages 40-54. The older consumers do not play much attention to brands, and therefore, when an ad is addressed to them, it would need to be repeatedly broadcasted to maximize the probabilities to be noticed and remembered. Gender was not found to make any difference, whereas people living in the city pay more attention to the advertised brands.

In measuring TV advertising effectiveness on sales (Objective 3), 52,5% of the sample population admitted that they do buy products due to TV advertisements, but a relatively close, high percentage of the sample consumers (47,5%) said they are not affected to buy. Here, gender appeared to be a statistically significant parameter. Specifically, women tend to buy products seen on TV (28,7%) more often than men (20,8%), whilst most men avoid that (31,7%, as opposed to 18,8% of women). During Christmas, Eastern and other celebration periods or seasonal happenings, consumers (mostly women) are found to be more affected to buy products advertised. Somehow surprisingly, income levels do not matter, but this is mainly because most advertised products involve low-priced items, not absorbing a great share of their incomes. On the other hand, brand notice when watching the ads did not proved to necessarily lead to sales, coming in contradiction with other researchers' findings.

Two main reasons were found on why people do not buy products due to TV ads. As most of them state, they do not trust ads or they are not convinced, because they consider ads as "phony", "designed to mislead", "manipulate", and "take advantage of the consumers, for sales sake". Moreover, they believe that ads are not a guarantee for a product to be good. The second more important reason is that consumers tend to buy the products they really need and are useful to them and not those that are advertised well. Moreover, many others state that they only buy the products they have bought or tested before and liked the best, or products recommended by a closed friend, and that only if there is a great special offer advertised they will be convinced to buy. Additional explanations mentioned consider the inadequate information they receive through ads or the inadequate attention they pay to them, as well as that they do not notice or they do not remember brand/product names advertised. Some of them even claimed they watch the ads just to get entertained, whereas some others clarified they choose products seen on the shelves after they rank their needs and wants. Consequently, emphasis must be given so as to create more believable, meaningful and involving to the consumers ads, to reject their defending attitudes, and increase ads effectiveness.

Shampoos and shower jells, as well as house-cleaning products and products for clothes, with Dixan and Comfort gaining the battle, are the products most of the times bought due to television advertisements (Objective 4). Food and beverages follow, with cereals (especially Kellogg's All-Bran), chocolates, and biscuits being highlighted, whereas electrical appliances and automobiles come after, affected by income levels. Clothes, shoes, medicines, restaurants, and bank services enjoy lower frequencies. Personal products are mostly bought by adults 18-39 years old. Family products are mainly bought by women and married persons, whereas only a very small percentage buys gifts based on TV ads. In general, most of the products pointed out to be bought due to TV ads are convenience products. They are therefore by nature bought and used more frequently, are found in every household, and have little involvement required, therefore little risk perceived. Some of them are bought on sight or habit that is without much thought or consideration, while there are great chances that the same brands/products have been bought before. At the same time though, and as their price is quite low too, convenience products seen on TV may have great chances to be taken for a trial, as our findings suggest.

In an attempt to evaluate the product characteristics and the consumers' values that influence purchases in relation to the TV commercials (Objective 5), the usefulness of a product, the guarantees accompanying it, as well as the consumers' budget and personal style are found to be highly evaluated. Discounts and value-for-money are found to be quite important too. Fashion affects consumers moderately, whereas brand loyalty comes in the lower importance factors. Hence, each product should be carefully examined according to the target market it aims at before an ad is developed, in order to build attractive and sales effective images and profiles to the desired audience.

Investigating Objective's 6 requirements, we discovered that ads' pictures and photography illustrations are highly important in influencing purchases, whereas music background of the ads is also essential, but at a lower extend. Scenarios are also crucial, with the more creative ones being more effective. Pleasant and humorous ads on the other hand are more influential than the serious ones, which have impact mainly in the urban region. This is because humorous ads attract attention more easily and evoke positive feelings, and are therefore easier to remember, making the wear-out procedure slower. Also, consumers tend to identify themselves with brands that have ads giving out an image that they well appreciate and admire. Those ads more easily influence consumers' buying preferences. Finally, the actors of the commercials affect the consumers the least. Specifically, actors appearing as experts or specialists arouse a "credible source feeling" that generates effectiveness. Then, celebrities influence the consumers (especially the educated ones) more than non-famous actors, extending the respect and admiration for the actors towards the advertised products. Women appeals yield greater impact than men appeals do. Children highly touch consumers considerably and increase purchases for more than the 2/3 of the consumers.

Conclusion:

To sum up, this research, besides giving a better picture regarding television advertising and its effectiveness levels in Cyprus realities, it encourages a careful ad development, based on targeted audiences and relevant characteristics, so as to brake through the clutter, but simultaneously not distract attention from the messages they want to deliver, and also be such to appear convincing and involving to the consumers, in order to maximize effectiveness levels. This is crucial in today's environment, especially if we consider that the plethora of commercial messages and TV alternatives, as well as the commercial-free channels, and remote controls reduce the chances for the ads to be seen; therefore the ads must become more attractive and effective to the remaining audiences-this research provides enough information to achieve this!

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Biography:

Marlen Martoudi Demetriou:

Marlen Martoudi Demetriou is an Assistant Professor in Marketing. She holds a BSc. degree in Business Administration, a Post-Graduate Diploma in Marketing Management, an MBA degree in Marketing and a Doctorate in Professional Studies degree in Societal Marketing. She has been at Intercollege the last 22 years as a Full-Time lecturer in Marketing. Her Research Interests are on Societal Marketing as a Communication tool, Intergraded Marketing Communication, Corporate Social Responsibility, Corporate Philanthropy and Cause Related Marketing. Her research work has been published in International Conference Proceedings and Journals (4 journal papers and more than 18 conference proceedings papers). She is also the organizer of different social activities like the Annual Festival of Young Volunteers (since 2002) and the Annual Festival of the Friends of the Mental Retardation Prevention Center (since 1995).

Theodora Varnakkidou:

Theodora Varnakkidou is an MBA Graduate. She holds a University of Cyprus Degree in Economics, and she has completed an MBA degree in Marketing at University of Nicosia and at Maastricht School of Management. Her interests concentrate in Market Research and Communication Tools. Her research work involves television advertising effectiveness, and composite leading indicators in predicting economic growth.

AN INVESTIGATION INTO CONSUMER ANIMOSITY AMONGST YOUNG EDUCATED JORDANIANS

SAEB AL GANIDEH

Abstract

Purpose –To investigate consumer animosity amongst young Jordanians.

Design/methodology/approach – Jordan is a good representative of the Middle East and accordingly the results can be generalised on most young consumers in the Middle East. It is economically and culturally different from countries used in previous research. There is a lack of research conducted in the Middle East about consumer animosity. The young people comprise a large percentage of the population. The sample was chosen randomly from students who were doing their first degrees in three government universities.

Findings – This study showed that feelings of consumer animosity exist among the young educated Jordanian consumers. Moreover, the results of this study concluded that young Jordanians show the strongest animosity forwards the U.S.A. The results of this study concluded that animosity does not influence product judgments. In addition, this study concluded that disliking the country doesn't necessary imply disliking its products and disliking owning them.

Originality/value –There will be a wide population (especially researchers, domestic marketers in Jordan and international marketers who are concerned with doing business in the small kingdom and the whole Middle East) interested in the findings of this study from different positions. This research is the first to examine consumer animosity amongst individuals from the Middle East.

Paper type – Research paper

Keywords – Animosity, ethnocentrism, Jordan, the U.S.A, GBR

Introduction

Consumer satisfaction is crucial for the success of business efforts, marketers need to examine their consumers' needs. Recently, most organisations have faced changes in their surroundings. These changes are branded by a highly competitive business environment, technological innovations, the saturation of domestic markets particularly in developed countries and the emergence of new communication tools (Keegan and Green, 2005). This has led consumers all over the world to be familiar with more products and brands from overseas countries (Nijssen and Douglas, 2003; Zhou and Hui, 2003). Organisations and companies, in fact, need to consider the level of consumer animosity among consumers before launching their products in foreign countries. Unquestionably, September 11 and the war on terror have misshaped the world in a considerable way; it is reflected in various ways such as people's views about other nations and countries in the world. Marketers should not split controversial actions in the global political and economic arena from consumers' marketplace behaviour (Ettenson and Klein, 2005).

Background (Consumer Ethnocentrism)

A number of researchers have defined ethnocentrism (Sumner, 1906; Adorno et al, 1950; Levine and Campbell, 1972; Chang and Ritter, 1976; Shimp, 1984; Albert, 1996; Hutchinson and Smith, 1996). Perhaps the most influential work in the study of ethnocentrism dated back to 1906, when in a very early work Sumner (1906, p. 13) defined ethnocentrism as 'View of things in which one's own group is the centre of everything, and all others are scaled and rated with reference to it. Each group nourishes its own pride and vanity, boasts itself superior, exalts its own divinities, and looks with contempt on outsiders'. The earliest leading research on consumer ethnocentrism has been conducted by Shimp and Sharma in 1987. The researchers defined consumer ethnocentrism as: 'The beliefs held by the consumers about the appropriateness, indeed morality, of purchasing foreign made products' (p.240). It should be noted that consumer ethnocentrism implies that purchasing foreign products is wrong, since it has serious consequences on the domestic economy and causes unemployment (Shimp and Sharma, 1987; Yu and Albaum, 2002; Orth and Firbasova, 2003; Supphellen and Gronhaug, 2003; Srinivasan et al, 2004). Thus, consumer ethnocentrism pushes consumers to purchase their domestic products and puts them off from purchasing foreign products. However, it doesn't mean consumer animosity (Klein, 2002; Lee et al, 2003).

Background (Consumer Animosity)

Animosity is a strong emotion arising from previous or ongoing military, political, or economic events (Klein, 2002; Ang et al, 2004). Klein et al, (1998) maintained that animosity towards other nations can be as a result of; sharing a contiguous border, previous military event (Nijssen and Douglas, 2003; Ang et al, 2004) or recent economic or diplomatic disputes (Lee et al, 2003; Nijssen and Douglas, 2003).

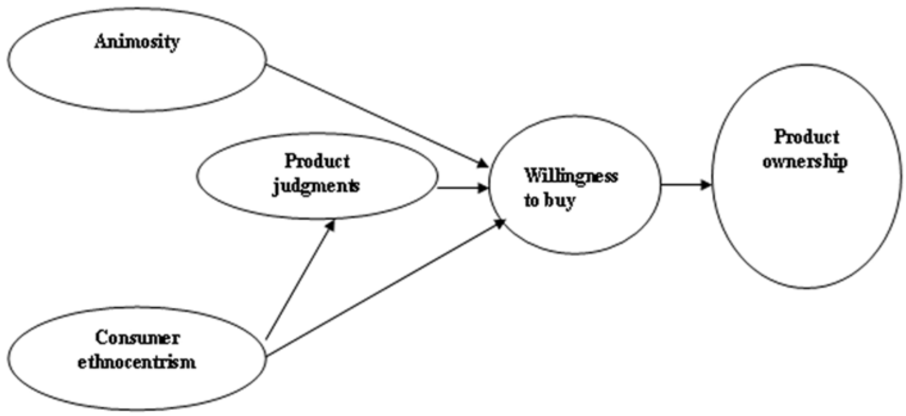
It is of interest to note that ethnocentric consumers believe that their national products are the best products, while in the case of consumers who harbour animosity towards a specific country they might assess that country's products positively; consumer ethnocentrism is associated with product judgments and purchase intentions. Against this background, animosity influences consumers' purchase decisions separately of product judgments (Klein, et al, 1998; Klein, 2002). Nijssen and Douglas (2003) maintained that consumer ethnocentrism and feelings of animosity towards a country could be found even in a small open society. Consumers who have feelings of animosity towards a specific country do not denigrate the quality of products of that country (Ettenson and Klein, 2005). There is a lack of research conducted in Jordan and Middle East about consumer animosity. In a more comprehensive perspective, it is dangerous for companies to suppose that consumers in all markets are the same (Pan, 2004).

In a very early work, Mead (1929) observed that hostility is obviously favourable to social cohesion. In the same context, Klein et al, (1998) p.90 defined the animosity as 'The remnants of antipathy related to previous or ongoing military, political, or economics events will affect consumers' purchase behaviour in the international market place'. Recently, Ang et al, (2004) agreed with the above definition of animosity when the researchers indicated that animosity is a strong emotion coming up due to previous or ongoing military, political, or economic events. It should be noted that consumer ethnocentrism does not mean consumer animosity (Klein, 2002). Unlike consumer ethnocentrism, which is associated with beliefs towards foreign products in general, consumer animosity is negative consumers' feeling towards a specific country (Ang et al, 2004). In the same context, Nijssen and Douglas (2003) stressed that consumer ethnocentrism and feelings of animosity towards a country could be found even in a small open society. However, it is vital for marketers to distinguish between consumer ethnocentrism and animosity (Klein, 2002). Animosity is represented by negative feelings towards a specific country due to previous or ongoing political, military, economic or diplomatic events (Lee et al, 2003). Consumer ethnocentrism is associated with product judgments and purchase intentions; conversely animosity influences consumers purchase decisions independently of product judgments (Klein et al, 1998; Klein, 2002).

One more obvious difference between consumer ethnocentrism and animosity is that consumer ethnocentrism influences attitudes towards purchasing foreign products, while animosity is related to anger towards a specific country (Klein, 2002). Figure 1 illustrates how consumer animosity and consumer ethnocentrism influence purchasing foreign products as explained by Klein et al, (1998).

It is necessary to be aware that animosity towards a current or former enemy influences willingness to buy products sourced from that country (Klein et al, 1998). Therefore, international managers should take into their consideration when making marketing mix decisions the levels of consumer animosity towards a specific country and consumer ethnocentrism (Klein, 2002). Overall, animosity towards other nations can be as a result of (Klein et al, 1998):

Figure 1 The Animosity Model of Foreign Product Purchase



Source: Klein et al, 1998, p.92

- Sharing a contiguous border, Canada and the U.S.A are a good example of this case.
- A previous military event, for example, Jewish consumers do not purchase German products.
- Recent economic or diplomatic dispute, for instance, the diplomatic clash which has happened between France and the U.S.A after the third Gulf war in 2003 (Lee et al, 2003).

According to Nijssen and Douglas (2003) two types of animosity towards a larger country can be expected, namely, war animosity which results from acts of aggression or violence by a country or nation-state and economic animosity which results from feelings of economic dominance or control.

Recently, Ang et al, (2004) maintained that four different types of animosity can be found:

- Stable animosity: Negative emotions arising towards a particular country due to historical conflict as a result of previous economic or military clash between two countries.
- Situational animosity: Negative feelings related to a specific crisis or circumstance.
- Macro or national animosity: Negative feelings towards a specific country due to perceptions of how well that foreign country has treated the home country.
- Micro or personal level: Animosity arising in this type is the outcome of personal experience one has with a foreign country or with people from that country.

It is obvious that nationalists (who score high on love of country) may also score high on hostility towards foreigners, whereas internationalists may score low in hostility, but it is not easy to predict their scores on love of country. Patriots might score high on love of country, and it is not clear how patriots feel about foreigners (Kosterman and Feshbach, 1989). Thus, it is vital that international marketers should be aware of the importance of modification of marketing and communications strategies in regions where animosity presents an informal but significant barrier to trade (Klein et al, 1998; Klein, 2002).

Very few studies have been conducted to investigate consumer animosity and to explore how animosity influences consumer purchase behaviour (Klein et al, 1998; Nijssen and Dauglas, 2003; Ang et al, 2004; Ettenson and Klein, 2005). Klein et al, (1998) conducted a study to investigate how attitudes towards a country in particular, remnants of antipathy left by previous military, political, or economic conflict might influence willingness to purchase that country's products. The findings indicated that Chinese consumers' animosity towards Japan was related negatively to their willingness to buy products from Japan. Although the Chinese consumers expressed hostility towards Japan they were able to acknowledge the quality of the Japanese goods. Recently, Ahmed and d'Astous (2004) emphasised this result by stating that even though the Chinese harbour animosity against the Japanese as a result of the Second World War, they evaluated Japanese products positively. In addition, it was found that the influence of animosity was found to exist even with consumer ethnocentrism held stable. The researchers pointed out that the quality of foreign products as well as attitudes towards suitability of purchasing foreign products influence consumers' purchase behaviour in international markets.

The results of Nijssen and Dauglas (2003) study were consistent with Klein et al's (1998) study. The researchers investigated the impact of animosity and consumer ethnocentrism and the availability of both domestic and foreign brands on consumers' attitude towards purchasing foreign products in Netherlands. Netherlands was chosen since it is one of the most internationally oriented and least nationalist countries in the world. The results indicated that consumer ethnocentrism and feelings of animosity towards a country influence the decision to purchase that country's products. It was found that evaluation of products from a foreign country is influenced by the availability of domestic alternatives. Moreover, the results indicated that consumer ethnocentrism and feelings of consumer animosity exist among young educated consumers from the Netherlands; one of the most internationalist countries in the world.

Recently, Ang et al, (2004) identified differences in ethnocentrism, animosity and attribution during the Asian economic crisis among five countries (Korea, Indonesia, Thailand, Malaysia, Singapore) which were influenced by this crisis towards the U.S.A and Japan. Indonesia, Korea and Thailand were hurt most by the Asian crisis. Both Indonesia and Korea were hurt also by the Japanese during the Second World War. Some countries like Korea and Thailand conducted nationalistic campaigns during the Asian economic crisis at the end of the last decade to encourage consumers to purchase national products and to boycott foreign products. Malaysia was examined due to the unique response of the Malaysian Government to control the crisis. Furthermore, it was chosen due to the tension between the Malaysian and the American Governments during the crisis. Finally, Singapore was explored due to its being one of the less influenced countries by this crisis. In addition, Singapore and Malaysia were studied since the two countries were under the Japanese occupation. The results indicated that the countries that were hurt more by the crisis showed larger levels of ethnocentrism. The respondents had more animosity towards the U.S.A than they had towards Japan. It was found that the Korean animosity towards the Japanese was still high more than half a century after the end of Second World War. As was expected the respondents blamed themselves more than the others as regards of the Asian crisis.

In Australia, Ettenson and Klein (2005) examined the Australian consumers' reactions to France's nuclear testing in the South Pacific. The researchers tried to find whether animosity towards France has a direct and negative impact on Australian attitudes towards products sourced from France. Overall, the results showed that animosity does reduce consumer willingness to purchase French goods. Moreover, the results concluded the levels of animosity were lower-but still relatively high-after France stopped nuclear testing and Australian consumers showed an increased willingness to buy French goods.

Consumer animosity is related to negative consumer feelings towards a particular country resulting from previous political, military, or economic conflicts (Klein et al, 1998; Lee et al, 2003). Although there has been a number of studies' relating to the phenomenon of consumer animosity recently (Klein et al, 1998; Nijssen and Dauglas, 2003; Ang et al, 2004; Ettenson and Klein, 2005), the topic has received little attention among consumer behaviour researchers, as well as none of the studies have been conducted in any Arab country (Middle East and North Africa). However, based on the literature that has been examined in this chapter, none of the studies have examined consumer animosity among young consumers. However, even though there has been a number of studies' relating to the phenomenon of consumer animosity, these studies have focused on examining consumer animosity among consumers in countries that have been suffered from horrible occupation and massacre at the hand of the Germans and Japanese during the Second World War (i.e Klein et al, 1998; Nijssen and Dauglas, 2003; Ang et al, 2004). However, most consumers in these studies have not been influenced personally by the Second World War. Nevertheless, none of the studies have examined consumer animosity among consumers in countries that have been influenced by recent clashes or wars (i.e Cold War, Gulf Wars, India Pakistan Wars; Vietnam War; Arab Israeli Wars; USSR Afghanistan War; September 11; July 7). Thus, examining consumer animosity among the young consumers in Jordan will definitely be beneficial for literature.

Study objectives

Based on the reviewed literature there are some gaps and limitations of previous research in the field of consumer animosity. There is a lack of research conducted in Jordan and Middle East about consumer animosity. Thus, there will be a wide population (especially researchers, domestic marketers in Jordan and international marketers who are concerned with doing business in the small kingdom and the whole Middle East) interested in the findings of this study from different positions. In a more comprehensive perspective, it is dangerous for companies to suppose that consumers in all markets are the same (Pan, 2004). Marketers need to know more about consumers and their attitudes all over the world. However, this research examines consumer animosity among young consumers in Jordan.

Methodology

Jordan is an ideal country for empirical research due to a number of reasons; in particular; it is a good representative of the Middle East and accordingly the results can be generalised on most young consumers in the Middle East. In addition, Jordan is economically and culturally different from countries used in previous empirical studies. Moreover, Jordan is a large importer of foreign products. This study has adopted the positivistic methodology (questionnaire) as a main approach. The sample was chosen randomly from students who are doing their first degrees in three government universities. One university was selected randomly from each geographical area; north, centre and south. Since business students are more able to deal with business research than other students, the sample consists of business students.

The subjects were asked questions to investigate their consumer animosity (economic, war and general) towards the following countries (the U.S.A, GBR, Germany, Japan, China, India and Turkey) and their products. The majority of the items in these sections were developed based on a thorough review of related literature (i.e Klein et al, 1998; Klein, 2002; Nijssen and Douglas, 2003; Ang et al, 2004). Additionally, a number of useful points and remarks were taken into consideration from an exploration study (conducted at the time of designing the instrument).

Data collection

Out of 1125 questionnaires were distributed the total received questionnaires were 678 with 591 usable questionnaires. Although at the beginning of each session, students were informed that only Jordanians needed to complete the questionnaire, a number of students who are non Jordanians (i.e Palestinians, Syrians, Iraqis) completed the questionnaire. Questionnaires with substantial missing data were excluded. As indicated by De Vaus (1990), calculating the response rate can be executed by using the following formula Response rate = Number of completed and returned / (Number of respondents in sample – (Unreachable respondents - Ineligible respondents)), the response rate based on applying this formula was 53 per cent. The subjects were asked questions regarding their general (personal animosity), military animosity and economic animosity towards the seven selected countries.

Discussion of Results

General Animosity (Personal Animosity)

In this section the students were asked to mark or not one of seven countries, namely; Japan, Germany, Turkey, India, China, Great Britain and the U.S.A for each item of the 4 items in this section as shown in Table 1. The students were given the option not to mark any country or to mark one or more countries; this explains why the total percentage went beyond 100 per cent for all items. Providing the students with a various response (seven options choice) would have artificially inflated the right response. To make one choice or more out of seven is definitely helpful to get more realistic responses.

The young educated students showed more general (personal) animosity feelings than expected. The vast majority of young consumers (68 per cent) do not like the U.S.A. In this context, Amine et al, (2005) indicated that the last Gulf war against Iraq in 2003 increased anti-American feelings all around the world. In addition, Keegan and Green (2005) pointed out that the American military action in the Middle East against Iraq has raised anti-American sentiment. Around one third of the respondents have negative feelings towards Great Britain.

Table 1 Consumer Animosity (Personal Animosity)

Item	JPN	GER	TUR	IND	CHN	GBR	USA
I dislike	5.8%	11.5%	8.8%	21.7%	13.7%	34.2%	**68.0%**
I do not like to see this country as number one in whatever it does.	5.6%	11.7%	8.5%	12.4%	12.7%	34.9%	**56.0%**
I don't like to see this country win in international sporting competitions like Olympic games and the World Cup.	10.2%	17.8%	8.0%	12.5%	11.0%	34.9%	**54.7%**
I feel angry towards	5.8%	10.3%	6.3%	8.6%	6.6%	30.9%	**60.6%**

Table 2 Consumer Animosity (Military Animosity)

Item	JPN	GER	TUR	IND	CHN	GBR	USA
I will never forgive this country for what happened to our country as a result of the two Gulf wars in our region in the last few years.	4.4%	8.0%	6.3%	4.9%	4.4%	38.2%	**44.7%**
I will never forgive this country for what happened to our region as a result of wars in our region in the last few years (Gulf Wars and Arab-Israeli conflict).	4.9%	10.2%	8.1%	4.9%	3.0%	45.3%	**66.5%**
Should pay for what it did for our country as a result of wars in our region in the last few years (Gulf Wars and Arab-Israeli conflicts).	3.6%	7.1%	7.8%	3.0%	3.2%	39.4%	**53.8%**
Should pay for what it did for all our regions' countries as a result of the wars in our region over the last few years (Gulf Wars) and Arab- Israeli conflict.	3.0%	8.5%	7.8%	3.4%	2.2%	42.6%	**67.0%**
It makes me happy to see this country's flag burning.	4.9%	10.0%	7.1%	5.6%	3.4%	39.6%	**58.9%**

Military Animosity

War animosity results from acts of violence by a country (Nijssen and Douglas, 2003). Thus, the war against Iraq increased the anti American feelings all around the world especially in the Middle East (Amine et al, 2005). Once more the students were asked to tick or not one of the seven countries, Japan, Germany, Turkey, India, China, Great Britain and the U.S.A for each of the 5 items as shown in Table 2.

The students had the option to tick more than one country. War animosity results from acts of violence by a country (Nijssen and Douglas, 2003). The results of this section showed that mainly the majority of the students have military animosity towards the U.S.A due to the third Gulf war in 2003 against Iraq and also to U.S.A's policies regarding the continuing Arab-Israeli conflict.

American military action against Iraq in 2003 increased anti-American feelings against the U.S.A in the Islamic countries (Amine et al, 2005; Keegan and Green 2005). The second country that the students have military animosity against is Great Britain due to Great Britain's participation in the third Gulf war in 2003.

Economic Animosity

Economic animosity results from feelings of economic domination or aggression. Thus, most small countries or small nations demonstrated this type of animosity against larger economies. This type of animosity may result in negative attitudes towards products sourced from the aggressor country and unwillingness to buy its products. Yet again in this section the students were asked to tick or not one of seven countries Japan, Germany, Turkey, India, China, Great Britain and the U.S.A for each item of the 9 items as shown in Table 3. Again, the students were given the chance to mark more than one country.

The respondents showed economic animosity towards the U.S.A. The majority of respondents think that the U.S.A wants to gain economic power over their country and fully control Jordan's economy. Less than half of the young consumers believe that the U.S.A supports their country's economy. Moreover, the majority of young consumers believe that the U.S.A impoverishes all the Arabian counties in the Middle East and plunders the oil from their region. In addition, around half of the respondents believe that products made in the U.S.A should be boycotted. However, only 26.3 per cent of the subjects do not like the idea of owning the U.S.A products and only 21.3 per cent of them feel guilty when they buy products sourced from the U.S.A. The students showed a second kind of animosity against the Third World countries, China and India, in particular, against their products.

Discussion of Results (Consumer Animosity)

In a more comprehensive perspective, the results of this study support the findings of Nijssen and Douglas (2003) study which concluded that feelings of consumer ethnocentrism and animosity might exist among young educated consumers. Alternatively, as the young educated Jordanians showed more animosity than expected, the results of this study do not support what Paswan and Sharma (2004) have concluded that education helps people to be more tolerant of things from different cultures and countries.

The results of this study also showed that young Jordanians showed the largest animosity towards the U.S.A followed by Great Brain. In addition, the students showed animosity feelings towards the products of the two biggest developing countries in the world, China and India. The results of this study agree with a number of previous studies (i.e Klein et al, 1998; Klein, 2002; Lee et al, 2003; Nijssen and Douglas, 2003; Ang et al, 2004; Ettenson and Klein, 2005) that animosity is a feeling which comes because of previous or ongoing military, political or economic events towards a specific country. Thus, consumer animosity builds up which forms the basis of negative feelings in consumers' minds which cannot be forgotten and forgiven easily (Amine et al, 2005). Mostly, in the present study, the students showed their animosity feelings towards the U.S.A due to the American wars against Iraq, their neighbouring Arab country in 1991 and 2003 (military) and the American role in the continuing Arab- Israeli conflict (military and political). As such they showed as well animosity towards the U.S.A as a result of what they think the U.S.A has done in their region (Gulf wars and Arab-Israeli conflict) which influenced their country's economy badly (Economic).

Table 3 Consumer Animosity (Economic Animosity)

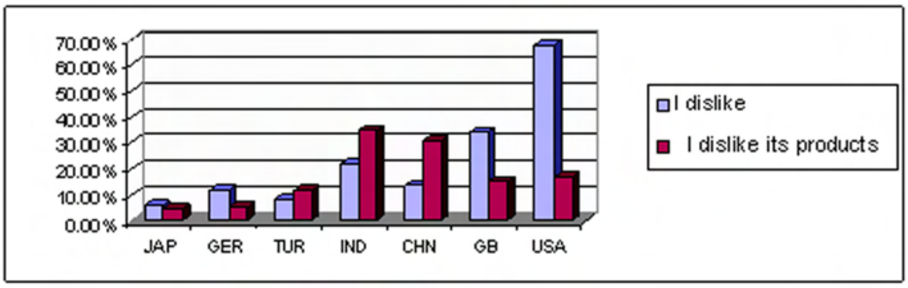
Item	JPN	GER	TUR	IND	CHN	GBR	USA
I dislike this country products	4.8%	5.2%	11.5%	**34.6%**	31.1%	15.2%	16.6%
Is not a reliable trading partner	3.0%	6.4%	8.8%	10.5%	8.0%	28.1%	**40.3%**
Wants to gain economic power over our country.	4.2%	6.1%	5.4%	2.5%	4.6%	31.6%	**55.8%**
This country fully controls our economy	4.1%	5.2%	3.0%	1.2%	5.2%	21.8%	**50.9%**
Its products should be boycotted	3.4%	6.8%	6.3%	5.6%	4.6%	31.0%	**49.2%**
This country works hard to improve the developing countries' economies.	12.4%	10.7%	9.8%	6.3%	9.6%	24.5%	**38.1%**
This country supports my country's economy	17.1%	13.0%	7.1%	2.7%	7.8%	24.7%	**45.0%**
The economic agreements between my country and this country are for the benefit of that country	7.8%	12.7%	6.9%	4.6%	6.4%	30.8%	**54.0%**
This county impoverishes my country	2.7%	5.8%	3.2%	2.0%	3.2%	24.5%	**42.3%**
This country plunders ou region (Arab countries) resources such as oil.	3.0%	7.3%	3.2%	1.9%	2.0%	32.7%	**60.4%**
I would feel guilty if I bought this country's products.	4.7%	5.2%	9.6%	13.7%	12.1%	18.5%	**21.3%**
I do not like the idea of owning this country's products	3.0%	3.6%	11.2%	23.7%	19.8%	24.4%	**26.3%**

It is obvious from the Figure 2 that disliking the country doesn't necessary imply disliking its products. For example, although the majority of students doesn't like the U.S.A, doesn't like to see the U.S.A number one in whatever it does, doesn't like to see the U.S.A win in Olympics Games and World Cup and feel angry towards the U.S.A, only 16.6 per cent of them do not like the American products. Moreover, the results of this study agree with the results of the previous research (Johansson, 1988; Klein et al, 1998; Klein, 2002; Ahmed and d'Astous, 2004) that animosity does not influence product judgments. In this regard, the students evaluated the American products as high quality products. However, consumers might evaluate a country's product reasonably high and don't like them. For example, American Jews rated German cars as high quality; even they did not like them (Johansson, 1988). In addition, although the Chinese consumers expressed hostility towards Japan, they were able to acknowledge the quality of the Japanese goods (Klein et al, 1998; Ahmed and d'Astous, 2004). Alternatively, in this study although the majority of the young Jordanians dislike the U.S.A, the young students like its products, evaluate the Americans products positively, and like the idea of owning them and would not feel guilty when buying them. Regarding the overall assessment of products made in Japan, the U.S.A, Germany, Great Britain, Turkey, China and India. The results clearly showed (Table 4) that the Japanese goods lead with very good to excellent overall assessment followed by products made in the U.S.A. The German products were rated in the third place followed by the British products which were ranked fourth.

Table 4 Overall Assessment of Products Made in Selected Countries

Country	Mean	No	SD	Rank
JPN	4.70	585	0.688	1
USA	4.56	583	0.771	2
GER	4.49	587	0.672	3
GBR	4.36	587	0.787	4
TUR	3.78	585	0.907	5
CHN	3.48	587	1.017	6
IND	2.88	587	1.045	7

Figure 2 Comparison between Disliking the Country and Disliking Its Products



The young consumers evaluated the products sourced from the U.S.A, Germany and Great Britain overall as very good to excellent products. Turkish products were placed in the fifth place followed by products made in China; the two countries products were assessed as neutral to very good products. Finally, the lowest mean among the seven countries has gone to Indian products which were assessed as the poorest among all the selected countries.

Figure 2 illustrates the relationship between disliking the country and disliking its products. It can be noted that the respondents dislike the four developed countries (the U.S.A, Great Britain, Japan and Germany) more than they dislike their products. Alternatively, they dislike the products sourced from the developing countries (India, China and Turkey) more than they dislike the three countries themselves.

Earlier, Klein et al, (1998) found that animosity towards other nations can be as a result of sharing a continuous border, a previous war or military event (Nijssen and Douglas, 2003; Ang et al, 2004), or recent economic or diplomatic disputes (Lee et al, 2003; Nijssen and Douglas, 2003; Ang et al, 2004). This study concluded that the young Jordanian consumers expressed mostly two types of animosity: war animosity mainly against the U.S.A and to a less extent against Great Britain as a result of the wars and conflicts in the Middle East, and economic animosity mainly against the U.S.A. Surprisingly the students showed a third kind of animosity against the Third World countries, China and India, in particular, against their products. The students showed animosity mainly towards the U.S.A as a result of the U.S policy in the Middle East rather than against their country; such a kind of animosity could be called 'Arabian (ethnical) animosity'. Also, the consumers demonstrated their animosity towards the U.S.A mostly as a response of what they think the U.S.A has done for other Arab countries and other Arabs (people from their own ethnic group) rather than for what it has done for themselves or for their country. In contrast, the U.S A is the largest supporter for the Jordanian economy (Al Rai, 2005). Young consumers showed animosity feelings against the U.S.A since they believe that the U.S.A influences the Arab countries such as Iraq and Palestinian Authority negatively (i.e Gulf wars, continuing Arab-Israel conflict).

In this study the young Jordanians did not show any kind of animosity towards Turkey 80 years after the end of the Turkish occupation for their country. This result could be supported by what Economist (1991) had indicated that the British in their lifetime liked Germany, hated Germany and liked Germany again. Alternatively, Klein et al, (1998) found that the Chinese consumers still harbour animosity against Japan more than sixty years after the end of Japanese's occupation of China. Additionally, in spite of the strong economic relationship between Netherlands and Germany, the Dutch harbour animosity feelings towards Germany as a result of the German occupation of Netherlands in the Second World War (Nijssen and Douglas, 2003). Recently, Ang et al, (2004) found that the Korean animosity towards the Japanese has been still high more than half a century after the end of Second World War. Moreover, Shimp et al, (2004) maintained that tension and animosity feelings between the people from the south and the north in the U.S.A are still present 150 years after the peace was declared.

Figure 3 illustrates the relationship between disliking the country and disliking owning its products. It is noticeable that there are more consumers who dislike the four developed countries (the U.S.A, Great Britain, Germany and Japan) than consumers who do not like the idea of owning products sourced from these countries. Conversely, there are more students who do not like the idea of owning products originating from three developing countries (Turkey, India and China) than students who dislike these countries. Therefore, the results of this study do not agree with Klein et al, (1998) and Ettenson and Klein (2005) that feelings of animosity towards a particular country influences consumers' willingness to buy its products. In contrast, the results agreed with what Dichter (1962) indicated that anti-Americanism is coupled with a desire for many U.S products.

It should be noted that Klein et al, (1998) indicated that companies and organisations which are linked with a country whose military, economic, or political histories are controversial must measure levels of animosity in targeted markets. Marketers cannot split global political, economic and military events from consumers' marketplace behaviour (Ettenson and Klein, 2005). The animosity the students demonstrated in this study towards the U.S.A is stable animosity since their negative feelings arise from the general historical background (Ang et al, 2004).

It is of crucial importance to highlight that the results of this study disagree with what Nijssen and Douglas (2003) found in Netherlands that war animosity influences reluctance to purchase the aggressor country (Germany) products .

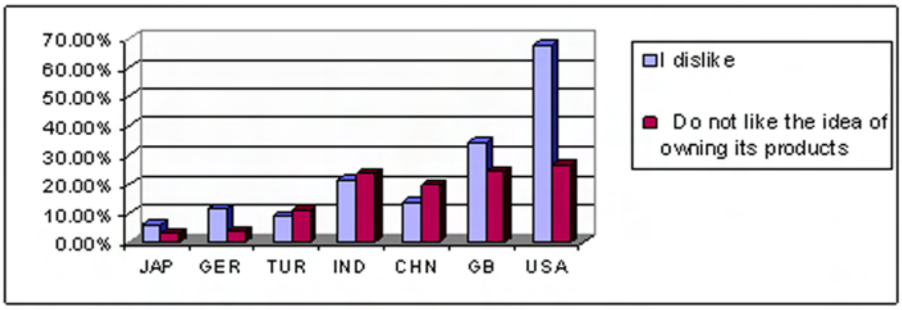
The reason behind most feelings of animosity the young consumers showed is related to what the U.S.A has done for Arabs in other Arab countries based on the respondents rather than to themselves or to their country.

It is vital that international marketers should be aware of the importance of modification of marketing and communications strategies in an unstable region like the Middle East where young consumers showed more feelings of animosity than expected.

Conclusions and Further Research Agenda

In a more comprehensive perspective, the results of this study concluded that feelings of consumer animosity exist among the young educated Jordanian consumers. The young educated Jordanians showed more animosity than it was expected; the results of this study did not show that education helps people to be more tolerant towards different cultures and countries. Moreover, the results of this study showed that young Jordanians show the strongest animosity forwards the U.S.A. In addition, the students showed animosity feelings towards the two largest developing countries' products in the world, China and India, in particular, towards their products.

Figure 3 Comparison between Disliking the Country and Disliking Owning Its Products



The results of this study concluded that animosity is a feeling that comes because of previous or ongoing military, political, or economic events towards a specific country, since consumer animosity builds up, however, as a base of negative feelings in consumers' memories and cannot be forgotten and forgiven easily. Mostly, in the present study the students showed their animosity feelings towards the U.S.A due to the American wars against Iraq their neighbour Arab country in 1991 and 2003 (military) and the American role in the continuing Arab- Israeli conflict (military and political). As well as they showed animosity towards the U.S.A as results of what they think the U.S.A has done in their region (Gulf wars, Arab-Israeli conflict and plundering Arab's oil) influenced their country's economy badly (economic). Against the previous results in research (i.e Nijssen and Dauglas, 2003; Ang et al, 2004) the results of this study showed that disliking the country doesn't necessary imply disliking its products and disliking owning them. For instance, even though the majority of the students do not like the U.S.A, do not like to see the U.S.A number one in whatever it does, do not like to see the U.S.A win in Olympic games and World Cup and feel angry towards the U.S.A, the respondents evaluated the American products positively and did not denigrate the quality of U.S products- the students evaluated the American products as high quality products (very good to excellent)-, and the vast majority of them like the American products and like to own them. Overall, the results of this study concluded that animosity does not influence product judgments and the desire to own it and buy it. However, consumers might evaluate a country's product reasonably high and don't like it. The animosity the students showed towards the U.S.A as a result of what they think the U.S.A is doing (i.e its policy, military actions, economic polices) in the Middle East could be called 'Arabian (ethnical) animosity', since the consumers demonstrated their animosity towards the U.S.A mostly as a response to what they think the U.S.A has done for other Arab countries and other Arabs (people from their own ethnic group) rather than for what it has done for themselves or for their country. In contrast, the U.S.A is the largest supporter for the Jordanian economy.

In general, the students dislike the four developed countries (the U.S.A, Great Britain, Japan and Germany) more than they dislike their products. Alternatively, they dislike the products sourced from the less developed (developing) countries (India, China and Turkey) more than they dislike the three countries themselves.

The results of this study showed that the young Jordanians did not show the expected animosity towards Turkey and its products. Thus, the negative feelings in consumers' memories can be forgotten and forgiven in some cases.

In addition, the results showed that there are more consumers who dislike the four developed countries (the U.S.A, Great Britain, Germany and Japan) than consumers who do not like the idea of owning products sourced from these countries. Conversely, there are more students who do not like the idea of owning products originated from the three developing countries (Turkey, India and China) than the students who dislike these countries. Therefore, the results showed that consumer animosity feelings towards a particular country do not influence consumers' willingness to buy its products.

The results of this research may not be generalisable to all consumers in Jordan or to other Arab countries. Future research need to be extended to other categories in the Jordanian society, such as the uneducated and the older people. One interesting thing will be the republication the research objectives after the Amman terrorist bombs on the 9th of November 2005 when the capital Amman was beaten badly by Al Qaeda, Jordanians for the first time united in a significant way; it will be remarkable to examine whether the young Jordanians views towards other countries particularly the U.S.A and Great Britain which offered a remarkable support to the country (i.e the visit of British foreign secretary Jack Straw and the previous American president Bill Clinton to the attack site soon after the bombing) have changed. Moreover, Iraq is a suitable place for the same research especially after the fall of Saddam's regime; it will be interesting to examine the same objectives in the three Iraqi main areas; the Kurds in the north, the Sunnis in the centre and the Shiate in the south. Furthermore, more attention should be given in the area of consumer animosity to develop a scale for measuring consumer animosity. Finally, despite the limitations that have been identified earlier, this research has provided several important insights into issues relating to consumer animosity.

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INSIGHTS INTO SOURCES OF INFORMATION USED BY YOUNG JORDANIAN IN EVALUATING FOREIGN PRODUCTS

SAEB AL GANIDEH

Abstract

Purpose –To examine product country images among young consumers in Jordan and to identify the sources of information used by young consumers in Jordan to assess foreign products.

Design/methodology/approach –Jordan is economically and culturally different from countries used in previous empirical studies. Moreover, Jordan is a large importer of foreign products. The young people comprise a large percentage of the population. The sample was chosen randomly from students who were doing their first degrees in three government universities.

Findings – The results of this study showed that young consumers in Jordan have negative (less positive) attitudes towards products originated from developing countries. The young consumers in Jordan rely more on product information through experiential knowledge. In addition, they do not trust information provided by sales representatives as well as do not use Internet as a major source for searching about information regarding foreign products.

Originality/value – The results will be of interest to other researchers and marketers. This research is the first to examine sources of information used by the young consumers to evaluate foreign products in the Middle East. Examining such an issue in a Middle East country (Jordan) provides domestic and international marketers good assistance.

Paper type – Research paper

Keywords - sources of information, foreign products, country-of-origin, Jordan.

Introduction

The recent globalisation of business has created new challenges to domestic and international marketers (Terpstra, 1983). In addition, the dramatic increase of the Internet into consumers' daily life has helped many domestic and international marketers to reach more consumers. However, global trade activity has become a vital part of the world economy (Watson and Wright, 2000). In addition, removing the high trade barriers helped many developing countries' economies to grow (Panagariya, 2005). Consequently, a wide range of products are available now to consumers all around the world (Ettenson and Klein, 2000; Zhou and Belk, 2004).

COO influences the purchase decision for domestic and imported products and services (Lawrence et al, 1992; Bruning, 1997; Ulgado, 2002). It refers to consumers' perceptions about products 'made in' a specific country (Orth and Firbasova, 2003). Generally, consumers purchase products due to price, quality and COO (Huddleston et al, 2001). Consumers use intrinsic and extrinsic cues to evaluate products. Intrinsic cues such as style and material, whereas extrinsic cues such as price and brand. COO is used as an extrinsic cue by consumers (Insch and McBride, 2004). Consumers use extrinsic cues when it is not easy to assess products using intrinsic cues, or when the cost of searching for intrinsic cues is high and needs time. This might happen often in the case of low-involvement product (Ahmed et al, 2004).

Marketers have to provide suitable information to their customers. Consumers gather information about products from different sources such as retail search, media search, interpersonal search and experiential search (Hoyer and MacInnis, 2001).

Information search is attached with two types of informational influences; personal influences such as reference groups like family and friends and market-dominated influences such as media like television and radio (Kim and Kang, 2001).

Background

COO effects have become one of the most studied subjects in international business and marketing since the 1960's when Schooler introduced his pioneer study (Tan and Farley 1987; Peterson and Jolibert 1995; Pecher and Tregear, 2000; Huddleston et al, 2001; Pereira et al, 2005). In the same context, Quester et al, (1996) agreed with all researchers that the influence of COO on consumers' purchasing choices has been one of the widely studied areas in marketing.

Earlier, Dichter (1962) pointed out COO has tremendous influence on the success of products. In the same context, Baker and Currie (1993) suggested that COO should be considered as a fifth marketing mix. A number of major studies in COO field indicated that COO or 'made in …' label has a significant effect on consumers, and products sourcing from foreign countries are subject to COO effect (Nagashima, 1977; Bilkey and Nes, 1982; Han and Terpstra, 1988; Nielsen and Spence; 1997). Alternatively, a few researchers maintained that COO effects could be less than has been thought, and possibly will happen mainly regarding the products' evaluation rather than the overall assessment (Johansson et al, 1985; Bruning, 1997). However, findings in COO research are so strong and constant that COO does affect the decision-purchasing processes (Nielsen and Spence, 1997).

Overall, it is clear that it is not easy to sustain strong generalisations about COO effects (Johansson, 1988). This is definitely the case since COO effect is quite multidimensional in its influences on consumer selection (Peterson and Jolibert, 1995; Bruning, 1997). COO has been defined by many researchers (Bilkey and Nes, 1982; Johansson et al, 1985; Han and Terpstra, 1988; Peterson and Jolibert 1995; Zhang, 1997; Ulgado 2002; Orth and Firbasova, 2003; Ahmed and d'Astous, 2004). COO of a product has been defined as the country of manufacture or assembly (Bilkey and Nes, 1982; Han and Terpstra, 1988). Johansson et al, (1985) defined the COO as the country in which is sited the head office of the organisation doing the marketing of the product. COO refers to the image, the reputation and the stereotype, the consumers link to the products of a specific country (Darling, 1993). COO or 'Made in' concept refers to a positive or negative influence a specific product originating from a specific country may have on consumers' purchase decision process (Elliott and Cameron, 1994). Ahmed et al, (1995) revealed that in the earlier studies COO was defined as the location (place) where products are made. Zhang (1997) indicated that COO refers to information related to where a product is made.

Past research showed that most major research proves that COO influences certain product evaluations (i.e Bilkey and Nes, 1982; Han, 1988; Han and Terpstra, 1988; Lawrence et al, 1992; Bruning, 1997; Zain and Yasin, 1997; Curhan-Canli and Maheswaran, 2000; Terpstra and Sarathy, 2000; Huddleston et al, 2001; Ahmed and d'Astous, 2004; Ahmed et al, 2004). A large majority of COO studies have been conducted in the developed countries (i.e Nagashima, 1977; Han and Terpstra, 1988; Han, 1988; Lawrence et al, 1992; Ahmed et al, 1995; Quester et al,1996; Zhang, 1997; Brodowsky et al,2004 ;Srinivasan et al, 2004; Chao,2005) and few studies have been conducted in the developing countries (i.e Bhuian, 1997; Zain and Yasin, 1997; Okechuku and Onyemah, 1999; O'Cass and Lim, 2002; Insch and McBride, 2004).

Background (product information sources)

It is known that Internet technology has changed the shopping environment for some individuals and businesses all over the world (Pan, 2004). Technology has reduced the cost and the effort to get information about products (Tonta, 2005). Thus, the Internet has recently become one of the key sources of information about various products for some consumers (Chan, 2005).

It is obvious that even low income consumers in developing countries are increasingly aware through television, Internet and other new communication tools of high quality products that are available for consumers in developed countries (Okechuku and Onyemah, 1999). However, Fill (2002) argued that websites provide consumers with information regarding their purchase enquiries. The number of consumers who purchase through the Internet has increased dramatically, but it should be borne in mind that regions such as Asia, Latin America and Eastern Europe are behind in development and growth of commerce as regards to electronic infrastructure, buyer acceptance and use (Ulgado, 2002). Recently, Chan (2005) indicated that the traditional media and the Internet should be used in an integrated way to pump the appropriate messages to the consumers, in particular, to target young consumers.

However, consumers will search more when they notice high benefits from their search or observe the cost of the search to be not expensive (Wilkie, 1994). In this context, Schiffman and Kanuk (2004) maintained that the amount of information that customers collect depends on many issues, such as frequent changes in product design and price, consumer's experience in purchasing the product and personal factors like education, income, occupation, age and personality. Nevertheless, it is clear that in many situations consumers face imperfect information. This lack of information may result from consumer's own imperfect memory or from advertising (Schiffman and Kanuk, 2004). Solomon et al, (2002) defined reference group as a real or imaginary group that influences individuals regarding their purchase or consumption decisions. The researchers argued that there are many societal groupings that affect the consumers' behaviour such as family, friends and workmates. Reference group members often include spouses, family members (mothers, sisters, brothers or fathers) or co-workers; such groups have a central effect on shopping behaviour (Kinley et al, 2000). Family is the primary reference group for many attitudes and behaviours, therefore, marketers target families in most cases (Schiffman and Kanuk, 2004).

According to Sharma et al, (1995) children could get more information about products by shopping with their parents. Sources of information about brand new products can help children to learn how to be consumers. In this context, McNeal and Ji (1999) argued that Chinese children rely on commercial sources as much as they do on interpersonal sources to gain new product information. Alternatively, Chan (2005) concluded that among the urban children in China, television was perceived as the most useful information source for new products, followed by friends and parents. However, parents were perceived to be the most credible information source for new products, followed by Internet and grandparents. Thus, the researcher suggested that marketers ensure that their messages will reach the targeted children need to influence the opinion leaders such as parents and school teachers to let them pass those messages to children.

However, group influence on individual behaviour has been a key issue in consumer behaviour research for some time (Bruning, 1997). Marcoux et al, (1997) argued that it is vital to consider the importance of the socialisation processes like family and reference groups since through these units individuals learn the meanings of symbols and those of consumption. In this context, Kinley et al, (2000) maintained the effect of peer groups in the purchasing process has a larger influence on the purchase of public luxuries such as golf clubs and snow skis than on private necessities such as refrigerators. Moreover, Marcoux et al, (1997) argued that younger female Poles have a low interest in patriotic consumption; this was justified due to the social pressure from parents, friends and colleagues. It is obvious that consumers will be influenced to a high degree by their family members during the stage of information search within the purchase process. Kinley et al, (2000) maintained that members of the reference group provide some of the information only used in making a purchase decision. Other sources of product information consist of the non-personal cues obtainable from advertising, sales person communications and store displays. Few studies have been conducted to examine the sources of information employed by consumers to evaluate foreign products (Leonidou et al, 1999; Sohail and Anwar, 2003). This study examines product country images among young consumers in Jordan. Also, the study identifies the sources of information used by young consumers in Jordan to assess foreign products.

Methodology

Jordan is an ideal country for empirical research due to a number of reasons; in particular; it is a good representative of Middle East and accordingly the results can be generalised on most young consumers in the Middle East. In addition, Jordan is economically and culturally different from countries used in previous empirical studies. Moreover, Jordan is a large importer of foreign products. The sample was chosen randomly from students who are doing their first degrees in three government universities. One university was selected randomly from each geographical area; north, centre and south. Since business students are more able to deal with business research than other students, the sample consists of business students.

The students were asked to answer questions related to their beliefs regarding foreign and domestic products. In the first section they were asked to give their overall assessment of products' made in selected countries. It should be mentioned that the Central Bank of Jordan report for the year 2004 shows that U.S.A, China, Japan and India are the most important commercial partners for Jordan, besides Germany, the country number three that Jordan imported products from for the year 2004 and Great Britain, the country number seven that Jordan imported products from for the years 2003 and 2004 (Central Bank of Jordan, 2004). Furthermore, these countries were used in literature in the field of COO; (1) U.S.A (i.e Nagashima, 1977; Han, 1988; Han and Terpstra, 1988; Bhuian, 1997; Zhang, 1997; Zain and Yasin, 1997; Watson and Wright, 2000; Laroche et al, 2003; Ahmed and d'Astous, 2004; Insch and McBride, 2004; Srinivasan et al, 2004). (2) China (i.e Zain and Yasin, 1997; Ahmed and d'Astous, 2004). (3) Japan (i.e Nagashima, 1977; Han, 1988; Han and Terpstra, 1988; Lawrence et al, 1992; Bhuian,1997; Zain and Yasin,1997; Zhang, 1997; Okechuku and Onyemah,1999; Ahmed and d'Astous, 2004; Insch and McBride, 2004; Srinivasan et al, 2004).(4) India (i.e Zain and Yasin, 1997; Ahmed and d'Astous ,2004).(5) Germany (i.e Nagashima ,1977; Han and Terpstra, 1988; Lawrence et al, 1992; Bhuian, 1997; Okechuku and Onyemah,1999; Watson and Wright,2000; Balabanis et al, 2002; Ahmed and d'Astous, 2004). (6) Great Britain (i.e Nagashima, 1977; Bhuian, 1997; Laroche et al, 2003). (7) Turkey (i.e Zain and Yasin, 1997; Kaynak and Kara, 2002). Thus, a decision was taken to select U.S.A, Great Britain, Germany, Japan, Turkey, China and India, in addition to Jordan for this study purposes. Moreover, the respondents, however, were asked to give their perceptions about foreign made products and products made in Jordan with regard to the product's attributes and characteristics; namely, good value for money, technically advanced, high quality, reliable and good design and colour. This section was adopted from different sources (Nagashima, 1970; Nagashima, 1977; Darling and Arnold, 1988 ; Han, 1988; Han and Terpstra ,1988; Lawrence et al, 1992; Wood and Darling, 1992; Durvasula et al, 1997; Marcoux et al, 1997; Klein et al,1998; Watson and Wright, 2000; Klein, 2002; Nijssen and Douglas, 2003; Bawa ,2004).

In addition, the respondents were asked to assess the sources of obtaining information they use to evaluate products originating from different countries. The sources of information apart from two sources (Internet and satellite channels) were used in two studies earlier (Leonidou et al, 1999; Sohail and Anwar 2003).

Data collection

Out of 1125 questionnaires distributed the total received questionnaires were 678 with 591 usable questionnaires. Although at the beginning of each session, students were informed that only Jordanians needed to complete the questionnaire, a number of students who are non Jordanians (i.e Palestinians, Syrians, Iraqis) completed the questionnaire. This gave a usable response rate of 53 per cent.

Results and Discussion

It is clear that it is not easy to sustain strong generalisations about COO effects. However, the results regarding the overall products' assessment (Table 1) clearly showed the reputation of the Japanese products in the Jordanian market is the best compared to other seven countries' products (U.S.A, Germany, Great Britain, Turkey, China, Jordan and India). In addition, it can be noted that young consumers have more positive attitudes towards developed countries' products than less developed countries' (developing) products. The developed countries products (Japan, U.S.A, Germany and Great Britain) were placed in the first four positions while the products of developing countries were ranked in the last four places (Turkey, China, Jordan and India) as shown in Table 1.

The results emerging from this study agree with the results of Kaynak and Cavusgil (1983) and Zain and Yasin (1997) that the knowledge, the consumer has about the country's reputation for producing good or inferior products, may influence his or her evaluations of the products in general of that country. However, the different assessments the consumers showed towards the eight selected countries agree with Lawrence et al, (1992) and Bruning (1997) conclusions that there is much evidence that people in a particular country are inclined to have general ideas about people in other countries and these stereotypical evaluations transfer to evaluations of domestic and imported products.

In addition, the results of this study showed that young consumers in Jordan have negative (less positive) attitudes towards products originating from developing countries (India, China, Turkey and their home country Jordan). Such a result supports what Terpstra and Sarathy (2000) stated that the influence of COO could be negative on some countries products, developing countries' products in this case. On the same point, Hoyer and MacInnis (2001) stressed that COO could work to a product's disadvantage. The findings of this study completely agree with Ahmed and d'Astous (2004) and Insch and McBride (2004) that economic, social and cultural systems influence the country image in consumers' minds; for example, products sourcing from developing countries like Iran are normally perceived unfavourably. This study results support Ahmed et al, (2004) findings that many international consumers evaluate both domestic and foreign products based on its COO.

Young Jordanians were asked to rate the eight selected countries' products based on five products' attributes (good value for money, technically advanced, high quality, reliable and good design and colour).

Table 2 shows that products originating from Japan were rated the best on all five studied products' dimensions, where as the Indian products were rated the worst on the same five dimensions. The results showed that a general product assessment is a good indicator for assessing the specific products' attributes.

Overall, several sources are used by young Jordanian consumers to evaluate and to get information regarding various foreign products as shown in Table 3. The results of this study showed that the young consumers in Jordan rely more on product information they get through experiential knowledge. However, getting information through experiential knowledge is the first source of obtaining information for evaluating products sourced from foreign countries which the young consumers trust most times.

lternatively, the last source of information the students trust from which to obtain information to evaluate the different products is sales' representatives; the students depend rarely on this source. Therefore, focusing on the sources of information employed by consumers in their evaluation of domestic and imported products helps international and domestic organisations to supply the consumers with suitable messages in appropriate marketing communications. Since young consumers in Jordan rely more on product information through experiential knowledge it should help marketers to target the young Jordanians by suitable marketing messages. In addition, marketers should be aware that young educated consumers in Jordan do not trust information supplied by sales representatives and do not often use Internet for searching about information regarding foreign products.

It is obvious from Table 3 that Jordanian and Bulgarian consumers believe that experiential knowledge is the best information source to get information through about foreign products, whereas Malaysian consumers consider the package of the product is the most frequent source of information they use for the evaluation of products sourced from U.S.A. Jordanian young consumers use the package of the products more frequently than the Bulgarians do and less frequently than the Malaysians do. Friends' opinion is the third used source to evaluate products by young Jordanian consumers while it is the second used source for both Malaysian and Bulgarian consumers. Internet is used only in this study and it ranks seventh for young educated Jordanian consumers. The results of this study agreed with both the previous studies in this area (Leonidou et al, 1999 and Sohail and Anwar, 2003) that consumers do not trust sales representatives. Surprisingly, in the three studies sales representatives lagged behind all other sources as a source of information for evaluation foreign products. The differences in the information sources used by Jordanians, Malaysians and Bulgarians for obtaining information for evaluating foreign products could be attributed to cultural differences.

Table 1 Overall Assessment of Products Made in Selected Countries

Country	Mean	No	SD	Rank
JPN	**4.70**	585	0.688	**1**
USA	**4.56**	583	0.771	**2**
GER	**4.49**	587	0.672	**3**
GBR	**4.36**	587	0.787	**4**
TUR	**3.78**	585	0.907	**5**
CHIN	**3.48**	587	1.017	**6**
JOR	**3.02**	586	0.982	**7**
IND	**2.88**	587	1.045	**8**

Score 5 represents excellent, 4 very good, 3 neutral, 2 poor and 1 represents very poor overall product.

Table 2 Assessment of Specific Products' Dimensions

Item	TUR	JPN	GER	JOR	IND	CHIN	GBR	USA
Good value for money	3.37	**4.40**	4.19	3.23	**2.62**	3.30	3.92	4.09
Technically advanced	3.26	**4.61**	4.34	2.71	**2.50**	3.38	4.19	4.43
High quality	3.39	**4.55**	4.35	2.94	**2.47**	3.14	4.11	4.34
Reliable	3.31	**4.47**	4.27	3.01	**2.42**	3.03	4.01	4.16
Good design and colour	3.45	**4.41**	4.24	3.09	**2.55**	3.35	4.07	4.27

Score 5 represents excellent, 4 very good, 3 neutral, 2 poor and 1 represents very poor.

Table 3 Product Information Sources Used by Consumers *

Product Information Sources	Jordan	Malaysia	Bulgaria
Experiential knowledge	1	3	1
Package of product	2	1	4
Friends' opinions	3	2	2
Television/ Radio	4	5	3/5
Satellite channels	5	N.A	N.A
Newspapers/Magazines	6	4	6
Internet	7	N.A	N.A
Sales representative	8	6	7

*Results adopted from the current study, Sohail and Anwar (2003), and Leonidou et al, (1999) N.A: Not Available

Table 4 T-Test (Gender) Product Information Sources

Source of Information	Gender	No	Mean	SD	T -Value	Significant
Experiential knowledge	Male	337	4.09	.925	.070	.944
	Female	251	4.08	.910		
Friends	Male	339	3.53	.868	.156	.876
	Female	248	3.52	.779		
Package	Male	338	3.60	1.107	-.487	.627
	Female	250	3.65	1.077		
T.V and Radio	Male	336	3.38	1.130	-.762	.447
	Female	250	3.46	1.137		
Papers and Magazines	Male	338	3.26	1.134	-.102	.919
	Female	249	3.27	1.166		
Sales executives	Male	336	2.36	1.155	.816	.415
	Female	248	2.28	1.156		
Internet	Male	338	3.16	1.253	-.769	.442
	Female	249	3.24	1.279		
Satellite channels	Male	337	3.34	1.251	-.094	.925
	Female	250	3.35	1.230		

Regarding the results of the effect of demographics on the selection of sources of information used to evaluate imported products by young consumer, the results of T-Test in Table 4 show that there is no significant difference between male and female students regarding the eight examined sources used for evaluating the imported products in the Jordanian market.

One-Way ANOVA test results' in Table 5 show that there are no significant differences between the five income groups regarding the used information sources used for evaluating foreign products.

The results of One-Way ANOVA for the three geographical regions in Table 6 show that there are significant differences among the students of the north, the centre and the south in relation to using the following sources in evaluating foreign products, namely, television and radio, papers and magazines, friends' opinion, sales' representatives.

Table 5 - Table One-Way ANOVA Products Information Sources and Income

Information Source	Source of Variance	Sum of Squares	Degree of Freedom	Mean Square	F Value	Significant
Experiential	Between Groups	2.651	4	.663	.785	.535
	Within Groups	491.926	583	.844		
	Total	494.577	587			
Friends	Between Groups	2.226	4	.557	.805	.522
	Within Groups	402.115	582	.691		
	Total	404.341	586			
Package	Between Groups	4.850	4	1.212	1.014	.400
	Within Groups	697.334	583	1.196		
	Total	702.184	587			
Television	Between Groups	3.399	4	.850	.661	.619
	Within Groups	746.835	581	1.285		
	Total	750.234	585			
Newspapers	Between Groups	4.599	4	1.150	.873	.480
	Within Groups	766.410	582	1.317		
	Total	771.009	586			
Sales executives	Between Groups	6.873	4	1.718	1.290	.273
	Within Groups	770.961	579	1.332		
	Total	777.834	583			
Internet	Between Groups	5.129	4	1.282	.802	.524
	Within Groups	930.732	582	1.599		
	Total	935.860	586			
Satellite channels	Between Groups	4.508	4	1.127	.731	.571
	Within Groups	897.666	582	1.542		
	Total	902.174	586			

Table 6 One-Way ANOVA Products Information Sources and Geographical Regions

Information Source	Source of Variance	Sum of Squares	Degree of Freedom	Mean Square	F Value	Significant
Experiential	Between Groups	2.880	2	1.440	1.713	.181
	Within Groups	491.697	585	.841		
	Total	494.577	587			
Friends	Between Groups	6.060	2	3.030	4.443	.012
	Within Groups	398.281	584	.682		
	Total	404.341	586			
Package	Between Groups	3.687	2	1.844	1.544	.214
	Within Groups	698.496	585	1.194		
	Total	702.184	587			
Television	Between Groups	12.436	2	6.218	4.913	.008
	Within Groups	737.798	583	1.266		
	Total	750.234	585			
Newspapers	Between Groups	25.709	2	12.854	10.072	.000
	Within Groups	745.300	584	1.276		
	Total	771.009	586			
Sales executives	Between Groups	51.194	2	25.597	20.466	.000
	Within Groups	726.640	581	1.251		
	Total	777.834	583			
Internet	Between Groups	12.872	2	6.436	4.072	.018
	Within Groups	922.988	584	1.580		
	Total	935.860	586			
Satellite channels	Between Groups	7.744	2	3.872	2.528	.081
	Within Groups	894.430	584	1.532		
	Total	902.174	586			

The students from the south rely more than their counterparts from the north and the centre of the country on the above sources. This could be attributed to the tribal life those students live, as well as due to the fact that the major newspapers and television and radio stations in the country owned by the government, express the government view point, and people from the south are more loyal to the government (Smooha and Hanf, 1996). Thus, they trust its information more than other people in other parts of the country.

Conclusions

It can be seen the results showed that the knowledge the consumer has about the country's reputation for producing good or inferior products may influence his or her evaluations of the products in general in that country. The results indicated that there is much evidence that consumers in a particular country are inclined to have general ideas about products in other countries. Furthermore, the results of this study showed that young consumers in Jordan have negative (less positive) attitudes towards products sourced from developing countries (India, China, Turkey and their home country Jordan). Generally, this study concluded that consumers rate products sourcing from developed countries more positively than products originated from less developed countries; consumers consider the country's economic development when evaluating products sourcing from foreign countries.

Overall, the fact that the results show that the young consumers in Jordan rely more on product information through experiential knowledge should be taken into consideration when managers and marketers intend to target the young Jordanians by suitable marketing messages with suitable marketing communication tools. Moreover, marketers should be aware that young consumers in Jordan do not trust information provided by sales representatives as well as do not use Internet as a major source for searching about information regarding foreign products.

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RECURRING PRICE WARS IN THE SAUDI DAIRY PRODUCTS INDUSTRY - A CASE STUDY

USAMAH AHMED UTHMAN
KING FAHD UNIVERSITY OF PETROLEUM & MINERALS (KFUPM), DHAHRAN, SAUDI ARABIA

Abstract

The rapid evolution of the Saudi Dairy Products Industry during the late 1970's, is a remarkable example of converting oil revenues into badly needed investments in an oil –based economy. The industry's success in terms of wide diversity and high quality products is remarkable. This case discusses how a success story was beset by mistakes at both industry and government levels leading to excess industry capacity and recurring price wars. The case is appropriate for students in applied microeconomic theory, managerial economics, agricultural economics, business policy, and public policy. This is a multi-focused case (oligopolistic industry with multiple industry leaders, a relatively large number of producers and the resulting cut-throat competition, in addition to contradictory government policies). Detailed Teaching Notes is available from the author.

KEY WORDS: Dairy products, government subsidies, competition, price agreements, price wars.

INTRODUCTION

Saudi Arabia is not known for richness in agricultural resources. Yet the evolution and success of the Saudi Dairy Products Industry in terms of size, high quality and wide diversity of products has been quite remarkable. However the observed success has not been without major troubles. As the industry expanded, competition intensified and recurring price wars erupted. How did that happen and what could have been done to prevent them?

The first modern dairy product company in Saudi Arabia, Almarai, was established in 1976, and was followed by Al Safi in 1979. Additional modern producers followed in subsequent years. The rapid development of the industry occurred after the windfall increases in Saudi Arabia's oil revenues during the late 1970's and early 1980's. The development of the Dairy Products Industry exemplifies a remarkable success of converting oil revenues into badly needed investments. Prior to the establishment of the modern diary products industry, most of Saudi Arabia's dairy products were imported. Fresh Saudi dairy products were available only on a very small scale and mainly in remote rural areas. Saudi entrepreneurship, supported by generous government subsidies, imported cows, new plants and foreign know-how created one of the finest dairy products industries in the world. Almarai was the first dairy farm in the world to win the ISO Certificate of Standards and Measurements. Now, most of the Saudi dairy producers have won that certificate1. In 1988, Al Safi was added to the Guinness Record of Standards as the largest integrated dairy farm in the world2.

Saudi dairy products now are available in almost every corner of the country and are being exported to neighboring countries of the Arabian Gulf, Syria, Lebanon and Yemen. The industry's exports have risen from 50,000 tons in 1995 to over 126,000 tons in 20003. According to Mr. Mohammad Anwar Jan, Chairman of the National Committee of Dairy Producers, the total production of specialized dairy farms has reached 2.3 million liters per day and the number of cows exceeded 150,000 heads in 20044.

Industry Developments

When the two industry pioneers, Almarai and Al Safi, first started, they imported their Holstein and Friesian cows, plants and equipments. Animal feed was produced locally. The success of these two producers encouraged others to join the industry. They were attracted by the availability of generous government subsidies. While the large producers had their own integrated facilities, some of their raw milk was acquired from small farms specializing in raw milk production only. All went well until the large firms (Almarai, Al Safi and NADEC) decided to be completely independent in terms of the production of raw milk supplies. It may have been thought that they could enjoy much larger economies of scale by having their own, much larger dairy farms. They expanded their herds and stopped buying from the small producers. The large producers offered very low prices to buy milk from the small producers. Unable to sell their products at a reasonable price, the small producers decided to expand their own operations and acquire full-scale facilities. In 1993, the retail price of a two-liter container was 8 Saudi Riyals (SR) while the farm price of raw milk was 2.7 Saudi Riyals. This was equivalent to a retail price of US $8.60 per gallon while the farm price was US $3.00 per gallon. (5)

Wide profit margins coupled with government subsidies encouraged further industry expansion. In 1995 the total production of specialized modern farms was estimated at 428 million liters. By 2000 it jumped to 709 million liters. This increase amounted to an average annual growth rate in actual supply of 13.13%. The government's seventh 5-year Development Plan anticipated the annual growth rate of production of fresh dairy products at only 7.36% during the period 1994-1999 (see Tables A-1, A-2 and A-3).Also, see Table 1 for an annual breakdown of the Industry's cows and raw milk production. The actual growth rate in production was almost twice as high as the Government's projections.

The government's forecast for demand for the period 1999-2004 reflects an average annual growth rate of only 3.4% (see Table A-2). The industry's forecast for the growth of demand for the same period however was 7% (see Table A-7) It should be mentioned here however that the industry's forecast is about demand for both fresh and non-fresh (powdered milk, combined with water) dairy products. In terms of actual demand for the period 1995-1999, the industry's estimates were between 3 to 6% annual growth rate (see Table A-5. Whatever the correct forecast for demand was, it was obvious that it was far less than both forecasted and actual growth in supply

TABLE 1 RAW MILK PRODUCTION (IN THOUSANDS OF TONS) 1991 – 2002

Year	Total Output	Traditional Producers		Specialized Producers			
		% of total	Quantity Produced	% of total	Quantity Produced	No. of Projects	No. of Milking Cows
1991	520	45	236	55	284	37	44025
1992	548	43	238	57	310	36	47636
1993	587	41	238	59	349	35	48258
1994	633	37	237	63	396	36	53730
1995	698	39	270	61	428	36	57366
1996	749	40	296	60	453	32	58943
1997	815	37	305	63	510	33	65263
1998	883	34	302	66	581	35	73359
1999	936	36	336	64	600	34	77994
2000	1039	32	330	68	702	34	N.A
2001	1067	31	329	69	738	34	N.A
2002	1139*	27.5	313	72.5	826	34	75200**

Source: Saudi Arabian Ministry of Agriculture, Annual Reports.

*Preliminary

**National Dairy Products Board

TABLE 2 AVERAGE COW PRODUCTIVITY & NUMBER OF MILKING COWS IN SPECIALIZED FARMS

Dairy Units	Average milk production per cow per year (in tons)	Number of milking cows as of early 1995
Al Marai (Al Kharj & other centers)	11.0	14,000
Al Ban Al Hana (Al Ghat)	8.5	1,000
Al Safi ((Al Kharj)	8.3	13,000
Nada (Hofuf)	8.0	3,750
Abnaee (Al Kharj)	8.0	1,200
Al Bandariah (Al Kharj)	7.5	2,100
Al Reef (Durma)	7.5	600
Al Azizia (Dilam)	7.4	1,000
NADEC (Haradh)	7.2	5,000
Al Searah (Tabuk)	7.2	1,000
Al Ateeq (Hofuf)	7.1	650
Al Majdiah (Tebrak)	7.0	680
Al Thukeem (Hail)	6.0	750

Source: Saudi Commerce & Economic Review, No. 35, March 1997.

The average physical productivity of a cow in specialized farms in Saudi Arabia has been among the highest in the world. In 1995 the Saudi average cow productivity reached 7.5 tons per year. As a matter of fact, Almarai, the largest Saudi producer, achieved an average of 11.0 tons per cow, per year . See Table 2 for a breakdown of producers' output and number of cows for the year 1995. The table shows the relative importance of the major producers as of that year.

In 1997 the average physical productivity of a cow in specialized farms in Saudi Arabia was estimated at 6.4 tons per year, compared to a world average of 2 tons. The Saudi record was equivalent to the record of the Netherlands and almost doubles the record of New Zealand. The U.S.A achieved the highest productivity level with 7 tons. The statistics of 1999, however, show that average cow productivity in Saudi Arabia reached 7.735 tons, compared to 7.412 tons in the U.S.A., 7.425 tons in South Africa and 5.547 tons in Europe, and only 3.295 tons in New Zealand (Asharq-Al awsat, No. 7937, August 21, 2000). In spite of the fact that no cost figures have ever been released by individual firms, the remarkable physical productivities must have translated into significant economies of scale that encouraged both the businessmen and the Government to expand the industry.

Government Finances

The Dairy Industry gets government financing from two government agencies – the Agricultural Bank and the Saudi Industrial Development Fund (SIDF). The Bank extends both non-refundable subsidies and zero-interest loans to help with the farm operations, cow purchases, transportation, farm machinery, and imported animal feed. In certain cases the Bank may also extend loans to build dairy factories. In most cases, however dairy factories are financed by the SIDF. The Fund finances 50 percent of the total cost, and loans range between SR 1million to SR 400 million. Depending on the cost of evaluating the loan application, the Fund charges 5-6 percent of the approved loan. The cost of the loan is deducted up front from the first loan-installment extended. Data on the breakdown of equity and private-banking financing are never published for most dairy firms, since most of them are privately owned.

The SIDF data, however, show that the Fund has extended 84 loans for or total of SR1785 million (US $476) to dairy projects from 1975 to 2005 (see Table 3). The table shows that for 2001, the approved loans were less than SR38 million. Loans jumped to SR187 million and SR382 million during the following two years. This represents a very surprising development, as if the Fund had not heard about the recurring price wars in the dairy industry. Every application for a license or loan was required to be supplemented by a feasibility study conducted by a consultant.

In spite of experienced difficulties, the overall dairy industry seemed to be sufficiently profitable to warrant additional loans. Some sources in the private banking industry informally reported that the return on equity of some big producers was as high as 24 percent. This was matched only by the banking industry in Saudi Arabia. It seemed that the banking industry was not the only industry that was "milking" the Saudi consumer. The absence of coordination among government agencies on the one hand, and the lack of economic costing of a very scarce natural resource (water) on the other, have led to the rapid expansion of the industry both in terms of total volume of output and in terms of total producers . The high profitability of dairies was a sign of a large gap between private and social costs. A major contributor to this gap, in addition to direct subsidies, has been the absence of a comprehensive government policy regarding water extraction and use in particular and industrial policy in general.

Water is a very scare resource in Saudi Arabia. Farmers need to get a license from the Government to dig water wells, but no fees are imposed on water usage afterwards. It has been estimated that the production of one liter of milk in Saudi Arabia requires 1,000 liters of water on average. When water is obtained almost free, it is never included in the calculations of the producers' costs (Saudi Commerce, No. 35, March, 1997, p.30). As the growth rate of productive capacity outpaced the growth rate of demand, price wars among producers became inevitable.

TABLE 3 LOANS EXTENDED BY SIDF TO DAIRY PRODUCTS INDUSTRY

Fiscal Year	No. of loans	Approved Loans Thousands of SR
1974	-	-
1975	2	13,200
1976	-	-
1977	3	58,877
1978	6	63,451
1979	6	52,000
1980	7	67,592
1981	2	19,500
1982	3	18,400
1983	1	7,647
1984	2	5,400
1985	-	-
1986	2	21,300
1987	2	12,875
1988	1	9,500
1989	2	14,000
1990	1	50,000
1991	4	115,260
1992	3	72,750
1993	5	37,600
1994	5	267,244
1995	3	45,950
1996	7	122,150
1997	1	13,000
1998	3	30,000
1999	2	25,200
2000	1	35,000
2001	3	37,860
2002	4	186,750
2003	3	382,130
Total	84	1,784,636

Source: Saudi Industrial Development Fund (SIDF), through personal correspondence, 2004.

Note: Not all loans are for dairy products. From 1999 on, some loans were for juices and tomato paste production.

Recurring Price Wars

As the number of producers increased and as the industry became larger, excess product inventories resulted and products returns went up. The intra-industry growth rates were not, however, evenly distributed. The largest four producers (Al-Safi, Almarai, NADEC and NADA) maintained a combined market share of more than 70 percent of the fresh dairy output over the years. See Tables 4-6 for an industry output and sales breakdown.

Increases in consumer demand were insufficient to absorb the mounting inventory levels. International comparisons show that per capita consumption in Saudi Arabia for several dairy products are comparatively very low (see Table A-6).

Producers were forced to lower retails prices and make concessions to retailing grocery stores. Unlike the practices in some countries, notably in the U.S.A., grocery stores in Saudi Arabia do not buy dairy products for their own account, and do not and sell them under their own brand name. Dairy products In Saudi Arabia always carry the logos of the producers. For a grocery store to carry the products, the producer has to pay a percentage fee of the retail sales price to the store owner. The stores also charge rent for the shelf space made available for dairy products. The rent varies according to the size of the grocery store. Furthermore, any unsold inventories are returned to the producer. The risk of excess inventories is always born by the producer. This explains why grocery stores in Saudi Arabia never offered price discounts to consumers. This fact and the producers' attempts to protect their margins (by trying to resist price discounts) led to very rigid dairy market conditions resulting in sudden and sharp price changes whenever the competition intensified.

In December 1999 (coinciding with Ramadan, the holy Muslim fasting month), the first price war started as one of the major producers was accused of offering grocery stores larger discounts (undisclosed) on products and higher rent for shelf space. Other major producers felt that they were losing shelf space and sales. A second major producer announced price reductions to end users that ranged between 25 to 40 percent. It took two months for the original discounting producer responded. Tables 5 and 6 show the relative importance of each producer in terms of value of sales and in terms of market shares in year 2000. Table 7 below shows the prices for the major products before and during the first price war.

TABLE 4 FRESH DAIRY OPERATIONS, END OF 1999

	Company	Estimated milking Cows (1999)	Estimated Raw milk prod for Processing (tons)	Remarks
1	Al-Searah	950	6,500	
2	Astra	200	1,500	
3	Taif	no cows	N/A	buying milk form others
4	Najran Dairies	400	3,000	
5	Jawzaa	100	700	
6	Almarai*	18,000	189,000	
7	Al Safi*	12,500	130,000	
8	Al-Aziziah	2,500	14,000	
9	NADEC*	12,000	100,000	
10	Al Zeid	500	3,000	selling to Almarai
11	Ministry of Agriculture	700	4,500	
12	Abnaee	3,000	25,000	
13	Alomeir	1,200	7,000	selling to Almarai
14	Al Jauf	500	3,000	
15	Al Jedan	1,000	6,000	
16	Al Mazrah	4,000	25,000	
17	Dar Al Sheik	750	5,000	
18	Al Tukhaim	600	2,000	
19	Al Hana	1,000	6,000	
20	Al Qassim	no cows	N/A	buying milk form others
21	Ismail	400	2,800	selling to NADEC
22	Al Ghadir	700	4,500	selling to NADEC mostly
23	Al Khabrah	250	1,500	
24	Al Gazirah	600	3,000	
25	Al Suwaidi	500	2,000	
26	Shaghdali, Hail	500	2,000	
27	National Dairy	1,500	9,000	
28	NADA	5,750	53,000	
29	Al Reif	800	5,000	
30	Shadco	1,500	9,000	
Total		72,400	623,000	

Source: IMES, GCC Diary Products, Saudi Arabia 2000 pp. 43-47

TABLE 5 VALUE OF SALES & MARKET SHARE OF EVERY COMPANY FOR THE ENTIRE INDUSTRY (FRESH &COMBINED DAIRIES) FOR THE YEAR 2000

Company	Sales (million riyals)	Market Share
Al Marai	1000	20.4
SDAFCO	900	18.4
AL Safi Danon	600	12.26
NADEC	458	9.35
Halawni Brothers	400	8.17
NADA	320	6.6
Al Rabia	300	6.12
Jamjoom Foremost	270	5.52
Najdiah	100	2
Modern Dairies	100	2
Arayyan	96	1.96
Array	90	1.84
Al Azziziya	70	1.43
Taif	48	0.98
Al Mazraa	40	0.82
Al-Hana	30	0.61
Arreef	22	0.45
Najran Dairies	16	0.33
Riyadh Dairies	10	0.2
Badr Dairies	10	0.2
Al-Kharj Dairies	8.1	0.17
Al-Safwa Dairies	7.1	0.14
Al-Khabra Dairies	2.5	0.05
Total	4897.718	100

Ref: Al-Asfoor, Abdallah, An Economic Analysis for the Marketing System of the Dairy Industry in Kingdom of Saudi Arabia, MS Thesis, King Saudi University, 2003, p. 73.

TABLE 6 VALUE OF SALES & MARKET SHARES SPECIALIZED FRESH DAIRY PRODUCERS FOR THE YEAR 2000

Company	Value of Sales (million Riyals)	Market Share (%)
Almarai	1000	36
Al-Safi- Danon	600	21.6
NADEC	458.016	16.15
NADA	320	11.5
Najdiah	100	3.6
Rayyan	96	3.4
Al-Aziziah	70	2.5
Al-Mazraa	40	1.42
Al-Hana	30	1.08
Al-Reef	22	0.8
Najran Dairies	16	0.6
Al-Riyadh Dairies	10	0.36
Al Kharj Dairies	8.1	0.3
Al-Safwa Dairies	7.102	0.25
Al-Khabrah Dairies	2.5	0.09
Total	2779.718	100

Ref. Al-Ashfoor, Abdullah, 2003, p.63.

TABLE 7 RETAIL & WHOLE SALE PRICES DURING & AFTER FIRST PRICE WAR

SIZE	Retail Price during price war*	Retail Price according to agreement	Wholesale Price (lowest to Grocery Stores)	Commission to wholesalers **	
1 gallon	10	12	11.8	6.25	%
3 liter	9	10	9.4	6.25	%
2 liter	5	7	6.58	6.25	%
1 liter	3	4	3.76	6.25	%
0.5 liter	2	2	1.88	6.25	%
200 ml.	NA	1	0.94	6.25	%
180 grm/zabadi(Yogurt)	NA	1	0.94	6.25	%
400 grm/zabadi(Yogurt)	NA	2	1.88	6.25	%

Source: The General Agreement to organize the Production & Marketing of Fresh Dairy Products, Fresh Dairy Board, Saudi Arabia, May 15, 2000

*Asharg Al-Awsat, May 2000

** These figures may not be accurate, but this was the agreement.

The discounting of prices continued until May 15, 2000, when twenty-four producers, under the patronage of the Ministry of Agriculture, signed an agreement to reduce competition between the twenty-four producers. The agreement covered not only wholesale and retail prices, but included guidelines for promotional activities in terms of physical size, duration, new markets, new products and new entrants to the industry.

The agreement provided the terms to resolve the problem of shelf space competition. Every producer was allowed to rent shelf space in up to 500 outlets for three months after signing the agreement. After three months rent should be paid only to 'class A' outlets (outlets that are no less than 500 m2). The agreement fixed limits for total rent and other promotions as a percentage of total sales to an outlet. Producers were classified into four groups on a sliding scale in terms of their daily productive capacity, where rent payments and other promotions decreased with increasing production capacity. Payments for sales commission were not part of rent and promotions payments (see Table 8).

Surprisingly, no price war was ever reported between the producers of fresh products on the one hand, and the producers of recombined products on the other. The latter group of producers was never called to be part of any agreement! This is something to ponder! (See the Teaching Notes)

The Problem of Excess Raw Milk Inventory

The producers agreed to purchase the excess inventory of raw milk from raw milk producers who were not engaged in any processing activities. This obligation would last for three years (the signed agreement was for two years!). In return, the raw milk producers pledged to limit their production during that period. The purchase price was between SR1.3 to SR1.4 per liter. The signatories also pledged to stop importing cows for one year.

Long- Life Milk

While the agreement outlined wholesale prices for different sizes of containers of long life milk, retail prices were not mentioned. The wholesale prices were to be revised six months later. The signatories pledged not to engage in any direct or indirect harmful activities to each other. Two weeks after the agreement was signed, some firms started to cheat on long-term milk prices. Some firms also violated the rent agreement for shelf space. These violations started a second price war. Industry sources are not clear as to how this second price war was resolved. It seems that the parties reached a verbal gentlemen agreement to abide by the agreement signed before.

TABLE 8 PRODUCTION CAPACITY & MAXIMUM ALLAWABLE PROMOTIONS PER PRODUCER

Tons/day	Maximum Promotions amt of sales (%)
<50	15%
50-100	12%
100-150	9%
>150	6%

TABLE 9 Retail PRICES OF MAJOR DAIRY PRODUCTS BEFORE & AFTER THE THIRD PRICE WAR

Container Size	Price before 3rd war*	Price after 3rd war**	Percentage Change
3 liters	SR 10.00	SR 9.00	10%
2 liters	SR 7.00	SR 6.00	14.30%
1 liter	SR 4.00	SR 3.00	25%

*Ref.: Dairy Producers Agreement, ** Asharq Al-Awsat, No. 8256, July 6, 2001

Note: The 2 liter milk container is the major product item for all companies. Eventually the prices of major producers Al-Marai, Al Safi, NADEC, Nada, & Najdiah bottomed down to SR6.00 per container and for the remaining producers at SR5.00.

AlSafi-Danone Agreement

In spite of increasing difficulties, it looked like the Saudi Dairy Industry remained attractive, not only to local investors, but to foreign ones too. In June 1998, Al Safi offered to sell to Danone (a French company and one of the largest dairy producers in the world) part of its manufacturing, marketing and distribution facilities. Al Safi's cow-farms were not included in the offer. Danone was interested in the proposal as Al Safi was, and still is, one of the largest dairy producers in one of the most lucrative, expanding markets in the world. Among AlSafi's attractive features were a strong brand name, a livestock of 32,000 cows, diversified dairy products that were sold through 20 thousand outlets, and annual sales that had reached SR600 million ($160 million) by the end of 2000. In November 2000, an agreement was signed and Danone paid SR500 million ($133 million) for a 50.1percent share in Al Safi.

The Third Price War

It did not take too long for a third dairy price war to erupt. Some major producers accused others of unfair competition by offering cash payments to shelf operators in large grocery stores, by paying very high rent for shelf space, to the disadvantage of competitors. The agreement signed in May 2000 was considered to be no longer in force. On July 5, 2001, Al Marai declared unilateral price reductions on the major products (milk and laban) that ranged from 10 to 25 percent. Within one week the other producers responded and matched Almarai's prices. Table 9 presents prices before and after the third price war.

The Ministry of Agriculture refused to interfere this time. Apparently, it gave up any hope that producers would respect the agreements they sign. The producers asked for help from the Council of the Union of Saudi Chambers of Commerce. A consulting firm was hired to study the problem. Several meetings took place without any resulting agreement.

TABLE 10 DISAGGREGATED MILK PRODUCTION AND TOTAL NUMBER OF MILKING COWS BY COMPANY FOR THE YEAR 2002

First: Specialized producers & processrs

	Company	Average daily milking cows	Total year 2002 prod. (Tons)
1	Almarai	19500	310000
2	Al Safi	15000	165000
3	NADEC	9120	96000
4	Nada	6218	63000
5	Najdiah	3000	26196
6	Al-mazraa	2500	21900
7	Al-Azizia	1850	18000
8	Al-Rayyan	1620	12500
9	Al-Hana	1500	10600
10	Al-Riyadh	1150	9125
11	Al-Safwah	650	6500
12	Al-reef	1037	6932
13	Al-Kharj	1100	7300
14	Al-Seerah	1050	7100
15	Najran	450	3500
16	Riyad Al habra	310	1866
17	Astra	220	1650
	Total	66275	767169

Second: Raw milk farms selling to producers

1	Al-Shargiyyah	1650	9750
2	Al-Aumeer	1300	8000
3	Al-Majeediyyah	900	6205
4	Al-ghadeer	1200	9125
5	Al-Zaid	975	7800
6	Al-Faw	650	3250
7	Al-Shaghdali	850	6200
8	Al-Tukhaim	1400	12400
	Total	8925	62730
	Grand Total	75200	829899

Notes: Daily milked cows are 75-80% of total milk cows, the remaining are considered to be dry cows.

- Production is related to total milking cows, not just actually milked.

- Milking cows are cows that can give milk, i.e after excluding baby & male cows. They are about 50% of total cows on a farm.

Source: National Dairy Products Board.

The Threat of a Yet Another Price War

The industry's product diversification into juices did not seem to solve its problems for too long. In April 2005, the Eastern Province witnessed a limited price war in the 2- liter size natural juices as some producers reduced their price from SR8 to SR6. Since the producers of these juices are the same as the producers of dairy products, industry sources anticipated that this might spill over into a price war of dairy products. A verbal gentleman agreement was reached a year before to keep the two-liter natural juices prices at SR8, all over Saudi Arabia except in the Capital, Riyadh, where it could be sold for SR6, since most producers are concentrated in Riyadh Province. The producers agreed to stop all promotional activities by the beginning of 2005, but it looks like that the industry's woes are far from over (Al-Eqtisadiah, No. 4201, April12, 2005). The industry was far from being restive however. It is still composed of a heterogeneous combination of a few very large producers, and a relatively large number of very small ones. Excess capacity and surplus output of milk is still looming large. The competition for shelf space is still persistent. Furthermore, the Government was increasingly unhappy about the unwise use of water resources.

In spite of the fact that the first price war started in 1999, and in spite of increasing competitive pressures, it has been taking both the companies and the Government a very long time to decide and act upon the next steps. What could have and should have been done about the existing dilemmas?!

Questions for Discussions:

1. What is the best description of the market structure of the Saudi Dairy Products Industry and how has it been affecting the industry? Compare this to the usual textbook cases.

2. Why hasn't collusion among producers succeeded? (Here the professor may want to remind students of six general factors that help to strengthen collusions)

3. What mistakes at the industry level led to recurring price wars?

4. What mistakes at the Government level contributed to dairy price wars?

5. What should happen at the industry level to deal with the current situation?

6. What should the Government do?

APPENDIX

TABLE A-1 ACTUAL PRODUCTION OF SOME BASIC FOODS IN THE SIXTH DEVELOPMENT PLAN (1994-1999)

(Thousand of Tons)	1994	1999	Change %
Wheat	2646	1834	-30.7
Barley	2010	500	-75.1
Red Meats	150	160	6.7
White Meats	361	526	45.7
Egg	127	139	9.4
Fresh Dairies	633	866	36.8
Vegetables	2291	2757	20.3
Fruits	988	1244	25.9
Fish	52	56	7.7

Source: The Saudi Government's Seventh 5-year plan, Ministry of Planning

TABLE A-2 ESTIMATED DEMAND ON SOME BASIC FOODS IN THE 7th DEVELOPMENT PLAN (1999-2004)

	1999	2004
Wheat	1834	2147
Red Meat	370	433
White Meat	682	798
Egg	122	143
Dairies	823	963
Vegetables	3361	3934
Fruits	1931	2260
Fish	94	110

Source: The Saudi Government's Seventh 5-year plan, Ministry of Planning

TABLE A-3 (ESTIMATED) SUPPLY OF BASIC FOODS (1999-2004)

	1999	2004	Average Annual growth rate
Red Meats	160	168	1.0
white meats	526	773	8.0
Egg	139	161	3.0
Dairies	806	1004	3.0
Vegetables	275	3196	3.0
Fruits	1244	1514	4.0
Fish	56	62	2.0

Source: The Saudi Government's, Seventh 5-year plan, Ministry of Planning

TABLE A-4 PRICE LIST FOR ALL CUSTOMERS

Description	Pack Size	Whole Sale	Retail Sale
Milk	1/1 Ltrs	2.75 SR	3.00 SR
Milk	1/2 Ltrs	1.88 SR	2.00 SR
Milk	1/4 Ltrs	1.15 SR	1.25 SR
Milk	1/5 Ltrs	0.94 SR	1.00 SR
Milk	2 Ltrs	4.5 SR	5.00 SR
Low Fat Milk	1/4 Ltrs	1.15 SR	1.25 SR
Low Fat Milk	1/5 Ltrs	0.94 SR	1.00 SR
Low Fat Milk	1/1 Ltrs	2.75 SR	3.00 SR
Laban	1/1 Ltrs	2.75 SR	3.00 SR
Laban	1/2 Ltrs	1.88 SR	2.00 SR
Laban	1/4 Ltrs	1.15 SR	1.25 SR
Laban	1/5 Ltrs	0.94 SR	1.00 SR
Laban	2 Ltrs	4.7 SR	5.00 SR*
Low Fat Laban	1/4 Ltrs	1.15 SR	1.25 SR
Low Fat Laban	1/5 Ltrs	0.94 SR	1.00 SR
Low Fat Laban	1/1 Ltrs	2.75 SR	3.00 SR
Shannan	1/1 Ltrs	2.75 SR	3.00 SR
Khasifa	1/1 Ltrs	2.75 SR	3.00 SR
Yoghurt	180 Gms	0.94 SR	1.00 SR
Yoghurt	400 Gms	1.88 SR	2.00 SR
Low Fat Yoghurt	400 Gms	1.88 SR	2.00 SR
Low Fat Yoghurt	180 Gms	0.94 SR	1.00 SR
B.F. Cream	150 Gms	2.5 SR	3.00 SR
B.F. Cream	50 Gms	0.95 SR	1.00 SR
Labneh	500 Gms	4.5 SR	5.00 SR
Labneh	80 Gms	0.95 SR	1.00 SR
Labneh	10 Kg	90 SR	
Mahalabia	150 Gms	0.9 SR	1.00 SR
Raw Cream	1.5 Kg	27 SR	
Ghee	1 Kg	22 SR	25.00 SR
White Cheese	2 Kg	25 SR	24.00 SR
White Cheese	10 Kg	125 SR	
Romi Cheese	1 Kg	15 SR	
Akawi Cheese	1 Kg	15SR	
Raw milk	1/1 Ltrs		
School Milk Chocolate	200 Mlx24	17 SR	23.00 SR
School Milk Strawberry	200 Mlx24	17 SR	23.00 SR
School Milk Banana	200 Mlx24	17 SR	23.00 SR
School Milk Plain	200 Mlx24	17 SR	21.00 SR
Long Life Milk	12x1 Ltrs	32 SR	34.00 SR
Long Life Milk	200 Mlx24	17 SR	21.00 SR
Low Fat Long Life Milk	12x1 Ltrs	32 SR	34.00 SR
Low Fat Long Life Milk	200 Mlx24	17 SR	21.00 SR

Source: Al-Aziziah Dairy Products Company, 26-04-2003

*Al Marai, Al Safi, NADEC, NADA, & Najdiah sale price is SR6.00. Other producers sale prices is SR5.00

TABLE A-5 SAUDI ARABIA: ESTIMATED CONSUMPTIONOF DAIRY PRODUCTS, 1995-1999 (TONS)

Sector	1995	1996	1997	1998	1999	Retail Value (SR million)
Milk	258,875	271,200	289,550	309,850	334,500	1,365
of which:						
- long life	191,375	201,200	214,060	231,850	253,710	975
- short life	67,000	70,000	75,490	78,000	80,790	390
Laban	218,710	223,880	226,200	246,300	262,750	1,175
Yoghurt	58,250	62,800	66,850	71,350	77,100	460
Labneh	3,050	3,300	3,500	4,000	4,325	80
Cream	17,850	17,125	17,150	17,450	17,450	360
of which:						
- local (non-	3,150	3,150	3,200	3,850	3,975	105
canned)	14,200	13,475	13,450	13,100	13,000	245
- canned - other imports	500	500	500	500	475	10
Evaporated milk	48,000	49,000	51,500	53,000	54,500	345
Condensed milk	1,280	1,425	1,600	1,750	2,000	25
Retail milk powder	44,000	44,000	44,000	43,000	43,750	865
Retail butter	11,100	10,550	10,300	10,000	9,800	195
Butter ghee	4,385	4,150	3,950	3,800	3,100	68
Cheese	65,925	66,550	67,800	69,900	72,400	1,725
of which:						
- processed:	32,975	32,975	31,900	32,900	33,000	865
imported	3,850	5,200	7,100	8,500	10,500	275
local	22,485	20,575	19,695	18,600	17,895	270
-white:	1,915	2,800	3,705	4,200	4,805	70
imported local -natural mature	4,700	5,000	5,400	5,700	6,200	245
Ice cream	18,000	18,000	18,500	18,500	18,000	0
Grand total	748,925	771,980	800,900	848,900	899,675	7,058
Volume growth	0%	3%	4%	6%	6%	

Source: IMES, (International Marketing & Economic Services)

March 2000, UK, pp. 17-18

www.imes.co.uk

TABLE A-6 SAUDI ARABIA: NTERNATIONAL COMPARISONS OF CONSUMPTION OF SELECTED AIRY PRODUCTS (KG PER CAPITA)

Country	Liquid Milk	Yoghurt	Butter	Cheese
Germany	67	14	7	21
France	76	19	8	24
Netherlands	104	20	3	17
UK	119	5	3	10
Denmark	98	14	2	16
US	95	5	2	14
Saudi Arabia[1]	30	4	1	4

Source: ADC, IMES, 2000, p. 86

1: Saudi Arabian figures refer to 1999.For liquid milk the figures include laban, and for butter include butter ghee. Data for other countries mostly refer to 1997/ 8.

TABLE A-7 SAUDI ARABIA:DAIRY PRODUCTS CONSUMPTION FORCAST1999- 2004 (TONS)

	1999		2004		
Sector	Product Weight	LME	Product Weight	LME	INDEX 1999=100
Milk	334,500	334,500	395,000	395,000	118
of which:					
-long-life	253,710	253,710	295,000	295,000	116
-short life	80,790	80,790	100,000	100,000	124
Laban	262,750	262,750	300,000	300,000	114
Yoghurt	77,100	77,100	95,000	95,000	123
Labneh	4,325	8,650	5,250	10,500	121
Cream	17,450	122,150	18,250	127,750	105
of which:					
-local (non-	3,975	27,825	4,750	33,250	119
canned)	13,000	91,000	13,000	91,000	100
-canned					
-other imports	475	3,325	500	3,500	105
Evaporated milk	54,500	136,250	57,500	143,750	106
Condensed milk	2,000	5,000	2,500	6,250	125
Retail milk powder	43,750	350,000	40,000	320,000	91
Retail butter	9,800	225,400	9,000	207,000	92
Butter ghee	3,100	80,600	3,250	84,500	105
Cheese	72,400	900,790	80,100	998,000	111
of which:					
-processed:	33,000	462,000	34,400	481,600	104
imported	10,500	147,000	15,000	210,000	143
local	17,895	178,950	15,000	150,000	84
-white:	4,805	38,440	8,000	64,000	166
imported					
local					
-natural mature	6,200	74,400	7,700	92,400	124
Ice cream	18,000	18,000	20,000	20,000	111
Grand total	899,675	2,521,190	1,025,850	2,707,750	107

Source: IMES estimates, March 2000

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ENDNOTES

1. Industries, No.14, February 2004, A quarterly magazine published by The Council of Saudi Chambers of Commerce.
2. Industries, No.14, February 2004, A quarterly magazine published by The Council of Saudi Chambers of Commerce.
3. Industries, No.14, February 2004, A quarterly magazine published by The Council of Saudi Chambers of Commerce.
4. Industries, No.14, February 2004, A quarterly magazine published by The Council of Saudi Chambers of Commerce.
5. Field, John D. “Milking Cows in the desert is big business”, World Agriculture, 1993. Published by Sterling Publications Limited, London, UK.
6. Pillai P.K. “Productive Efficiency of Dairy Farms in Saudi Arabia Reaches top World Standards” , Saudi Commerce & Economy No. 35, March 1997.
7. This case is written for students in applied microeconomic theory, managerial economics, agricultural economics, business policy, and public policy courses. As such it leaves some analytical issues for students to ponder.

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Recurring Price Wars in the Saudi Dairy Products Industry

Teaching Notes

Summary: The rapid evolution of the Saudi Dairy Products Industry out of nothing is a remarkable example of a country's converting oil revenues into some badly needed investments. The industry's success in terms of the high quality and wide diversity of products is very remarkable indeed. The industry's success, however, carried in it the elements of current difficulties, manifested by recurring price wars among producers. This case discusses how the unguarded elements of success were beset by mistakes at both the industry's and Government's levels.

Target Audience: Students in applied microeconomic theory, managerial economics, agricultural economics, business policy, and public policy.

Teaching Approach & Strategy: Students should review material in their principles of economics textbooks on imperfect competition, especially on oligopoly. They should also review ideas on externalities and public goods.

Teaching objectives

Students are to find out:

I. Industries and market structures evolve over time. They are not "born" as one complete "creature". Also, market leadership and the ability to survive are to be won, not to be given.

II. What errors in judgment at the industry level have led to current difficulties. These were manifested by:

1) Severing the relationship between large manufacturers and small dependent raw, milk producers while there are no major market barriers. The drawbacks of such a decision that unfolded later on show that excessive self- interest could be both privately and socially harmful in the long run.

2) The very important issue here for both investors and consultants is to be able to ask and answer good and relevant questions regarding an industry, such as the potential growth rate of demand, ease of entry and exit ….etc. Investors might have wanted to seek another opinion, just like a patient pondering going through a major surgery may want to seek the opinion of another doctor!

III. When the market is a buyer's one, no colluding agreements among producers will hold for too long, just like what happened in the international oil market in the mid 1980's and late 1990's. OPEC members in that period kept cheating each other. Two peculiar observations are to be made about producers' collusion in this case. First, unlike the textbook case of colluding firms, there were no ceilings on total industry output, nor any production quotas to industry members. The only physical constraint was imposed on the very small raw milk producers, and a one-year moratorium on cows imports for all firms. Producers wanted “to eat their cake and have it too”. They were trying to prevent prices from collapsing without doing much on quantities produced!! Second, no price war was ever reported between the producers of fresh products on the one hand, and the producers of recombined products on the other. The latter group of producers was never called to be part of any agreement! It looks like the producers of fresh products either thought their products to be very differentiated from recombined products, thought that the total number of firms is already too large to include others, or both. It is important to remember, however, that the differentiation between the two branches of the industry is not limited to the nature of products produced, but also to the nature of the investments required. Producers of recombined milk did not have to invest in establishing farms to raise cows and grow animal feed. The labor and capital requirements for them was thus much less. The constraints and opportunities of the two groups are thus (very) different.

IV. Some errors at the public (Government) policy level. These were manifested in the following practices:

1) An excessively paternalistic policy manifested by generous subsidies offered by multiple Government agencies that do not seem to coordinate their policies.

2) The absence of a comprehensive Government policy regarding a very scarce natural resource in the Country – water. This is a very, very good case to appreciate the difference between private and social costs and the repercussions there upon!

V. Market adjustment under the pressure of competition could be a rather long and painful process: The first price war started in 1999, yet major adjustment decisions on exiting the industry by some small producers, mergers among the small ones, or acquisitions by the big of the small are taking a long period of time to embark upon.

Some suggested solutions: Very briefly

1) Application of some program like food stamps for the poor to lift some of the excess supply from the market. Donations by producers shall be tax-deductible. The fact that per capita consumption of dairy products in Saudi Arabia is very low , compared to consumption in other countries (see table A-6), may imply that income assistance programs may help to raise consumption of these products.

2) Firms need to ponder seriously painful solutions such as exits, mergers and/or acquisitions. The behavior of the “big brothers” in the past of refusing to buy from small raw milk producers was a major cause of the problem. Now the “big brothers” could be part of the solution.

3) Dairy manufacturers must install water recycling equipments to reduce water consumption by the industry and to reduce the divergence between private and social costs in water consumption.

4) The Government needs to come up with a comprehensive water policy, including the imposition of a severance tax on the extraction of water.

5) Government agencies need to review and coordinate their subsidization policies. Any further subsidies to the Dairy Industry may need to come to a halt for quite sometime.

Questions for Discussions:

1. What is the best description of the market structure of the Saudi Dairy Products Industry and how has it been affecting the industry’s outcome? Compare this to the usual textbook cases.

2. Why hasn’t collusion among producers succeeded? (Here the professor may want to remind students of six general factors that help to strengthen collusions)

3. What mistakes at the industry level led to recurring price wars?

4. What mistakes at the Government level contributed to dairy price wars?

5. What should happen at the industry level to deal with the current situation?

6. What should the Government do?

Industry & Government Responses

Some small producers (Al-Azizia, Najdiah, Al-Hana, Almazra'a, and Al-Riyyad) started negotiations for mergers, which never culminated into anything. The small producers were mainly family owned companies.

Some of the major producers like Al Safi and Almarai opted for converting some of their production capacities either into bottling of fruit-juices imported in large containers from other countries, or introducing new blends of milk and juices. Al Marai built a factory of cheddar cheese at a cost of SR90 ($24) million, with an intended capacity of 50,000 tons per year. NADEC opted for building cow and animal feed farms in Sudan, where water is much more plentiful. Milk is shipped to, and processed in their factories in Saudi Arabia.

Al Qaseem, a small producer, opted to exit completely from the production of dairy products into water bottling. The excess productive capacities on the one hand, and the rising prices of some inputs on the other, have driven three producers of raw milk (Al-Saliheyya, Al-Shagdali, and Al-Tokharim) into bankruptcy. The selling price of raw milk went down from SR1.6/liter to SR1.2, and prices of animal feed increased by 41 percent. (Al-Eqtisadiah, No. 4005, September 28, 2004). Almarai negotiated in 2004, buying some farms of raw milk producers. This was in spite of the fact that the company itself closed down some of its own smaller farms in 1999-2000. The industry ruled out converting liquid milk into powdered milk. The reason given was that every one kilogram of powdered milk required 11 liters of liquid milk. Imported powder milk was found to be cheaper

Surprisingly, industry agreements never included a clearly -stated upper industry output, nor any detailed production quotas for member firms. This contrary to the usual textbook- colluding practices!!

One solution that may help curb the excess supply of dairy products is for the Industry to convince the Government that dairy producers should be allowed to pay all , or at least some of their tax dues in kind. This requires designing a system similar to the food stamps program in the USA. Poor people can collect from grocery stores dairy products for free. The program could reduce product returns, reduce waste, generate further demand for dairy products, and reduce pressure on the cash flow of producers.

It should be mentioned here that only very lately (in 2004 -2005) there has been a change in Government's agricultural policy in an effort to economize on very scarce water resources. The Government reduced subsidies for wheat production and the allowed acreage of animal feed, prevented exports of animals feed. Farmers are called upon to install meters on water wells, and encouraged to recycle water. However it is not clear to what extent these measures have been actually implemented. There has been a report that the Government is studying revising upward the fees for agricultural water consumption. Furthermore, the change in the Government's commercial policy, has added more pressure on the industry as the Government reduced the general tariff on imports from 12% down to 5% in a country that imports between 50-60 percent of its dairy products consumption.

Epilogue

AlMarai Company achieved the highest profits in its history during the first half of 2005, announced the chairman, Prince Sultan Ibn Mohammed Ibn Saud Al-Kabir, on the eve of the first general assembly of the partners after the IPO -- the transfer assembly --. Net profits for the mid-year 2005 was SR178.3 million, an increase of 2 percent from the same period last year.

Prince Sultan emphasized that the company is keen on continuing to achieve higher growth and expansion in its productivity and marketing. "Achieving this high net profit was a result of increase in sales and production efficiency as well as increase in our cattle's production rate which is considered among the highest in the world,"* he said.

The company saw an increase in its sales during the first half of 2005 reaching SR994.8 million, an increase of 9.7 percent compared to the same period in 2004. Total profits increased by 8.8 percent reaching SR395 million. The increase in total profits was less than the increase in sales due to the increase in production costs as a result of higher prices of the raw material and the decrease in the price of US dollar.

It was also due to the expansion plans of the company that includes establishing a new model factory, expanding the farms and production units, and developing distribution and sales capacity thus increasing the company's assets to SR1221 million, an increase of 11.3 percent.

"The company received loans to implement the expansion project, which is about to be completed, some from the government and the other is commercial loans from a number of banks in accordance with Shariah laws," said Prince Sultan*.

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