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Editorial

This special edition of International Journal of Management Cases focuses on retail marketing and business management in the Far East area (including China, South Korea and Taiwan). The key aim of the edition is to bring two main topics together, retail marketing and business management. Retail marketing emphases on consumer issues and includes specific preferences, satisfaction and characteristics. Business management issues comprise collaboration between academic and industry, the evaluation of entry strategies, global supply chain and service quality in event industry.

The case entitled “A Research on Preferences for Mobile Phone” explores that cultural, social, consumer behavioural and preferential elements are influential to Taiwanese preferences of mobile phones, and find out the associations between people’s preference. The case entitled “Bought it…” investigates how a refund policy affects the choices of compulsive shoppers and the relevant issues. An experimental approach and cross-country comparison (British and Taiwanese) were undertaken. The case “Effects of Customer Complaint Management…” examines the influence of customer complaint management on customer satisfaction. The case entitled “Toward a New Framework…” develops a new framework for collaboration between small and medium-sized enterprises and academic institutions for improving SMEs’ R&D and innovative capabilities as well as sustaining their competitive advantage. “Critical Evaluation…” is to investigate and critical evaluate Hewlett-Packard’s experience in China. The case “The review of development of business events…” examines the literature on business events and service quality and provides PEST analysis of business events in Taiwan. “The key strategic suppliers…” reviews Toyota’s case and the case entitled “The characteristics of consumers…” explores behaviour of Korean consumers as internet shoppers.

Finally the following academics, Dr Kuan-Yao Chiu, Dr Randolph C.C. Lin, Dr Yasser Ahmed Ibrahim and Dr Yu Wang, whose enthusiastic involvement as reviewers for this special issue would like to be acknowledged.

Guest editor

Ching-Wei Ho, PhD

A RESEARCH ON PREFERENCE FOR MOBILE PHONE: THE TAIWANESE CASE

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Abstract

A great ancient Chinese army advisor, Sun Tsu, said that if you would like to defeat your enemy in each battle, the best way is to "know both your enemies and yourself, then your victory is assured". Simply speaking, the information makes winners. This has been and will always be a golden rule no matter in warfare or commercial competitions. In other words, contestants should not only know the characters of target market, but also their own advantages and disadvantages, then could conquer the specific "battlefield". The ethos of population is often the most intricate part to deal with, which the research is based on.

This study not only takes exploratory approaches to know if cultural, social, consumer behavioural and preferential elements are influential to Taiwanese preferences of mobile phones, but also to find out the associations between people's preference and above factors with chi-square test and Pearson correlation test. In this research, we find that culture, Social-Economic Status (SES), branding and personal preferences, have significant association with consumer's background and their preferences on mobile phone, and we also conclude the correlations between those variables.

Keywords: Branding; Consumer Behaviour; Culture; Mobile Phone.

Introduction

Looking into the Taiwanese mobile phone market, Nokia is not so advantageous as in other parts of the world. Namely, though Nokia has acquired the largest market share in most states, it lost its leading place in Taiwan for a wrong strategy in 2004. Notwithstanding Nokia returned to the top in the first half of 2006, the battle is still tied. Besides, the third maker, Sony-Ericsson, is getting stronger and catching up from behind. The other makers on top 10 lists are all from East Asia states. For this, we would like to ask why Nokia's wrong decision results in its inferior in Taiwan market but not elsewhere in the world? Is there any reason to the answer why fold-designed mobile phones are so popular in Taiwan? What is Taiwanese preference on choosing mobile phone?

Some social policy scholars argue that there is an East Asian model to elaborate some atypical phenomena in social provisions, which cannot be explained by the existing theories that applied to Western countries (Holliday, 2000, Jones, 1993). To some extent, it implies the difficulties to predict the situation in East Asian society and, in this case, market (Pecotich and Shultz II, 1998, Trompenaars and Woolliams, 2004). Even though, in the past decades, the researches about the relation between culture and some fashionable hi-tech products (ex. mobile phone) were hardly to be seen (Chen et al., 2007: 49).

It is well known that East Asian market makes up around one-fourth of worldwide population. Thus, to maintain or seize as large market share as possible is crucial to all the producers. For the sake, the best approach is to know what factors lead consumer's behaviour in this market first, then to determine a policy to expand business by all means. This research focuses mainly on Taiwan and takes an exploratory way to review the market, which would help broaden views and comprehend the environment of the Taiwan, and East Asian, market. In addition, this research investigates social and consumer's aspects to know what factors affect consumer behaviour the most in Taiwan. With this analysis, we expect to provide new aspects of knowing the Taiwan mobile phone market and understand what consumers need in this area. Finally, to make useful suggestions about making phones to cater most people's demands and preferences.

The following sections review some cultural studies and social-economic status that are relevant to this research.

Literature Review

It is true that the East Asian market is different from the western market, not only in cultures, but also in the meanings of values, lifestyles, economic environment, political situation and so forth. Some policy researchers find that those differences make them improbable to comprehend the ideology behind the policies, policy packages, the true meanings of the policies and so forth, and do not even mention to compare them with other countries thoroughly (Bradshaw, 1994: 444). By the same token, marketing researches on cross-cultural issues may encounter such a problem, and would finally result in futility when not knowing much about or misunderstanding the messages that come from the local consumers. Therefore, to know the culture and the possible influence of the culture on target market is the first thing to do.

In addition to culture, a few seminal papers consider the importance of inner (culture, social classes, lifestyle, values and so forth) and outer (social expectations, commercials, reference groups, economic circumstances, demographic variables, family status and so on) factors which always influence consumer behaviour (ex. Watson et al., 2002, Kotler and Keller, 2006, Engel and Blackwell, 1982, Engel et al., 1995, Hawkins et al., 1995, Kim et al., 2002, Schwartz, 1994 and so forth). While in the last decade, most Taiwanese studies just reviewed relevant works and recognised the influence of culture contexts, but only some of them focused on the impacts of cultural factors, social economy status (SES) and personal factors about buying cell phones. Most of the indigenous researches worked on the values of mobile phone, purchasing strategies, brand loyalty, the relation between demographic variables and consumer behaviour, market partition, cultural values, consume values, vanity, telecommunication service providers, consumer knowledge and purchase decisions, and impact of country-of-origin (COO) effects, cultural assimilation (Wei, 2000, Wei, 2004, Shao, 2006, Lin, 2002, Cheng, 2002, Fang, 2003, Huang and Liu, 2005, Huang, 2004, Pei et al., 2003, Tsai, 2002, Tsai and Lai, 2001, Wu, 2003 and so on).

Cultural Studies

Among cultural researches, Hofstede's seminal work in early 1980s, which compared the organisational culture of IBM in 72 countries, was the most famous of him. In his book, he extracted four dimensions of cultural researches at that time that would help further studies to evaluate one country's position in worldwide cultural context (Hofstede, 1980) . In the second edition of his masterpiece, Hofstede applied Bond's idea of "Confucian (Work) Dynamism" and transformed it into his fifth dimension, the Long-term/Short-term Orientation or LTO (Long-term Orientation) (de Mooij, 1998: 86-8). Hofstede's full version of cultural dimensions is as follows: power distance; uncertainty avoidance; individualism versus collectivism; masculinity versus femininity; and long-term versus short-term orientation (Hofstede, 2001).

Among the five dimensions of national culture, individualism/collectivism dimension is employed in this research. The individualism/collectivism dimension, as Hofstede (2001: 29) posits, "is related to the integration of individuals into primary groups." Hofstede and Bond (1988: 11) also point out that "On the collective side, we find societies in which people from birth onward are integrated into strong, cohesive in-groups; often their extended families…continue protecting them in exchange for unquestioning loyalty." Mooij (1998: 232) further concludes the characters of collectivism as follows: conformity; popular; succor; family; community; and affiliation. Hofstede's result shows that Taiwan got lower score in individualism (17), moderate scores in masculinity (45) and power distance (58), and higher score in uncertainty avoidance (69). Because all the dimensions are dualistic, when one state gets low score in one dimension means it tends to be scored higher in another pole. That is, for instance, Taiwan fits the nature of Confucianism (collectivism) because it gets lower score in individualism.

Hofstede's theory was widely debated since it came up and some seminal works tried to adjust and supplement its weakness. Among them, the works done by Usunier and Trompenaars and Woolliams were frequently cited. Trompenaars and Woolliams' (2004: 50-1) work employ seven dimensions (Universalism vs. Particularism, Individualism vs. Communitarianism, Specific vs. Diffuse, Neutral vs. Affective, Achievement vs. Ascription, Sequential vs. Synchronic, and Internal vs. External Control) to correct Usunier's (1996) viewpoints, and thus could better analyse consumer behaviour and markets in different culture contexts. They find that, among these 13 eastern and western states, most of the western and eastern states are markedly polarised in the spectrum. From the dimension Individualism versus Communitarianism, which is similar to Hofstede's individualism/collectivism, it points out that four out of seven the dimensions—Particularistic, Communitarian, Diffuse, Conceal and Ascribed Status of Orientation—of Taiwan are inclining to one polar which is opposite to western countries in the spectrum.

Beyond that, Kotler and Keller (2006: 184) propose the Model of Consumer Behavior to make clear the stimulus-response behaviour of consumers. This Model illustrates that the decision of purchases basically starts from marketing stimuli and other stimuli (such as economic, technological, political and cultural stimuli), and goes further to consumer psychology (e.g. motivation, perception, learning and memory) and consumer characteristics (e.g. cultural, social and personal particularities). Besides, from some comparative studies (Trompenaars and Woolliams, 2004, Pecotich and Shultz II, 1998: 4), culture is a crucial factor to comprehend consumer behaviour. Therefore, culture is the key to do researches on one market.

When reviewing relevant studies in Taiwan, some inquire into the cultural impacts on mobile phone preferences. Watson, Lysonski, Gillan and Raymore (2002: 924) state that culture can be seen 'as a society's personality or as a glue that binds people together', and Schwartz (1994: 21) puts that culture is the 'language of specific values about which they can then communicate.' Furthermore, Radkowski (1980) claims that culture can be regarded as socially instituted desire, i.e. not individual images but imaginations pertaining to shared social reality (quoted from Belk et al., 2003: 115), and Lee (1992) argues that 'culture is a way of living and life design of a specific nationality'.

In the same vain, Tseng (2000), an indigenous researcher, divides culture into three levels: cultural phenomenon, cultural body and cultural spirit. The 'cultural spirit' is the core of a culture that constitutes the ideology and values of a nationality. Accordingly, Tseng suggests the better way to detect people's level of cultural experiences is to know what level involved in their lifestyle. In other words, culture may affect one's patterns in the so-called six-dimension (i.e. foods, dresses, living, transportation, education and amusements) which comprehends all aspects of one's life. From the piling works above we could conclude that, nowadays, Chinese or Confucius traditional values are chiefly mirrored people's lifestyle .

Social-Economy Status (SES)

Exactly as what Girard (1987) and Stewart (1984: 163-4) state, for one thing, that it is not the price but other's wants define the value of products. For another thing, Kotler and Keller (2006: 180-1) and Huffman et al. (2003: 25) also point out that people's preferences shift when they are in different stages, status and ages in their lives. In other words, not only the symbol of a product stirs up people's desire, but also people need a symbol to represent their status to gain other's identification.

From the perspectives of Confucianism, the idea of mien-tzu and lien (face) are directly related to personal social position or status. As Hu (1944: 45) defines, lien "represents the confidence of society in the integrity of ego's moral character" while mien-tzu is "a reputation achieved through getting on in life, through success and ostentation". From the definition, mien-tzu is relevant to one's SES and social position. That is, in order to show (or pretend) and support one's status, he or she has to purchase things that fit one's purchasing power. If one fails to do so, he or she would lose mien-tzu when others find one's accessories do not match one's status and may be thought stingy. This illustrates that, similar to above studies, with the social transformation, the evaluation of a specific product in a society becomes more and more important than that in one's society or family. This results in the belief of word-of-mouth communication and the reputation of well-known makers (Kindle, 1985; cited from Yau, 1988: 52-3) and shows that people tend to have higher loyal to specific brand, which corresponds to Hofstede's findings of collectivism dimension. Therefore, those who have higher societal position (either by income or jobs) may tend to choose the brands that are approved by most people or the ones that are deemed as high value, fashionable or prestigious.

Impulsive Purchasing

Some researches about the relation between stimulus (mainly in commercials and information on the Internet) and consumer behaviour argue that consumer's knowledge on mobile phones has strong influence on purchase decisions (Lin, 2002). In this sense, the effects of Country-of-Origin (COO) could be ignored because accessing the knowledge to a specific product may reduce the influence of COO (Johansson et al., 1985: 395, Zhang, 1996: 53). Obviously, visiting the forums, to some extent, means either they already possess such mobile phone models and would like to share his or her experiences, or stands for those potential buyers. Besides, it would happen, some argue that, if collecting data from those who usually visit forums for certain kinds of products may agitate one's impulsive buying behaviour. However, Gudykunst's (1993, cited from Kacen and Lee, 2002: 165) work shows that consumers' impulsive action would be offset by the level of collectivism in one country because most consumers tend to be conservative and would think twice before purchasing. Kacen and Lee's (2002: 173) research further points out that the use of Internet possibly results in the increase of impulsive purchasing, but the association is insignificant .

Methodology

Design and Procedure

This research is operated mainly by quantitative method which means questionnaire is the only way to derive data for analysis and get the results. The questionnaire is divided into three parts: personal information and personal custom of using mobile phone; while the last part consists of measurements (with 5-point Likert-scale) to examine one's tendency toward traditional values, consumerism, brand perception and social-economic status then constitute the indexes for detecting the impacts on preference. The pilot study and formal data collection are carried out through on-line questionnaire, and the respondents are from the two biggest mobile phone website forums . That is, the procedure is to post information of the survey on these two forums with a link which conducts to the on-line questionnaire.

Sampling

As mentioned above, all the respondents are from those who visit the two most important forums of cell phones. One of the characters of these people, according to the literature review, is that their decisions are made by the information they obtain from these sources. Therefore, according to our pilot test, those who usually visit these websites and forums are seldom influenced by any kinds of commercials. Another character is that they would not purchase a phone according to their knowledge of the country of origin. Still another, they would not do impulsive buying. Briefly speaking, they have collected enough information about their target product and they believe in themselves. In this sense, we could waive some outer factors from this research that are influential to the conclusion. However, an obvious limitation of this research is that most of respondents are students due to the population of Internet users which may distort the findings.

Hypotheses

From literature review and research design, there are four main hypotheses in this research that are as follows:

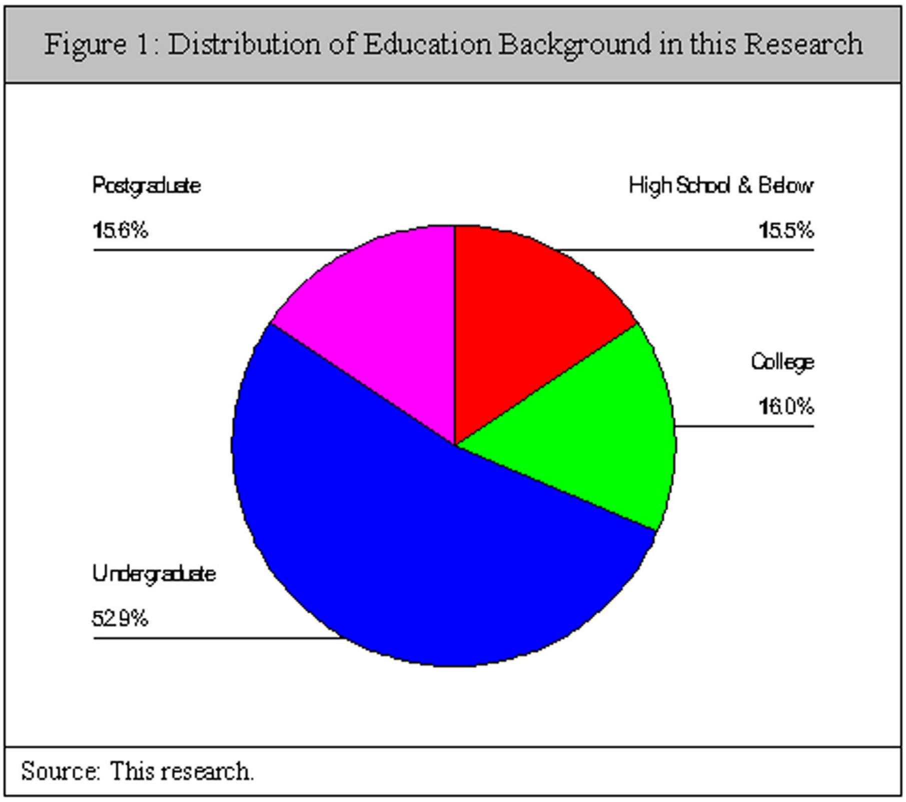
H1: Cultural involvement has impact on Taiwanese cell phone preferences.

H2: SES has impact on Taiwanese cell phone preferences.

H3: Personality has impact on Taiwanese cell phone preferences.

H4: Brand perception has impact on Taiwanese cell phone preferences.

Figure 1: Distribution of Education Background in this Research



Source: This research.

Analyses and Findings

In this study, we collect 845 samples that are 466 and 379 samples of men and women respectively. More than half of the samples obtain 'undergraduate degree' (52.9%) and 'college degree' (16.0%), while people who get 'master or higher degree' and 'high school or lower degree' are 15.6% and 15.5% individually.

As for the categories of industries, we classify them into three groups according to the definition of three sectors: primary, secondary and tertiary. Besides, we also define two groups — 'student' and 'none' — to distinguish those who are students and unemployed. Among them, we find that 38% of our samples are students, and the percentage of the other four groups are 1.3%, 16.8%, 37.6% and 5.6 to 'Primary Industry', 'Secondary Industry', 'Tertiary Industry' and 'None' respectively.

Because around 40% of the samples are student, naturally, those people who earn less than 15,000 New Taiwan Dollars (NTD; 1 USD=32.67NTD) per month accumulated to 39.2%. Besides, 21.3% of respondents earn 25,000 to 34,999, and for those who earn 35,000 to 44,999 and 15,000 to 24,999 are 13.5% and 11.6% respectively.

As for the location and marital status of the samples, there are 60.5% of people living in northern part of Taiwan, while 19.9% and 16.1% percent of people live in central and southern part respectively. In terms of marriage status, we find that 81.8% of people are not married.

With regard to the question about 'what is the brand of cell phone you are using?', the top 10 makers listed below:

Table 1: The Top 10 Brand of Mobile Phone

Table 1: The Top 10 Brand of Mobile Phone

From this research		From survey (Q1, 2006)	
Brand	Percentage	Brand	Percentage
Nokia	19.2%	Nokia	25.3%
Sony-Ericsson	15.6%	Motorola	24.9%
Motorola	13.3%	Sony-Ericsson	9.8%
OKWAP	6.4%	Samsung	6.1%
ASUS	6.3%	OKWAP	5.2%
Samsung	6.2%	ASUS	4.5%
BenQ-Siemens	4.1%	BenQ-Siemens	4.3%
BenQ	3.7%	LG	3.5%
Sharp	3.2%	WIN II	1.9%
Dopod	2.2%	Sharp	1.3%
Source: This research; www.sogi.com.tw (2006)			

Source: This research; www.sogi.com.tw (2006)

Obviously, the rank derived from this research is somewhat different from market survey. For one thing, the rank in top 2 and 3 producers swapped and Sony-Ericsson leads for 2.3%. Besides, in our research, we find that WIN II and LG are out of the list and replaced by BenQ and Dopod, and there are four local producers on top 10 and market share ranges from 3.7% (BenQ) to 6.4% (OKWAP).

Interestingly, when people are asked 'which brand you are most satisfied with?', 37% states that Nokia is the brand they are most satisfied with, and top 2 to 5 are as follows: Motorola (19.2%), Sony-Ericsson (9.7%), OKWAP (6.5%) and ASUS (5.2%). When asked 'how much money you would pay for a new phone?', 23% chooses 3,000 to 4,999 NTD (1 USD=32.67 NTD) and the medium locates in 5,000 to 6,999 NTD. In addition, when asked 'what is your chief concern if you want to replace a phone?', the top 3 reasons show that 'function of the phone' (691), 'reasonable price' (595) and 'feature of the product' (527) respectively.

As for the turnover duration of mobile phone, 37.4% and 32.7% of respondents show that people usually use their phones for 1 to 2 years and 2 to 3 years individually. Besides, 19.5% reports that they use a phone for more than 3 years. In terms of the most useful functions, the top 3 on the list are text message (637), alarm (590) and photo taking (369). It shows that, although cell phone are more and more multifunctional, people still get used to some basic functions such as text message and alarm. The other popular functions are as follows: Walkman (MP3) (252), clock (233) and games (227). Moreover, when asked 'what type of feature do you like?', around half of people state that they are in favour of folder style (47.8%) and 30.7% shows that they prefer straight type.

Reliability Analysis

Before we examine these four sets of factors, we employ reliability analysis with alpha value to detect whether our research is reliable or not. We find that these four groups (cultural, SES, consumer behavioural, branding factors) gain 0.7861 in alpha value. It means that the analysis with these four sets of factors can explain 78.61% of it, and proves that the results of this study are reliable.

Culture and Life Patterns

In this section, we examine the relation between cultural factors and life patterns. For cultural elements, we apply Lee's (1992) living style assumption as cultural index and Jones' (1993) cooperationism. They argue that personal preferences for oriental foods, decoration, sense of cooperationism, perception of local design and simple, and selection of phone features. From all the background effects, we find that cultural factors have significant effect on some aspects.

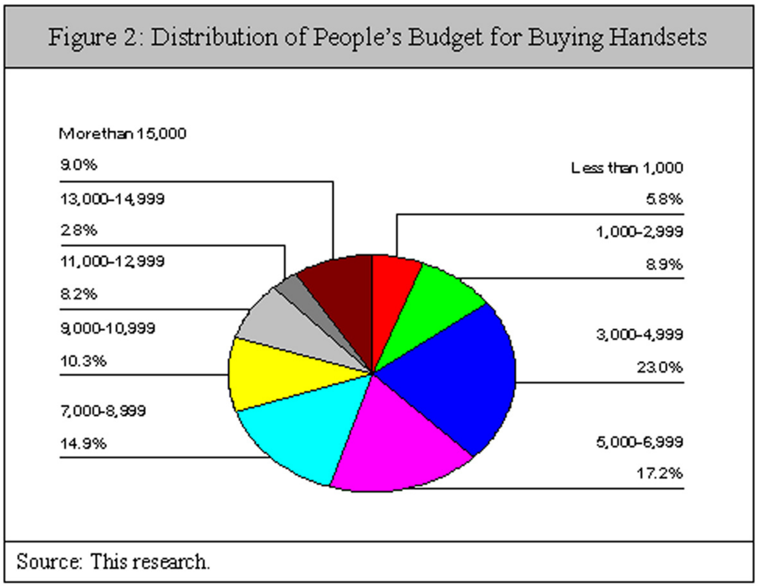
With respect to age groups, according to chi-square test, we find that culture has a significant association with ages (p= .022), and has a weak negative relation between them (Spearman= -.087, p= .011). That is, culture has influence on age group in buying cell phone and this trend slightly declines when ages go up. Besides, it shows that cultural factors have significant effect (p= .038) on people in different income status to make decision about buying phones, thus we can confirm that culture has significant association with making decisions on buying phones. In addition, chi-square tests show that culture also has significant association with 'brand of mobile phone makers' (p= .006), 'money would like to pay for a new phone' (p= .024), 'years of the longest used phone' (p= .002), 'favorite phone types' (p= .009), 'location people live' (p< .0005), and 'marital status' (p= .016).

Therefore, in this part, we could summarise that, first of all, on the one hand, as Table 1 shows, the difference among the top 10 mobile phone makers is different from market survey. In other words, we can claim that Taiwanese people's tendency to cultural values would affect their preference on mobile phone makers, which is different from world's rank . On the other hand, as Putit and Arnott (2007: 7-8) suggest that it would be meaningful to examine the association and relation between cultural tendency and mobile phone preference. The result shows that respondent's cultural tendency does not have significant association with the preference of top 5 makers, whereas the preference of oriental and occidental makers has denoting relationship with culture. According to Spearman's Rho test (=.061*), we can learn that people who get higher score in cultural inclination slightly tend to choose mobiles designed by Eastern makers. Although the relation is significant but weak, the results of Hofstede (2001) and Putit and Arnott's (2007) work do not meet the outcome of this research. That is, the characters of collectivism society (e.g. people would tend to buy big maker's products because they are well reputed) do not show in this research. This could be caused from the source of data collection. As mentioned above, people may be inclined to choose what they need rather than the impression of country-of-origin when information is clear. Moreover, the research also finds that Eastern consumers may better get used to oriental design even though this does not correspond to the market share in Taiwan.

Secondly, culture has significant influence on people's budget of purchasing mobile phones. With regard to Figure 2, it shows that more than half of the respondents' budget is less than 7,000 NTD. Besides, phone makers' average final selling prices (Figure 3) corresponds to consumers' budget. From the selling prices, we see that Sharp's price is the highest among them, which is twice the price to the rest makers. As for the other producers, the range is between 4,000 and 7,000 NTD. Namely, "price fights" meet consumers' expectation. Moreover, we find that the data set shows a significant weak relation between income status and budget (Pearson Coefficient=.137**, p<.0005), but one's own position, namely student or not, does not affect one's own budget to buy handsets. Therefore, this study does not support the claims that, at least in mobile phone market, producers' commercials alter people and students' self identity and remodel their behaviours.

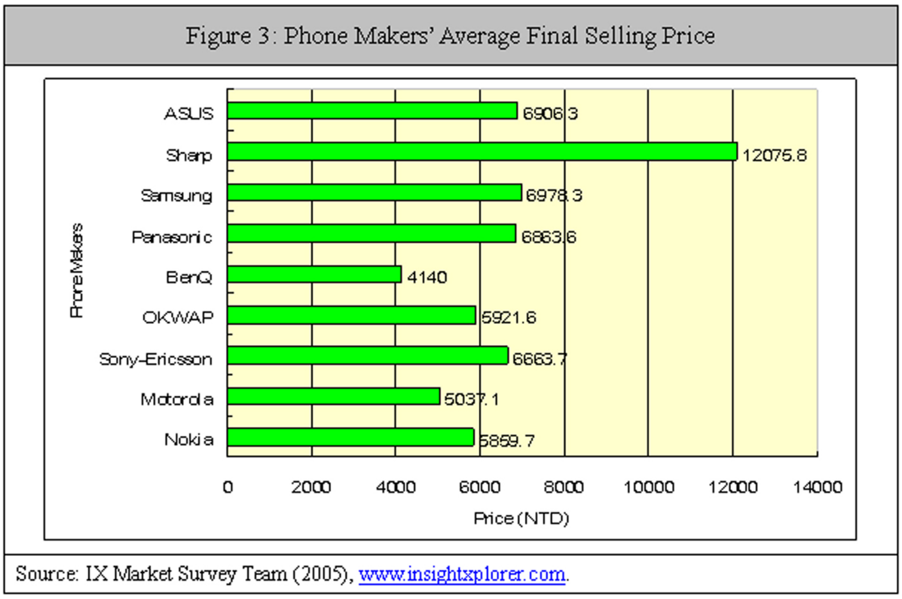
Thirdly, chi-square test denotes that culture index has significant association with the 'longest years of using a handset', and Spearman's Rho (=-.081*, p=.019) illustrates that there is a weak negative relation between these two factors. This represents that when one's culture index goes up for one point, the years he or she uses the phone would reduce by 0.081 years. The result does not fit the tradition of thrift albeit the relation is slight (Jones, 1990a, Jones, 1990b).

Figure 2: Distribution of People's Budget for Buying Handsets



Source: This research.

Figure 3: Phone Makers' Average Final Selling Price



Source: IX Market Survey Team (2005), www.insightxplorer.com.

Fourthly, it shows that cultural values are associated with phone's feature. Figure 4 depicts Taiwanese consumer's preference for handset types. It shows people prefer folder style than straight, and can gradually accept other types such as slider and pivot phones, while longitudinal studies could be employed to know the change of consumer's taste.

The following table illustrates the relation between culture and function that are significant. The data reveals that, for one thing, people tend to contact others through telecommunication rather than taking vis-à-vis. For another thing, it shows that Taiwanese people pay attention to the update of information and the control of time. Still another thing we can know from the association is that people may want to have different experiences from using handsets. In this sense, it represents that people would think about changing within limited scale.

Social-Economical Status (SES)

In this section, we examine the background and behaviour of choosing mobile phones with income groups and social index. For income group, we divide into ten categories from 'less than 15,000 NTD' to 'more than 95,000 NTD', as for the 'social index', we employ some questions to detect people's tendency or ideology to social-economic status, such as 'high price phone represents my status', 'phones with metal feature represent my status', 'to buy fashion commodity shows my status', and 'mobile phones could show my status'. From the aspect of income groups, chi-square test ($p= .008$) shows that income groups have significant association with 'money willing to pay for a new phone'.

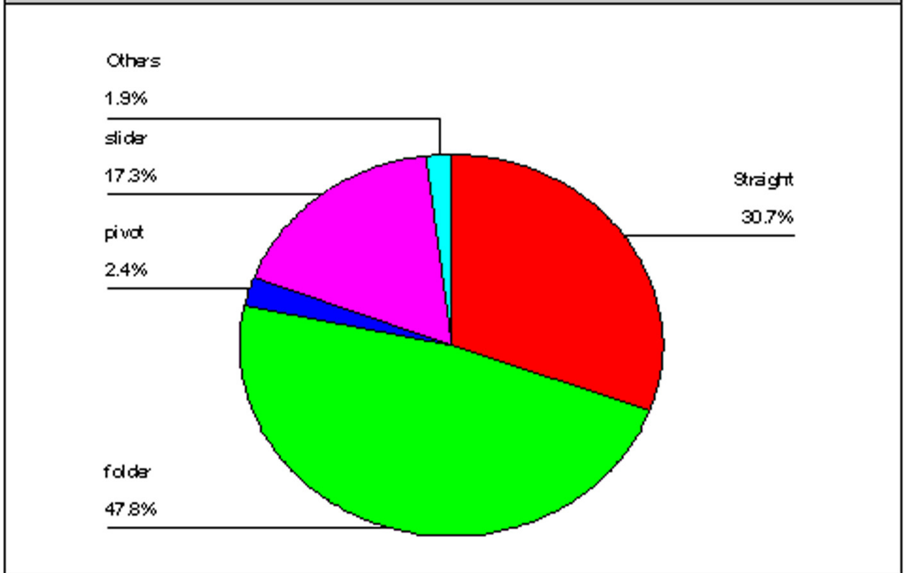
Besides, chi-square test ($p< .0005$) illustrates that income groups have significant association with people's choices to mobile phone. As for the relation between income groups and 'frequencies to change handsets', we find that income group has association with 'frequencies to change handsets' ($p<.0005$) and these two factors have significant positive relation (Pearson Coefficient=.228, $p<.0005$). That is, when one's income group rises for one bracket, the times for he or she to replace handsets would increase by 0.228. Income group also significant association with 'years of the longest used phone' ($p= .038$) and 'favorite phone type' ($p= .002$). For the first one, it does not have denoting relation between income levels.

Table 3 describes the association and correlation between income status and preferred functions. We find that the demand of Calendar and Bluetooth devices slightly go up with income. That is to say, when one's income increases, he or she would find it important to have schedule and Bluetooth functions. Indeed, in the beginning, these two functions are designed for businessmen. As for MP3 Player, we find it has a modest negative relation with income. From chi-square ($p<.0005$) and spearman coefficient tests we could explain that it is a function for young people, which shows a moderate relation between Income and preference for MP3 Player. Besides, the stage of one's lifecycle also affects its need for MP3 Player. It shows that respondent's preference for this function varies that is closely associated with whether he or she is a student or not (Spearman=.152**). This result evidently corresponds to the stage theory (Huffman et al., 2003). Hence, we could conclude that when one enters the labour force, one may not require this function as they were teenagers.

In terms of the social index, which is composed by some selected 5-Likert scale questions, the results show that it has association with 'preferred phone makers' ($p= .003$) and it has a moderate negative relation with the time span to change a new handset (Pearson Coefficient=-.201**). For one thing, the first part notifies that phone users may identify themselves with the handsets they are using, and this ideology makes mobile phones as an extension of their status. For another thing, the later part means that when respondent's SES index goes up for one point, his or her time span for replacing handsets would reduce by two to three months.

Figure 4: Consumer’s Preference on Phone Feature

Figure 4: Consumer’s Preference on Phone Feature



Source: This research.

Source: This research.

Table 2: The Association between Culture and Consumer’s Preference on Functions

Table 2: The Association between Culture and Consumer’s Preference on Functions

Functions	Probability
Text message	p=.007
Internet	p=.001
Network’s services	p=.002
Change cases at will	p<.0005
Compose user’s own tones	p=.026

Source: This research.

Source: This research

Table 3: The Association between Income Levels and Preferred Functions

Table 3: The Association between Income Levels and Preferred Functions		
Functions	Chi-Square	Pearson Correlation Coefficient
Calendar	p=.001	.108*
MP3 Player	p=.003	-.234**
Dictionary	p=.021	-
Bluetooth Devices	p=.045	.045*
Source: This research.		

Source: This research

Table 4: Association between SES Index and Preferred Functions

Table 4: Association between SES Index and Preferred Functions		
Functions	Chi-Square	Pearson Correlation Coefficient
Video Camera	p=.020	.117*
Internet	p=.026	-
Calculator	p=.028	-.081*
Voice Control	p=.002	.092*
Source: This research.		

Source: This research

Table 4 presents four functions that have associations with SES Index. We can find that, except calculator, three of them are fancy functions which could show one's own Social-Economic Status. The correlation coefficients also illustrate that 'Video Camera' and 'Voice Control' have weak positive relations with SES Index. In addition, the result depicts that SES Index has association with 'Calculator' but they are in a weak negative correlation. This may show that 'Calculator' is not a modern function and people who have higher Social-Economic Status do not need it to show their position.

Branding and Consumer Preferences

In this section, we apply two categories of factors to examine the branding and consumer behavioural impacts on handset preferences. In terms of branding, we employ 'boring of the same brand', 'defend for the brand you prefer', 'recommend friends and relatives the brand you prefer', 'the tendency to use the same brand', and 'the impression of the country it is made in' to examine one's persistence about one brand. As for the consumer behavioural index, we apply the following factors to examine it: 'the more functions the better', 'many functions are hardly used', 'often wants to try new phones', and 'I like to change covers at my will'.

For the background factors, chi-square test shows that the branding concept has a significant association with location (p< .0005). Besides, the result shows that there is a significant association between branding concept and the frequencies to change phones (p= .017). As for the influence of branding concept on preferred functions, we conclude the chi-square tests in Table 5. Six functions have association with branding attitude and consumer behaviour, while five out of six are fashions at that time. Therefore, when one maker develops new functions and are recognised as fashionable, this could be the symbols of forming consumer's identity to a specific model or phone maker. Namely, it seems that people merely pursue novel and useful functions, but do not really show their loyalty to a specific model or brand. This finding does not correspond to Hofstede's typical collectivist society and Trompenaars and Woolliams' Communitarianist regime. Nonetheless, other findings show that that people have higher consumer concept tend to choose phones made by Eastern makers albeit the relation is weak (Pearson= .081*), and those have higher branding tendency are apt to buy phones produced by Top 5 makers (Pearson= .100**) but do not have significant preference over Eastern or Western makers.

Table 5: Association between Preferred Functions and Branding and Consumer Behaviour

Table 5: Association between Preferred Functions and Branding and Consumer Behaviour

Functions	Association
Video Camera	p=.023
Radio	p=.042
Dictionary	p=.040
Voice Control	p<.0005
Infrared Devices	p<.0005
Ring Tone Composer	p=.047

Source: This research.

Source: This research

The following table shows the results of Chi-Square and Pearson Correlation tests. Among them, this research finds that men's consumer concept is stronger than women. We could both learn that fewer women would show their opinion about the handsets they are using, and know that women are neutral to consumer concepts. Besides, respondents' consumer concepts have significant association with 'Location' and 'Mobile Phone in Use', which mean people would have different tendency of consumer concept if they live in different location and people who have different level of consumer concept are distinct in choosing mobile phones. The results also illustrate that people with higher degree and age tends not to show their concept on handsets. Even though, Pearson Correlation Coefficient (= .081*) shows

Furthermore, Table 6 demonstrates that when one has stronger tendency toward consumer's rights, his or her budget on buying new handsets would increase slightly and the frequency of replacing cell phones would reduce modestly. As for the correlation with 'education status', 'ages' and 'years of the longest used phone', we find there are significant positive correlations among them. That is to say, when consumer's education degree and age go up one level, according to Pearson Correlation tests, the interval of using a handset would increase noticeably by .238(**) and .180(**) years respectively. For the age groups, because those who attend higher ages have less choice than younger groups or for their nature, they tend to use a handset longer. Interestingly, the results also show that people who obtain higher educational status have moderate positive correlation with the years of using handsets. It means that their tendency to replace handsets seems lower than those with lower education degree.

Table 6: Association between Consumer Concepts and Background

Table 6: Association between Consumer Concepts and Background		
Aspects	Chi-Square	Pearson Correlation Coefficient
Gender	p=.007	.144**
Education Status	p=.008	-.151**
Age	p=.004	-.228**
Location	p=.035	-
Mobile Phone in Use	p=.021	-
Money to Pay for Replacement	p=.005	.162**
Frequency to Replace Handsets	p=.041	.071*
Years of Longest Used Handsets	p<.0005	-.265**
Source: This research.		

Source: This research

Table 7: Association between Consumer Behavioural Index and Preferred Functions

Table 7: Association between Consumer Behavioral Index and Preferred Functions		
Aspects	Chi-Square	Pearson Correlation
Text Message	p=.001	-.143**
Alarm	p=.005	-.121**
Clock	p=.012	-.147**
Camera	p<.0005	.227**
Video Camera	p<.0005	.173**
MP3 Player	p<.0005	.213**
Dictionary	p=.005	.109*
Infrared Devices	p=.043	.108*
Replacing Covers	p=.021	.093*
Source: This research.		

Source: This research

Table 7 demonstrates the relation and association between consumer's conception and preferred functions. There is a clear trend that traditional functions are not thought to be a concern of buying a handset. Thus, the programmes like 'text message', 'alarm' and 'clock' are basic features and are deemed that all phones should have. We can still notice that 'replacing covers' is also an old function, but is not that popular as it was at this moment. That is to say, people still concentrate on the variety of handset's feature, but it is not that important as other fashion functions. As for the functions that people with higher consumer's concept would concern about are 'camera', 'video camera', 'MP3 Player' and 'dictionary'. This table shows that 'camera', 'video camera' and 'MP3 Player' have the strongest relation with the Consumer Behavioural Index and thus would influence people's preference for cell phones.

Limitation and Conclusion

As exception, there are some limitations that confine this research from examining further details of the relationships between Taiwanese people's mobile phone preference and cultural, SES, personality and other dimensions. For one thing, as Hofstede (2001) notifies, different ethnicities, age (or generation), gender, locality, income level, educational status and so forth in the same region or state may constitute different cultures. This research treats all the respondents share the same concept of cultural values and may result in bias. This restriction could also be the direction for further researches. For another thing, as Feathersotone (1987) argues, time, wording of commercials, lifestyle and consumer culture are closely related. However, lacking of this view to examine this relation pointed above, it may, to some extent, cause incompletion of cultural analysis. Still another thing, apparently, about 40% of student consists of a set of sample may distort the findings of a research like this. It would probably make some variables such as income position, educational status, and SES index invalid. However, it could be valid if we focus on consumer behaviour of young generations, which would be a further research.

The findings of this research could be concluded as follows. Firstly, culture does influence people's favourite of handsets which is shown by the inconsistency between the studies of the top 10 makers of the world and that of this research. It illustrates that, world's top 3 makers still keep their positions in Taiwan albeit people prefer Sony-Ericsson and Nokia rather than Motorola. Besides, Taiwanese people prefer local or Asian mobile phone brands instead of Western brands which is proved by the findings. In this sense, we could notice that after Sony merged Ericsson, its market share in Taiwan enlarged markedly. This could not merely be resorted to the oriental concept of design, but also the oriental perception of fashion. That is why, for instance, Motorola has R&D relationship with some Taiwanese companies and attempt to enlarge its share in Taiwan and East Asia markets. Besides, though mobile phones are getting important in modern Taiwanese society, people tend not to spend too much on it. However, we also find that income has significant weak negative relation with the period of using a handset. Hence, we cannot conclude whether the value of thrift applies to mobile phone products, but it is for certain that low price strategy would last for a while.

Secondly, the SES Index not only corresponds to stage theory, but also denotes that mobile phones are another symbol to show one's own class. For one thing, professionals or white collar people's handsets do not necessarily have to include MP3 Player but should have a smart feature to show their proficient status. For another thing, because time-saving and time-management are important for professionals, they prefer to equip a perpetual calendar, large phonebook and extension capacity, Bluetooth device and voice control function. It signifies their Social-Economic Status (or vanity) when using it in public (Shao, 2006, Netemeyer et al., 1995, Chang, 2000). Thirdly, some makers link the concept of proficiency and high class with metal and smart feature and high price. Though this study does not show a significant association between it and SES Index, it deserves to do further research to know whether it is workable or not for Taiwanese consumers. Fourthly, this research also finds that the tendency of showing one's class with mobile phones is indifferent with one's working status. Namely, in Taiwan, most consumers would try to show one's own purchasing power through cell phone.

Thirdly, Taiwanese people seems not have a clear identity to a specific phone maker. It is true that people presume products that have the latest functions or novel ideas as good brand or phone models. That is, by and large, the stimulation comes from novelty but not consistent loyalty to a particular maker. It is true as well that, to some extent, models that have complete functions in one is less meaningful at this moment. In this sense, products that have its specialties, for example, MP3 Player or camera with million pixels and auto focus become fashion instead of multi-function. Therefore, when consumer's concept heightens, Taiwanese people tend to ask for more features and functions in vogue and replace their phones more frequently than before.

This research illustrates that Taiwanese consumer's preference for mobile phone is different from the traditions inculcated in our mind. Throughout this process, as Featherstone (1987) argues, globalisation and westernisation internalise and reshape people's preference. Eventually, the convergence of lifestyle and culture of consumption may come bit by bit. We may need to understand and follow this pattern then know the trajectory of development. At last, but may be the most important, as Yau (1988) points out, the implication of marketing is that producers would do better market segmentation as they know the culture well.

Recommendations for further Researches

Here are some suggestions for further researches. For one thing, as Hofstede and Bond (1988: 8) state that all we need is "an approach that allows comparisons between countries – that is, an identification of cultural variations." Comparative studies would be the best way to observe and recognise the difference between cultures. Some cultural studies (particularly Yau, 1988: 45) find that the transformation of culture is significant in most of the cultures. For Chinese culture, as Yau argues, younger generation and intellectuals are dominant to the conversion but, interestingly, they tend to return to traditional values while they are getting older. Even though it is hard to forecast the alteration of culture, longitudinal and comparative approaches would be the best way to do cultural researches.

Secondly, it is debated that, under Confucian traditions, family and society tend to determine the values toward things. Within this process, the level of conformity expresses to what extent family and society influence consumer's decision making. From Chung and Pysarchik's (2000) research we could know that in South Korea, a Confucianism society as Taiwan, people's purchasing decisions tend to abide by public or familial opinion. However, similar research is hardly seen from indigenous researchers. Besides, the level of conformity of the comparison between those who visit forums about mobile phone regularly and those who hardly do that would be an interesting study.

Thirdly, according to some recent studies (ex. Tse et al., 1989: 459, Yoon, 2006: 763-4), in "neo-Confucian habitus", family is still dominant in decision making. It means that the concept of individualism is not a good strategy for promoting products. Chen, Chiu and Lin's (2007: 52-3) study in China, Japan, South Korea and Taiwan supports this result which finds that terms relevant to individualism are seldom used in advertisement as the main key in these four region. Therefore, the association between culture and terminology could be examined further.

Lastly, it would be interesting to examine three different types of mobile phone users as Mazzoni, Castaldi and Addeo (2007) suggested . From this research, we find that text message and alarm are frequently used by mobile phone users. Besides, respondents also express that price is a bit more important than other features. In this sense, it means that most Taiwanese users tend to be value-driven and basic users instead of techno-fun users now that some fashionable functions are preferred by small amount of consumers. In the future, this could be another topic to carry on.

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BOUGHT IT, USED IT, RETURNED IT: REFUND POLICIES AND BUYING BEHAVIOUR IN EUROPE AND THE FAR EAST

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Abstract

Under consumer protection regulations in western countries, refund regulations for shops are very common. These give consumers the right to return goods to obtain a refund. In Taiwan, such regulations hold only in certain special cases.

This paper reports an investigation into how a refund policy affects the choices of compulsive shoppers, how frequently they return goods, and how they differ from the rest of population. An experimental approach and two populations (British and Taiwanese) were studied. Results show that a return policy is an important factor affecting compulsive shoppers' buying decisions. Moreover, it provides a fallback position for them after they have bought goods. A cross-country comparison shows that the more shops allow a refund, the more frequently requests for a refund occur and the more consumers act deceptively by "borrowing" products. However, a limited return policy inhibited normal but not compulsive shoppers' intentions to obtain a refund.

Introduction

Many stores in Britain offer a money-back guarantee. The British Consumer Protection Act stipulates that full information must be provided to consumers and that these must include notification of the seven-day 'cooling off' period. This allows consumers to cancel an order for any reason and claim a refund (Office of Public Sector Information 1987; 2000). In contrast, the Taiwanese Consumer Protection Act 3.19 states that, if consumers purchase products through mail order or interview-selling, they can cancel the order for any reason to claim a refund within seven days (National Law Database, 2005). In other words, the cancellation rights in Taiwan only hold in certain special cases.

The purpose of a return policy is to allow consumers protection. It allows them to easily return products and obtain a refund within a reasonable period if they are not satisfied with a product. Such refund regulations are occasionally problematic for retailers.

Zabriskie (1972) investigated the customer service desk in an American department store, and found 77.6% (104 of 134) of routine complaints (e.g., requesting a refund, free repair, or free replacement) were to request a return and 12% (16 of 134) of consumers intended to deceive. Many return cases were clothing items, and those clothing items were returned after being used once or twice (Zabriskie 1972).

Consumers purchase the products with intent to return them after the products have been used. Piron and Young (2000) state such purchasing behaviour is known as 'retail borrowing'. They also stress that such 'retail borrowing' is common, especially for clothing items (Piron & Young 2000). Jolson (1974) also found that younger people engaged in such behaviour more often than older people (Jolson 1974). Dunne, Lusch and Gable (1995) indicate that return policies are sometimes abused by shoppers. They imply that consumers may order an expensive dress, wear it to a party and afterward return it (Dunne et al, 1995).

Although such 'retail borrowing' may be related to consumers' personality and shopping style, cancellation rights are likely to facilitate it. Such regulations may be especially enabling for compulsive consumers, because they provide them with an easy way to get a refund after their compulsive shopping.

Compulsive buying behaviour is usually related to irrepressible buying activities (Faber & O'Guinn 1989). Hassay and Smith's (1996) study found that compulsive buyers are more likely to return products, and that they are highly concerned about shops' refund policies (Hassay & Smith 1996). Perhaps, compulsive shoppers have a craving to buy but do not use the items purchased during their buying sprees. Therefore, they may often regret their purchases. Their refund intentions may provide insight into the compulsive nature of their behaviour.

Research Aims

Research reported here was designed to examine how a refund policy affects the choices of compulsive shoppers, how frequently they return goods, and how they differ from the rest of the population. The web-based experiments and two populations (British and Taiwanese) were used to address these research questions.

Methods

Identifying Compulsive Buyers

To explore what is special about compulsive buyers, they first have to be identified. I chose Faber and O'Guinn's (1992) Compulsive Buying Scale (CBS) to distinguish the compulsive shoppers and the general population. Several studies (e.g.,Magee 1994; Faber et al. 1995;Roberts 1998;Roberts & Jones 2001) using Faber and O'Guinn's (1992) compulsive buying scale (CBS) have shown that this screening device is reliable according to Cronbach's alpha coefficient, and that it can distinguish between compulsive buyers and the general population reasonably well.

The CBS scale consists of seven items, and uses a 5-point Likert scale to assess frequency or degree of agreement with items such as "If I have any money left at the end of the pay period, I just have to spend it". Two of the seven items pertain to emotional reactions to shopping (e.g., make oneself feel better, feeling anxious when not buying). The remaining five relate to financial aspects of buying. The 7 items represent specific behaviours, motivations and feelings associated with compulsive buying; the total scores can be expressed as the probability of being in the compulsive shopper group. The scale can also used as a screening device with a cut-off point -1.34 to indicate whether an individual is a member of the compulsive buying group or of the general population comparison group (Faber & O'Guinn 1992). This is how I shall use it here.

Experimental Design

Two web-based experiments presented in two language versions (Traditional-Chinese and English).

Experiment 1 was a choice task. There were three different products in this experiment and they were shown to participants successively. Each one was available in two price packages: one was a high price that was 100% refundable, and another was a low price that was non-refundable (Figure 1). Participants saw those price packages at the same time. If they selected the "high price & 100% refundable" package, they were asked: "How likely are you to want a refund on this product?" If they selected the "low price & non-refundable" package, they were asked: "How likely are you to want a refund at the end of shopping?" After the choices had been made, participants were asked to indicate the reason for their choices (i.e., by clicking the radio button "price" or "refund", or by specifying their reason in a text box).

Experiment 2 used a questionnaire approach to examine participants' reasons for requesting refunds, their frequency of doing so, the number of days they spent owning products before requesting a refund, and their estimates of the percentage of shops allowing refunds.

Participants

Experiment 1: A sample of respondents was gathered over a period of one month from 1st March to 31st March 2007. They were either British or Taiwanese. Total number of British respondents (707) included 521 valid respondents and 186 invalid respondents (i.e., failure to complete the experiment, reduplication, not British participants), and so the response rate was 73.69%. Total number of Taiwanese participants (250) consisted of 200 valid respondents and 50 invalid respondents (i.e., failure to complete the experiment, reduplication) and so their response rate was 80%.

Valid British respondents (521) were 38% male and 62% female and the percentage of them who were compulsive shoppers was 12.28% (4.22% Male and 8.1% Female). Most annual incomes of British compulsive shoppers were in categories £ 9,999 and below (56 of 64). Valid Taiwanese respondents (200) were 39.5% male and 60.5% female and the percentage of them who were compulsive shoppers was 16% (i.e., 6% Male and 10% Female). The monthly income of most Taiwanese compulsive shoppers was either in the below NTD 25000 (i.e., approx. £379) category or in the "NTD 35001-45000 (i.e., approx. £531-£682)" category.

Experiment 2: Participants in this experiment were gathered over a period of 31 days from 17th June to 17th July 2007. I used invitation mail to recruit from those who had participated in Experiment 1.

There were 125 British respondents, who included 89 valid respondents and 36 invalid respondents (i.e., failure to complete the experiment, reduplication, not British participants). The response rate was 71.2%. The Taiwanese 130 respondents included 93 valid respondents and 37 invalid respondents (i.e., failure to complete the experiment, reduplication). The response rate was 71.54%.

The valid British respondents (n=89) were 43.8% male and 56.2% female. The percentage of the British compulsive shoppers in this experiment was 17.98% (i.e., 5.62% Male and 12.36% Female). The majority of annual incomes of compulsive shoppers were in categories £ 9,999 and below (16 of 16). The valid Taiwanese respondents (n=93) were 62.4% male and 37.6% female. The percentage of compulsive shoppers in this experiment was 18.28% (i.e., 6.45% Male and 11.83% Female). The monthly income of most compulsive shoppers was either in the "NTD 35001-45,000 (approx. £531-£682)" category (5 of 17) or in the "NTD 45001-55000 (approx£683-£833)" category (5 of 17).

Results

Experiment 1

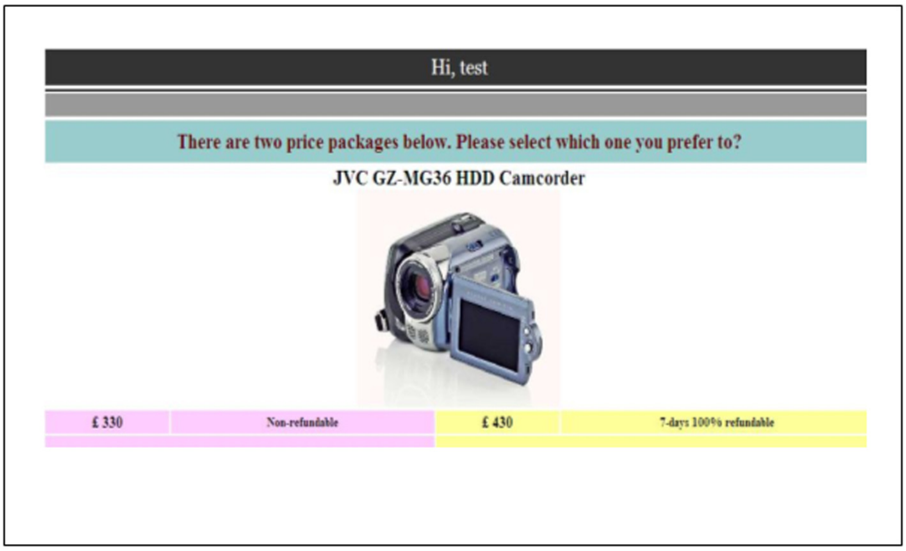
I compared choice behaviour between the compulsive shoppers and the normal shoppers, and between the Taiwanese population and the British population.

In the British population group, Fisher's Exact Text showed that there was no statistically significant difference between the proportion of the compulsive shoppers and the proportion of the general population in the price package selected: around 50% of compulsive shoppers and 50% of non-compulsive shoppers tended to choose non-refundable/low price package (Figure 2). This finding implies that refund regulation has little influence on the choices of British compulsive shoppers.

Cancellation rights in Taiwan hold only in certain special cases. Yet, findings here showed that there was significant difference between the proportions of compulsive shoppers and the proportion of non-compulsive shoppers in the price package selected: over 70% of Taiwanese compulsive shoppers tended to choose a refundable price package but over 50% of Taiwanese non-compulsive shoppers selected non-refundable low price package (Figure 3).

The design of this experiment also included two main factors: reasons of choices, the intention of refund. The GLM (General Linear Model) univariate procedure and post-hoc comparisons were used to examine the effects of compulsive shopping behaviour and nationality on these two factors.

Figure 1 Choice between Two Price Packages



The Reasons for Choices (Price or Refund)

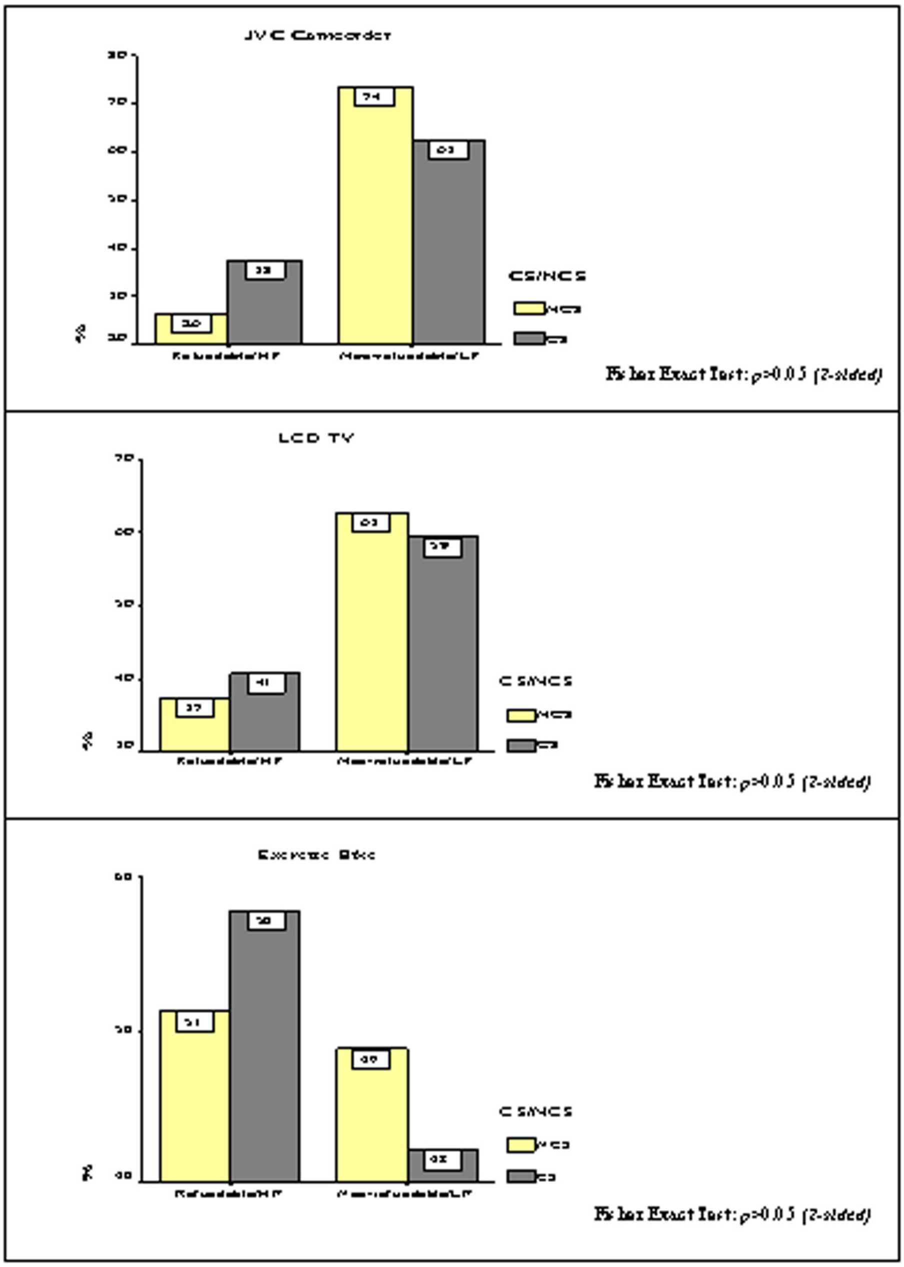
The findings indicate that there were significant effects of type of shopping behaviour ($p<0.001$) and nationality ($p<0.001$) on reasons for choices, but there was no significant interaction between these variables ($p>0.05$). Results indicate that compulsive shoppers tend to consider the possibility of obtaining a refund, but non-compulsive shoppers consider price. Also, Taiwanese shoppers were more concerned with the ability to obtain a refund than British shoppers. Post-hoc comparisons using Scheffé's test were used to examine differences between groups. Figure 4 shows that Taiwanese compulsive shoppers tended to choose availability of a refund as a reason more than British compulsive shoppers.

Intentions of Obtaining a Refund

As mentioned earlier, price packages consisted of different levels of refund policy (i.e., 100% or none) and different prices (i.e., high or low). Responses to the question about intention of obtaining a refund may cast light on whether participants' choice behaviour depended on refund regulations rather than price. Whether or not participants chose a refund package, they were asked "how likely are you to want a refund on this product (or at the end of shopping)?" However, I analysed data from those selecting a refundable package (Figures 5-6) separately from those selecting a non-refundable package (Figures 7-9).

The GLM univariate procedure and post-hoc comparisons were used to examine the effects of compulsive shopping behaviour and nationality on shoppers' intentions of obtaining refunds for different products. Firstly, the findings showed that the two national groups had a similar tendency to select the refundable price package for the camcorder ($p>0.05$) but that the Taiwanese shoppers were significantly more likely to select a refundable package for the TV than British shoppers ($p<0.001$). Secondly, there was significant difference in the intention to seek a refund both on the camcorder ($p<0.001$) and the TV ($p=0.001$) between compulsive shoppers and non-compulsive shoppers: compulsive shoppers were more likely than non-compulsive shoppers to select the refundable package. The interaction was significant only for the TV ($p=0.032$). For the exercise bike, no effects reached significance ($p>0.05$).

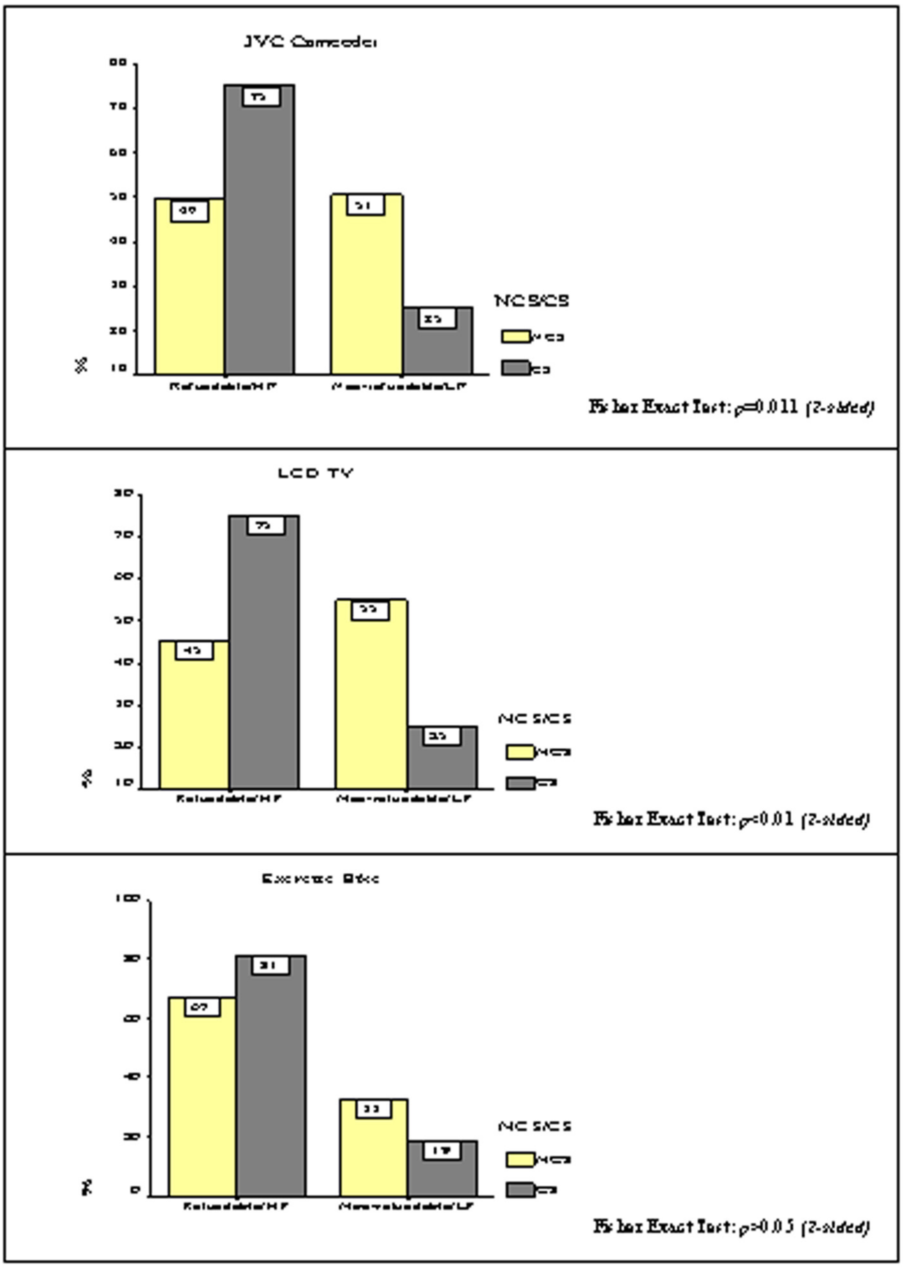
Figure 2 Choices between Two Price Packages



(British Participants, N=521)

NOTE.— NCS= Non-Compulsive Shoppers; CS= Compulsive Shoppers

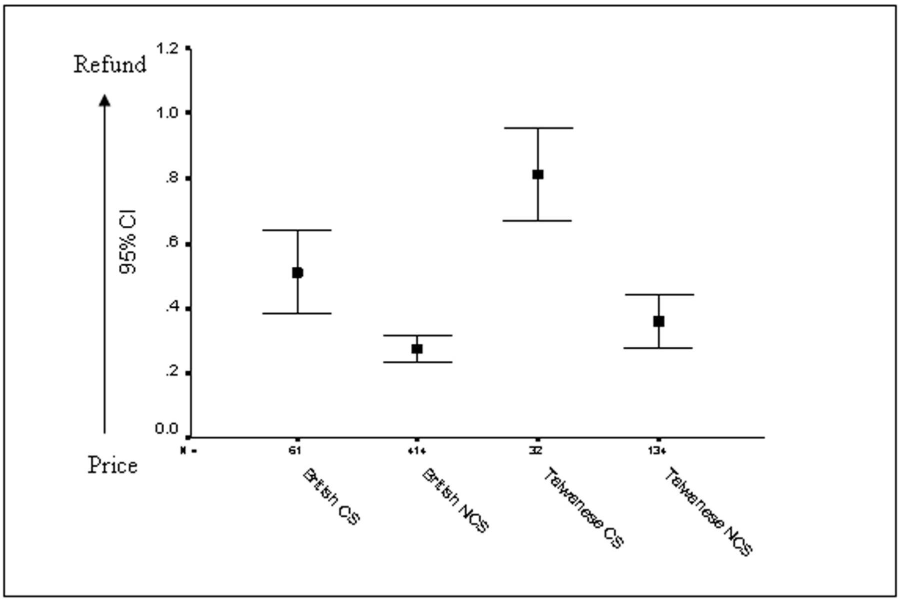
Figure 3 Choices between Two Price Packages



(Taiwanese Participants, N=200)

NOTE.— NCS= Non-Compulsive Shoppers; CS= Compulsive Shoppers

Figure 4 Reasons for the Choices (Between Groups; N=641)



NOTE–.NCS=Non-Compulsive Shoppers; CS=Compulsive Shoppers; F (3,637) = 17.192 (p<0.001); Post hoc test= Scheffé's test

Post-hoc comparisons were used to examine differences between groups. As Figure 5 and Figure 6 show, there was no significant difference between British compulsive shoppers and British normal shoppers. By contrast, Taiwanese compulsive shoppers wanted a refund on the camcorder (Figure 5) and the TV (Figure 6) more than Taiwanese non-compulsive shoppers. In addition, as Figure 6 indicates, Taiwanese compulsive shoppers wanted a refund on the TV more than British compulsive shoppers.

For those selecting the non-refundable price package, the GLM indicated that there was significant difference in intention to obtain a refund between compulsive shoppers and non-compulsive shoppers ($p<0.001$) but that there was no significant difference between nationalities ($p>0.05$) and no significant interactions ($p>0.05$). For those selecting the non-refundable price package, the refund intention to seek a refund in compulsive shoppers was greater than it was in non-compulsive shoppers.

Again, post-hoc comparisons using Scheffé's test were used to examine the differences between groups on the three products (camcorder, TV, and exercise bike). Results showed that there was no statistically significant difference between nationalities in intention to obtain a refund (Figures 4-6).

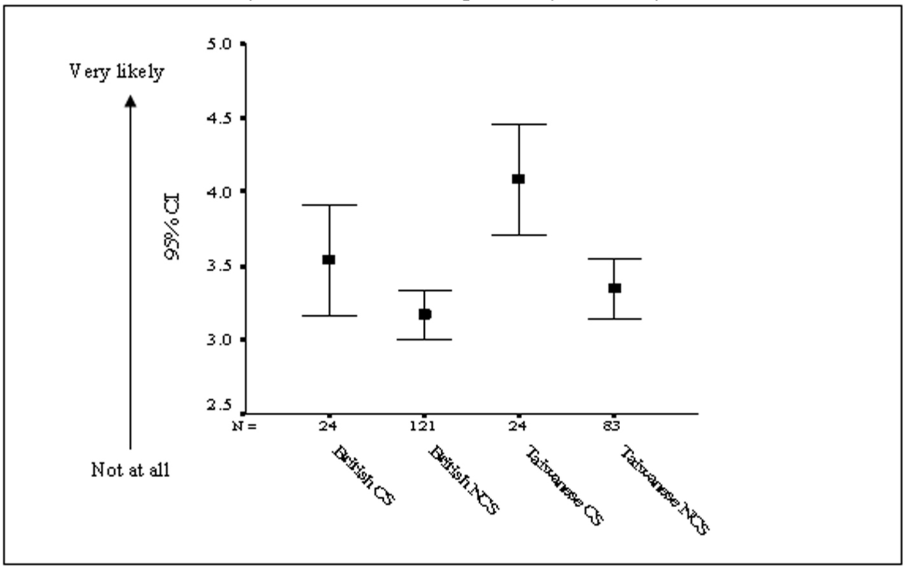
As discussed earlier, compulsive shoppers may have a craving only for buying and not for using what they have purchased. Compulsive shoppers (both in Taiwan and the UK) are more likely to believe that they will want a refund at the end of their shopping than non-compulsive shoppers (Figures 7-9).

Experiment 2: The Impact of Availability on Refund Policy

Because regulations are dissimilar in the two countries, I asked participants questions about: "Refund frequency", "Days of owning a product (before getting a refund)", and "The most common reasons for requesting a refund".

The proportion of shops that allow a refund: In general, British participants considered that approximately 70%-79% shops allow a refund in the UK, while Taiwanese respondents thought that approximately 20%-29% shops allow a refund in Taiwan.

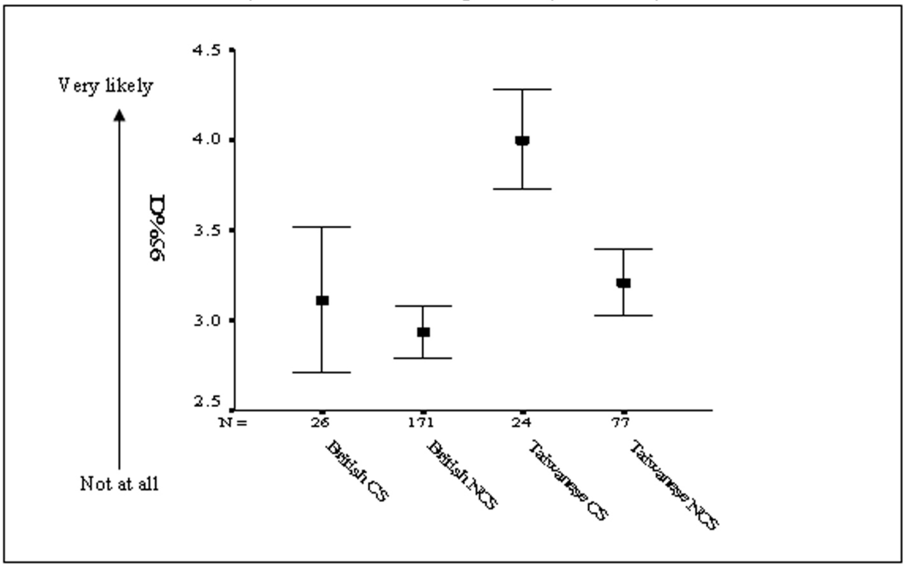
Figure 5 How Likely Are You to Want a Refund on Your Camcorder?



(Refundable Package Group, N=252)

NOTE—.NCS=Non-Compulsive Shoppers; CS=Compulsive Shoppers; F (3,248) = 6.78 (p<0.001); Post hoc test= Scheffé's test

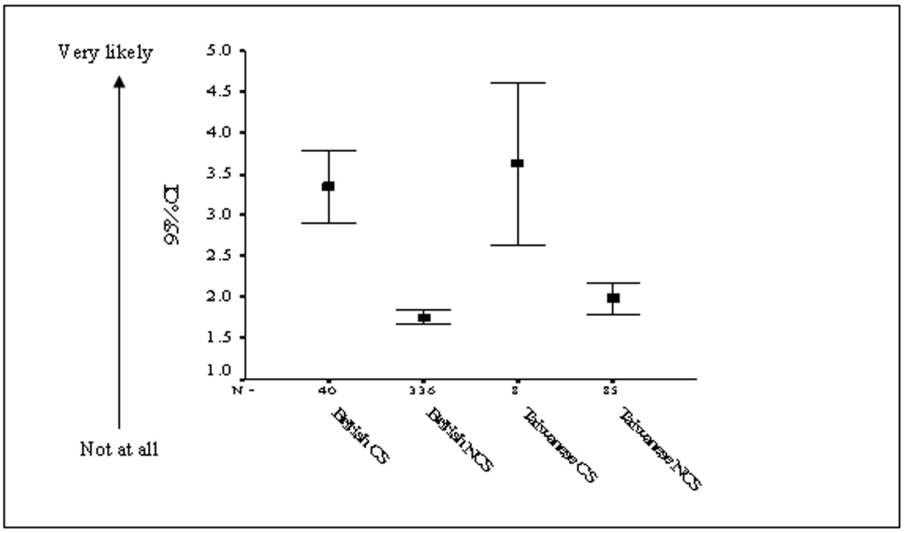
Figure 6 How Likely Are You to Want a Refund on Your TV?



(Refundable Package Group, N=298)

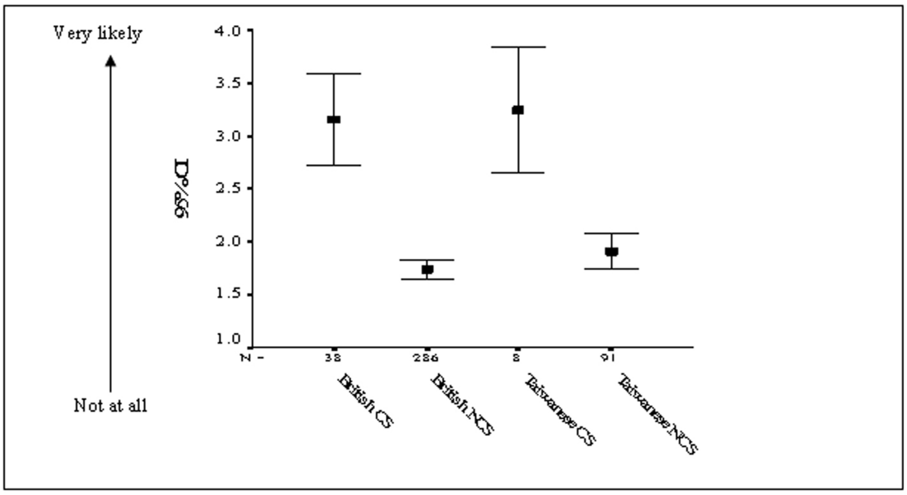
NOTE—.NCS=Non-Compulsive Shoppers; CS=Compulsive Shoppers; F (3,294) = 10.201 (p<0.001); Post hoc test= Scheffé's test

Figure 7 How Likely Are You to Want a Refund on the End of Shopping: Camcorders (Non-refundable Package Group, N=469)?



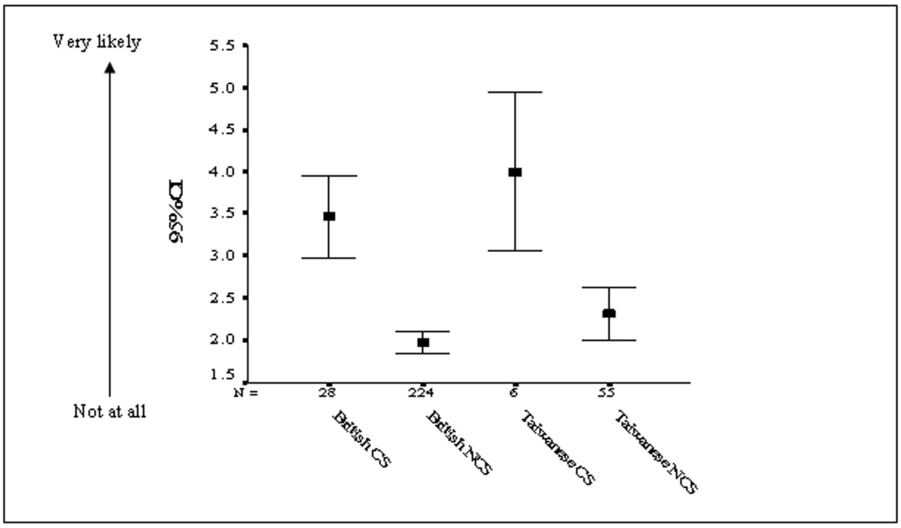
NOTE—.NCS=Non-Compulsive Shoppers; CS=Compulsive Shoppers F (3,465) = 47.190 (p<0.001); Post hoc test= Scheffé's test

Figure 8 How Likely Are You to Want a Refund on the End of Shopping: TVs (Non-refundable Package Group, N =423)?



NOTE—.NCS=Non-Compulsive Shoppers; CS=Compulsive Shoppers; F (3,419) = 35.364 (p<0.001); Post hoc test= Scheffé's test

Figure 9 How Likely Are You to Want a Refund on the End of Shopping: Exercise Bikes (Non-refundable Package Group, N=313)?



NOTE—.NCS=Non-Compulsive Shoppers; CS=Compulsive Shoppers; $F\ (3,309) = 22.887\ (p<0.001)$; Post hoc test= Scheffé's test

Refund frequency: The GLM was used to examine the effects of compulsive shopping behaviour and nationality on participants' estimates of their frequency of asking for a refund. Results show that compulsive shopping behaviour ($p<0.001$) and nationality ($p=0.002$) had significant effects on shoppers' refund frequency, but that there was no significant interaction between these variables ($p>0.05$). Compulsive shoppers gave a higher estimate for their frequency of returning products to the shop than normal shoppers did. Moreover, British shoppers gave higher estimates for their frequency of requesting refunds than Taiwanese shoppers did.

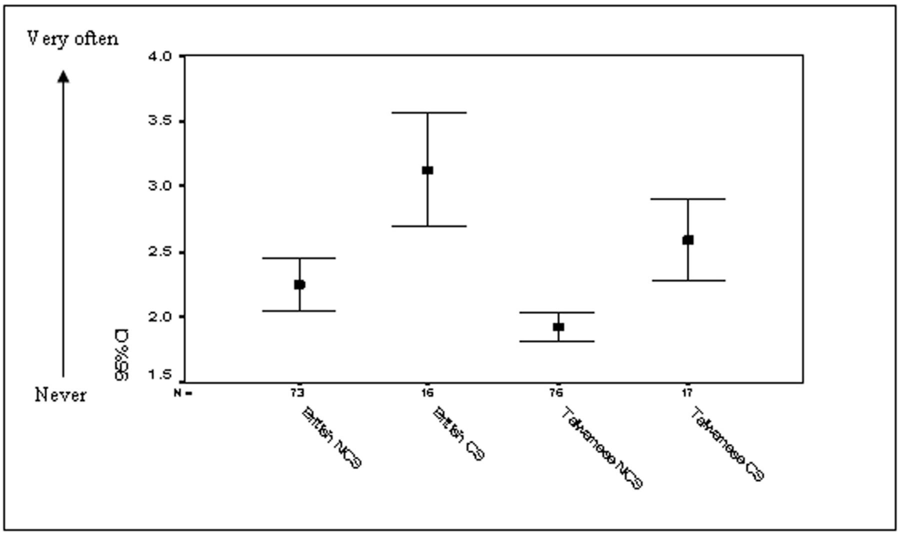
Scheffé's test indicated that British normal shoppers returned a product to the shop more frequently than Taiwanese normal shoppers. In contrast, the refund frequency of the British compulsive shoppers was similar to that of Taiwanese compulsive shoppers (Figure 10) (although GLM showed that there was a significant overall effect of nationality on refund frequency). This finding implies, perhaps not surprisingly, that the more shops allow a refund, the more frequent requests for a refund will be.

Overall findings indicate that compulsive shoppers appeal for a refund more frequently than the general population.

Duration of owning a product: Here, I consider differences between groups in the duration of owning the product before requesting a refund. Figure 11 shows that 87% of British compulsive shoppers owned the product for around one to three days before they took it back to the shop for a refund. Similarly, 89% of Taiwanese compulsive shoppers owned the product for around one to three days before they appeal for a refund (Figure 12). Compulsive shoppers (t-test: UK,$\mu=3.45$, $p=0.037$; Taiwan,$\mu=3$, $p<0.001$) own products for less time before asking for a refund than non-compulsive shoppers (t-test: UK,$\mu=4.78$, $p=0.037$; Taiwan,$\mu=5.33$, $p<0.001$).

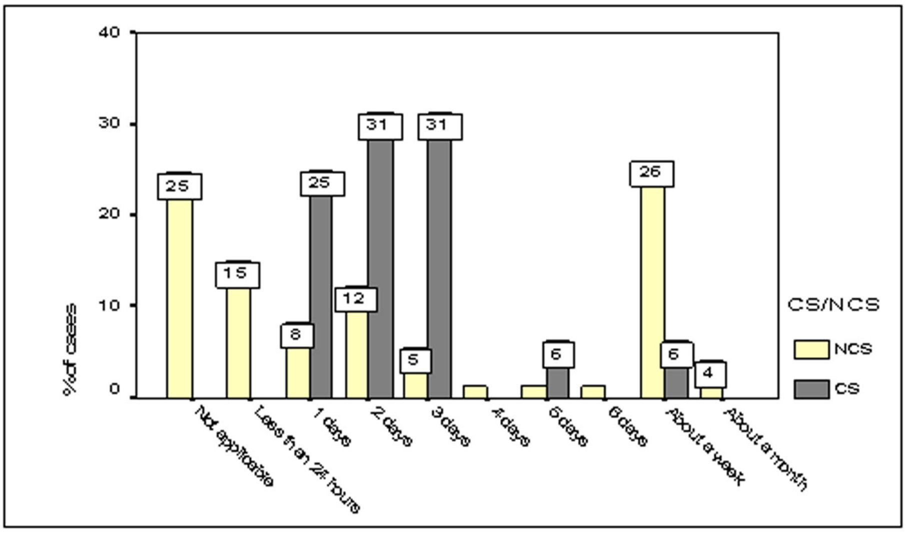
The most common reasons for requesting a refund: a Chi-Square test indicated that regret triggered approximately 50% of compulsive shoppers' appeals for a refund (respectively 50% in the UK, 59% in Taiwan). By contrast, only approximately 15% of non-compulsive shoppers claimed a refund (respectively 19% in the UK, 16% in Taiwan) and most of them returned the product to the shop because it was faulty (Figures 13 and 14). This finding implies that compulsive shoppers often have regrets about their purchasing. In addition, 25% of British compulsive shoppers reported that they returned the product to the shop because they intended to own it only temporarily in the first place (they 'borrowed' the product) (Figure 13).

Figure 10 Refund Frequency (Between Groups, N=182)



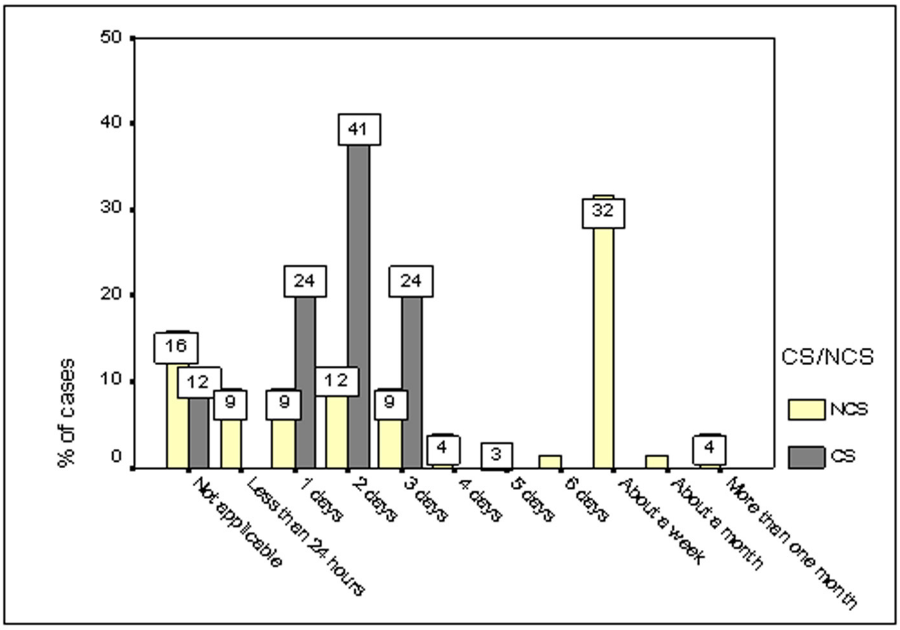
NOTE–.NCS=Non-Compulsive Shoppers; CS=Compulsive Shoppers; F (3,178) = 34.36 (p<0.001); Post hoc test= Scheffé's test

Figure 11 How Many Days Did You Own the Product before You Got refund? (British Participants, N=89)



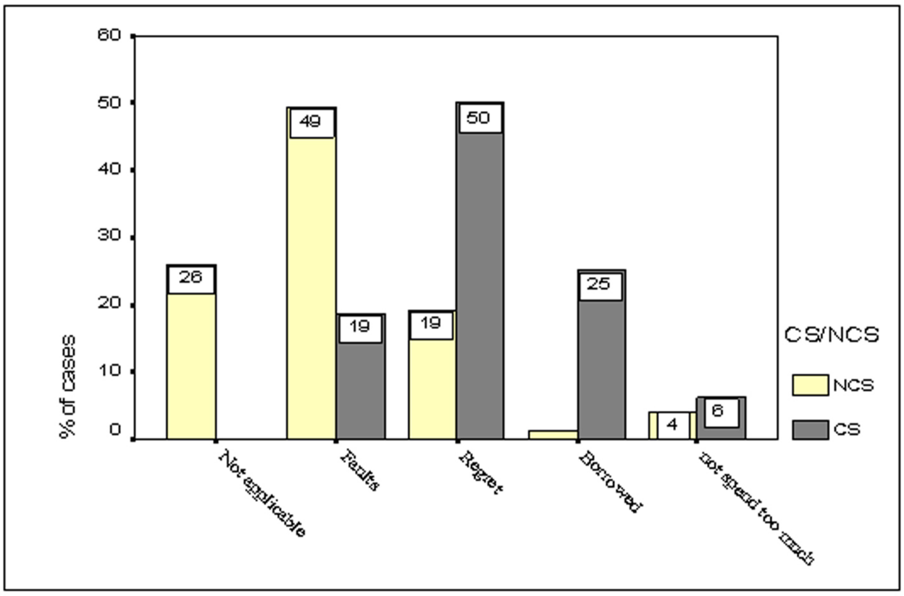
NOTE–.NCS=Non-Compulsive Shoppers; CS=Compulsive Shoppers; Chi-square test: p<0.01 (2-sided)

Figure 12 How Many Days Did You Own the Product before You Got refund? (Taiwanese Participants, N=93)



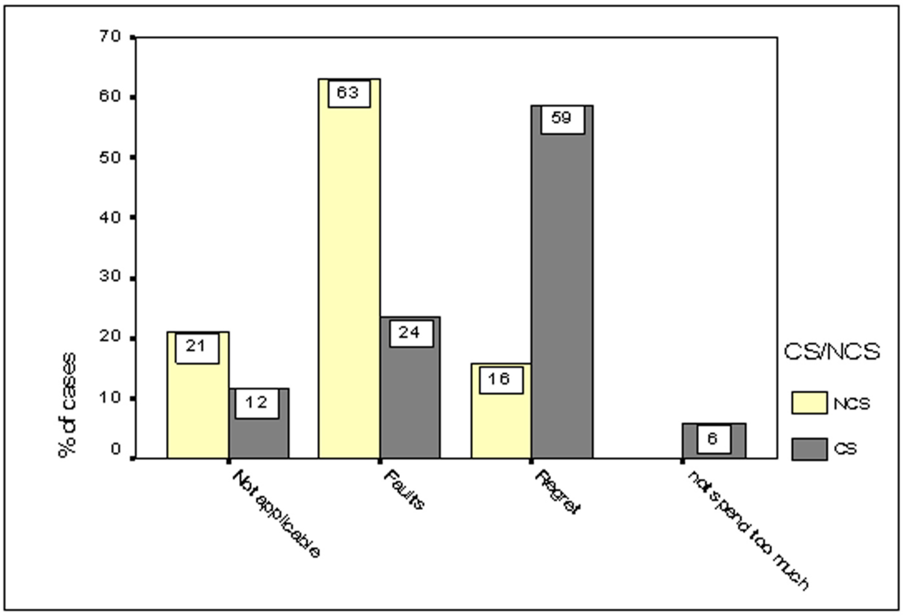
NOTE–.NCS=Non-Compulsive Shoppers; CS=Compulsive Shoppers; Chi-square test: $p<0.01$ (2-sided)

Figure 13 The Most Common Reasons You Returned a Product (British Participants, N=89)



NOTE–.NCS=Non-Compulsive Shoppers; CS=Compulsive Shoppers; Chi-square test: $p<0.001$ (2-sided)

Figure 14 The Most Common Reasons You Returned a Product (Taiwanese Participants, N=93)



NOTE–.NCS=Non-Compulsive Shoppers; CS=Compulsive Shoppers; Chi-square test: p<0.001 (2-sided)

There were no Taiwanese compulsive shoppers choosing this reason (Figure 14), possibly, because refunding is not very common in Taiwan.

Discussions and Recommendations

Compulsive buying behaviour is a growing social problem. It may result from policies or may affect policies. Because of different refund policies between countries, the influence of a refund policy on shopping behaviour and shoppers' attitudes is different. This paper casts light on the influence of right to a refund on compulsive buying behaviour.

I found that refund regulation is an important factor in compulsive shoppers' choices. Compulsive shoppers, especially Taiwanese, tended to select refundable packages, but the cost was high. This finding is consistent with Hassay and Smith's (1996) study. They found that compulsive shoppers tended to make purchases because of their momentary craving to buying but, subsequently, they came to regret them. Perhaps, compulsive shoppers were immediately satisfied with their purchasing but, after few days, negative feelings (e.g., awareness of debt problem, spending too much, guilt, and so on) counteracted their gratification. I found that compulsive shoppers believe that they will want a refund at the end of their shopping trip even when they choose non-refundable price package. Thus, compulsive shoppers appear to show some self-insight. They experience regret and anticipate that regret. As a result, they generally choose refundable high price packages in order to reduce the later large loss.

Furthermore, in Experiment 2, compulsive shoppers appealed for a refund more frequently than non-compulsive shoppers. Twenty-five percent of British compulsive shoppers reported that they returned a product to the shop because they had originally 'borrowed' the product temporarily. By contrast, no Taiwanese compulsive shoppers selected this reason, possibly, because refunds are not very common in Taiwan. On the other hand, this finding suggests that the fewer shops allow a refund, the fewer consumers will have intentions to deceive (e.g., by 'borrowing'). Owing to regret, compulsive shoppers tended to return products to the shop after they had owned them for three days or less. My findings suggest that the availability of refund policy does affect refund frequency: the more shops allow a refund, the more frequent requests for a refund will be (e.g., British shoppers more frequently request refunds than Taiwanese shoppers).

Can a strict refund policy reduce compulsive shoppers' requests for refunds? As mentioned earlier, a return policy is not very common in Taiwan, but it is a widespread rule for British retailers. I found that, whether or not refunds are allowed, the intention of Taiwanese shoppers to ask for refunds is higher than that of British shoppers, and the intention of compulsive shoppers to ask for refunds is higher than that of normal shoppers. However, for normal shoppers, the intention of those selecting a non-refundable package to ask for a refund (avg.μ=1.9) was much lower than that of those selecting a full refundable package to do so (avg.μ=3.1). These findings suggest that a strict return policy does not eliminate compulsive shoppers' intentions to ask for a refund. It may even reinforce those intentions. After all, Taiwanese compulsive shoppers always exhibited higher intentions to ask for a refund than British compulsive shoppers. Nevertheless, a strict cancellation right does reduce the refund intention of normal shoppers. Given that compulsive shoppers are only a small proportion of all shoppers in the UK and Taiwan, a stricter return policy is likely to reduce the overall number of requests for refunds in both countries.

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EFFECTS OF CUSTOMER COMPLAINT MANAGEMENT ON CUSTOMER SATISFACTION: AN EXAMPLE OF HYPERMARKET IN TAIWAN

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Abstract

Theories and practical studies inferred that the relationship between customer satisfaction and business operation performance is an intimate one. Therefore, most studies jumped to the conclusion that customer satisfaction brings both economic and non-economic benefits to businesses. However, it is not easy to get a common consensus on questions such as which factors affect customers and what the effects of customer satisfaction are on business operation.

In the discussion of business operation performance, customer satisfaction is always a top priority in terms of its positive relation with customer repurchase behavior – a result to be expected when a sense of customer satisfaction reaches a high degree. However, recent research proved that such an inference is a naïve one, since satisfied customers may not be loyal. Besides, the relationship between business operation performance and customer satisfaction might not be as simple as we tend to believe.

Indeed, to satisfy customers' needs is always the first objective for a company, but to strengthen customers' loyalty by means of successful customer complaint management is also an important issue. The aim of this paper is to understand the influence of customer complaint management on customer satisfaction. Previous studies pointed out that service quality affects the degree of customer satisfaction and the researchers herein argue that the idea of customer satisfaction can be better understood by applying the concept of customer complaint management to it. Also, this paper provides companies with suggestions for their after–sales service strategy after the results of this research are set forth.

Keywords: customer satisfaction, customer complaint management, service quality

INTRODUCTION

Because of the importance of the service industry in the global marketplace has become well acknowledged, the concept of service quality receives a great deal of attention by scholars as well as practitioners. After scholars, such as Parasuraman and his colleagues, proposed the SERVQUAL scale in 1988, issues of service quality have received profound recognition and understandings provoking many discussions. Although it remains controversial to say that the application of one scale could be applicable to all industries, most academics and businesspeople tend to believe that providing customers with high–standard service quality may have a positive influence on business benefits and customer satisfaction. Indeed, better service quality will ensure a higher degree of customer satisfaction, but it is hard to say that a high degree of customer satisfaction accompanies customer repurchase activities and better operational performance (Reichheld, 1996). Therefore, customer satisfaction and related issues became major topics for studies in different fields.

Searching for the best combination of marketing mix was the most important issue in marketing strategies. The paradigm of pursuing market share has dominated the development of marketing strategy for several decades. However, in the study of Ahmad and Buttle (2002), relationship marketing paradigm has become a new and prevailing strategy in cahoots with the development of information technology and the internet. That is to say, the traditional marketing paradigm, which is based on single transactions, is outmoded.

In the past, potential customers were those who attracted companies' attention, while current customers were considered as a less important group. However, making efforts to expand customer base and market development are strategies in which companies need to invest more money, while corresponding profits are difficult to predict. In contrast to long–held perceptions, companies can make effective investments to increase their profits if they try to maintain and strengthen their relationship with current customers. Grönroos (1990) proposed that deduction of investments is possible when companies try to maintain a good relationship with their current customers. Reichheld (1996) elaborated this idea by pointing out the connection between companies' long–term profits and customer loyalty. Another important reason for companies to work with existing customers is that, during the time of product or service development, companies can cooperate with customers by taking their feedback for modifying products/services (Alam and Perry, 2002; Chesbrough, 2005). By doing so, both service and product quality can be strengthened; the sale of a product can be anticipated before it goes to the market (Alam, 2002; Matthing, Sandén, and Edvardsson, 2004).

Companies conducted different kinds of evaluations to understand customers' feelings about the purchased products/services. However, it is a pity that most companies apply no results of such evaluations to the ways in which they attempted to improve customer loyalty. In these cases, companies are ignorant of messages which costumers try to communicate to them via evaluation forms. What is worse is that customers may become unwilling to make any suggestions to companies when customers are offered a chance to do so in the future after finding out that their opinions have had no effect on companies' policies. Jamieson (1994) proclaimed that companies cannot make profits until they understand customers' needs. Oliver (1996) also believed that it is, indeed, important for companies to satisfy customers in their shopping experience; however, it is much more important for companies to have the ability to prevent customers from having unsatisfying experiences with companies, or to manage customers' complaints in a proper way with the intention of encouraging customers to stay with them.

In this paper, the researcher tries to understand in which ways customers feel satisfied with their shopping experience and seeks possible ways to affect customers' feelings of satisfaction by including three issues into discussion: customers' feelings about service quality, companies' management of customers' complaints, and customers' perceived value after shopping. After the research was carried out, the importance of customer satisfaction in terms of business operation was clarified.

LITERATURE REVIEW

Honomichl (1993) pointed out that the discussion of customer satisfaction has a long history in the context of administrative issues. After the relationship between customer satisfaction and business operation performance received extensive attention, companies have made efforts to undertake related evaluations about customer satisfaction (Bolton, 1998; Jones and Sasser, 1995; Reichheld, 1996). It is believed that customer satisfaction is the key issue in relation to the discussion about ways to strengthen customers' loyalty. It is also believed that when customers are satisfied with their shopping experience, companies could probably make better profits and even achieve a dominant market share and ROI (Return on Investments) as results (Hackl and Westlund, 2000; Scheuing, 1995; Reichheld, 1993, 1996). Unfortunately, it is never an easy task to clarify the relationship between customer satisfaction and companies' profits, because of limited research on ways to affect customers' feelings of satisfaction with and loyalty toward companies. In this research, the researcher tries to figure out possible factors that might affect the degree of customer satisfaction. In the following passages, all variables introduced in this research will be discussed.

Service Quality:

Service quality is regarded as a concept related to attitude. The term refers to customers' overall evaluation concerning service provided to them (Binter and Hubert, 1994; Binter et al., 1990, Bolton an Drew, 1991a, b; Cronin and Taylor, 1992; Parasuraman et al., 1988; Zeithaml, 1988). The difference between service quality and customer attitude is that the subject of service quality may originate from any of the many levels of a business organization. For example, a customer may hold different feelings about service quality depending upon core service quality, location, or the interaction between providers (Bitner, 1990). For example, customers' feelings of satisfaction may come from service providers, the overall business performance of a company, or the quality of core products/services.

Spreng and Mackoy (1996) believed that service quality and customer satisfaction are two core concepts in the context of marketing theory and practice. In a modern society, companies can never be competitive until they provide customers with high level of service quality in a satisfying way. Even though the relationship between service quality and customer satisfaction remains unclear, most scholars and studies agree that discussion of service quality and customer satisfaction can never be separated (Dabholkar, 1995; Parasuraman et al., 1994; Shemwell et al., 1998).

Zeithaml (1988) defined service quality as an activity in which customers evaluate service provided. Parasuraman, with two other scholars, proposed the SERVQUAL scale in 1988 to divide the concept of service quality into five dimensions: tangibility, reliability, responsiveness, assurance, and empathy. Through examining differences between expectation and perception that customers describe in these five dimensions of the SERVQUAL scale, product and service providers can understand how their quality rates in the eyes of customers. Parasuraman et al. (1994) also pointed out that customers' personal needs and word–of–mouth are important factors in influencing their expectations of service quality. Many researchers apply the SERVQUAL scale to their studies of service quality in different industries. After results of different studies were obtained, however, it is still arguable to say that the SERVQUAL scale can be applied to surveys of all industries (Cronin and Taylor 1992; Dabholkar, Thorpe, and Rentz, 1996). In order to clarify the relationship between customer satisfaction and service quality, the author argued that addition variable should be taken into consideration.

Perceived Value

Perceived value is an issue which attracts a great deal of attention from universities and industries, because customers' perceived value of buying a product and service has enormous influence on companies' market shares, companies' relationship with customers, and the repurchase activity of customers (Patterson and Spreng, 1997). In fact, both customers and service providers are aware of the importance of perceived value. Since the 90s', it has been acknowledged that it is an important strategy to strengthen customers' perceived value through improving products or service provided to them (Albercht, 1992; Buzzle and Gale, 1987; Dodds, 1991; Vantrappen, 1992).

From customers' perceptive, perceived value is a key reason in determining their consuming behaviors. No business transactions can be realized until both customers and providers come to an agreement in terms of the perceived value derived after transactions (Holbrook, 1994). However, very limited studies take buyers' perceived value as a starting point; although it is a well–known fact that perceived value is influential in customer satisfaction evaluation. Moreover, perceived value might influence customers' shopping experiences and their feelings about results of business transactions.

Perceived value is the ratio of customers' costs and benefits formed during their shopping experiences; this ratio is relevant to the evaluation of perceived value (Lijander and Strandvik, 1992; Monroe, 1990; Zeithaml, 1988). Zeithaml (1988) pointed out that the evaluation of perceived value is based on a certain ratio between customers' costs and benefits in their shopping experiences. Customers' repurchase activity will be affected by their perceived value to a certain degree. Customers' feelings regarding costs, including financial and non–financial costs, and customers' personal preferences, are crucial factors during the process of evaluating perceived value. Thus, evaluation of perceived value should include the discussion of customers' financial and non–financial costs as well as their personal preferences and idiosyncrasies.

Customer Complaint Management

Companies will never gain competitive advantage in their business operation unless they satisfy the customers and make profits through providing high quality products/services to customers. In the past decades, both researchers and practitioners have shown interest in issues of quality. The concept of quality makes its statement when a service industry takes a dominant share in the business world. The service provider plays a crucial role during the process of service delivery since inseparability of production and consumption is a feature that service bears. In other words, it is almost impossible for companies not to prevent any mistakes such as a delayed flight, a wrongly served dish, or a wrong record in hotel reservations during the delivery process. In situations like these, companies need to make efforts to satisfy their customers with the intention of maintaining the quality of their service.

Moment of truth and service encounter are two terms referring to the time when service providers meet their customers (Czepiel et al., 1985; Normann, 1983). At the time of service encounter, customers would determine their evaluation of service quality by how they feel about it (Bitner, 1988; Bitner et al., 1990). Companies can never prevent mistakes from happening, but they can keep customers loyal to them if they take proper actions to manage customers' complaints. In Oliver's studies (1996), the secondary satisfaction might have a stronger influence on customers than the first failure. Since secondary satisfaction surprises customers over a longer period of time, it is possible for companies to enhance their reputation by customers' word of mouth to expand customer base for a longer time.

In other words, if companies can manage customers' complaints in a proper way when customers are not satisfied with products or service provided, customers may feel satisfied with their shopping experiences even more than had their initial experience been satisfactory. However, if companies ignore customers' complaints or treat them in an improper way, it is impossible for companies to expect a better relationship with their customers. Therefore, companies should undertake investigation to determine what crises may raise negative feelings. Bearing these in mind, companies would have a better relationship with and provide higher service quality to their customers (Edvardsson, 1992).

Most studies concluded that when customers are not satisfied with companies, companies might experience damage on their product or service image and a decline in their sales volume. However, most companies seem to underestimate the reality of this (Day and Landon, 1976; Best and Andreasen, 1977; Richins, 1983). In 1979, TARP (Technical Assistance Research Programs) pointed out that customers tend to complain about their unsatisfying shopping experiences to others two times more often than to encourage others to shop with certain companies where they have had satisfactory experiences. Before they go shopping, customers may use the internet, search engines or other resources to find related experiences, or they may share their experiences with others in the same way. This implies that when customers experience unsatisfying situations, companies need to take immediate and effective action to prevent customers from spreading those messages to prospective customers and cause possible damage to companies' business performance.

In the past, customer complaints might influence companies' business performance in a limited way; customers today expect companies to quickly respond to their complaints. The possible reason for this change in customers' attitude is the evolvement of customer perception and the prevalence of the internet. If companies still ignore complaints from customers, negative reputations and a decline in business performance are results that may very likely occur.

Customer Satisfaction

Oliver (1981) believed that satisfaction is a kind of feeling that customers may experience when they feel surprised during the processes of buying products or service. This kind of feeling will result in another kind of attitude, loyalty for example, in customers' minds. Honomichl (1993) also pointed out that it is important for companies to strengthen customer satisfaction as a way to become competitive in theirbusiness operation.

At the end of the 90s', companies found that results of the SERVQUAL scale make no contribution to business operations unless companies could thoroughly understand the managerial meanings that these results present (Jones and Sasser, 1995; Reichheld, 1996). Additionally, it is important for companies to examine customers' inner feelings after they shop with these companies. This is the only way for companies to acquire the mindshare of customers by improving the quality of their service and products to meet and satisfy customers' needs.

Only when customers feel satisfied with their shopping experiences can companies expect loyalty and repurchase activities from customers. In other words, if companies want to make profits from customers and to have a dominant share in the marketplace, they need to focus on issues of customer satisfaction at the very first step (Hackl and Westlund, 2000; Scheuing, 1995; Reichheld, 1996). However, it is not easy, in academic and practical aspects, to find the connection between customer satisfaction and customer repurchase activity. Simplifying the relationship between customer satisfaction and repurchase activity would lead to misunderstandings. Therefore, researchers and practitioners should conduct research with the intention of clarifying the relationship between customer satisfaction and repurchase activity.

RESEARCH DESIGN

Applying regression analysis to this study, the researcher tried to clarify the relationship between service quality, perceived value, and the influence of companies' customer complaint management on customer satisfaction. In the following section, variables and methods used in this study will be presented. In the second part, descriptions of subjects will be provided, while the third part is about the objectives that the researcher tried to understand in this study.

Research Variables and Methodology

In this study, the application of a questionnaire was the main tool for collecting data and understanding the relationship between each variable. In the following passages, the researcher will try to explain methods of examining each variable and describing their meanings.

Service Quality

In this study, the SERVQUAL scale, which was proposed by Parasuraman and other scholars in 1988, will be used to examine service quality. The SERVQUAL scale includs five dimensions and twenty two items (Parasuraman et al., 1988). Even though it remains controversial to say that such a scale is applicable to all industries (Buttle, 1996; Cronin and Taylor 1992; Teas, 1993), this scale certifies the importance of service quality to companies.

By applying the SERVQUAL scale to this study, the researcher tried to examine the difference between customers' expectations and feelings of their shopping experiences. The results of this study could work as references for companies to improve their strategies. With the intention of applying time–saving to answering this questionnaire, participants have been asked to fill in the differences between their expectations and the feelings they experienced for each item of the scale.

Perceived Value

To examine perceived value, the PERVAL scale designed by Sweeny and Soutar (2001) with nineteen items in total was utilized to this study. PERVAL includs four dimensions: emotional value, social value, and functional values which are determined by price and quality.

Emotional value refers to the feeling that comes from the activity of consuming certain products or service, while social value represents the elevation of consumers' social consciousness in the same way. The functional value of price examines customers' feeling based on the comparison between money they paid for products or services and the values they acquired. The functional value of quality lies in the differences of customers' expectations and feelings after their consumption of products and services.

With the help of the PERVAL scale, the researcher can examine customers' perceived value after their shopping experiences. Also, the application of this scale in this study can clarify the relationship between each variable.

Customer Complaint Management

Goodwin and Ross (1992) presented a scale constructed on the basis of equity theory and related studies with seven items to understand, when customers confront unsatisfying shopping experiences, how they respond to companies' management of their complaints.

In the study of Goodwin and Ross (1992), two aspects are imbedded in customers' feelings about results of complaint management. The first aspect examines whether customers' complaints are managed with fairness and this includes companies' strategies, logic, and reasonableness in managing customers' complaints. The second aspect investigates how customers feel after the process of customer complaint management is over.

Customer Satisfaction

The scale invented by Taylor and Baker (1994) was used to examine the issue of customer satisfaction in this study. The study of Taylor and Baker is a continuation of Bitner et al, (1990), Bolton and Drew (1991), and Cronin and Taylor (1992). In this scale, four items were used to examine customers' overall feelings of satisfaction in their shopping experiences.

Research Subject

Service industry is a major trend in the future economics (Heskett et al., 1990). However, as the importance of service industry in world economics increases, retailing industry receives less attention now (Dabholkar et al., 1996). In this study, the researcher tried to focus the discussion on retailing industry which provides products and service to customers to enhance the understanding of these phenomena within retail industry.

As mentioned above, customer satisfaction is an important issue in the discussion of business operation. However, if a study is being conducted and analyzed in an improper way, bringing no managerial meaning to companies, the results are meaningless. In this study, the research subjects are customers of hypermarkets in Taiwan. The researcher tried to understand their feelings in terms of service quality, perceived value, customer complaint management, and customer satisfaction. In addition, the relationships between those variables are examined in this study by interpreting numbers from statistics.

The main purpose of this study is to understand the influence of customer complaint on customer satisfaction. So, two characteristics can be found in terms of research subject. First, participants in the survey need to have had shopping experiences in hypermarkets within the past three months. Second, participants are required to have the experience of expressing their complaints to hypermarkets. In the past, it was not easy to find qualified participants because most of customers were unaware of their rights of expressing complaints when customers felt unsatisfied. However, it is much easier to find participants with relevant experiences because of the emergence of organizations that help customers aware of their rights in shopping. News reports concerning the remuneration paid by companies to their unsatisfied customers also encourage customers to express their complaints when they face such situations.

Relationship between Variables

In the literary review, four variables including service quality, perceived value, customer complaint management, and customer satisfaction were introduced. In previous studies, the relationship between service quality and customer satisfaction was highlighted to show that, when customers felt satisfied with service quality provided by companies or their perceived value was high, companies could generate better business operation performance and get loyal customers stayed with them. However, the relationship between these variables proves this assumption wrong. This study includes customer complaint management as another variable. By applying the variable of customer complaint management to this study, differences between the previous studies and the current study were found.

DATA ANALYSIS

The total number of questionnaires sent out to customers in three major cities in Taiwan was 500 and the number of valid questionnaires was 183. Two parts of data analysis were conducted in terms of participants' responses. The first one is descriptive data analysis which helped the researcher have an understanding of participants' background information through demographic questions. The second was regression analysis which provided further insights into customer satisfaction via a discussion of customer complaint management.

Descriptive Data Analysis

Five demographic questions concerning sex, age, numbers of family members, shopping average per week, and numbers of hypermarkets in neighbourhoods are included in this questionnaire to help researcher understand these demographic characteristics of participants.

Gender

Table 1 shows that the number of female participants are 1.4 times more than males. This result indicated that women shop more than men in Taiwan. Therefore, when companies want to promote their products, they should try to attract these female customers' attention since they are the decision-makers in the family.

Please Insert Table 1 Here

Table 1 Descriptive Data Analysis – Gender

Gender	Male	Female
N	77	106

Table 2 Descriptive Data Analysis – Age

Age	21-25	26-30	31-35	36-40	41-45	46-50	51-55	56+
N	90	43	18	8	14	5	3	2

Table 3 Descriptive Data Analysis – Numbers of Family Members

Number of Family Members	1-2	3-4	5-6	7+
N	8	82	80	13

Table 4 Descriptive Data Analysis – Shopping Average per Week

Frequency	1-2	3-4	5+
N	111	54	18

Age

Table 2 presents the result that the most costumers are less than 35 years old. Several important messages can be inferred from this result. First, companies might consider providing customers with some accompanying services such as door-to-door delivery, free shuttle bus services, or flexible business hours to fit customers' needs. Second, promotional activities and loyalty programs should be customized for companies to establish a long-term relationship with most of their customers.

Numbers of Family Members

The third demographic question indicates the numbers of participants' family members. A preponderance of small and medium sized families can be inferred from Table 3. Most of participants have less than five members in their family; the situation is different from the time when three–generation families were a common social phenomenon. Therefore, customers may be interested in products which could satisfy different needs. One–stop shopping is a strategy that companies might adopt to increase customers' satisfaction with their shopping experience, leading to the possibility of repurchase activity in the future as its result.

Shopping Average per Week

In this section, participants' shopping average per month is revealed. As the results indicate in Table 4, most participants shop with one hypermarket only one time per week. The result implies that most participants might shop with more than one hypermarket. Hypermarkets provide daily necessities for customers; therefore, it is worthy to note that some participants have other ways to satisfy their needs for daily necessities. The results also indicate that participants might prefer to eat outside rather than cook by themselves. Hypermarket companies should then try to set up a ready food department or to provide products which are easy to cook into their business to enhance customers' willingness to shop with them.

Numbers of Hypermarkets in Neighbourhoods

Table 5 reveals that participants usually have no more than two hypermarkets in their neighbourhoods. This is because a hypermarket requires a larger space to store their products than smaller shops. Companies will undertake their research on the population number and the needs of these prospective customers in an area before they open a hypermarket there. These hypermarkets have few competitors since they often have a dominant market share. Therefore, a newcomer needs to not only compete but also cooperate with the existing companies to expand its customer base and become dominant in the local business.

Regression Analysis

Regression analysis is utilized to figure out relationships between different variables. By the application of regression analysis, a better understanding of customer satisfaction could be obtained. The discussion of the results will be divided into two levels. On the first level, service quality and perceived value are treated as independent variables, while customer satisfaction is a dependent variable. In this part of the discussion, the researcher tried to understand the relationship between the dependent variable and the two independent variables. On the second level, customer complaint management was included in the discussion as the third independent variable into the discussion to see in what ways these variables could further explain customer satisfaction as a dependent variable.

First Level

On the first level, service quality and perceived value are the two independent variables used to explain customer satisfaction as a dependent variable.

Table 6 points out that all participants have positive feelings in terms of customer satisfaction, service quality, and perceived value.

Results presented in Table 7 demonstrate that the application of service quality and perceived values as two independent variables to explain customer satisfaction has 71.6% explanatory power with a standard error of .5732. Here, the explanatory power of over 70% indicated that these two independent variables could be used to reasonably explain the dependent variable.

ANOVA is then used to examine the significance of the overall regression analysis. The result certifies that service quality and perceived value as independent variables to explain customer satisfaction have statistical meaning with 227.345 in the F-test and .000 in significance value.

Results of service quality and perceived value in Table 9 signify the significance in meaning. The two variables have 3.181 in their VIF, indicating that no significant problems of a multi-collinearity could be found.

In Table 10, even though the result of residual statistics is over 1.96, there is no great difference. Therefore, the error of this study is minimal, indicating that the result of regression analysis at the first level is acceptable.

Second Level

After the examination of the first level was carried out, customer complaint management was added as the third variable in order to understand whether this third variable has a positive effect in the discussion of customer satisfaction.

Table 5 Descriptive Data Analysis – Numbers of Hypermarket in Neighbourhoods

Numbers of Hypermarket in Neighbourhoods	1-2	3-4	5+
N	108	64	11

Table 6 Descriptive Statistics – Model 1

	Mean	Std. Deviation	N
Customer Satisfaction	4.68	1.07	183
Service Quality	4.56	.87	183
Perceived Value	4.51	.93	183

Table 7 Summary of Regression – Model 1

Model	R	R-square	Adjusted R-square	Std. Error of the Estimate
	.846	.716	.713	.5732

Table 8 Results of ANOVA Analysis – Model 1

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	149.372	2	74.686	227.345	.000
Residual	59.132	180	.329		
Total	208.504	182			

Table 9 Results of Regression Analysis – Model 1

	Unstandardized Coefficients		Standardized Coefficients	F	Sig.	VIF
Model	B	Std. Error	Beta			
Constant	2.26E-02	.230		.099	.922	
Service Quality	.300	.087	.244	3.453	.001	3.181
Perceive d Value	.729	.082	.633	8.939	.000	3.181

Table 10 Residual Statistics – Model 1

	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	1.4603	6.6286	4.6762	.9059	183
Residual	-1.7111	1.7196	9.901E-16	.5700	183
Std.Predicted Value	-3.550	2.155	.000	1.000	183
Std. Residual	-2.985	3.000	.000	.994	183

Table 11 Descriptive Statistics – Model 2

	Mean	Std. Deviation	N
Customer Satisfaction	4.68	1.07	183
Service Quality	4.56	.87	183
Perceived Value	4.51	.93	183
Customer Complaint Management	4.50	1.07	183

In Table 11, participants' attitudes towards companies in terms of customer satisfaction, service quality, perceived value, and customer complaint management were listed. The result of averages proves that most of customers feel satisfied with services provided by hypermarkets.

Comparing numbers of Table 12 to numbers in Table 7, it could be found that the explanatory power reaches 76.5% after inserting customer complaint management into the discussion. The results indicated that using the third variable could generate a reasonable explanation of customer satisfaction.

By adding customer complaint management to the discussion of ANOVA, the result of the F-test is 194.556 with a .000 significance value (Table 13). This also indicated that statistic meaning can be acquired by using three independent variables to explain the dependent variable.

In Table 14, the Beta estimate of perceived value and customer complaint management were significant, while the Beta estimate of service quality was insignificant. The t estimate of service quality was also insignificant. The results proved that good service quality might be considered a basic requirement for modern customers. In that case, if companies want to have a dominant market share, they need to focus on other aspects of customer relations. In addition, no obvious problems were found with the issue of multi–collinearity in this part of study.

In Table 15, even though the result of standardization residual is over 1.96, the error of this study is considered minimal, indicating that the result of regression analysis at the second level is acceptable..

Table 12 Summary of Regression – Model 2

Model	R	R-square	Adjusted R-square	Std. Error of the Estimate
	.875	.765	.761	.5229

Table 13 Results of ANOVA Analysis – Model 2

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	159.568	3	53.189	194.556	.000
Residual	48.936	179	.273		
Total	208.504	182			

Table 14 Results of Regression Analysis – Model 2

	Unstandardized Coefficients		Standardized Coefficients	F	Sig.	VIF
	B	Std. Error	Beta			
Model	.127	.210		.607	.545	
Constant	.151	.083	.123	1.827	.069	3.481
Service Quality	.429	.089	.373	4.814	.000	4.567
Customer Complaint Manageme nt	.428	.070	.428	6.107	.000	3.752

Table 15 Residual Statistics – Model 2

	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	1.4642	6.8236	4.6762	.9363	183
Residual	-1.7729	1.5201	1.485E-15	.5185	183
Std.Predicted Value	-3.430	2.293	.000	1.000	183
Std. Residual	-3.391	2.907	.000	.992	183

CONCLUSION AND SUGGESTION

The results of this study indicated that applying customer complaint management to the discussion could increase our understanding of customer satisfaction. Besides, it is obvious to see that the influence of service quality on customer satisfaction declined when customer complaint management served as the third variable in the discussion. This result certified that good service quality is now considered as a basic requirement for companies. However, this does not mean that the issue of service quality is not worth of attention in terms of business operation. Customers may choose to shop with other companies if this basic requirement is ignored.

It is easy to see that the influence of customer complaint management on customer satisfaction is as important as perceived value. The result also proves that customer repurchase activity relies on customers' previous shopping experiences to a great extent. Besides, customers are aware of the possibility of confronting some unsatisfying experiences in such a situation. Companies should encourage customers to express their unsatisfying experiences to improve their service and product quality. By doing so, companies stand a chance of customers staying with them. If companies choose to ignore customers' responses, they will fail in their business operation performance in the end. Accordingly, companies should include customer complaint management in their staff education to ensure that all personnel are aware that it is important to encourage customers to express their dissatisfaction, as well as suggestions, for companies to improve related policies in the future.

It is important for companies to understand the importance of service quality, perceived value, and customer complaint management in order to increase customer satisfaction. Companies should invest their limited resources in these key issues in an effective way. After the investment is made, companies should try to understand how it works and to build up their employee training programme with the same focus. In other words, companies should be aware of issues concerning customers.

With the development of technology, both companies and customers can easily receive information from the Internet easily. If companies are ignorant as to the importance of technology as a way to understand how customers respond to their products and service quality, they will be blind to related crises, and suffer a great decline in their business operation performance as a result.

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TOWARD A NEW FRAMEWORK FOR COLLABORATION BETWEEN SMES AND ACADEMIC INSTITUTIONS BASED ON PORTER'S DIAMOND THEORY: AN EMPIRICAL STUDY IN TAIWAN

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Abstract

Based on a competitive advantage perspective proposed by Porter's diamond theory and the concept of national innovative capacity, this study develops a new framework for collaboration between small and medium-sized enterprises (SMEs) and academic institutions for improving SMEs' R&D and innovative capabilities as well as sustaining their competitive advantage.

The triangulation method was used to examine the essence of collaboration between SMEs and academic institutions as well as explore the successful factors of innovative R&D in collaborative projects. Data were collected from 44 SMEs receiving National Innovation and Research Awards and 66 academic institutions within high education systems.

This study found that collaborative projects can be successfully implemented when both SMEs and academic institutions exhibit. The Taiwanese government plays an important role in providing necessary infrastructure for collaboration. Implications for SMEs, academic institutions, and the Taiwanese government play different roles in each stage of a collaboration. SMEs need to go through each stage before constructing a relationship based on mutual trust with academic institutions.

Keywords: Small and medium-sized enterprises (SMEs), collaboration, Porter's diamond theory

INTRODUCTION

The foundation of enterprise competitiveness has gradually shifted from labor power to brain power in the knowledge-based economy. Businesses should make use of their knowledge and transfer that knowledge into value for improving competitiveness (Kao 2001). The entry of Taiwan to the World Trade Organization (WTO) has opened domestic market to foreign companies. Knowledge-based economy and globalization have altered the nature of market competition in Taiwan and increased the pressure faced by Taiwanese Small and medium-sized enterprises (SMEs). In order to quickly respond to changes in market demand and provide new products, services, or processes for customers, SMEs should acquire more innovative ideas and research resources from academic institutions. In fact, facing increased economic changes and competition, Taiwanese managers of SMEs have begun to develop ways to improve their innovative capabilities in research and development (R&D).

Innovative capability is a distinct ability (Kobe, Harland and Meier 2004) which helps business accumulate and deploy new knowledge or recombine existing knowledge to create innovations (new products, services, and processes) more effectively (Geroski and Machin 1992; Persaud 2005; Swink 2006). However, innovative capabilities of SMEs might be restricted to incremental changes within existing technology systems and networks due to limited resources (Hansen, Søndergård and Meredith 2002). Therefore, SMEs might try to foster their ability to innovate by participating in collaborative projects (Persaud 2005). To help Taiwanese SMEs overcome these difficulties and encourage them to develop innovative products, services, and technologies, the Minister of Economic Affairs (MOEA) of Taiwan set up a National Innovation and Research Award (MOEA 2006). Awards are often taken as the indicator of creative achievements (Simonton 2004). Thus, this study investigated the SMEs that received awards in order to explore influential factors affecting the successful collaborative projects.

Porter's (1990) diamond theory is widely used for analyzing industrial competitiveness and developing advantageous strategies. Porter and Stern (2001) further expanded the diamond theory to develop a framework for evaluating national innovative capacity. Academic institutions involved in collaboration could link national university systems and industries by creating a bridge between technology and firms (Porter and Stern 2001). This study adopted Porter's (1990) diamond theory and the concept of national innovative capacity to develop instruments for exploring the essence of collaboration between SMEs and academic institutions as well as innovative capabilities of SMEs developed through collaboration with academic institutions. In order to achieve these goals, 44 SMEs receiving the National Innovation Research Awards with successful outcome in collaboration and innovation projects were surveyed. In addition, 66 academic institutions were also investigated in this study. At the end of this article, advantageous strategies are developed for improving the competitiveness of Taiwanese SMEs.

LITERATURE REVIEW

The Interactive Relationship among SMEs, Academic Institutions and the Taiwanese Government

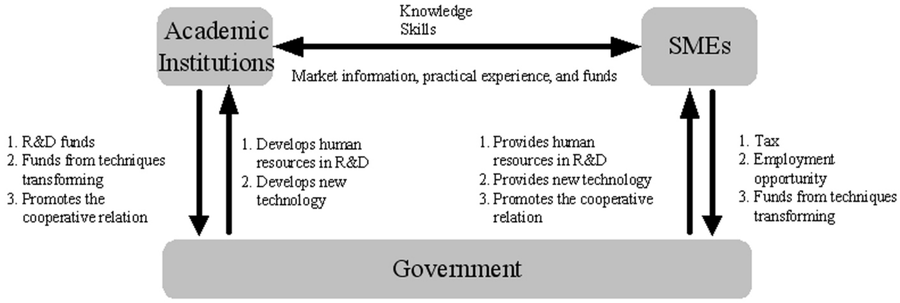
Taiwanese SMEs account for 97.8% of all Taiwanese enterprises (MOEA 2006). However, it is difficult for SMEs to produce cutting-edge products, services, or technologies by themselves. Generally, SMEs face four difficulties during the process of competing with large scale businesses (Lai 2001; MOEA 2006): (1) SMEs are excluded from the autonomy of fundamental product-parts; (2) SMEs charge customers low prices because their products lack differentiation in terms of innovation; (3) limited domestic demand in Taiwan places SMEs at a disadvantage in terms of developing innovative products; (4) SMEs are eager to establish their own brands. However, SMEs still have advantageous over big scale enterprises such as being close to their customers, welcoming changes and having a flexible and informal environment (Laforet and Tann 2006).

Figure 1 demonstrates the interactive framework among SMEs, academic institutions, and government in Taiwan. In this figure, government constructs the infrastructure that encourages SMEs and academic institutions to work together. Both SMEs and academic institutions can benefit from the process of making use of different resources, knowledge, and skills in a collaborative project.

Collaboration

Collaboration is defined as both businesses and academic institutions working together to establish a mutually-beneficial framework for sharing resources or solving problems legally without damaging national interests. Previous studies have identified six types of collaboration (Business-Higher Education Forum 2001; Dornfeld 2001; Tidd, Bessant and Pavitt 2001; Valentin and Sanchez 2002): (1) general sponsorship; (2) collaborative sponsorship; (3) knowledge transfer; (4) technique transfer; (5) unofficial collaborative research; and (6) strategic alliances. The benefits generated from collaboration can be categorized into two types as follows:

Figure 1. The Interactive Relation among SMEs, academic institutions and government (Hsu and Chang 2000)



On the business side. Collaboration with academic institutions can achieve six benefits for business (Business-Higher Education Forum 2001; Industrial Research Institute1995): (1) to access expertise not available in corporate laboratories; (2) to aid in renewing and improving company technology; (3) to recruit future employees from students; (4) to use the university to facilitate the expansion of external contacts for the industrial laboratory; (5) to expand competitive research, both with universities and with other companies; and (6) to leverage internal research capabilities.

On the academic institution side. Six benefits are available for academic institutions by cooperating with firms (Industrial Research Institute1995; Business-Higher Education Forum 2001): (1) to obtain financial support for the educational and research mission of the university; (2) to fulfill the service mission of the university; (3) to broaden experience of students and faculty members; (4) to identify significant, interesting, and relevant problems; (5) to improve regional economic development; and (6) to increase employment opportunities for students.

Porter's Diamond Theory

Porter (1990) extended the framework of competition to address challenges facing international competition and developed the diamond theory. The diamond theory could explain the processes of nations to create and sustain competitive advantage in a specific field or industry. Porter and Stern (2001) further developed a framework of national innovation capacity to describe innovative capacity that enables a nation to innovate at the global frontier. Managers could use this framework to evaluate innovative capacity of a company. The diamond theory comprises four key determinants (see Table 1): (1) input conditions; (2) demand conditions; (3) related and supporting institutions; (4) strategy and rivalry. These four main determinants function individually as a system and reside at each face of the diamond. Two factors located outside the diamond are: (1) government; (2) chance.

Furthermore, the cultural factors could be a crucial element of a nations' competitiveness. Bosch and Prooijen (1992) used diamond theory to analyze the competitiveness of European countries and they proposed that Porter had overlooked the importance of culture while analyzing international competitive advantage. Chen and Tarn (2000) utilized Porter's diamond theory to analyze the competitiveness of Taiwanese firms, and they found that cultural factors affected enterprises competitiveness. This paper propose that culture should be considered a crucial element in Porter's diamond theory and thus the culture condition was also used to develop instruments and construct advantageous strategies in this study. As shown in Table 1, the conceptual definitions of above seven dimensions of diamond theory were based on then context of collaboration between SMEs and academic institutions.

Table 1. Components of the Diamond Theory

Components	Definition
1. Input Conditions	The resources provided from cooperative partners participating in collaborative projects, such as professional human resources provided by academic institutions or R&D equipment for collaboration provided by SMEs.
2. Demand Conditions	Factors which could motivate SMEs and academic institutions to participate in collaborative projects. For example, SMEs could join research groups of academic institutions and utilize new technology to provide innovative products or services.
3. Related and Supporting institutions	Facilities that support SMEs or academic institutions participating in collaborative projects, such as rules, policies, regulations, and professional institutions.
4. Strategy and Rivalry	The cooperative strategy and structure could be reflected in the contracts for intellectual property and sharing benefits.
5. Chance	Advanced collaborative programs with the third parties in developing a new technology or an innovative outcome.
6. Government	The implementation of government policies that support SMEs or academic institutions to participate in collaborative projects.
7. Culture	The mutual trust culture, involvement, and caring of different parties participating in collaborative projects.

(Modified from Bocsh and Prooijen 1992; Porter 1990)

RESEARCH METHODOLOGY

The triangulation method which involved the use of multiple methods and measures of empirical phenomenon in order to overcome problems of bias and validity (Cox and Hassard, 2005) and achieve a more complete understanding of the complexities of the research context (Yauch and Steudel, 2003). Therefore, the triangulation method which combined survey, expert interview, and content analysis was used to examine the essence of collaboration between SMEs and academic institutions as well as explore the successful factors of innovative R&D in collaborative projects. Samples and measurements of this study are illustrated as follows.

Sample

Two hundred eighty SMEs receiving the National Innovative Research Awards and 90 academic institutions were surveyed in this study in order to explore influential factors affecting the successful collaborative projects.. Each SME and academic institution had successful outcomes or experiences in collaboration.

Of the 280 SMEs, we received 44 usable questionnaires from top managers (the response rate is 16%). Results of descriptive analysis showed that 56.8% of respondents were college graduates (or higher), 80.9% of respondents had teaching experience, and all respondents had experiences with collaboration. Furthermore, 75% of respondents had working experiences at least six years, and 34.1% had over 16 years of work experience. Of the 90 academic institutions, .66 administrator returned usable questionnaires (the response rate is 73%). 66.7% of respondents had doctoral degrees, and 21.7% had master's degrees. Moreover, 83.3% of respondents had working experience in business, 78.3% had collaborative experience, and 75% had work experience exceeding six years.

In order to get experts' opinions on barriers in collaborative projects and what kind of facilitators are required in such project. We also interviewed one expert from a government research institution, two business executives, and five chiefs from academic institutions. The five chiefs came from various collaboration centers, R&D centers, or incubation centers. Brief descriptive data of the respondents are provided as follows:

Measurement

Measurements in this study were included the semi-structured interviews and the survey which differed for SMEs and academic institutions. Both items of a survey and contents of semi-structured interviews were developed from Porter's (1990) diamond theory and related literature (Bosch and Prooijen 1992; Chen and Tarn 2000; Porter 1990; Porter and Stern 2001).

The survey was pre-tested using a sample of 28 SMEs and 36 academic institutions. Respondents were asked to rank the importance of each item using a five point Likert scale which ranged from 1 (strongly disagree) to 5 (strongly agree). Expert examination was used to ensure the content validity of the survey. Item analysis and Cronbach α test were then utilized to test the reliability of the questionnaire. Using data collected from the pre-test, items were deleted when both the probability value and correlation coefficient and Critical Ratio (CR) were below .05.

After analyzing pre-test data, survey were constructed to collect data from 44 SMEs and 66 academic institutions. As shown in Table 2, the Cronbach' α of the SMEs scale for whole scale is .957, while the Cronbach' α for each dimension ranged from .739 to .925. Moreover, the Cronbach' α for the overall academic institution scale was .953 while that for each individual dimension ranged from .603 to .925.

Table 2. Cronbach' α of the Measurement

Dimensions	Cronbach α	
	SMEs	Academic Institutions
1. Input conditions	.739	.603
2. Demand conditions	.798	.760
3. Related and supporting intuitions	.905	.867
4. Strategies and structure	.925	.864
5. Culture	.874	.877
6. Government	.865	.783
7. Chances	.761	.811
Whole Scale	.957	.953

ANALYTICAL RESULTS

The Differences of SMEs and Academic Institution Profiles

This study used MANOVA to analyze the differences of SMEs and academic institutions profiles in seven dimensions based on Porter's diamond theory. The results are discussed as follows.

The differences of SMEs profiles

Table 3 listed the results of differences of SMEs profiles in seven dimensions. The results showed that the differences of executives' work experience in the dimension of culture are significant ($F=2.639$, $p<.05$). This result indicates that senior executives have more experience such as knowledge sharing, social skills for implementing collaborative projects, and solving conflicts between SMEs and institutions (Pan 2002). In other words, senior executives have more ability to establish a mutually prosperous culture than junior executives.

Significant differences exist in SMEs' ownership in the dimension of input condition ($F=3.945$, $p<.05$) as well as in dimension of strategies and structure ($F=5.679$, $p<.05$). Different ownership structures have different needs in a collaborative project. Those needs could be expressed strategically and structurally. The statistical results indicate that 93.4% of SMEs are Taiwanese ventures. Consequently, 93.4% SMEs have similar needs, strategies, and structures. Therefore significant differences exist between Taiwanese ventures and international ventures.

The differences in SMEs' capital in the dimension of related and supporting institutions are significant ($F=2.923$, $p<.05$). This result indicates that the collaboration intentions of businesses differ between high-capital and low-capital SMEs. High-capital SMEs can provide more resources for academic institutions, and thus can be based on a radical innovation approach and select better institutions as cooperative partners in developing cutting-edge products. On the other hand, low-capitals SMEs face limitations in terms of resources (for example, human resources, equipments, and R&D capabilities). In other words, low-capital SMEs frequently used an incremental innovation approach to cooperate with academic institutions to improve business performance in R&D or to improve products, process, or services.

The differences of academic institution profiles

As shown in Table 3, the test results showed that there are significant differences between executives at different ages and the dimension of related and supporting institutions ($F=3.66$, $p<.05$). All respondents are faculty members form academic institutions and have responsibilities to do research on specific topics. Thus, senior executives have experienced numerous collaborative projects that could help institutions obtain more supporting resources and cooperative SMEs.

Significant differences exist between executive educational level and the dimension of chances ($F=2.78$, $p<.05$). Executives with higher educational level may have greater foresight in terms of acquiring academic information than those with lower educational level. Thus, executives with higher educational level may be able to explore the content of chances more thoroughly.

Significant differences exist between private and public academic institutions and the demand factor dimension ($F=2.121$, $p<.05$). Demand of participating in collaborative projects differs between public and private academic institutions. The discrepancy between public and private academic institutions in terms of available resources affects the attitude of faculty members towards participating in collaborative projects. Private academic institutions have fewer resources, and consequently they are motivated to gain more resources and promote their reputation through collaborative projects. Because of supportive governmental policies, public academic institutions have less motivation to participate in collaborative projects.

Table 3. Differences in SMEs Profiles

Variables of Profiles	Seven Dimensions of Diamond Theory							
	Input Conditions	Demand Conditions	Related and Supporting Intuitions	Strategy and Structure	Culture	Government	Chances	Whole Score
Executive age	.28	1.05	.73	.19	.07	1.00	1.64	.32
Educational level	.15	1.37	.60	2.46	1.49	1.88	.25	1.63
Work Experience	1.54	.70	1.71	1.5	2.64*	1.37	2.05	1.74
Teaching Experience	-.84	.24	-.55	-.35	-.34	-.31	-1.80	-.77
Collaborative Experience	.87	.834	.74	1.19	1.77	1.10	.15	.78
Firm Age	.64	.72	.94	.37	.11	1.88	.70	.58
Firm Ownership	3.95*	2.79	1.17	5.68*	2.56	.71	.26	3.08
Firm Capital	.64	.96	2.92*	.91	1.50	1.44	.99	1.77

*$p< .05$

Table 4. Differences in Academic Institution Profiles

Variables	Seven Dimensions of Diamond Theory							
	Input Conditions	Demand Conditions	Related and Supporting Intuitions	Strategy and Structure	Culture	Government	Chances	Whole Score
Age	1.42	1.32	3.66*	3.13	1.22	1.12	2.46	3.21*
Educational Level	1.789	.64	.99	1.05	.38	1.14	2.78*	1.07
School Type	1.53	2.12*	1.07	1.89	.72	1.00	.78	1.39
Work Experience	1.38	.82	1.33	.67	1.86	1.87	.64	1.11
Business Experience	1.45	1.04	.70	1.63	1.90	.60	1.28	1.76
Collaborative Experience	1.49	.51	.45	.22	.61	.83	1.20	.94
School Age	1.04	.70	1.63	1.91	.60	1.28	1.76	.71

*p< .05

Table 5. Correlation Coefficient Between SMEs and Academic InstitutionsThe Relationship of Collaborative Perceptions between SMEs and Academic Institutions

Academic institutions	SMEs							
	1	2	3	4	5	6	7	8
1. Input Conditions	.58	.12	.07	.15	.15	-.04	.02	.10
2. Demand Conditions	.21	.01	34*	.22	.27	-.04	.15	.24
3. Related and Supporting Intuitions	.29	.28	.19	.22	.25	.05	1.00	.22
4. Strategies and Structure	.14	35*	.11	.12	.14	-.03	.12	.13
5. Culture	.26	.16	.21	.17	.22	-.02	.07	.18
6. Government	32*	.22	30*	.26	.18	.02	.17	.26
7. Chances	.24	.16	.28	.20	.14	.07	.19	.23
8. Whole sore	.29	.26	.26	.21	.24	-.01	.14	.23

*p< .05

Table 5 listed the correlation coefficients between SMEs and academic institutions in seven dimensions of Porter's diamond theory. Test results showed that SMEs in the dimension of input conditions positively correlated with academic institutions in the dimension of government (r=.324, p<.05). Such results demonstrate that academic institutions have high motivation to actively participate in collaborative projects. In the collaborative process, SMEs can help academic institutions improve their skills and reputations through collaboration.

SMEs in the dimension of demand conditions positively correlated with academic institutions in the dimension of strategies and structures (r=.352, p<.05). The results indicate that intellectual property and technical transformation strategies of academic institutions could meet SMEs needs in a collaborative project. Academic institutions could help SMEs improve employee R&D capabilities and obtain more research information.

Moreover, SMEs in the dimension of related and supporting institutions also positively correlated with academic institutions in the dimension of demand factors (r=.342, p<.05), and in the dimension of government (r=.300, p<.05). Research is one of the main functions of academic institutions in Taiwan. Academic publication is a major indicator for assessing the promotion of faculty members. Faculty members could obtain benefits for promotion by participating in collaborative projects for promotion. Thus, government should devise a broader set of supportive policies for faculty members. Meanwhile, academic institutions can provide additional cooperative resources for SMEs.

Results from Expert Interviews

In order to get expert opinion on barriers in collaborative projects and what kinds of facilitators are required in such project, we interviewed five chiefs from collaboration centers, R&D centers, or incubation centers. The main results are discussed as following.

SMEs are profit oriented. Therefore the objectives of R&D are to meet market demands. The main purpose of SMEs cooperating with academic institutions is to save costs, maintain product quality, and improve innovation capabilities. However, SMEs used to play a passive role in the collaborative project. Because of confidential issues, they cannot publicly announce their R&D needs. An empirical study from Taiwan showed that although SMEs can strengthen their innovative capabilities by joining the National Scientific Research Project, they are rarely join such projects (Syu1997). A possible explanation is that there are not enough contact channels available for SMEs. To date, the Taiwanese government has not built a framework for promoting cooperation between SMEs and academic institutions. Therefore, most collaborative projects were constructed based on the recommendation of academic institutions or other SMEs with successful experiences in collaborative projects. Government should try to bridge the divide between SMES and academic institutions. For example, government could amend the reward policy and transform the qualitative approach into a quantitative approach. Rewards should be based on the value of collaboration rather than the number of collaborations.

CONCLUSION AND RECOMMENDATIONS

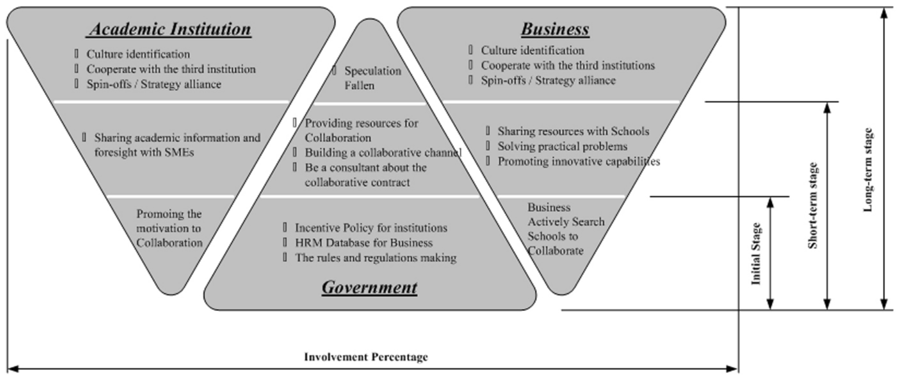
Above results indicated that a collaborative project would be successfully implemented only when both SMEs and academic institutions could expand cooperation gradually before mutual trust is developed. Taiwanese government should play a supporting role in this process. Furthermore, academic institutions should utilize the advantages of academic research to promote successful collaboration with SMEs. On the other hand, SMEs should actively search for academic institutions as cooperative partners. Therefore, we concluded that a successful collaborative project should have three characteristics: (1) a successful collaborative project should be based on an interactive relationship between SMEs and academic institutions; (2) government should play a supportive role and build necessary infrastructure for collaboration between SMEs and academic institutions; (3) SMEs and academic institutions should learn to establish a mutually prosperous culture in the long run.

Based on three these characteristics of a successful collaborative projects, a new collaborative framework was proposed for SME-academic institution collaboration (see Figure 2). This framework could be divided into three stages. SMEs are supposed to go through three stages before constructing a mutual trust relationship with academic institutions. SMEs, academic institutions, and Taiwanese government are required to play different roles in each stage.

The Initial Stage

In the initial collaborative stage, both SMEs and academic institutions are not familiar enough with each other. A small-scale collaborative and exploration-based project is suggested in this stage. SMEs could progress to a more collaborative relationship in the near future. In this stage, Taiwanese government plays an infrastructure construction role in the project. The main task of Taiwanese government is to construct an information platform for bridging the divide between SMES and academic institution. This study suggests that government should continuously modify laws and regulations to encourage SMEs and academic institutions to cooperate by providing matching services for SMEs and academic institutions, establishing a human resource database, and integrating governmental sectors to set up a complete information portal.

Figure 2. The new collaborative framework



The Mid-term Stage

This is the period in which SMEs and academic institutions have established a better understanding through successful collaborative experience in the initial stage. A large-scale collaborative project is suggested in the mid-term stage. However, a large-scale projects requires that huge benefits might be created. SMEs and academic institutions often encounter conflicts due to issues of intellectual property in large-scale projects. At this stage, Taiwanese government should serve as a consultant and provide professional assistance to help SMEs and academic institutions solve conflicts.

The Long-term Stage

Both SMEs and academic institutions are moving toward a mutual trust culture after successfully passing through the previous two stages. However, limited resources and market information might confine the cooperation among business and academic institutions. A multiple sector collaborative framework was suggested in the long-term stage. The Taiwanese government, in this stage, should decrease its involvement and give more freedom for SMEs and academic institutions. SMEs and academic institutions could find a third party (business or academic institutions) to cooperate and establish a strategic alliance or develop spin-offs in the long-term.

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CRITICAL EVALUATION OF ENTRY STRATEGIES THEORIES ASSOCIATED WITH DEVELOPING GLOBAL BUSINESS-TAKE THE HEWLETT-PACKARD IN CHINA AS AN EXAMPLE

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Abstract

The choice of correct entry strategy for a particular market is one of the crucial decisions for firms in international marketing. Several frameworks and strategies have been identified and developed from different constructs.

This project is not only focus on exploring the entry strategies selection and related theories, but also conduct a critical evaluation – present the ideas on both sides of support and opposition for the every item. Since the objective of this research is to discuss why the strategies will be selected when an enterprise is going to enter overseas markets, and how the marketing strategies are affected by the different entry strategies, therefore, the "case study" is the best strategy for this mission. Several key issues were identified in terms of the SLEPT (social, legal, economic, political and technological) framework. The case study in this research is to investigate Hewlett-Packard's experience in China.

The results show that before entering the foreign markets, a multinational company will definitely conduct a detailed marketing plan and it is the essential step in the whole international marketing process. What's more, the consideration of systemic strategy thinking is essential to meet the characteristics of different markets and to adopt the local needs.

Key words: Entry strategies theories, Global business, China market, SLEPT

Research Objectives

The goal of this research is to understand the essence of entry strategies and conduct a critical evaluation of these strategies. "Case study" will be adopted as the methodology in this research and a multinational IT firm will be the example case to verify these strategies as mentioned in the past literatures. In addition, how a multinational firm in the IT industry entering foreign markets and how this behaviour varies across different markets is another topic of the project. To achieve this goal, the research carries out several objectives. First, it reviews related literatures to understand the theories and the key factors of entry strategies choice. Second, having an in-depth understanding of an international IT firm's main ideas and challenges it faces when entering a foreign market. Third, detailed discussion of how a multinational company, i.e. Hewlett-Packard, overcome the challenges when entering an overseas market, i.e. China.

Literature Review

The definition of entry strategies

The research into entry models has been widely studied. Terpstra and Sarathy (1994) believe that the selection of entry strategy involves long-term corporate objectives related to the whole marketing program, and then every challenge comes along with the process of how to reach these markets. Anderson and Gatignon (1986) proposed the entry model of entering international markets is the best choice of an enterprise when it is trying to expand its overseas markets. In other words, entry models can be seen as the institutional arrangement in the international market. Anderson (1997) presented that the entry model is an institutional arrangement of an enterprise when managing the international business, such as contractual transfer, joint venture and wholly-owned.Dunning (1992) identifies four motives for expanding foreign business, such as resource seeking, market seeking, efficiency seeking and strategic assets or capability seeking. The above factors can be viewed as motives for internationalisation, and improve their global market position.

Motives for entering foreign markets

This section tries to classify the main factors behind the internalisation of an enterprise's further expansion of a multinational company. Zitta and Powers (2003) summarise several motives for foreign direct investment, need for growth, need for profit, need for technology and desire for a global orientation. Dunning (1992) identifies four motives for expanding foreign business, such as resource seeking, market seeking, efficiency seeking and strategic assets or capability seeking. The above factors can be viewed as motives for internationalisation, and improve their global market position.

The comparisons between different entry strategies

According to Lu (2002), theorists in the entry strategies' field have stress the relationships between a firm's assets, and its need for control and ownership. In terms of the entrant and control, Anderson and Gatignon (1986) divided the entry models into three types, as shown in table 1 and it shows that level of control has a vital influence on the profitability and the risk; generally speaking, the higher control represents more profitability and risks.

Table 1: Entry modes Classified by the Entrant's Level of Control

Table 1: Entry modes Classified by the Entrant's Level of Control

Entry models	Types of ownership	Content
High-control modes	Dominate equity interests	• Wholly-owned subsidiary • Dominant shareholder-few partners • Dominate shareholder-one partner
Medium-control modes	Balanced interests	• Plurality shareholder-many partners • Plurality shareholder-few partners • Equal partners • Contractual joint venture • Contract management • Restrictive exclusive contract • Franchise • Non-exclusive restrictive contract • Exclusive non-restrictive contract
Low-control modes	Diffused interests	• Non-exclusive non-restrictive contract • Small shareholder-many partners • Small shareholder-few partners • Small shareholder-one partner
Resource: Anderson, E. and Gatignon, H. (1986), Modes of Foreign Entry: A Transaction Cost Analysis and Proposition, *Journal of International Business Studies*, pp.5.		

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Table 2: The Types of Entry Modes

Table 2: The Types of Entry Modes	
Models	Method
Export entry models	• Indirect export • Direct agent/distributor • Direct branch/subsidiary • Others
Contractual entry mode	• Licensing • Franchising • Technical agreement • Service contracts • Management contracts • Construction/turnkey • Contract manufacture • Co-production agreement • Others
Investment entry model	• Sole venture- new establishment • Sole venture- acquisition • Joint Venture- new establishment/ acquisition • Others
Source: Root, F.R. (1987) *Entry Strategies for International Markets*, Lexington, Lexington Books.	

Source: Root, F.R. (1987) Entry Strategies for International Markets, Lexington, Lexington Books.

Root (1987) thinks that from perspectives of the economics, there are two types of entry modes for moving into an overseas market: (1) manufacturing the product in the home country and exporting it to the targeted market, (2) move the technique, capital, human resources and enterprise to the targeted market and cooperate with the local manufacturer. From the viewpoints of management, these two types can be further divided into three entry models: export entry, contractual entry and investment entry models.

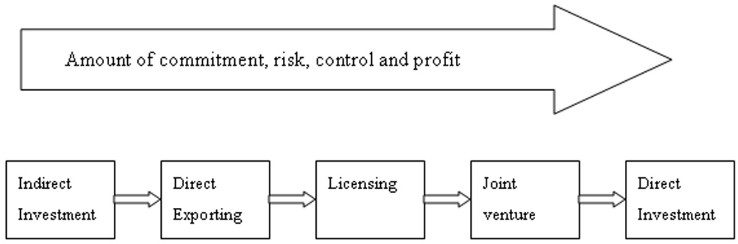
Jeannet and Hennessy (2001) use control, asset level, variable costs, fixed costs, market shares and cost as the considerations for market entry decisions, as shown in Table 3.

Erramilli (1992) proposed how the internal and external factors affect the service industry when entering the overseas markets. He divided the entry mode into two types: (1) integrated entry modes, (2) non-integrated entry modes.

In order to simplify the entry modes, Hill et al (1990) proposed the eclectic theory, which summarised the entry modes for three types: licensing, joint venturing and wholly owned subsidiary. The different levels of control, resource commitment and dissemination risk come along with the different entry modes.

Kotler (2003) classified the modes of entering a particular market into five types: indirect and direct export, licensing, joint venture and direct investment. As Figure 1 shows, the latter stage means getting along with more risk, control of the potential of profitability, and the level of involvement.

Figure 1: Five Modes of Entry into Foreign Markets



Source: Kotler, P. (2003) Marketing Management, 11th Edition, N.J., Prentice Hall

Based on four variables, opportunities or risks are provided by each entry mode, namely connection probability of these risks and opportunities, resources and time needed to be deployed. Lotayif (2003) classified the entry into four modes: firstly, wholly owned and full controlled modes, e.g. subsidiary and branches. They represent the highest level of resource commitment and risk. Secondly, shared control entry modes, e.g. joint venture, partial mergers and acquisition, which represent the second highest resource commitment and risk. Thirdly, contractual entry modes, e.g. licensing, franchising, and strategic alliance, possess the lowest risk and resource commitment. Generally speaking, all contractual entry strategies pursue a foothold in a foreign market without investing large amount of capital. Finally, in terms of the marketing oriented strategy - for example, direct or indirect exporting, agencies, and representatives - this category involves the lowest risks.

Table 3: Consideration of Market Entry Decision

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Entry Strategies	Control	Asset Level	Variable Costs	Fixed Costs	Market Share	Cost
Indirect Exporting	↓	↓	↑	↓	↓	↓
Direct Exporting						
Sales Subsidiary						
Franchising						
Licensing						
Contract Manufacturing						
Assembly						
Local Production						
Direction of arrow indicates increase or decrease in that factor						
Resource: Jeannet and Hennessy (2001) *Global Marketing Strategies* (5th edn), USA, Houghton Mifflin Company, pp. 381.						

Resource: Jeannet and Hennessy (2001) Global Marketing Strategies (5th edn), USA, Houghton Mifflin Company, pp. 381.

Table 4: The characteristics of different entry modes

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Entry Mode	Construct		
	Control	Resource Commitment	Dissemination risk
Licensing	Low	Low	High
Joint Venturing	Medium	Medium	Medium
Wholly owned subsidiary	High	High	Low

Source: Hill,W.L, Hwang,P. and Kim,W.C. (1990) An eclectic theory of the choice of international entry mode, *Strategic Management Journal*, Vol.11, pp.117-128.

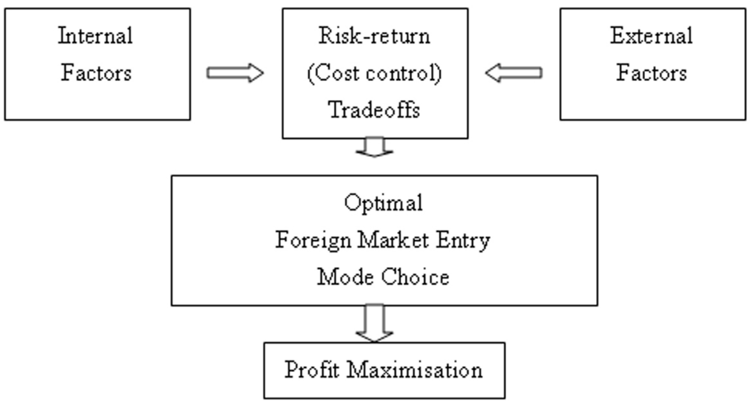
Source: Hill,W.L, Hwang,P. and Kim,W.C. (1990) An eclectic theory of the choice of international entry mode, Strategic Management Journal, Vol.11, pp.117-128.

International business perspectives

After reviewing the different types of entry strategies, the next section will discuss some theories, which are usually used in entry strategy decisions. The following perspective for studying mode of entry will be discussed: international theory, transaction cost, eclectic theory and resource-based view theory.

Kwon and Konopa (1993) believe that the main argument of internationalisation theory is helping the firms to reach the minimised risks when entering the foreign market. Furthermore, a firm entry mode choice depends on not only the features of the company and its product but also on a foreign market's characteristics, resulting from the cultural differences, political risks and the change of the value of exchange rates. Therefore, a firm prefers using the low risk strategy (ex. exporting) in entering foreign markets. However, the more knowledge and experiences of foreign markets that a firm has, the more it tends to choose the higher resource commitment entry mode (ex. foreign production) to obtain a maximised rate of return. According to the theory, Kwon and Konopa (1993) developed a conceptual framework of the factors, which affect a firm when entering foreign markets.

Figure2: Conceptual framework of the strategic foreign market entry mode



Source: Kwon, Y.C. and Konopa, L.J (1993), "Impact of host country market characteristics on the choice of foreign market entry mode", International Marketing Revies, pp.61.

Transaction cost analysis theory

According to the transaction cost analysis theory, Anderson and Gatignon (1986) present that the function of the trade-off from control and the cost of course commitment is the most suitable entry mode. In addition, they use the theory, which combines different factors, such as industrial organisation, organisation theory, and contract law, to measure the tradeoffs to make a vertical integration decision. In order to reach the long-term efficiency, four constructs are used to determine the optimal degree of control: (1) transaction-specific assets, (2) external uncertainty, (3) internal uncertainty, (4) free-riding potential agents. Makino and Yiu (2002) suggest both transaction cost and institutional perspective are robust in explaining foreign entry strategies' decision making process, and the research shows that the institutional theory offers extra descriptive power of entry strategies' choice.

Eclectic Theory

Dunning (1981) suggests that most of the foreign investment theories depend on the following: (1) how to maintain the competitive advantage in foreign markets. Dunning also summarised that as the ownership advantages. (2) Why invest in foreign markets? Dunning attributes it to internalisation advantages. (3) Which markets are we going to? Dunning summarised this as the location advantage. Ownership advantages are those that are specific to a particular firm and that enable it to take advantage of investment opportunities abroad. Internationalisational advantages determine whether foreign production will be organised through markets or hierarchies. Locational advantages are those advantages specific to a country, which order the choice of production site.

According to eclectic theory, Hill et al (1990) propose a framework that contains three constructs (strategic variables, environmental variables and transaction variables). These affect the entry decision and intend to improve the weakness of the past theory. It integrates not only environmental and transaction cost factors but also the global strategic variables into the entry decision mode. It offers several advantages to the firms, which want to enter foreign markets. On one hand, it is quite useful in identifying factors and issues when evaluating the entry strategies, but on the other hand, it helps to emphasise the probable and potential contradictions when different variables are considered together.

Resources based view theory (RBV)

Resources are not only focused on the natural resources, but also those created by human action rather than occurring naturally (White, 2004). The nature of the firm's unique resources will help it to develop the new geographic or product markets, or a combination of both.

Generally speaking, the essence of RBV is how a firm evaluates its current resources, builds up its competitive advantages and performs as well as can be. This only depends on totally understanding a firm's resource, core competencies and capacity; that is the best way to develop a most suitable entry mode (Hitt et al, 2001).

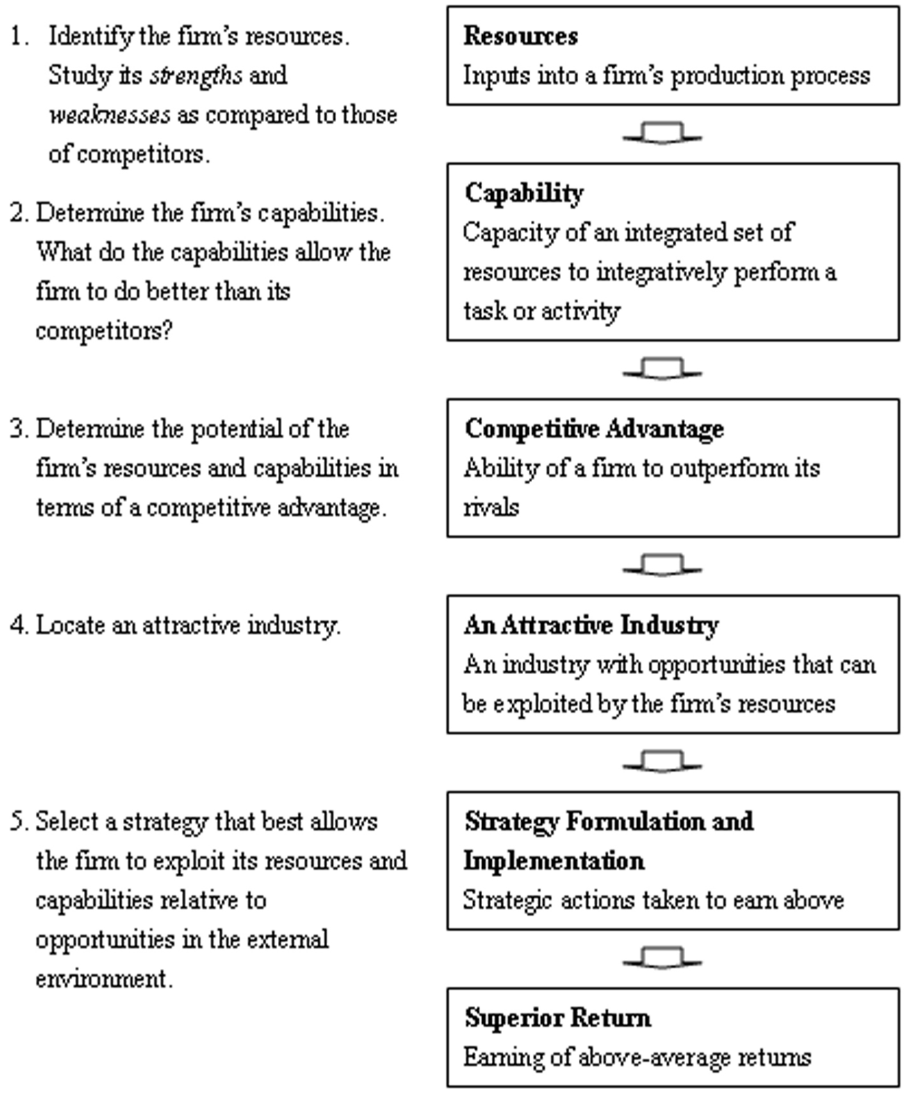
Critical evaluation of entry strategies

"Strategy" perception is a key component when expanding business in a global

Theories of strategy

Whittington(2001)introduces four general approaches of strategy. Each strategy has its unique conception of what it is about and how actually to do it. These four theories are classical, evolutionary processual and systemic approach.

Figure 3: The resource-based model of superior returns



Source: Hitt, M.A., Ireland, R.D., Hoskisson, R.E. (2001) Strategic Management-competitiveness and globalization, 4th ed, Ohio, South-Western College Pub, pp.23.

In terms of the classical approach, the theorists believe that the excellent strategy is made through rational analysis. For classicalists the most ultimate goal of business is the profitability, and the rational planning is the mean to reach it. However, the evolutionists believe the markets are too complicated and too changeable, heavy investment in strategic planning is not a good decision. Therefore, they emphasis the strategies to keep their cost lower and their options open. For the processualists, their points of view generally come from the evolutionary criticism about rational strategy making. They tend to believe the best strategy is not strive after the unachievable ideas of rational changing action, but appears directly from deep involvement in daily operations and fundamental strengths of the organization. Finally, systemic approaches present the firms differ according to the social and economic system in which environment they involved.Meyer and Rowan (1977) stress the social pressures to conform to local forms of rationality, and Whittington (2001) proposes the essence of the systemic theory is that the decision makers are not merely disconnected in solely economic transactions, but people deep-rooted in heavily social system. In addition, in terms of the classical approach of strategy, the success or failure of a strategy (e.g. joint venture) is based on the quality of planning, analysis and calculation, this thinking is seldom show up in the previous entry modes selection literatures too. Consequently, the general description of each entry modes is not sufficient when expanding global business, adding the ideas of "strategy" take into account should be a key issue for entry strategy selection.

Critical evaluation of entry strategies

Entry strategies play a significant role when a company develops it business in global markets. However, only present the disadvantages and advantages of each entry strategy is not sufficient, some marketing and strategy concepts should be used in examining related strategies.

As mentioned in the previous section, the entry strategies could be divided into two big types: directly and indirectly, no matter in which type of entry strategy," relationship" must be an essential issue when adopting the above strategies. For example, the "organisational relationships"," cultural gap", "internal partnerships" are more important to an organisation which consisted of two or more entry strategies (e.g. joint venture, strategic alliance),"customer relationship" are more significant to the direct entry strategy(e.g wholly-owned subsidiary),and "supplier partnership" always has a vital position in indirectly entry strategies(e.g. exporting, franchising). Not only the marketing concepts," strategy" perception is another key component when expanding business in a global market. Even if that "economies though" is an important consideration when extending global business, nevertheless, just because of the complexity of the global market, cultural, political and social issues are also important when entering foreign markets(Whittington 2001).

The Characteristics of China Market

Impacts of political, regulatory and legal issues

Legal reform

One of the biggest issues in China's political and legal environment is the "lack of transparency", whereby the regulatory system remains unstable (Intriligator, 1998). Under the un-transparency legal system, keeping good contacts with government officials is a better insurance against law (Schlevogt, 2000). However, along with the rapid development of economy and education, more and more Chinese request more political rights.

Corruption

Corruption is still a big problem for China despite many anti-corruption campaigns (Schlevogt, 2000). It twists the allocation of resource (fund, material) and results in the loss of vital funds. This bad situation exists especially outside the big cities. The worst fact of the issue is that even in the high level of government, some of the officials who are in charge of the anticorruption campaigns are also involved in the scandals.

Figure 4: Summary implication of the four perspectives on strategy

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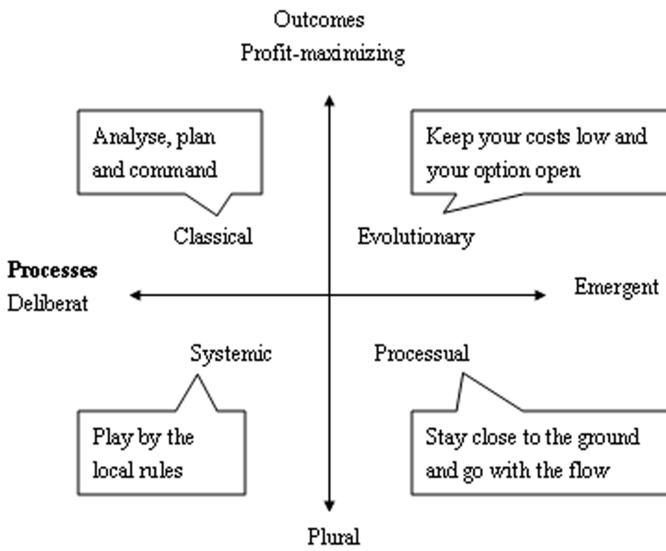

Source: Whittington, R. (2001) What is strategy-and does it matter? (2nd edn), London, Thomson Learning, pp.10.

International disputes

China is bordered by 14 countries with some borders still in dispute. Russia is concentrating on its domestic troubles and some Chinese see Japan as bent on regional domination. No relations are more complex than the relationship with Taiwan (Datamonitor, 2004). Taiwan's issue "is always a complicated issue among China, US and Taiwan. The China government asks the U.S government to stop selling arms to Taiwan and not to send any "wrong signal" to Taiwan's government in independent issue" (Anonymous, 2004). However, a survey shows that more than 50% of Taiwanese are against being united with China and the current President of Taiwan, Chen Shui-bian, and a new constitution for Taiwan in 2008. These variables also increase the complexity of the "Taiwan issue". Furthermore, China has several territorial disputes with other regional states (e.g. Japan, Philippines).

Impacts on economic issues

Investment incentives

China has a huge domestic market, cheap labour and attractive investment incentives. There are a lot of special economic zones and coastal open cities within lower national and local income taxes (Schlevogt, 2000). There is also preferential treatment in encouraged industries, for instance, agriculture, industrial raw material, construction material and so on. The use of an investment incentives zone by the Chinese government is the most successful strategy for attracting foreign investors; it offers couple of attractive factors These policies not only make China an attractive place for the foreign investors but also help the development of specific areas in the country (Cho and Tung, 1998).

The participation of international organisation

After join the WTO, China has faced many new issues. First, the agreements between China and other countries refer to very little about the export side of China. Secondly, the current agreements between China and other countries emphasise what other countries have to do; however, after China's participation in the WTO, this situation has changed from what other countries have to do to what China has to do instead. Thirdly, China was required to extend its most favourite treatment to all members, even though it had negotiated with a proportion of the members of WTO and signed an agreement with them individually (Wong, 2003).

Labour market

The unemployment rate in China is only 1.52 % (GMID, 2004), and China is known for its cheap labour force. The problem in China's labour market is the labourers drifting between urban areas and countryside (Schlevogt, 2000). Both local and central government have proposed various policies to encourage part-time employment (Luo, 2003). Non-economic factors are one of the factors to affect the unemployment rate in China; severe acute respiratory syndrome (SARS) is the best example. In 2003, because of the spread of SARS, nearly half of university graduate students will not find jobs (China Staff, 2003).

Impacts on social and cultural issues

Relationship vs. Contract

Unlike western culture, in the traditional Chinese society, trust-based relationships are sometimes more important than contract. When conflicts occurred, friendship is usually given priority. This may be because they don't want to destroy the "warm relationship", "feelings", or "closeness" between people, and a further important reason is the absence of a well-established legal system (Schlevogt, 2000).

Keeping face vs. Economic rationalism

The "Face problem" is another special culture existing in Chinese society. Normally in the western society, economic benefits are much more important than their face; however, Chinese would rather give up the economic benefits than lose their face. Therefore, as a foreigner in China, never mention that their culture, technology or economic development is better than China; it will lead to a series of irrational actions due to "losing face".

Impacts of technological issues

Government Support

The main purpose of the science and technology policy in China is to enhance technology innovation, develop hi-tech and realise the industrialisation. China's government improved the investment to reinforce the science and technology level. Furthermore, this encourages private-owned enterprises to devote themselves to technological innovation, whilst the government carries out the series of support for finance and taxation (OECD 2002).

PCs and the Internet

The PC and Internet in China's market had wonderful performance between 1997 and 2001, which increased by 91%. However, despite the dramatic rise in the market, the PC owners are largely located in well-developed areas in China, such as Shanghai and Pearl Delta. As to the trend in PC and Internet usage, teenagers are more open to e-commerce and it indicates the potential of e-commerce in the future (Euromonitor, 2003).

Impact of environmental issues

Air pollution

Air pollution is a serious environmental issue in China. The country already contains nine of the world's 10 most polluted cities. One of the most important reasons is the reliance on coal for energy. Even though the Chinese government has tried its best to reduce the emission of carbon, the emission is estimated to increase by 300 percent of the present level by 2033 (Lieberthal, 2003).

Environment Protection Plan

The serious pollution in China also raises global concern. Therefore, the China government has to pay more attention to this issue. The government's investment has increased rapidly and many policies have been promoted to reduce the pollution. In some areas, China's environmental standards are stricter than other countries (Gelb and Hulme, 2002). Furthermore,the Chinese State Environmental Protection Administration (SEPA) still cannot but admit that the "overall environmental situation in China is still grave" (Betts, 2002).

Methodology

A case study method is considered the best method for achieving the research objectives, which are to explain, understand and incorporate detailed actions when entering different regional markets. Based on the nature of the research question "how" and "why", it can be understood that the qualitative research method is more suitable than the quantitative research, which is to understand questions like "what" and "where".

Furthermore, from the perspective of data collection, this research adopts the in-depth qualitative research method (in-depth interview) as the source of primary data and uses basic quantitative data as the secondary data source in order to obtain the benefits from both methods, creating a more comprehensive understanding of the research topic and meeting the criteria of triangulation.

Case study

This research will adopt "case study" as the research strategy. In terms of the function of a case study, it has the ability of generating the answers to the questions "why", "what" and "how". In addition, a simple, well-organised case study can be a valuable way to explore the current theories (Saunders et al, 2003).In addition, the aim of this research is to explore the reasons "why" a multinational enterprise wants to expand it foreign business, how does it form it entry strategy and what strategy will be used and what factors are the most important elements in the process of decision making. Therefore, case study is the most appropriate research strategy for this research.

Interviewing

Interviewing is one of the most widely used methods in collecting data. Any interaction between person-to-person and person-to-groups is called an interview. Saunders et al (2003) state that qualitative research interviews are helpful in collecting a rich and detailed data. The types of interview can be categorised as structured, semi-structured and unstructured interviews. In terms of the advantages of a qualitative interview, there are situations that lead to using this method to collect data: (1) The nature of the approach to research; (2) The importance of personal contact; (3) The nature of data collection questions and the length of time required.

Findings

The entry strategy that HP adopted in China market

Hewlett-Packard is the first U.S computer marker to enter into the China market and the entry mode that HP adopted is joint venture. In 1985, the HP agreed in principle of a joint venture with China Electronic Import & Export Corp to make and sell HP products in China, and the name of the company is "China-Hewlett-Packard Ltd". Under the agreement, both parties hold equity interest in the new company.

The timing of entry

Before entering China market, for HP, timing is a crucial issue. Before several years of HP entered China (1978), the China government began its reform in economies," Four Modernisations" is one of the most important projects and it contains the areas of agriculture, industry, science, military and technology. Actually, according to the National Bureau of Statistics of China (2002), the average economic growth rate from 1993 to 2002 is 9.32%, it can be identified that it is a fast growing market.

Motivations for enter new foreign markets

As to the reasons why HP entered China market, no single reason can cover all the motivations; however, several main reasons could be identified in the research. Value the potential of the markets, to exploit opportunities and follow its clients into the regions, maintain its position of being global company and offer global services to their existing customers. All these reasons can be described as "market seeking" (Dunning 1992). The main criteria for the decision to enter the China market are the market potential. From the viewpoint of the Hewlett-Packard, it is an important issue to identify what factors stopped the other competitors. Of course, it is very difficult to find the real answers, however, according to the interviewee in China HP, he points out the main reason is still the weak legal system based on a informal survey.

Another reason for entering this market is offering global service. Since China has the strong market potential, many multinational companies will join the market, when they are selecting their IT service vendor, they prefer global company than local company.

Reasons for entry strategy choosing

Actually, in HP, the entry strategy choice relies on the strategic relationship in different countries. Therefore, the adoption of any specific entry strategy decision cannot be viewed an isolation. This though could be link to the "eclectic theory" (Tse et al, 1997) which indicates that not only environmental and transaction cost consideration but also global strategic objectives should be considered into the variables which influence the entry strategy decision.

The main reason for HP chooses "joint venture" as the entry mode when entered China market is the government regulation.From the viewpoint of a IT company, the majority ownership is essential, however, result from the uncertain marco-economic situation in China, 'joint venture' is still the most suitable entry strategy in order to minimise the business risk.

External factors influence entry decision making

Political –legal risks

As mentioned in many literatures, China is not a democratic country even though it adopts more open economic policy; however, the non-democratic political system is still one of the disadvantages of the Chinese market. The regulation environment remains volatile, especially the serious corruption and the weak legal system. Even the main reason for HP choose the "joint venture" is result from the government regulation, however, if there is no such legal limitation, joint venture is still could be a very good option in terms of the suitable entry strategy when doing business in the China.

Economic construct

Since the aspiration for economic development, the China government offers many investment incentives to foreign investors. Especially for some specific industries, and technology is one of the items.There are three different type of foreign investment project in China; they are "encouraged"," restricted" and prohibited industries. And the technology concentrated investment is belonging to the encouraged project.

Cultural distance

Not only is the political risk, cultural difference is another significant risk of entering the China market, especially for the complex about anti-American. Thanks to other two places (Taiwan, Hong Kong) provide important solutions about this issue. Result in the different recently historic development; Hong Kong and Taiwan have the ability to accept the Western culture. That's the reason why there are so many Taiwanese in the China HP.

Therefore, the effects of culture difference are not as huge as expected when the HP tries to enter the China market. In addition, because of the China communist political system and the government policy, the people in China have been isolated from other countries for several decades, in the first stage of the "open policy", the Chinese people cannot accept the new concepts from the Western countries.

Competitive advantages

Each multinational enterprise has its own unique combination of resources to form its formulation, performance and development of its strategy. This supported in the literature of resource based theory.

Network

The meaning of network as one homogeneous grouping of branches, subsidiaries and representative offices, and the network operates on three levels: global, regional and national. The HP is running its business in more than 160 countries in the world. In the IT industry, companies compete not only on the quality of their products but also on the basis of their knowledge and experiences (e.g. R&D knowledge, service experiences).

Human resources

As mentioned in the previous section, usually, the intangible assets are more valuable than the tangible assets, and human resource is one of the most important intangible others. Because of the HP has developed its business in many of the countries in the world, therefore, the HP has a lot of employees who have rich knowledge in products, markets and international experiences, Especially lie in the case of the China HP. Before HP entered China, HP has entered many Asian countries or other Chinese countries already, for example, Taiwan, Singapore and Hong Kong. Since these three countries have the similarly culture, customer, historic background, language and so on.

Conclusion

Summary of the research

In order to reduce the costs, benefit form the economies of scale, many multinational enterprises intend to use the standardised strategy in manufacturing and marketing when entering foreign markets. However, since the different factors, the standardised strategies may not be used in the worldwide markets, therefore, multinational enterprises have to adapt the local environment or use integrated strategy.

Market potential is the major reason for the HP to enter the China market, however, because China is not a democratic country, even though its economic system has moved towards capitalism since past two decades, however, the central government still has the majority power to intervene almost everything in the country, of course, foreign direct investment (FDI) is included. Therefore, the only strategy that the HP can choose is “joint venture”, for the sake of the government regulation. Nevertheless, since the high political risk and the weak legal system, even there is no regulatory limitation; ”joint venture” is still a good option when entering the China market. Even though under the limitation of law, several issues still worth to discuss in the China market. The first issue is the investment incentives. The China government offer many incentives to the” encouraged project” such as tax, priority treatment in the provision of basic infrastructure services and supplies. However, because of the privacy policies of the HP, the interviewee didn’t disclosure any incentives that the China HP enjoys.

Another significant issue is the culture issue. The China HP makes good use of its global competitive advantage-experienced employees to make up for this risk. Since the huge cultural gap between the Western and Eastern countries, the HP call up the employees who works in the branches both in Taiwan and in Hong Kong to work for the China HP.Many factors lead to the different results of the entry strategies choosing, in some cases, maybe one crucial factor has the determinate affect to the decision.

Limitations of the research

Since the strict company privacy policy, initially, the interviewees had very low willingness to accept the interviews; even they promised to accept the interviews finally, the author was asked to concealing their real names and positions. Besides, HP believes that time constraints prevent HP executives, managers or any other HP employees from granting interviews to members of the public and from participating in academic surveys, either oral or written. Therefore, whenever the interviewees answered the questions, they need more time to make sure that they didn’t against the company privacy policies. It will affect the performance of the interviewees and the extent of smoothness of the interview.

Case study is a sort of qualitative research, what the qualitative research emphasized is the deep exploration of the specific issue, therefore, the results in this research only suitable in explaining the specific situations, it is impossible to meet all the similar cases. What’s more, it is very difficulty to identify positioning of the HP, it’s without doubt that it is a computer hardware manufacturer; however, it also devoted itself in developing the software and providing several of IT solution to its customers, that is, the HP has diversified products.

Suggestions for further research

A significant future research job recommended by the paper is the need to systemically explore the situational contingencies that surround the entry strategies decision. Such research could help the marketers and decision makers in prioritising the entry considerations. To investigate the later multinational enterprises still face the same macro environmental (e.g., political, economic) and micro environmental (e.g., market structure, competition) or not, and the new factors to affect their decision criteria. Besides, since the limitation of the scale of the research, it is very difficult to do a very complete discussion in every entry strategy and related theories, the later researcher could choose a specific strategy and theory to conduct a deeper research.

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THE REVIEW OF DEVELOPMENT OF BUSINESS EVENTS WITH SERVICE QUALITY PERSPECTIVE IN TAIWAN

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Abstract

Purpose – This paper reviews the literature on business events and service quality and provides PEST analysis of business events in Taiwan.

Design / methodology / approach – The approach involves literature reviews and secondary research in the field of the Taiwan business events and the theoretical of service quality, and due to the lack of relevant researches in Taiwan, it also reviewed some relevant literature from other areas.

Findings – Identified several definitions of business events in different regions, and observed the service quality measurements applied on business events in Taiwan.

Research limitations / implications – This paper only focused on business events in Taiwan.

Practical implications – The paper raises a number of key issues such as the PEST analysis of Taiwanese business events, and the development of service quality measurement in different industries.

Originality / value – This paper mentioned the service quality measurement in business events, and analysed the development of business events in Taiwan by PEST. They are useful and helpful for further researchers and for practitioners to develop and explore more depth in further business events studies.

Keywords: business events, service quality, Taiwan

Introduction

Business events, including conventions, meetings, and exhibitions, have developed rapidly since the 1980s, as they not only have a significant economic impact on the host city but they also provide the most important marketing and selling strategy opportunities in today's business environment according to Davidson and Rogers (2006). For example, the Union of International Associations (UIA) reported that one of the sectors within business events, international conferences contributed approximately US$150 billion to industrial output with 60% of the conferences staged in Europe and 18% in Asia, while international exhibitions contributed approximately US$760 billion, with 57.7% held in Europe and 21.2% in Asia (citied on Hu, 2006, p. 15).

The above information showed the business events in Asia, compare to Europe, still have its potential development, but it needed exert itself more forcefully to gain the competitive position internationally. Therefore, this paper concerned with the service quality perspective in business events and based on literature reviews and secondary research to investigate the development of business events in Taiwan.

There are three objectives in this paper, they are:

- to clarify the concepts of business events and the measurement of service quality
- to provide the PEST analysis of development of business events in Taiwan
- to provide suggestions for future research

Theoretical reviews of business events and service quality

Table 1 The involved events in Business events and MICE

Terms	Regions	Definitions	Authors
Business events (Business tourism)	European countries e.g. UK, Germany	Including conferences, exhibitions, incentive travel, and corporate events.	Bowdin et al. (2006, p.20)
MICE	Pacific Asian countries, e.g. Taiwan, Hong Kong, and Singapore. USA area	Including Meetings, Incentives, Conventions and Exhibitions (MICE)	Carlsen (1999, p. 51)

Table 2 Interchangeable definitions of conferences and exhibitions

Definitions	Meanings
Conferences	Meetings, congresses, conventions
Exhibitions	Expositions (Expo), trade shows, fair shows, gate Show, consumer shows, public Show

Definitions of business events

As previously stated, business events industry is a new developing industry worldwide, the definition of business events in different regions has been defined in a variety ways. For example, the term business events in Europe is often used and defined as ‘business events include conferences, exhibitions, incentive travel, and corporate events’ according to Bowdin et al. (2006, p.20). Besides, the term MICE is abbreviated from Meetings, Incentive travel, Conventions and Exhibitions are often employed in Pacific Asia regions and USA. However, both terms “business events” and “MICE” are interchangeable (see table 1).

Meanwhile, there are many identified definitions of conferences and exhibitions (i.e. conventions, congresses, conventions, meetings, exhibitions, trade shows, gate shows). Some of these terms are used interchangeably in some Pacific Asia destination countries and they mean the same or similar things (see table 2). Therefore, these terms have been clearly defined in the APEX Industry Glossary (2005) (please see the reference for APEX). As a result, the term “business events” is employed in this paper, and it mainly means the conferences and exhibitions.

The impact of business events

The business events industry is a relatively new industry, which has developed rapidly since the 1980s. Due to its characteristics, business tourists travel from one city to another in order to meet people for specific purposes, with high demands for transportation and accommodation, so that the business events sector has become one of the tourism industries. In addition, the longer the business tourists stay in the host destinations, the more expenditure, such as on accommodation, food, souvenirs, and so on, they spend in the host cities. This not only creates a huge economic impact but also has other impacts, such as a cultural, political, social and environmental impact on the host region city (Bowdin et al, 2006; Davidson and Rogers, 2006). Therefore, the business events industry has been noticed by both academic and practical organisations in the events industry worldwide.

On the practical side, because of the accommodation demanded, most conferences and exhibitions are held in hotels. This has forced hoteliers to improve their facilities and service in order to obtain a competitive position. However, due to the intense increase in competition and the high economic profits created year by year, more and more local governments are investing in building new functional buildings and developing the domestic infrastructure in order to gain advanced competitive international destinations for the business events industry. For instance, Germany is one of the most famous, professional and biggest convention and exhibition countries in the world; it has built many functional buildings in order to develop its convention and exhibition industry, such as in Berlin, Düsseldorf, Essen, Frankfurt, Mŭnchen, etc. Therefore, hotels are not the only venue choice in today's competitive international business events industry (Robinson and Callan, 2002a). Business events organisers have more choices of convention venues in order to provide professional service quality.

To date, business events organisers not only consider the hardware, such as the facilities, but also the software, such as the quality, when they make a decision to choose their convention and exhibition destinations. Numbers of researches mentioned that the factors of 'location', 'service quality', and 'facilities' influence business events organisers' choice of convention and exhibition destination (ASAE, 1992 [citedin Go and Govers, 1999, p 40]; Oppermann, 1996a,1996b; Go and Govers, 1999; Kim and Kim, 2003; Chuang 2005). Accordingly, service quality is one of the most important factors to develop business events.

On the other hand, on the academic side, most of the previous researchers mentioned that the literature is limited in the business events field (Oppermann, 1996a, 1996b; Robinson and Callan, 2002a; and Leask and Spiller, 2002). In addition, most of the researches have been conducted in the USA and Europe, due to the fast development of business events in these two regions. Furthermore, in these regions, compared with other regions, the education about business events is more developed.

For instance, the most developed in business events subject academically are in Europe, such as in UK, and USA. For example, Bowdin et al. (2006) published Events management, which introduces the concepts of event planning and management, discusses the key components for staging an event, and covers the whole process from creation to evaluation, examines the events industry within its broader business context, and provides an effective guide for producers of events; Rogers (2006) published conferences and conventions, which is more focus on the business events; and Getz (2007) published events studies, which is the first text to embrace the multidisciplinary research and theoretical orientation in the field of event management.

Although the literature relating to business events is relatively limited, people who worked in the field earlier made huge contributions. These contributions include an examination of the important attributes affecting the conference managers' choice of convention venue, and a survey of business tourists' satisfaction with service quality (Oppermann, 1996a, 1996b; Oppermann and Chon, 1997; Go and Govers, 1999; Nelson and Rys, 2000; Baloglu and Love, 2001; Weber and Roehl, 2001; Robinson and Callan, 2001, 2002a, b, 2005; Cheung and Law, 2002; Lee and Park, 2002; Kim and Kim, 2003; and Chuang, 2005 etc).

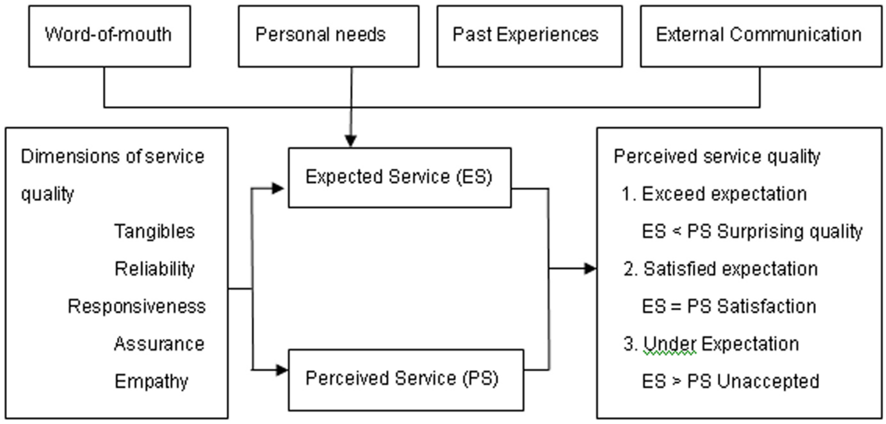
Generally speaking, the product in business events industry means professional service that provided by events organisers, it is intangible as compare with tangible product, and this specific characteristic is same as one of the nature of service. In order to obtain the competitive advantage, the service quality is one of the key successful strategies in today's competition business events market.

Service quality

The concept of service quality is a complex topic, it included people factors (service people and customer), and evaluation issues (quality measured by people). Parasuraman et al. (1990, p. 19) described that: "it was clear to us that judgments of high and low service quality depend on how customers perceive the actual service performance in the context of what they expected". Service quality is an interaction between customers and service people, therefore, service quality and service people are interacting (Bitner et al., 1990).

Additionally, research conducted by O'Neill et al. (1999, p. 159) indicates that "service quality is a customer issue and customer perception is everything". Also, Fitzsimmons and Fitzsimmons (2006, p. 128) defined customer satisfaction with a service "by comparing perceptions of service received with expectations of service desired". If the service perception meets customer expectations then they will be satisfied and if they are unmet then the service quality will be seen to have failed. Thus, the customer satisfaction can be seen as one of the indicators of service quality.

Figure 1 Customer assessment of service quality



Sources: Parasuraman et al., 1990, p. 23

According to Hill and Alexander (2006, p. 2), they defined customer satisfaction as: "a measure of how your organisation's total product performs in relation to a set of customer requirements". In addition, Armstrong and Kotler (2007, p.14) defined customer satisfaction as "the extent to which a product's perceived performance matches a buyer's expectations". Therefore, the customer satisfaction can be seen as the perceived service meets or exceeds the expected service.

Furthermore, Parasuraman, Zeithaml, and Berry (1990, p. 19) defined service quality as "the extent of discrepancy between customers' expectations or desires and their perceptions". In addition, they suggested four key factors, word-of-mouth, personal needs, past experience, and external communications, that influence customers' expectations and identified five principal dimensions that customers use to measure service quality and shows as Figure 1 below.

Parasuraman et al. (1990, p. 26) described these five principal dimensions of service quality as:

- Tangibles

Appearance of physical facilities, equipment, personnel, and communication materials

- Reliability

Ability to perform the promised service dependably and accurately

- Responsiveness

Willingness to help customers and provide prompt service

- Assurance

Knowledge and courtesy of employees and their ability to convey trust and confidence

- Empathy

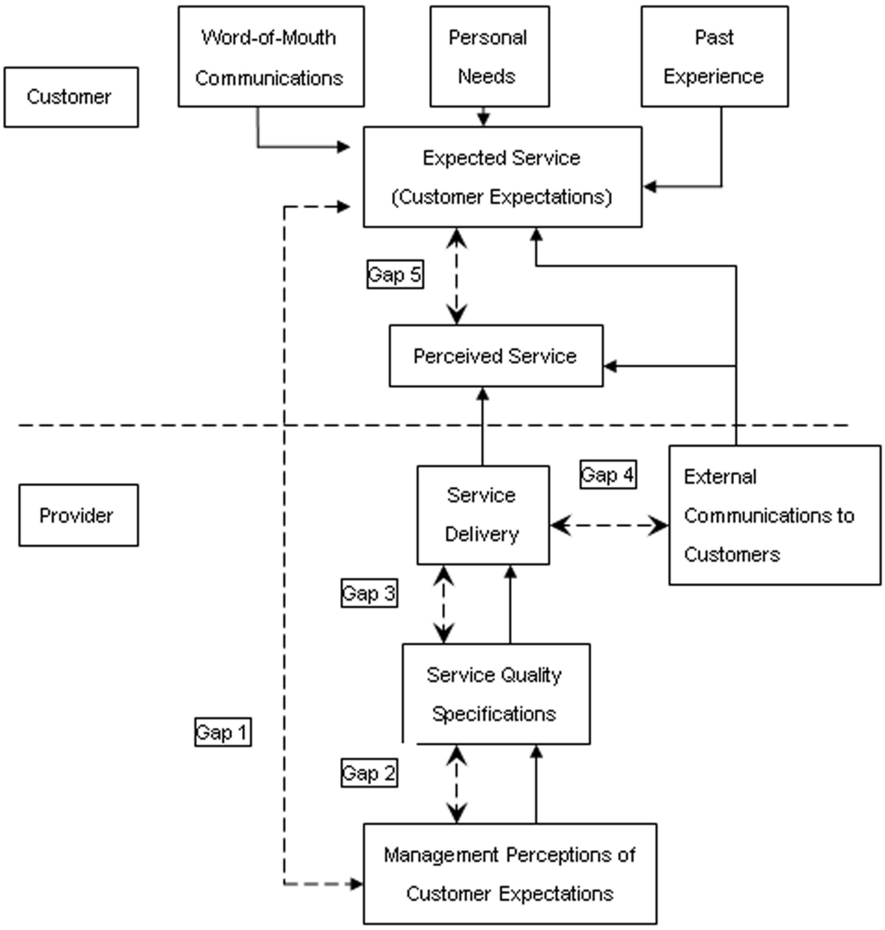
Caring, individualized attention the firm provides its customers

In addition, Figure 1 shows that customers service expectation comes from word-of-mouth, personal needs, past experiences, and external communication. When the customer perceived service exceeds the expected service (PS > ES), then the service quality is perceived as surprising quality whereas the service quality is unacceptable (PS < ES). Only when the expected service meets customers' expectation (PS = ES), the customer will be satisfied.

Accordingly, Parasuraman et al. (1990) developed a gap model based on their research and it called "Gap model of service quality" (see figure 2).

There are five service gaps in the service quality model are shown above, they are (adapted from Parasuraman et al., 1985, 1990, 1998; Fitzsimmons and Fitzsimmons, 2006, p. 131):

Figure 2 Gap model of service quality



Source: Parasuraman et al. (1985, p. 44)

- Gap 1: Gap between customers' expectations and service providers' perceptions – Management perception Gap

Service providers do not fully understand their customers' needs, in order to close this gap, service providers need to improve market research, have a better communications to their internal employees and external customers.

- Gap 2: Gap between service providers' perceptions of customers' expectations and service quality specifications – Service quality specification Gap

Service providers need to set goals and specifications of service delivery in order to close this gap.

- Gap 3: Gap between service quality specifications and service delivery – Service Performance Gap

This gap also can be seen as "conformance gap". It occurs because actual delivery of the service does not meet the specifications set by service providers. In order to close this gap, service providers need to improve their service quality delivery process, such as employee training, job design.

- Gap 4: Gap between service delivery and external communications to customers about service delivery – External communication Gap

Customer expectations of the service are formed by media advertising and other communications from the firm, in order to close this gap, service providers need to improve their marketing strategy.

- Gap 5: Gap between customer expected service and perceived service – Perceived Service Gap

This also can be seen as "customer satisfaction gap". If service provided meet customers' expectations, it means that customers are satisfied (fitness for use).

Parasuraman et al. (1990) also mentioned that the service quality is measured more clearly in Gap 1, 2, 3 and 4, with Gap 5 being the overall assessment of service quality for the first four gaps.

Beyond, numbers of authors mentioned that measure service quality is difficult due to the intangible nature of service performance and people factor impact (Gronroos, 1984; Parasuraman et al., 1996; Lovelock and Wright, 1999). However, the theoretical of service quality and its measurement have been widely discussed and explored by both industrialists and academics since the 1980s. One of the measurements namely SERVQUAL scale is employed widely to measure service quality

SERVQUAL Scale

Parasuraman, Zeithaml and Berry conducted research comparing customers' expectations and perceptions by combining qualitative and quantitative research methodologies to measure service quality in 1985. This is known as the SERVQUAL Scale. Parasuraman et al. (1990, p. 175) also identify that:

The instrument has been designed to be applicable across a broad spectrum of service. As such, it provides a basic skeleton through its expectations/perceptions format encompassing statements for each of the five service quality dimensions. The skeleton, when necessary, can be adapted or supplemented to fit the characteristics or specific research needs of a particular organisation.

SERVQUAL is based on a 22-item questionnaire designed according to five dimensions (as described previously) of service quality that measure customers' expectations and perceptions. These 22 questions were scored on a Likert scale, with marks ranging from 1 (strongly agree) to 7 (strongly disagree). These five dimensions were consolidated by Parasuraman et al. (1985; 1988), via customer focus group interviews.

The judge of service quality is the customer, who marks their expectations and perceived thoughts about these five dimensions (Parasuraman et al., 1985; 1988). The most important function of SERVQUAL is to compare expectation and perception via a regular customer survey. Managers can also use this model to check where they have low service quality, in order to help them recognise their customers expected service quality and ultimately improve the service they offer. Also, this approach can be used in market research, in order to compare it with another service organisation.

Further, Rapert and Wren (1988, p. 230) mentioned that services "required the active involvement of people in their delivery", and concluded two overriding themes of service quality as:

- Quality can be a primary strategic orientation that impacts firm performance
- Quality is an enduring strategic weapon that can affect future firm performance

It evidenced the service quality has become one of the important strategies in market particularly in service industry.

Consequently, service quality could be simply defined as well trained internal employees providing good products (that include tangible goods and intangible services) to their external customers. And the good service could be referred to "meet or exceed the needs of the customer". For instance, both delegates of conferences and attendees of exhibitions can be seen as the role of customers in business events whereas the events organisers can be seen as service providers.

Business events in Asia regions

Hunt (1989, p56) estimated that the number of business events in Asia has grown fast, since the number of conference businesses grew by 73 percent in Asia, while the world growth rate was 51 percent in the period 1983-87. In addition, Asia will be a high potential development region for the business events industry if the support system could be developed further. Further, Weber and Chon (2002, p17) pointed out that "Convention facilities in Asia offer a high level of service, relatively low prices, and stat-of-the-art technological facilities. At the same time easy access is facilitated by modern airports serviced by all the major international airlines and good local transport systems at the major convention destinations".

In addition, numbers of researchers mentioned that Asian countries are in demand as convention destinations (Hunt, 1989; Oppermann, 1996a, 1996b; Go and Govers, 1999; Lew and Chang, 1999; Weber and Roehl, 2001; Cheung and Law, 2002; and Kim and Kim, 2003). For instance, there is an increasing number of business events, particularly conferences and exhibitions, took place in Asia-Pacific region cities according to ICCA (2004, cited in Davidson and Rogers 2006, p.223) report, such as in Singapore, Hong Kong, Beijing, Seoul, Bangkok, Taipei, Shanghai, Tokyo and Kyoto etc., which has resulted in the Asian conference and exhibition market becoming more competitive due to the enormous benefits it brings not only for the economy but also for society as a whole.

Table 3 also showed that there are only three Asian cities which are Singapore, Hong Kong and Seoul as in order, (10 international cities in total) have been selected as the popular conference cities in 2005 according to a report from ICCA (cited in Verikios, 2006).

Singapore, Hong Kong, South Korea and Taiwan are known as the 'Four East Asian Tigers ' due to their powerful economic performance in the 20th century (Sarel, 1996). Surprisingly, the business events in Taiwan is not developed as well as other three tigers. Therefore, this paper provides the PEST (Political, Economic, Sociocultural, and Technological) analysis of the development of business events in Taiwan based on the literature reviews and secondary research approaches.

PEST analysis of the development of business events in Taiwan

Political - Taiwanese government fully support

Due to the great benefit produced by developing business events worldwide, the business events have also developed in Taiwan since 1990s. Besides, the evolution of business events has become one of the highlighted development targeted strategies in Taiwan. According to the CMW (2006) reported that Taiwanese government launches $33.5 million into its business events industry. Meanwhile, the Ministry of Economic Affairs (MOEA) is the leading government department on promoting Taiwan's Meeting & Exhibition service industry. In 2005, MOEA announced the "Facilitating the Development of Economics programme" as one major investment project for Taiwan's "Challenge 2008 – National Development Plan". The programme contains four projects:

- "MICE Image Promotion and Service Master Plan Project" – Advertise Taiwan's MICE image around the world.
- "Management Project" – Provide the guidance directions.
- "Manpower Licensing and Development Project" – Improve the professional skills.
- "MICE Portal" - Increase the core information capacity, establish information circulation working platform and data base, and integrate relevant information on Meetings & Exhibition industry.

Venues

It is vital to select an appropriate events venue as a business events organiser; it will influence the performance of events. Taiwanese government is investing in building new functional buildings and developing domestic infrastructures in order to develop and produce advanced competitive international destinations. Currently, there are six main business exhibition purpose built venues in Taiwan, as in Table 4 below.

Table 3 Meetings took place in the top ten cities in 2005

Rank	Cities	Meetings No.
1	Vienna	129
2	*Singapore*	125
3	Barcelona	116
4	Berlin	100
5	*Hong Kong*	95
6	Paris	91
7	Amsterdam	82
8	*Seoul*	77
9	Budapest	77
10	Stockholm	72

Source: ICCA data cited in Verikios (2006)

Table 4 Six main purpose built exhibition centres in Taiwan

Location	Name	Space / standard exhibition booths
Northern Taiwan	Taipei World Trade Centre (TWTC) Hall 1	- 7 floors with a total 159,329 square meters of floor space - First floor: consists of 23,460 square meters, and a capacity for 1,304 standard exhibition booths - Second floor: 4,789 square meters and a capacity for 250 standard exhibition booths - The upper levels of the Exhibition Hall (2F to 7F) hosts the International Trade Mart, with 1,052 showrooms and the most representative showcase of Taiwanese products. This space is subdivided into the upper level Import Mart (7F) that hosts foreign trade offices and the Export Mart (2F to 6F) which highlights top Taiwanese products and suppliers
	Hall 3	With 7,481 square meters of showground space has the capacity for 365 standard exhibition booths
	Taipei County Exhibition Hall	238 standard exhibition booths
(opening in 2008)	Taipei Nangang Exhibition Centre	46,175 square meters with 2,465 standard exhibition booths
Central Taiwan	World Trade Centre Taichung	247 standard exhibition booths
Southern Taiwan	World Trade Centre Tainan	592 standard exhibition booths
	Taiwan Beru Exhibition Centre	4,167 square meters with 592 standard exhibition booths
	Kaohsiung Business Exhibition Centre	7,715.8 square meters with 382 standard exhibition booths

In addition, the majority of conferences are take place in hotels or main business purpose built venues in Taiwan. MOEA provided eight main conference venues in Taiwan as table 5 below.

Table 5 Eight main purpose built conference centres in Taiwan

Location	Name	Meeting rooms	Capacity
Northern Taiwan	Taipei International Convention Centre (TICC)	13 Rooms	3100 People
	CASAMIA	1 Room	120 People
	Civil Service Development Institute	23 Rooms	728 people
	National Dr. Sun Yat-Sen Memorial Hall	5 Rooms	1200 People
	NTUH International Convention Centre	13 Rooms	768 People
	Siao Fong Guan - Chinese Culture University(H36)	5 Rooms	195 People
	Tien-Mou International Convention Centre	10 Rooms	348 People
Central Taiwan	Fan-Ya business centre	N/A	N/A
Southern Taiwan	Grand 50 Convention Centre	8 Rooms	340 People

Source: MOEA (2007)

Currently, both Taipei World Trade Centre (TWTC) and Taipei International Convention Centre (TICC) are the main venues as they located in the capital city, Taipei. According to TICC (2006) "TICC brings a comprehensive range of business resources within easy reach of event-goers. TWTC facilities include product displays, world-renowned trade exhibitions, information and consulting services, as well as deluxe hotel accommodations".

Besides, TICC is also a member of AIPC and ICCA. This would help to have guidance and assistance from some international professional associations. In addition, Taiwanese government is actively training the professional conference managers in order to improve its service quality of the business events industry.

Economic

Growth of business events

As entering 21st century, the economic development of Taiwan has transferred from the product produced period dominated by the manufacturing industry to the period of service economy. Service industry has been called non chimney industry in Taiwan due to its non pollution issues compare with manufacturing industry. According to the statistic report from Taiwan government (2006), from 1996 until 2006, the service industry is one of the main developing industries in Taiwan. In addition, a survey conducted by Taiwan Tourism Bureau (2005), the figure of visiting Taiwan tourists was 165 millions; the average of spending per day per person was 204.55 USD in 2005. In addition, the business tourists were increasing 4.88% at 490,000 people and their spending was also increasing 12.66% at 177.66 USD per day per person between 2004 and 2005. These figures indicated the growth of tourism and business events in Taiwan.

Sociocultural

Education and training in business events in Taiwan

As mentioned above, the business events in Taiwan is still in its infancy. Compare with other regions such as Singapore, Hong Kong, even far Europe, USA, there is not a completed academic research system relate to business events in Taiwan. Currently, the majority of professional education training is presented by MOEA and some non-governmental associations. This may result in the lack of research in Taiwan. For example, Carlsen (1999) conducted a research to review of MICE industry evaluation and research in Asia and Australia; MaClaurin and Leong (2000) profiled the development and future potential of the MICE industry in Singapore; Robinson and Callan (2001, 2002a, b, 2005) looked at the perceptions and expectations of attendees in the UK conference industry; Tay (2005) highlighted that facilities enhanced the strategic competitive position of a business organisation in Singapore's international convention and exhibition centre. These previous researchers focus on whole Asia, Singapore, and UK rather than in Taiwan.

Additionly, there is a lack of studies conducted in Taiwan compare with other Pacific Asia regions. Singapore (Go and Gover (1999), Carlsen (1999), Lew and Chang (1999), Cheung and Law (2002); Hong Kong (Cheung and Law (2002); South Korea (Kim and Kim (2003), Jung (2005); are the regions which have been mentioned frequently in the research related to business events in Pacific Asia regions. Only few researchers focus on business events in Taiwan, they are:

Yu (2004) conducted a research in the relationships between personal characteristics and the interpersonal networks toward to the entrepreneurship willingness and used the exhibition industry in Taiwan as a case study; and Chuang (2005) focused on the strategies of the development of MICE industry in Taiwan.

Technological

Since 1980's Taiwan's economy turned to build up hi-tech products and got top performance in the world, as well as along the industrialisation before, Taiwan has expanded its export to overseas and accumulated over US$89 billion foreign reserves in 1992 which is one of the largest around the world (Chang, 1995, p.85). As mentioned, location, service quality, and facilities, are three factors that affect business events organisers' decision making in choosing events venues. Updating IT equipments and electronics products are popular and high demand for whole business events participants. Lin (2006) reported that the largest show is 'Taipei Computex' which is the world's second largest computer show and was the largest show in Asia in 2005.

Conclusions

As the increasing number of business tourists travelling around and the business events growth efficient in order to meet the high demand in the market, the business events in Asia still have its potential competition. According to several international associations reports, there are only three cities located in Asia, Singapore, Hong Kong, and Seoul, have been mentioned in the international business events market, Taiwan still needed to pay attention on it. The PEST analysis of business events in Taiwan and several basic concepts of service quality and business events provided in this paper and next stages will be:

- Identify the relevant business events stakeholders in order to measure their expectation and perceptions
- Overview the service quality attributes that impact each stakeholders' reflections
- Employ an appropriate service quality approach to measure service quality in business events in Taiwan

The business events is a new topic and new developing industry in Taiwan and this research will aim to measure each business events stakeholders' expectations and perceptions of service quality. Once completed, the results then can be used as a strategy in order to gain the competitive advantage in international business events markets.

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THE KEY STRATEGIC SUPPLIERS WITHIN TOYOTA'S GLOBAL SUPPLY CHAIN

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Abstract

The expanding importance of supply chain management shows a challenge for firms to beneficially operate their supply chain partnerships. Especially, international operations must be able to resource equivalent suppliers anywhere in the world. Such thought is leading global supply chain management (GSCM) to involve thinking about the principles of the relationship between buyer and supplier.

The Toyota way is a model for making the buyer and supplier relationship efficient within GSCM. The study established by a "win-win" condition to discuss the relationship based on trust and commitment with strategic key suppliers. Dyadic firms learn new skills and rewards based on geographic and cultural borders. Toyota's methodology of trust and commitment which was applied to gain the growth of the community and the development of the individual is expressed in many different languages.

The Toyota explores how the managerial scheme is moving towards successful GSCM. Toyota Corporation has adjusted its management to adapt all over the world. The vision of Toyota is to generate new Toyota GSCM with their way.

Keywords: Global supply chain management, Key strategic suppliers, Toyota supply chain management

Introduction

Enterprise globalization has dramatically transformed the way in which products are moving around the world. These develop a new framework that is to say, a global supply chain that takes advantage of differing countries (Prasad & Sounderpandian 2003), producing a network, which includes material sourcing over the world (Klassen and Whybark, 1994).

Global supply chain management (GSCM) is based on corporations exploiting the competitive advantage surrounded by the international background, which is different from the local supply chain. Globalization trade activities are inspired by the increased benefits, substantial materials, lower labour costs, and collaborations with local suppliers. For example, there is the transfer of manufacturing "know-how" and lower local taxes for global business firms who invest in other countries (Motwani et al., 1998). Strictly speaking, the global supply chain achieves a competitive advantage which produces lower costs and efficient supply chain processes and keeps up a correspondence between the suppliers and buyers.

This study seeks to explore the key strategic suppliers within Toyota's GSCM. Indeed, Toyota has developed a unique, highly integrated and balanced management practice that influences the ability of the key suppliers to extend their global business (Emilliani, 2003). Johanson and Medbo (2004) commented that" the suppliers are also increasingly acting on a global market", since the suppliers have been involved in product development and required to produce not only separate components but also whole modules.

This research reviews the literature base and development of GSCM leading to the path that eventually shows the modern era of a holistic and strategic approach to do the global supply chain operations. Thus, this study is to survey Toyota's GSCM in different countries in order to discuss their key strategic suppliers. Then, the attempt is to investigate the firm by connecting the theoretical argument and case study realities.

Literature Review

Global supply chain management

Globalisation is a strategy for amalgamating geographically widespread businesses to defend global compositeness and a multifaceted environment (Stonehouse, 2000). Supply chain management (SCM) involves many organisations in the integration of raw materials, the transformation of goods and the delivery of final products to customers in order to support all sections of the industry to create an efficient supply chain channel (Stonebraker & Liao, 2004).

Furthermore, the effects of business firms in their search for globalization, and the "supply chain" are a significant key in universal operation (McAdam & McCormack, 2001). Therefore, according to Christopher et al., (2006)"Today's market place is characterised by heightened global competition often against a backdrop of an excess of supply over demand", when GSCM runs a well-organized within the supply chain then grasps the competitive opportunities to extend their business territory worldwide. Youngdahl and Loomba (2000) stated that to understand the global competition is a complex production. The global supply chain is also capable of transferring the material and information between the suppliers, transportation sources, distributors and customers.

The rise of global sourcing researched by Christopher et al., (2006) referred to the old firms' style of "local of local" having being changed to the development of a "global village". In their analysis, East-West trade has benefited from low transport costs through being underpinned by steady oil prices for many years. Then, due to the oil market before and after the US-led invasion of Iraq in 2003, the oil price rose to express the global supply chain channel transport cost and lead time problem in the long-term relationship. In recent years, firms like to move to or invest in China, and always use seasonal shipping instead of freight in order to reduce the transport costs (Johnson, 2001).

In addition, Prasad and Sounderpandian (2003) conclude that the factors that influence the global supply chains can be divided into country (endowment issue, cultural variations, arbitrage and leverage, government incentives and regulations), industry (the type of industries), and management of supply chains (markets, transportation, technology, financial, organization behaviour and human resources) characteristics.

From the literature review, as can be seen, the model of GSCM provides the direction to run the global supply chain operations and influencing factors of global supply chain efficiency.

The predictable argument by means of win-win in dyadic relations

"Win-win...means... a situation in which each issue requiring resolution has been settled in a way which meets the needs of both parties, even though either, or both, may have been hoping for more "(Carlisle and Parker,1989,pp. 35-6). The argument is how to identify the exchange transaction engages products and procedures between the buyer and supplier bargain. Basically, the dyadic relationship builds up deals with buyer desiring goods or services and to exchange their currency with their suppliers. Nevertheless, the value of the exchange relations not only talks about the money or may come from the suppliers' services. In other words, Spekman (1988) pointed out that it is important to develop the buyer-supplier relationship relying on short-term contracts, price driven negotiations and the implicit threat of future supply allocation adjustments then to gain the competitive advantage.

The supply chain starts from suppliers providing products or services to their buyer. If the buyer does not trust their supplier, even though they have an agreement, they need to monitor their supplier all the time. Svensson (2004) defined five elements that influence trust within business relationships: reliability, honesty, competence, buyer orientation and friendliness. Reliability is based on loyalty and respect in order to have a good co-ordination in the buyer and supplier relationship. Competence includes ability, expertise and integrity, and then also asserts the power contained by the buyer and supplier relationship. On the other hand, when buyers pay a higher buying price and are then cheated by their suppliers, the suppliers must lose their reputation to gain feature business by word of mouth from their buyers (Rao and Bergan 1992).

Strategic supplier selection within GSCM

Hsu et al., (2006) said that "Supplier selection is a crucial process that addresses how organizations select strategic suppliers to enhance their competitive advantage". The organization purchaser hopes that the suppliers can continue to improve their supply all the time (Dwyer et al., 1997), especially while the costs are reduced in the long-term. This factor is more important and has to consider the best measurement of supplying a base relative to the buyer base (Olorunniwo & Hartfiled, 2001), contained by GSCM.

Therefore, the suppliers' selection is a strategic decision within supply chain management. In particular, Prahalad and Hamel (1990) described how manufacturers are moving from vertical integration to build up their core competencies on leaner and smaller firms. The firms only focus on their strategic suppliers who have more efficient leverage capability and technologies (Tully, 1995). Copacino (1996) pointed out that this is different from the traditional buyer and supplier relationship, which only have a mutually beneficial relationship with their deliberately vital suppliers.

The critical question is why the suppliers choose to let buyer firms gain a competitive advantage and how they have the ability to support their value creation efforts. Kannan and Tan (2002) suggested several features that should be considered when choosing a strategic supplier, such as quality, quick response to demand, and price. The quality of the suppliers has constantly been a main point in choosing a strategic supplier. The supply quality includes supplier capability, expertise, technology, capacity of resource, industry professional knowledge, commitment, supplier's process ability, and improving the produce and process skill (Churchill,1979). Next, the quick response to demand is the ability to face buyer's need immediately. This also emphasises the importance of supplier responsiveness to know buyer's demand, shorter product life cycles, and the descending product lead time. The supplier expecting to establish a long-term relationship with their buyer must improve their service in response to buyer needs changing. The other reliable factor also needed to consider is the price of materials and services.

In contrast, Olorunniwo and Hartfiled (2001) pointed out that the critical issue is that most buyers have the same opinion in mind that partnership can provide benefits, such as shorter lead time, more investment, and better services from their suppliers but most buyers presume that they are losers. The reason for this is that the suppliers think they can provide those benefits without forming an agreement or partnership with their buyers. That is why Akakum and Dale (1995) supposed that it is extremely difficult for very small firms to increase their partnership with their suppliers who are large organizations and famous brands without further power than them.

Research questions

This study questions drawn from the literature review start with the key supplier's selection and then can drive efficient global supply chain management. The research questions are:

1. What kind of suppliers' variation lets the buyers decide a key supplier based on satisfying the delivery, quality and prices requirements?

2. How have firms changed their business behaviour in an integrated global supply chain environment?

3. Has the firm developed a management programme tied with a world-class manufacturer, ready and willing to defend the globe competition?

Firstly, there is evidence from the literature as researchers provide the evidence of supplier selection for definition. Furthermore, there has been concentration on supplier selection both by practitioners and academics, but there is no evidence about expanding a supplier selection regulation (Hsu et al., 2006). Beyond any manner of doubt, effective supplier selection plays a critical role in completive surroundings within global supply chain management.

The second question also judges the environmental conditions with the considerable institutional and cultural differences, and the ability of local suppliers to adapt to buyer requirements (Millington et al. 2006). On the one hand, how can the buyer's non-local supplier maintain the relationship and become adversaries to their local suppliers. Subsequently, how can the buyers change their business behaviour to retain a relationship within their suppliers all over the world?

Thirdly, the advantage of GSCM allows diversity in the international situation by distinguishing and using local differences, such as: product and process technology know-how", labour capability, and local tax rates (Cohen and Maillik, 1997). The firm used the GSCM system to build itself into a world-class manufacturer in order to organize GSCM to manage it in a global supply chain management.

Methodology

In this study, the question is how the firms run their GSCM with their suppliers, and then decide their key suppliers in order to maintain their relationship to develop the global business. Nevertheless, the case study is an empirical investigation that examines a current phenomenon within the actual business background. The case study design, according to Yin (1994), includes data collection, analysis and conclusion.

The data collection also considers the documentary sources and how researchers collect and analyze the evidence from the 'primary' and 'secondary' sources. The secondary resources, by contrast, discuss the period studied but are behind in time and some are removed from the actual events. The secondary source reproduction, interpretation or critical material is established by the primary sources (Sapsford & Jupp, 1996). And then (Matthew and Carole, 2004, p.25) said that "Depending on the area of research and research question, it may be appropriate to consider using and searching for existing data. This data can then be examined and analysed, a technique called secondary analysis". Hence, the secondary data come from the previous scholars and published from the literature. This study is doing the literature review in order to find the relate topic to do the survey for the Toyota.

This study explores how Toyota and their global suppliers work together and manage GSCM in different countries. It used the secondary data to analyse Toyota and their suppliers, and then compare the different countries and a period of phenomena for Toyota and their suppliers. The object is to investigate the modern GSCM operations within key strategy suppliers since the literature is replete with buzzwords that address elements or stages of this management philosophy.

Case study: Toyota

According to Donnelly et al., (2002) Toyota's development history is as follows:

In 1943, during World War Two, Toyota has a good relationship with their suppliers to develop a streamlined supply chain. At the beginning, Toyota connected a supplier association (renamed thereafter Kyoho Kai) to collaborate with their subcontractor suppliers in the Toaki area to improve their products together. It was a start to build up the supplier network between Toyota and their suppliers. A key feature of GSCM in Toyota, according to Donnelly et al. (2002) is that it is not only high quality and lower cost but also the time taken to build them was far shorter than in Europe or the USA.

Winfiled and Kerrin (1996, p.49) indicated that Toyota developed their global market from the 1960s to the 1970s as the first step in Toyota's inner investment in manufacturing in both Europe and the UK. However, in the late 1970s and 1980s, US firms faced competition from their Japanese counterparts, especially in the automobile industry, where the Japanese car manufacturer, Toyota, utilized JIT delivery to achieve efficient inventory management (Mount and Caulfield, 2001). Donnelly et al., (2002) found that Toyota plants' build time was about half the time taken in America. From the 1980s to the 1990s, the second wave was in South-East Asia, when Toyota invested in their local markets. However, the buyer and supplier relationship was not participating extensively before the 1990s. This agrees with Wagner (2006), who said the firms in the automotive industry were required further to advance the supply chain presentation after the 1990s in Western industries.

Recently, according to Liu and Brookfiled (2006), China has developed into a "workshop to the world" and also had become the most important area in the world for Toyota to increase their market share in order to extend their GSCM there.

Toyota set up their branches overseas, and they frequently keep their own standard as a world-class manufacturer. That is why European suppliers would like to cooperate with Toyota and become accustomed to Toyota model management. Consequently, Toyota's supplier also support this point to be a global standard level in order to gain a significant market share through their buyer and supplier relationship (Fabbe-Costes et al.,2006).

Toyota had 210 suppliers in 11 European countries, of which 50 percent were UK-based in 1996 (Winfield and Kerrin, 1996). It emphasizes lean production, efficiency and quality, and provides an exemplary model of best practice for other firms. The Toyota UK Company is one among many Japanese automotive manufacturers which claim new specific developments in customer-supplier relationships (Wickens, 1987). In other words, when firms join the Toyota supply chain, they need to adapt to the Toyota production method and the social demands.

Winfield and Kerrin (1996) indicated that, when Toyota moved to the UK set up their plant and joined the UK suppliers, their aim was for Toyota (UK) to be a world-class manufacturer. They also made a successful point that Toyota was enthusiastic about modifying their technology to acclimatize to the local cultural, social and industrial environment of the UK. Furthermore, Toyota continued to modify their programmes and, reportedly, held more regular of team meetings and training for the suppliers in key identifies interpersonal skills. In addition, Winfield and Hay (1997) stated that Toyota also chooses their key suppliers who had preventative behaviours about the way to adjust, perhaps requesting detailed contingency plans and knowing how to take advantage of "learn as you go"especially the buyer and supplier relationship. To encourage a close relationship with their suppliers, Toyota also invites their suppliers to contribute ideas towards product design (Ohno, 1988).

Toyota, through their suppliers' relationship, not only builds up an efficient supply channel in terms of their products design or expertise transfer and training, but also supports their suppliers in terms of economic and various suggestions, involving Just in time (JIT) manufacturing systems (Winfield &Hay ,1997,p.458). The critical point is how the firms in Toyota's UK supply chain have changed their working attitudes towards management and have broadened this into the suppliers' organizations. Winfield and Hay (1997) said that there was a generation gap between Toyota and their suppliers when the latter were arranging training courses in interpersonal communication and problem solving. In contrast, the Toyota suppliers not took on the "whole package" of change, but also changed the effect on the manufacturing progress within the supply channel in support of Toyota (Winfield and Hay, 1997).

However, Toyota in Europe has constructed a collaborative relationship with their suppliers. It is attractive to share expertise and knowledge between firms compared with the traditional buyer and suppliers' relationship whose only focal point was on the trade processes in Europe. This is not only critical in terms of cultural difference but also Toyota managerial methods in Europe.

Wakabayshi and Graen (1991cited in Cheng 1996) investigated Toyota in the USA in terms of the organization's operation and cultural collision. Further, they referred and explained six aspects of the Toyota management model as follows:

1. selection and placement
2. organization growth stages
3. performance appraisal
4. promotions
5. rewards
6. adopted Japanese management practices

The first issue is to choose the key suppliers, then transfer and train professional knowledge in order to make judgements and solve problems together. Nevertheless, the Toyota management model is focused on the organization development between the buyer and suppliers. Performance judgment images in Toyota's modernistic organization stress continuance, which is required to avoid poor performance. In other words, good performance is needed to do promotional activities in the new business marketing in the USA. The rewards must be very fair among Toyota's suppliers in order to adopt a Japanese management reproduction in the USA.

Awuah (2001) studied the Australian supplier John and Bryce (J&B), who have a relationship with Toyota in Australia. J&B is a supplier who sells pneumatic air tools to Toyota in Melbourne, Australia. Toyota is famous for insisting on product quality, quick responses, aggressive prices, technological support and a management system. These elements are common directions for J&B in doing business with Toyota.

The impact of these elements on Toyota and the J&B supply chain members' development is focused on the quantities of the products and connected accessories, a total of over 100 items to Toyota regularly. In addition, the J&B managers always visit Toyota four times per week, attend meetings and solve problems together, but the manger contacts Toyota every single day. This is a step by step way to build up and maintain the buyer/supplier relationship.

As a result, a lengthy and steady's buyer and supplier relationship in order to know equally the firm's needs and how to exploit each other's balancing ability in meetings is required. Awuah (2001) reported that J&B said "They know us; they trust us. If they ask us for something, they are pretty sure that they are going to get what they want. If something is wrong at Toyota, someone is there straight away. We supply goods; we back that up with reliable services – and if there are problems, we will help solve them". The Toyota and J&B relationship offers a basis for how a firm can represent its exterior capability. For example, J&B contributes an exterior capability to Toyota's cost effective and competitive care production, provided by computer knowledge and know-how that complements Toyota's own internal efforts.

As Awuah (2001) said, Toyota and J&B "have developed trust for each other and have also come to see each other and its interconnected relationship as an important asset, on which they can draw for help in accomplishing some tasks". Without doubt, the buyer and supplier relationship has developed very well in Australia.

Toyota's GSCM development also influenced East Asia economic history, even though they cross different countries (Yoshiaki et al., 2000). Looking at the recent East Asian economy, Chain is to be a world manufacturer, so, without hesitation, Toyota sets up their branch plant in China. The significant issues are how Toyota operates the partnership with the local suppliers and whether this is different than in other countries.

Liu and Brookifeld (2006) stated that subcontracting in Toyota has been judged to have three features: the allocation of managerial authority, development competitions and the retention of key suppliers within the buyer/supplier relationship. They found that Toyota also encourages the key foreign suppliers to invest in Chain to decrease the unsteadiness in its supply chain. In contrast, Toyota takes the lower labour and material advantage, and then collaborates with their local suppliers in order to attract the local market.

Yet, in Chain, they have the strategy to focus on both the part assemblers and markers. The difference is from whole channel to the spot, as can be seen; it seems that these are further, deeper details for observing the specific supply chain. The reason is similar to the points in the second one, and the police force protects the local market competition. The interaction is between the buyer and supplier relationship, previous to applying a JIT and TQM scheme to control and monitor each other throughout the supply chain management. Currently, in China, Toyota employs short-term acts in response to the localization requirements and confirming the production methods and material suited to the local situation.

Discussion and conclusion

From the above secondary data presented and explanation understand that Toyota has controlled the quality of the automotive components by buying mainly from their own suppliers. That is because Toyota trains their suppliers in order to get advances towards achieving the goal of GSCM. This is in order to answer the research questions for has the firm developed a management programme tied with a world-class manufacturer, ready and willing to defend the globe competition? It can be see, Toyota pays more attention on the suppliers' training in order to confirm the quality of materials and create the innovate products. From this view, the high-quality products can face the competitive market all over the world.

Moreover, Toyota and their global suppliers have a strategy management style, namely, the Toyota way, to teach and train their suppliers about Toyota products in order to solve the problems together, from Toyota in the USA, Toyota in the UK, and Toyota in Australia, expect for China. In China, the relationship is only with some of the assemblers and parts markets, and short-term supervision with their suppliers. This is a kind of global supply chain management to ensure the Toyota way to secure that they can use the local direction to defend against the global market competition.

The other question is what kind of suppliers' variation lets the buyers decide a key supplier based on satisfying the delivery, quality and prices requirements? Toyota selects the key suppliers who operate their global business in direct line replenishment agreements and fast response policies. The agreement is based on dyadic firms collaborate in the first step. After they have the formal agreement and then to make the rules between buyer and supplier within Toyota way. The quickly response is also famous within Toyota firms. The reason is Toyota think if they can fast response their customer in order to can their customers' satisfaction and then do the customer relationship management well.

The other question is how have firms changed their business behaviour in an integrated global supply chain environment? This is can be seen from Toyota formulates the partnerships to enjoy the advantages from providing improved product design, technology innovation, and service with suppliers. The results provide important empirical information to better understand the complexity of the buyer and supplier relationships within GSCM while enterprise faces the global competition to achieve a functional and collaborative integration.

From this secondary data survey, even though the Toyota way has became a model within Auto industrial but still need to care about buyer and supplies' relationship ,especially the global market. The commitment is a key point to keep the buyer and suppliers' relationship and then can trust each other firms. Nevertheless, the win-win salutation is based on the key suppliers and their buyer is growing together and overcome the culture problems to get more competitive ability within global supply chain management.

For the future study, the authors recommend the researchers to find out the culture difference between Toyota and their global suppliers. What the motivation for them to co-orientation with Toyota? And then, how can Toyota to treat the local suppliers in order to co-operation? From here, the GSCM will operate more effective and to be a reference for the other buyer and suppliers.

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THE CHARACTERISTICS OF CONSUMERS USING INTERNET IN KOREA

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Abstract

Understanding consumers is essential in organizing an effective marketing strategy. Since the emergence of internet technology, it has become more difficult to understand consumers because the internet diversifies the way people communicate (Cho, Byun and Sung 2003) and purchase. Researchers in many fields have tried to define and find out about the characteristics of consumers relating to the internet (Geissler and Zinkhan 1998, Woo 2000 and Roger et all 2005). This paper provides an insight into the characteristics of Korean consumers using internet technology. The paper explores behaviour of Korean consumers as internet shoppers, Twinsumer and Generation C. Most data is from NIDA (National Internet Development Agency of Korea) (See the appendix) in 2007.

Key words - Consumer, Internet, Word of Mouth, Internet shopper, Twinsumer, Generation C

Introduction

The term 'internet' has become very significant in Korea. Since the expansion of information technology, owing to the Korean government endeavour (ITU 2003), the pattern of life for Korean people has undergone rapid change. Korean people not only access the internet from the comfort of their cars (Cellan-Jones 2006), but also 7 million consumers - equalling one in seven Korean residents - watch television via mobile phone (Ihlwan 2007), 63% of Korean people can furthermore make payments to shops, restaurants and even public transport with the use of their mobile telephones. World average is less than 5%, (Ahonen and O'Reilly 2007, Ho 2007) positioning Korea ahead of many developed countries in the versatile use of the internet. In addition, Over 43% of the entire Korean population own a private home page with Cyworld called 'Minihompy' which is similar to MySpace and Bebo, has more traffic than Youtube, and a world average of about 10% users (Ewers 2006, Ahonen and O'Reilly 2007).

In broadband penetration rate, Korea was leader between 2002 and 2004, in comparison to other OECD countries, according to OECD reports in 2006. In 2006 they ranked fourth after Denmark, Netherlands and Iceland. Nonetheless, Korea still comes first in 'Fibre/ Lan' rankings. Moreover, the entire internet access (100%) in Korea has shifted to broadband, at a time when the world average is about 30% (Ahonen and O'Reilly 2007). In addition, according to ITU and UNCTAD (2007), the DOI (Digital Opportunity Index) which evaluates opportunity, infrastructure and utilization in 181 information societies, Korea was ranked first followed by Japan, Denmark and Iceland.

To describe the current Korea internet technology environment is a useful comment by Ahonen and O'Reilly (2007 p4).

> *"By every measure, South Korea leads the world in digital adoption and innovation. In a very literal sense, South Koreans are living in the near future of the digitally converging technologies from the viewpoint of the rest of the world."*

Therefore, for these reasons, Korea is a good place to investigate consumer behaviour in internet technology.

In this article, consumer demographics such as age and gender will be considered in order to provide the characteristics of consumers using the internet in Korea. The consumer demographics are accepted as an important basis to locate market segmentation because consumer behaviour is influenced by demographical categories. For example, the items of purchases could be varied because of age. And also males and females as consumers could behave in comparatively different ways (Evans et al 2006) – gender differences. Moreover, the purpose of the article is to help in the understanding of market segmentation relating to internet behaviour rather than to describe the thinking and feelings of consumers. Therefore in this study, demographic information is more significant than psychological and sociocultural factors (Schiffman and Kanuk 2000).

This article first addresses the consumer as internet shopper. Behaviour will be explored of how and what they purchase by gender and age. Secondly, consumer behaviour in Korea as twinsumer will be considered using secondary data. This part will investigate by gender and age not only how and where they are influenced by other twinsumer, but also how and why they express their thoughts on products and services after purchasing. Finally, the article will examine how, where and why Generation C phenomenon occurs through Korean consumers based on internet technology.

Internet shopping

Internet shopping among the internet users has increased over the years. Moreover, internet shopping seems to be accepted as a way to purchase goods and services. According to Global eCommerce Report 2002 by Taylor Nelson Sofres, the proportion of Korean online shoppers was 31%, second rank after the USA (32%). Since 2002, internet shopping has increased by up to 55.8% in 2007 June (NIDA 2007). Internet shopping is currently accepted as one of the natural ways to purchase goods and services in Korea.

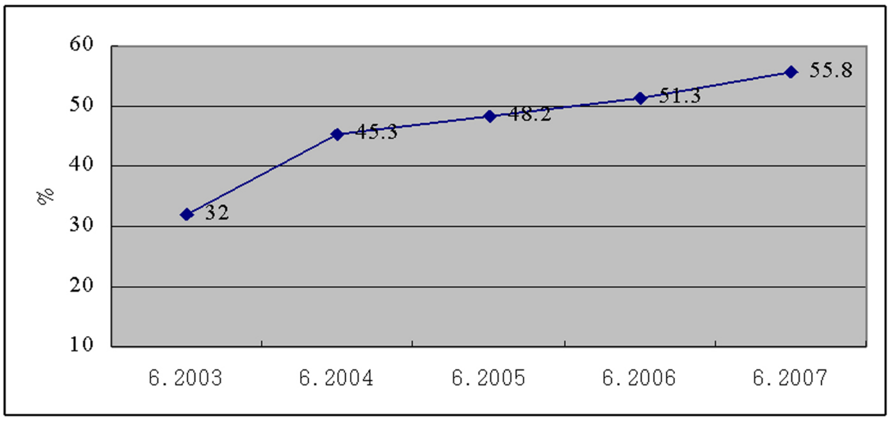
With development of internet technology, in quantitative respects, electronic commerce (EC) has rapidly developed. Additionally, various purchasing channels such as auctions, reserve auctions and group buying, by the same token, have emerged by consumer and company. The internet, therefore, seems to play a significant role as a channel and place for supplying information, products and services to both the consumer and the seller (Hoffman and Novak 1996). At this point, the Korean consumer as an internet shopper will be analyzed using secondary data.

According to chart 1, in the past 4 years from June 2003 to June 2007, the rates of internet users enjoying internet shopping have increased every year. Average rate of increase is about 5.95% per year. At present (2007), 55.8% of internet users have at one point purchased a product and service through the internet. In comparison to the previous year (2006), the percentage of internet shoppers has increased by 4.5%p since June in 2006 with 51.3%. The highest increase was 13.3% between 2003 and in 2004 from 32% to 45.3%.

In Korea, the female as an internet shopper, based on chart 2, has been more active than the male in the last 4 years. In addition, the gap of percentage of internet shoppers between males and females has slightly increased up to 4.9% since June 2004. By June 2007, females (63.6%) were still higher than males (49.2%) – a gap of about 14.4%. However, regardless of gender, the percentage of internet shoppers both male and female has increased annually. In the case of females, there has been a 26% increase in the last 4 years. At the same time, the percentage of males as internet shoppers has also increased up to 21.8% though still lagging behind their female counterparts.

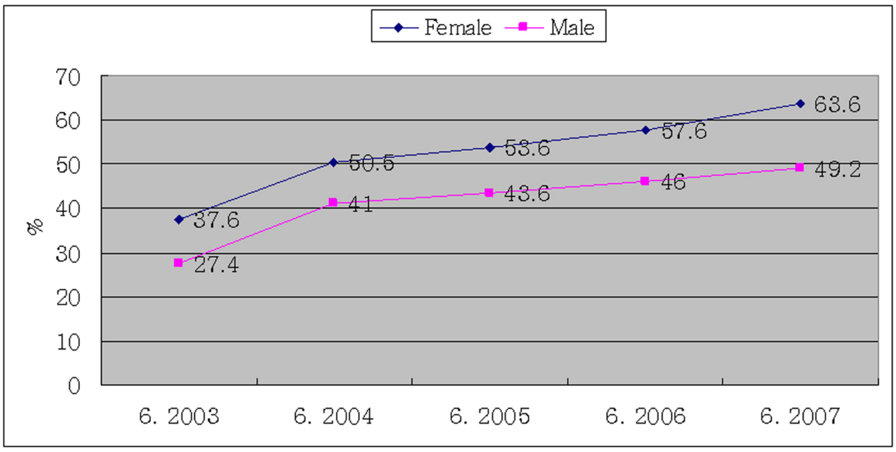
The percentage portion of 20s internet shoppers is the highest among all age groups including 40s, 50s, 60s and over. In June 2007, the percentage of 20s is 79.3% an increase of up to 7.9% in comparison to 2006 with 71.4%. In the last 4 years, the 20s have maintained their highest percentage, with a total increase rate of 28.3% since 2003. The second highest percentage of shoppers is the 30s (66.7% in 2007). The 30s have also increased by 26.6% in the last four years. In comparison to the 20s and 30s, the growth of the 12-19 age group is the biggest. In four years, 40.9% of internet users between 12 and 19 years old joined internet shoppers to purchase products and services through the internet. As shown on chart 3, the gap of around 12.18% between the 20s and 30s has somewhat been maintained for 4 years. In 2007, the gap between the 20s and 30s is about 12.6%, whereas the 12-19 years group have closed in on the 30s and significantly narrowed the gap between the leading 20s over the same period. In 2003 the difference (37.5%) of percentage between the two groups was essentially huge; yet in 2007 the gap is down to 24.9%. Overall the percentages of all the three age groups have increased since June 2003.

Chart- 1 Internet Shopper Rates 2003-2007 – 12 years old or over internet user (%)



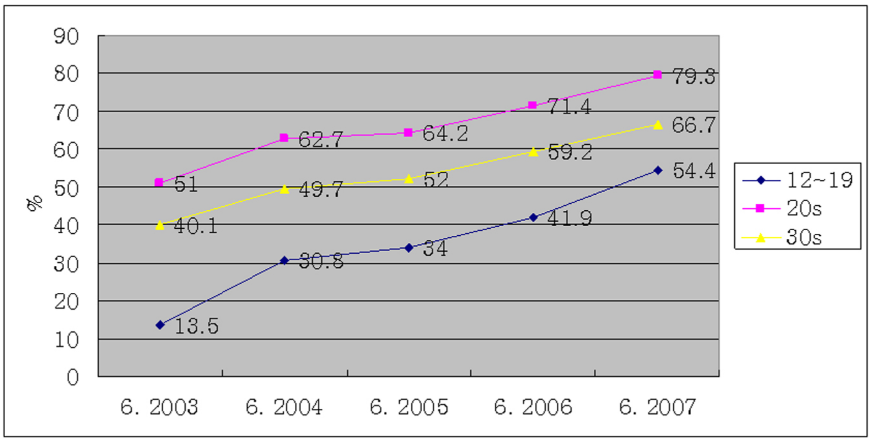
Note: Partly adopted from NIDA (2003, 2004, 2005, 2006b, 2007a)

Chart- 2 Internet Shopper Rates 2003-2007 by Male and Female (12+ Internet Users, %)



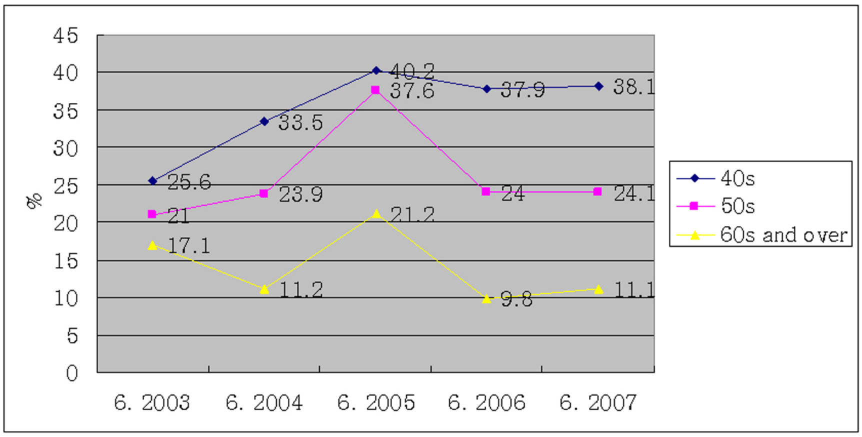
Note: Partly adopted from NIDA (2003, 2004, 2005, 2006b, 2007a)

Chart- 3 Internet Shopper Rates 2003-2007 by Age (12-30s, %)



Note: Partly adopted from NIDA (2003, 2004, 2005, 2006b, 2007a)

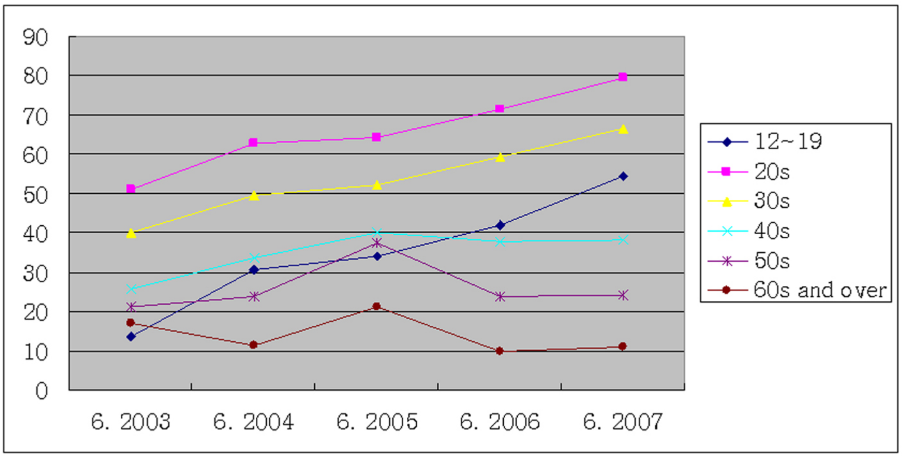
Chart- 4 Internet Shopper Rates 2003-2007 by Age (40s-60s and over, %)



Note: Partly adopted from NIDA (2003, 2004, 2005, 2006b, 2007a)

The footprints of the 40s, 50s, 60s and over age groups in the last four years is significantly different from the other age groups mentioned earlier. Firstly, the percentages of 60s and over group have decreased from 17.1% in 2003 to 11.1% in 2007, whereas both 40s and 50s have increased from 25.6% and 21% to 38.1% and 24.1% respectively. However, in comparison to other age groups except 60s and over, the increasing percentage is quite small. Moreover, the percentages of all groups - 40s (40.2%), 50s (37.6%), 60s (21.2%) and over- peaked in 2005 then dropped to 37.9%, 24% and 9.8% respectively in 2006. After 2006 the percentage of each group tends to increase again, but the rate of increase comparatively slow.

Chart- 5 Internet Shopper Rates 2003-2007 by Age (12+ internet users, %)



Note: Partly adopted from NIDA (2003, 2004, 2005, 2006b, 2007a)

12-19, 20s and 30s age groups stand out in the field of internet shopping. They seem to be major groups who not only purchase products and services, but also lead in internet shopping in Korea. The trend of 12-19 years group is most significant based on the fact that their increase is faster than any other group and also that they are the future economically productive population. According to chart 5, in June 2003, 12-19 age group was lowest among all the age groups, but by 2007 they are third after 20s and 30s. According to secondary data, the general emerging picture, according to age and gender, is that in Korea the younger generation, especially the female is enjoying buying goods and services through the internet more than the older generation particularly the male.

According to table 1, by gender, females more than males purchased items of 'Clothing, footwear or sporting goods', 'Books, magazines or newspaper', 'Cosmetic or accessories', 'Booking or reservation', 'Food or groceries' and 'Toddler or baby products' via the internet in 2007. The percentage of 20s age group relating to all items except 'Food or groceries', 'Automobile products' and 'Financial products' tends to be relatively higher than all other age groups. Especially, nine of seventeen items such as 'Clothing, footwear or sporting goods', 'Books, magazines or newspaper', 'Cosmetic or accessories', 'Booking or reservation', Computer equipment or parts', 'Travel products', 'Photo, telecommunication or optical equipment', 'Computer software' and 'IT & telecommunication services' seem to be the most popular items to the 20s than other age groups based on the data. In comparison to other age groups, the 12-19 age group relatively purchased more 'Music products', 'Movies, short films or images' and 'Computer or video games'. The percentage of 30s for 'Toddler or baby products' and 'Financial products' is the highest among the other age groups, whilst 60s are highest for 'Food or groceries' and 'Automobile products'.

More than half (51.7%) of internet shoppers purchase a product and services after comparing the price through price-comparison websites, and the portion of internet shoppers in 2007 confirming the products in off-line market before purchasing on-line is 45.3%. According to this chart 6, Korean internet shoppers tend to purchase a product and service through internet shopping mall with authority (popular). 30.1% of internet shoppers do not purchase a product and services through internet shopping mall without popularity even though it is the cheapest product in comparison to other internet shopping malls. Korean internet shoppers (45.4%) seem to be influenced by user review and comments on products and services before purchasing, moreover, 20.6% of internet shoppers write a comment and user review after purchasing.

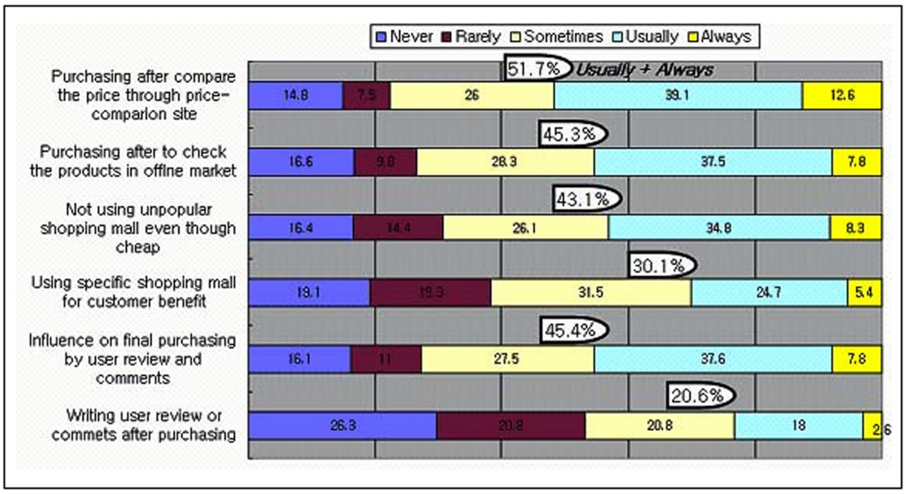
Table- 1 Purchase Item by Internet Shopping (Multiple responses) – (Internet Shoppers, %)

	Clot-hing Footwear Sporting-goods	Music produ-cts	Books Magazine or News-paper	Cos-metics Acce-ssor-ies	Movies Short-films or Images	Book-ing or Rese-rvation	Com-puter or Video games	Elec-troni pro-ducts	Com-puter equip-ment or parts
Male	59.0	54.7	40.7	16.9	37.9	20.8	28.4	18.3	22.9
Female	74.7	47.3	44.1	56.6	32.2	21.0	13.3	17.3	8.7
12-19	57.8	70.6	35.3	21.1	48.5	12.9	30.2	5.4	9.1
20s	79.8	60.1	49.6	44.1	40.4	25.7	25.8	17.2	19.6
30s	65.5	42.4	43.3	41.1	29.3	21.7	15.1	23.0	17.0
40s	58.3	32.9	38.4	36.2	21.8	19.4	11.5	20.9	11.6
50s	50.0	24.0	24.4	33.3	24.5	16.0	11.1	21.7	9.7
60s and over	41.8	16.3	19.5	37.9	21.4	3.2	7.5	23.9	1.9
	Food gro-ceries Etc.	Tod-dler or Chil dren pro-ducts	Trable pro-ducts	Photo Tele-Com-Muni-Cations or Opti-cal eq-ipment	Com-puter Soft-ware	Auto-mobile pro-ducts	Financ-ial pro-ducts	IT& Tele-com-muni-cation Ser-vices	Etc.
Male	8.5	6.9	11.4	9.1	9.9	9.1	4.4	5.3	10.1
Female	17.6	18.4	9.7	7.4	3.7	2.6	3.7	2.6	7.9
12-19	3.3	0.7	2.4	5.5	5.6	0.3	0.5	2.7	12.4
20s	9.8	10.1	12.9	9.8	9.1	5.1	3.5	4.4	9.8
30s	19.0	26.2	12.4	9.1	6.4	9.1	6.2	4.1	7.9
40s	17.2	8.1	10.9	6.8	4.0	5.8	4.5	3.3	6.2
50s	22.9	2.6	10.2	4.4	1.6	5.1	4.6	4.1	6.0
60s and over	28.5	7.7	2.1	7.4	-	10.6	2.9	1.2	7.3

Source: NIDA (2007a)

To sum up Korean internet shopper behaviour; firstly, the number of internet shoppers has sharply increased regardless of age and gender except for 60s and over generation., The increase of younger generation shoppers between 12 and 19 years old is especially noticeable and significant. The reason why the younger generation trend is important is that, even though they are normally not an economically productive population, they are now third ranking (54.4%), and also they will soon be main consumers. Secondly, the 20s generation in Korea are the main consumers in internet shopping so far. Their percentage as internet shoppers has been the highest since 2003, and also they are the biggest purchasers across all items investigated than any other age group. For these reasons, 20s generation could be regarded as a target by Korean marketers. Thirdly, internet shoppers seem to be very smart and reasonable when purchasing items. Based on chart 6, their internet shopping pattern is a notable indicator to marketers and sellers. Many of them purchase products and services after comparing prices using much information on the internet and confirm products they want to buy in off-line market. In addition, they are strongly influenced by comments and user reviews before buying, and they in turn write user reviews and comments after purchasing. Moreover, they also consider customer benefits from marketer and seller before purchasing. Therefore, they are regarded as reasonable and smart consumer in Korea.

Chart- 6 Internet Shopping Pattern (Internet Shopper, %)



Source: NIDA (2007a)

Twinsumer Phenomenon in Korea

There is a new term to indicate latest consumers. It is 'Twinsumer'. According to trendwatching.com which is a consumer trends firm of 8000 spotters from 120 countries, twinsumer trend is'… hooking up with (and listening to) their taste 'twins'; fellow consumers somewhere in the world who think, react, enjoy and consume the way they do.'(Trendwatching.com 2005 p1). Park (2005 p1) defined twinsumer as a consumer who 'tends to make online purchases only after they have consulted the consumer reviews posted on the site'. Based on the two definitions, the term twinsumer could be redefined as a new consumer who tends to rely on posted reviews or comments on products and services on the internet by post buyers, consumers or other customers having the same interests on specific products and services.

According to the definitions of twinsumer, twinsumer trend has been developed based on word-of-mouth communication and internet technology. The term 'Word of Mouth' was coined by Whyte (1954 cited in King and Summers 1970 p43). Whyte established the powerful influence between neighbors' communication to purchase products by a study of air-conditioner ownership in Philadelphia. Since then, it has been identified by many researchers that Word of Mouth communication is applicable to many categories of goods and services, and Word of Mouth has been recognized as a more reliable communication form than mass media (Blackwell et al 2006). In addition, it might be accepted that WOM communication is more effective than mass media (Chaney 2001), as WOM communication has evolved since the emergence of the internet. The influence of WOM was limited to face to face communication. However, due to the internet WOM communication has extended on-line especially through internet forums, bulletin boards, chattings (Zinkhan et al 2003), private homepages and by messenger. Moreover, according to Bickart and Schindler (2001), when consumers gather information, they are more interested in internet forums and bulletin boards rather than company websites. Therefore, the term 'Word of Mouth' has been important among marketers and researchers since 1954 and remains so, to date.

In this part, in order to understand Korean twinsumer behaviour, secondary data mostly from NIDA (National Internet Development Agency of Korea) will be analyzed according to age and gender.

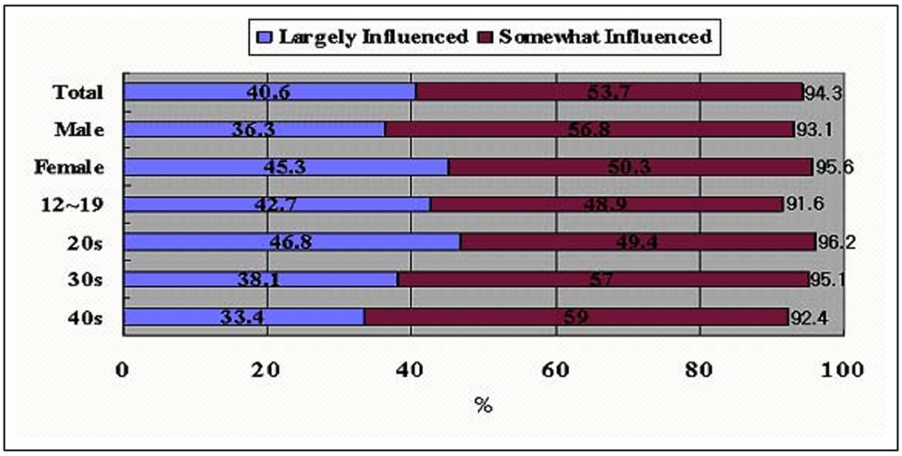
According to table 2, 79.3% of the internet users investigated have read user reviews and comments of previous buyers, moreover, 45.9% have always read user reviews and comments on purchasing products and services. In terms of categories, females (53.8%) have read them more than males (38.8%). 20s age group is the highest percentage (52.9%) amongst age groups.

Table- 2 Use of Online User Reviews Prior to Shopping by Gender and Age %

	The Overall Rates of WOM Experience before Purchasing				Almost Never
		Always	Frequently	Sometimes	
(Gender)					
Male	79.4	38.8	18.6	22.0	20.6
Female	79.2	53.8	14.5	10.9	20.9
Total	79.3	45.9	16.7	16.7	20.7
(Age)					
12-19	69.7	43.6	11.4	14.7	30.3
20s	85.1	52.9	17.2	15.0	14.9
30s	81.7	47.1	19.2	15.4	18.3
40s	76.4	36.9	16.9	22.6	23.6

Note: Partly adapted from NIDA (2006a)

Chart- 7 Online Word of Mouth Influence on Shopping (%)



Source: NIDA (2006a)

94.3% of consumers, who read comments and user reviews before buying, have been influenced by other opinions on the internet when they purchase. In comparison to males (93.1%), females (95.6%) have been influenced more by comments and user reviews. In terms of age, the 20s (96.2%) are the highest group. However, overall, Korean consumers regardless of age and gender tend to rely upon previous buyers' opinion. This, therefore, indicates that the percentage of online word of mouth influence on shopping is above 91% regardless of any factor such as age and gender.

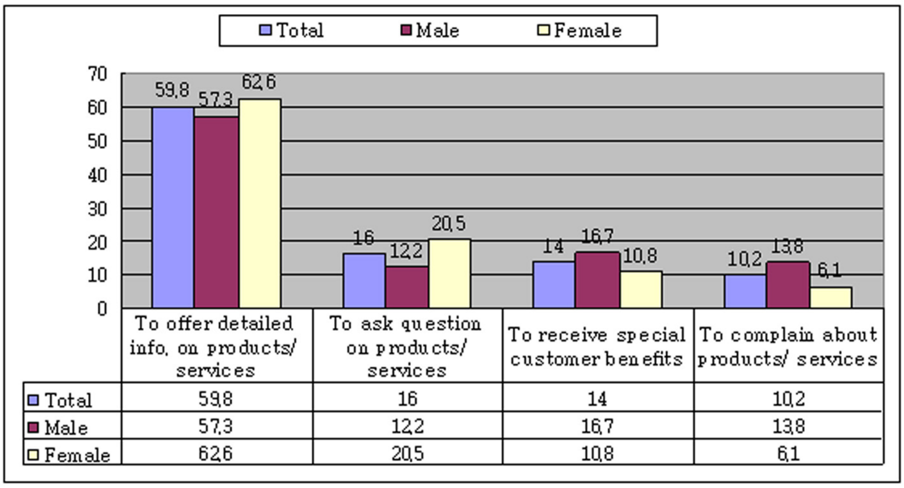
46.7% of consumers investigated have written user reviews on the products and services they purchased. Furthermore, 12.7% replied that they have always posted their opinion through the internet. In contrast to using online user reviews, males (47.9%) seem to enjoy more posting their post purchasing reviews than their female counterparts (45.4%). However, according to age, 20s (53.7%) followed by 30s (49.6%) are the highest, respectively, in the age group rankings.

Table- 3 Post Shopping User Review Posting by Gender and Age (%)

	The Rates of Post Shopping User Review Posting				Almost Never
		Always	Frequently	Sometimes	
(Gender)					
Male	47.9	12.6	13.8	21.5	52.1
Female	45.4	12.9	13.7	18.8	54.6
Total	46.7	12.7	13.8	20.2	53.3
(Age)					
12-19	37.2	12.3	9.6	15.3	62.8
20s	53.7	16.0	17.3	20.4	46.2
30s	49.6	11.3	16.0	22.3	50.4
40s	41.6	10.8	9.6	21.2	58.5

Source: NIDA (2006a)

Chart-8 Reasons for User Review Posting by Gender (Review Posters, %)



Source: NIDA (2006a)

According to chart 8, 59.8% of review posters have posted a review post purchasing products and services in order to offer detailed information on the products, whereas 10.2% of those have written user reviews to discredit products and services. Males (16.7% and 13.8%) are higher than females (10.8% and 6.1%) when it comes to receiving special customer benefits and complaining about products and services. In contrast, regarding offering information and asking questions on products and services, females (62.6% and 20.5%) are higher than males (57.3% and 12.2%).

According to table 4, the 12-19 age group (62.8%) is the highest in terms of offering detailed information on products and services, whereas on both asking questions on products/ services and receiving special customer benefits is the 30s group (16.6% and 14.6%). 11.7% of 20s age group, which is the highest percentage, have posted user reviews to complain about products and services.

Table- 4 Reason for User Review Posting by Age (Review Posters, %)

	To offer detailed info. on products/ services	To ask question on products/ services	To receive special customer benefits	To complain about products/ services
(Age)				
12-19	62.8	15.3	12.1	9.7
20s	57.9	16.4	14.0	11.7
30s	59.7	16.6	14.6	9.0
40s	60.8	14.7	14.4	10.2

Source: NIDA (2006a)

To sum up, according to charts and tables above, twinsumer phenomena seems to be the mainstream in identifying the characteristics of Korean consumers. A number of consumers have been influenced by other consumers' opinions such as user reviews and comments before purchasing products and services. In addition, they have written user reviews not only to offer detailed information or give opinions about products and services, but also to ask question on products and services and receive special customer benefits after purchase. However, the highest percentage (59.8%) of written comments and user reviews is to offer detailed information on products and services. It could mean that they strongly tend to write comments and user reviews for other shoppers' benefits, rather than their own benefits. Accordingly, these actions could classify marketers as good or bad. In other words, it could be either good opportunity or veiled threat to markets. In terms of consumers, it seems to be accepted by Korean consumers that these actions both before and after purchasing are natural and essential. However, there are slight differences among the age groups and genders. 20s and 30s generation is more active as twinsumer rather than the older and 12-19 generations, and females tend to rely more on user reviews and comments rather than males before purchasing, whereas males after buying have more to write for user review on products and services than the females.

Korean consumer as Generation C

Since internet emergence, the limitations of time and space seem to have been overcome that existing media could not, and have removed the necessity for people to meet face to face in order to communicate. Consumers have shared and created information in various ways such as video, audio, photographs and drawing with their opinions through many channels such as blog, minihompy, mobile, internet community, portal site in the cyber world, and so on. Practically, the number of consumers has sharply increased to join mainstream communication diversity. According to Leisure Conference in 2006, the number of blogs in 2004 was five million, and then 50 million in 2005. Their projection is 100 million. In addition, in the case of MySpace which is a social networking site, the market share has increased by 846% from 2004 to December 2005 (Prescott 2006).

In 2004, Trendwatching.com coined a word to indicate these consumers; it is 'Generation C'. According to them (2004 p1), "The Generation C phenomenon" captures an avalanche of consumer generated 'content' that is building on the web, adding tera-peta bytes of new text, images, audio and video on an ongoing basis". And also, according to Tribe (2004), Generation C is different from previous generation such as X generation following born order. In other words, everyone regardless of age could be Generation C if producing contents in the virtual world. Therefore, Generation C could be defined as internet users generating and spending contents. In this part, the Korean consumer as Generation C will be evaluated and analyzed using secondary data.

Table- 5 UCC Usage Status by Gender and Age (%)

	Several times a day	Once a day	3-4 times a week	1-2 times a week	1-3 times a month	Less than one a month	Never	UCC Usage Experienced	UCC Users
								Total	
								83.5	74
Gender									
Male	18.5	18.1	15.5	15.3	9.2	9.3	14.1	85.9	76.6
Female	16.7	16.7	13.2	14.7	9.8	9.6	19.3	80.7	71.1
Age									
12-19	12.0	13.6	12.8	25.3	10.0	6.6	19.7	80.3	73.7
20s	24.2	23.3	16.6	10.2	7.3	6.4	12.0	88.0	81.6
30s	17.3	17.8	12.5	13.7	9.9	12.4	16.4	83.6	71.2
40s	14.8	13.2	15.4	14.3	11.1	11.5	19.7	80.3	68.8

Source: NIDA (2007b)

Table- 6 Weekly Average UCC Usage Hours – UCC Users (%)

	Less than one hour	1-2 Hour	2-4 Hour	4-10 Hour	More than 10 hour	Weekly Average (Hour)
Gender						
Male	22.3	17.2	27.3	22.6	10.6	4.3
Female	25.7	15.6	22.7	19.2	16.8	5.1
Total	23.8	16.5	25.2	21.1	13.4	4.7
Age						
12-19	29.6	21.3	26.8	14.9	7.4	3.3
20s	15.3	14.2	26.1	27.5	16.9	5.7
30s	23.2	15.8	25.4	22.0	13.6	5.0
40s	31.8	16.3	22.5	16.2	13.2	4.1

Source: NIDA (2007b)

83.5% of internet users have viewed and used UCC (User Created Contents) (NIDA 2007b) such as texts, drawing, photos, music and moving pictures produced by other internet users, 74%, who are 'UCC Users', have viewed and used UCC more than once a month. By age, the portion of 'UCC Usage Experienced' (88.0%) and 'UCC Users' (81.6%) of 20s is the highest among the other age group followed by 12-19 (80.3%, 73.7%) and 30s (83.6%, 71.2%). The percentage of males in both 'UCC Usage Experienced' (85.9%) and 'UCC Users' (76.7%) is relatively higher than females (80.7%, 71.1%).

Table- 7 Most Used Type of UCC by Age and Gender (Multiple responses) – (UCC users, %)

	Moving pictures/ Animation			Photos	Text	Music Sound	Drawing	Etc.
		Moving picture	Animation Flash					
Gender								
Male	92.7	86.2	51.5	57.1	39.0	34.3	24.9	0.4
Female	85.8	78.4	44.9	56.9	43.1	42.6	27.3	0.5
Total	89.6	82.7	48.5	57.0	40.8	38.0	25.9	0.5
Age								
12-19	91.2	78.8	45.0	56.9	36.4	44.4	25.4	0.6
20s	91.5	87.3	50.3	58.0	39.6	38.4	21.7	0.2
30s	88.2	81.9	51.4	56.7	41.2	35.1	25.7	0.4
40s	87.2	80.7	45.0	56.2	45.8	35.9	32.8	0.9

Source: NIDA (2007b)

According to table 6, UCC users spend on average 4.7 hours per week using and viewing UCC. In contrast to UCC usage rate by gender, females (5.1 hour) tend to spend time more on using and viewing UCC than males (4.3 hour) per week, whereas, by age the result of UCC usage hours is similar to UCC usage rate. In other words, the hours which 20s spend enjoying UCC per week is the longest amongst other age groups. While 16.5% of UCC users spend 1-2 hours enjoying UCC, 13.4% spend even more than 10 hours.

Table7 shows that UCC users in Korea have used and viewed various types of UCC (User Created Contents) such as ‘Moving pictures/ Animation / Flash’, ‘Photos’, ‘Text’, ‘Music/ Sound’ and ‘Drawing’. There are differences between genders for using and viewing UCC. Males more than females relatively prefer UCC type of ‘Moving picture/ Animation’ and ‘Photos’, whereas females tend to prefer ‘Text’, ‘Music/ Sound’ and ‘Drawing’ more than males. However, on the whole, a number of UCC users (89.6%) regardless of age and gender have enjoyed the most UCC of ‘Moving pictures/ Animation’, followed by ‘Photos (57%)’, ‘Text (40.8%)’, ‘Music/ Sound (38%)’ and ‘Drawing (25.9%)”. By age group, 20s are the highest on ‘Moving pictures (91.5%)’ and ‘Photos (58%)’, 12-19s on ‘Music/ Sound (44.4%), and 40s on ‘Text (45.8%)’ and ‘Drawing (32.8%)’.

According to table 8, the places where UCC users have viewed and used UCC have been investigated. Consequently, UCC users have viewed and used UCC through various channels shown in the table. Mostly, UCC users seem to click the UCC boards of portal site (77.0%) and Blog or Minihompy (71.1%) to access the UCC they want. Relatively, males more than females have accessed UCC boards of portal site (80.5%) and UCC site (56.1%), whereas females accessed Blog or Minihompy (74.8%), Club or Community (57.2%), Knowledge sharing site (27.7%) and TV programme or Commercial site (16.6%). In terms of age, the 40s have accessed more UCC boards of portal site (82.9%), Club or Community (63.9%) and Knowledge sharing site (30.7%). 20s age group accessed Blog or Minihompy (77.3%), and 12-19s viewed UCC site (59.6%) and TV programs and commercials (16.5%).

51.2% of internet users have experienced creation of contents in the cyber world. Moreover, it has been investigated that 35.1 % of internet users have regularly produced UCC at least once a month. There is an interesting result of ‘UCC production experienced’ and ‘UCC producer’ between genders. In comparison to other results relating to UCC, there is marginal difference of percentage of both male and female of ‘UCC production experienced (51.2%, 51.0% respectively) and ‘UCC producer (35.1%, 35.3% respectively). By age, the portion of UCC production as UCC producer of 10-19s (39.1%) and 20s (46.3%) is higher than other age groups such as 30s (30.5%) and 40s (24.8%).

Table- 8 Main Source of UCC (Multiple responses)- (UCC users, %)

	UCC boards of portal site	Blog or Mini-hompy	Club Or Comm-unity	UCC site	Knowl-Edge Sharing Site	TV program-me or Commer-Cial	Others
Gender							
Male	80.5	68.1	54.0	56.1	24.0	8.6	0.4
Female	72.7	74.8	57.2	39.6	27.7	16.6	0.7
Total	77.0	71.1	55.4	48.7	25.6	12.2	0.5
Age							
12-19	67.3	73.5	44.1	59.6	23.5	16.5	-
20s	77.7	77.3	52.4	52.2	22.7	10.1	-
30s	78.1	70.0	59.5	44.4	26.3	12.2	1.5
40s	82.9	61.9	63.9	40.2	30.7	11.6	0.6

Source: NIDA (2007b)

Table- 9 UCC Production Status by Gender and Age (%)

	Several times a day	Once a day	3-4 times a week	1-2 times a week	1-3 times a month	Less than one a month	Never	UCC Produ-ction Exper-ienced	UCC Producer
Gender									
Male	2.6	4.9	7.5	9.2	10.9	16.1	48.8	51.2	35.1
Female	2.0	5.1	6.2	9.0	13.0	15.7	49.0	51.0	35.3
Total	2.3	5.0	6.9	9.1	11.9	15.9	48.9	51.1	35.2
Age									
12-19	2.0	5.4	7.2	10.3	14.2	17.4	43.5	56.5	39.1
20s	3.6	8.3	8.2	10.5	15.7	16.4	37.3	62.7	46.3
30s	2.3	3.5	5.5	9.3	9.9	14.8	54.7	45.3	30.5
40s	1.1	2.5	6.9	6.1	8.2	15.6	59.6	40.4	24.8

Source: NIDA (2007b)

Table- 10 Reason for Producing UCC (Multiple responses) – (UCC producers, %)

	Hobby/ Leisure	To share knowle-dge/ info.	To social-ize	Self expr-ession & promotion	For economic benefit	Others
Gender						
Male	87.0	79.6	64.5	51.4	7.8	1.5
Female	86.4	70.4	69.0	54.1	5.2	1.1
Total	86.7	75.3	66.6	52.6	6.6	1.3
Age						
12-19	87.1	70.9	66.0	40.0	9.0	-
20s	88.9	72.1	65.2	56.7	5.4	0.8
30s	84.7	76.8	67.0	57.4	7.6	3.3
40s	84.6	85.4	69.9	52.1	4.8	0.7

Source: NIDA (2007b)

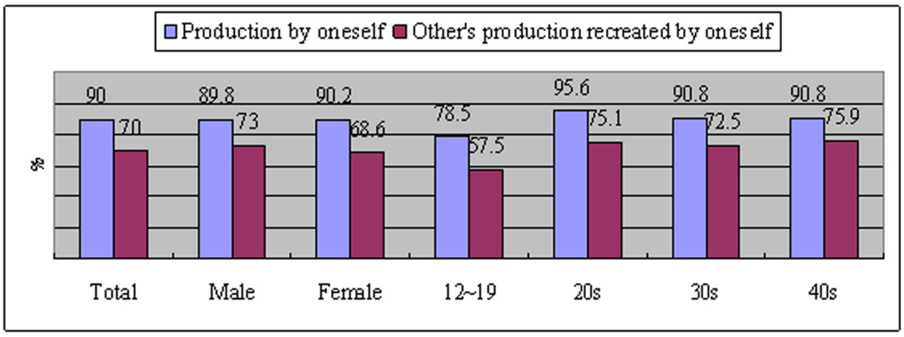
Overall, UCC producers create contents in the internet in order to enjoy their hobbies and leisure (86.7%) and to share knowledge and information, followed by socializing (66.6%), self expression & promotion (52.6%), economic benefits (6.6%) and others (1.3%). By age, the older generation produces UCC in order to share knowledge and information. Both 20s (56.7%) and 30s (57.4%) have more created contents to show self expression and promotion. On the one hand, regarding 12-19s, it could be a surprise that 9% of this age group, which has the highest percentage among the age groups, have produced UCC for economic benefits.

In terms of ways to produce UCC, it has been investigated that 90% of UCC producers have created contents by themselves, whereas 70% have recreated and edited contents of others to produce UCC. In terms of own UCC, there is marginal differences between males (89.8%) and females (90.2%), whereas, in the case of recreated UCC, males (73%) tend to recreate and edit other's UCC more than females (68.6%). On the other hand, the portion of 12-19s (78.5%, 57.5%) that produces UCC is relatively lower than other age groups, 20s (95.6%, 75.1%), 30s (90.8%, 72.5%) and 40s (90.8%, 75.9%).

According to table11, males have produced more UCC in various types such as Photos (80.8%), Drawing (66.1%), Music/ Sound (60.9%) and Moving picture/ Animation (62.8%). However, regarding UCC type of text females (86.5%) are more active than males (85.8%). By age 20s have produced more UCC in the form of Text (91.1%) and Photos (87.2%) more than any other age group. Notably, 40s have the highest percentage on all types of UCC except Text and Photos than other age groups.

Regardless of age and gender, a number of UCC producers have published their UCC through the 'Own blog/ minihompy (84%)' and 'Club/ Community (65.5%)', and also it has been identified that 'UCC boards of portal site (32.9%)', 'Other's blog/ minihompy (28.1%)', 'UCC site (27.5%)', 'Knowledge sharing site (22.4%)' and other (1.7%) have been used as publishing channels by UCC producers. Females have accessed 'Own blog/ minihompy (86.4%)', 'Club/ Community (66.1%)' and 'Other's blog/ minihompy (28.7%)' to publish their UCC more than males (81.9%, 65.1% and 27.5%). Most used channels of 40s to publish UCC in comparison to other age group are in 'UCC boards of portal site (44.5%)' and 'UCC site (31.2%), 30s at 'Club/ Community (74.4%)', 20s in 'Own blog/ minihompy (84%)', and 12-19s in 'Knowledge sharing site (29.5%)'

Chart- 9 UCC Production and Recreating Status – (UCC Producers, %)



Source: NIDA (2007b)

Table- 11 Most Produced Type of UCC (Multiple responses) – (UCC Producers, %)

	Text	Photos	Drawing	Music Sound	Moving picture and Animation		
						Moving picture	Animation Flash
Gender							
Male	85.8	80.8	66.1	60.9	62.8	59.3	56.1
Female	86.5	79.1	63.7	53.5	54.4	52.1	46.7
Total	86.1	79.6	65.0	57.4	58.8	55.9	51.7
Age							
12-19	73.9	70.6	50.3	46.2	43.7	41.2	37.4
20s	91.1	87.2	67.2	58.8	61.6	57.6	54.4
30s	86.3	75.3	66.2	59.1	60.8	59.5	51.3
40s	90.2	80.7	76.4	65.7	68.5	65.2	64.4

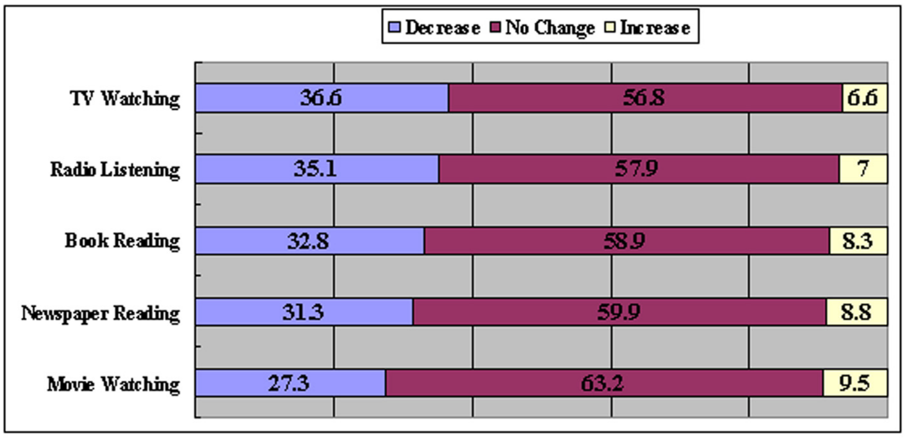
Source: NIDA (2007b)

Table- 12 UCC Publishing Channel (Multiple responses) – (UCC Producers, %)

	Own blog/ miniho-mpy	Club/ Comm-nity	UCC boards of portal site	Other's blog/ miniho-mpy	UCC site	Know-ledge sharing site	Other
Gender							
Male	81.9	65.1	35.5	27.5	32.3	23.3	1.0
Female	86.4	66.1	30.0	28.7	21.9	21.3	2.5
Total	84.0	65.5	32.9	28.1	27.5	22.4	1.7
Age							
12-19	78.3	54.9	24.5	17.6	29.4	29.5	1.3
20s	91.9	63.5	31.7	27.9	28.0	15.3	1.4
30s	83.8	74.4	34.1	33.9	22.8	22.4	1.8
40s	73.9	69.6	44.5	32.2	31.2	29.2	2.4

Source: NIDA (2007b)

Chart- 10 Change in Time Spent on Off-line Activity by Using UCC (%) –UCC Users and Producers



Source: NIDA (2007b)

According to chart 10 above, both UCC users and producers have been influenced, by using UCC, on offline activities such as ‘TV watching’, ‘Radio listening’, ‘Book reading’, ‘Newspaper reading’ and ‘Movie watching’. 36% of those who replied have experienced a decrease in time spent on ‘TV watching (36.6%)’, ‘Radio listening (35.1%)’, ‘Book reading (32.8%)’, ‘Newspaper reading (31.3%)’ and ‘Movie watching(27.3%)’. In 2007, they seem to obtain information through UCC instead of traditional media.

To sum up about the characteristics of Korean consumer based on the Generation C phenomenon, many of internet users as UCC users (74%) have enjoyed contents by UCC producers; also the portion of internet users producing contents is 35.2%. Accordingly, Generation C phenomenon has already accomplished status in Korea in 2007.

There are some noticeable findings relating to Generation C phenomenon. Firstly, in terms of UCC consumption and production sites, many internet users tend to enjoy UCC at 'UCC boards of portal site' and Blog and Minihomphy', whereas many UCC producers publish their contents through 'Own blog and Minihomphy' and 'Club/ Community'. In other words, the main places of between production and consumption are different. Secondly, in terms of UCC type of consuming and producing, many internet users regardless of age and gender prefer 'Moving pictures and Animation', whereas most types of UCC are mainly both 'Text' and 'Photos'. There are also differences of preference of UCC type in consumption and production. Thirdly, the influence of traditional media has been decreased by Generation C phenomenon. In other words, it appears that traditional media have been replaced by UCC (User Created Contents).

Conclusion

It is clear in Korea that a number of consumers use the internet not only to purchase goods and services, but also to share information on the products and services due to the dramatic growth of the internet. There are some reasons that lead to this situation. First is government policy involving e-Korea project and internet education programmes. Second are geographical reasons that 80% of the Korean population live in the urban area, and the set-up of apartments facilitate internet connection. Third is a key characteristic of Korean people - the "copy-cat" syndrome; once one person gets something everyone else wants it, too" (ITU 2003 p12). These factors create an ideal environment to facilitate internet usage amongst consumers virtually everywhere and anytime in Korea.

There are four noticeable findings. First is the growth of the number of internet shoppers. The rates have increased year by year especially amongst the young generation, except the 60 and over generation. The generation between 12 and 30 seems to be the main group purchasing items through the internet. In terms of items purchased through the internet, preference differs depending on age and gender, whilst the purchasing rate of the generation between 20 and 30 is higher than any other groups in all items, overall.

Second is that consumers using internet seems to be very smart and cooperative. They tend to strongly believe the information (comments and reviews on specific products) from other consumers who have purchased or are interested in similar products and services. Moreover, as chart-6 shoes, many consumers seem to be very smart and reasonable due to information sharing. Before purchasing, they compare prices through the internet, check the products in offline market, do not use unauthorised shopping malls, and think customer benefits occur by purchase.

Third - a contrast to the second point - is that they seem to be concerned for, or want to assist other consumers. 59.8% of consumers using internet post user reviews because of the opportunity to offer detailed information on products and services which is the first reason. Moreover, this phenomenon is occurs regardless of age and gender. In other words, they spend their time to supply information and express opinion on products without any economic gain. This marks a big change of information supply in comparison to the past. It is, in fact, an emerged threat to marketers.

Finally, many consumers in Korea communicate with other consumers through various formations of web-content, which are Moving pictures, Photos, Texts, Music and Drawing, created or re-created by themselves. 74% of internet users, more than once a month, have experienced UCC (User Created Contents), in addition, 51.2% have an experience of producing contents through various channels, namely UCC boards, Blog (Minihompy), internet community, Knowledge sharing sites and TV programmes or commercial sites.

At present, Korean consumers demonstrate many faces. For example, when they create contents such as movies, music, drawing, photos or text, they seem to be a lively PR medium. However, when they try to find information about a desired product and services, the consumers share the information acting as critical researchers investigating a market of specific products and services. In addition, when they supply information on products and services without any personal economic benefits, they seem to be volunteers to help other consumers. Due to the development of technology, they become more cynical, knowledgeable, active and altruistic (Stuart-Mentech et al. 2006).

"it is important to realise that blogs have the power to influence customer decisions on what they might buy or stop buying as well as how to use and get value out of anything…..consumers and potential consumers are often the people writing blogs- putting their opinions about your product or brand out in the blogosphere. This is a radical change from traditional media (Corry and Mundell, 2007 p2)"

Consequently, the development of the internet has led to a change in ways of communicating. Additionally, the new forms of communication have created new status for both marketers and consumers. Marketers should prepare for a new environment that gives more power to consumers.

Limitations and future research directions

Some limitations of this study provide a basis for further studying. First, the study only focused on 'action' of consumers in the internet environment investigating the characteristics of consumers using internet technology without considering the basis of 'feeling' and 'notion' associated with using the internet technology. Therefore, future study would consider other factors such as psychological and sociocultural characteristics rather than only demography to further discover the characteristics of consumers using internet technology. Second, the findings are not based on a specific study of a product and service. In other words, the data used in this study is based on the experience of overall purchasing and after-purchasing process of consumers. Therefore, it would be difficult to generalise that the findings of this study apply to specific goods and services. For further research, it might be necessary that characteristics of consumers using the internet are investigated relating to specific goods and services based on the findings of this study.

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