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Jo Ann and Jim Carland
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CONTENTS

LETTER FROM THE EDITORS

Welcome to the second volume of the *Academy of Marketing Studies Journal.* The Academy of Marketing Studies is an affiliate of the Allied Academies, Inc., a non profit association of scholars whose purpose is to encourage and support the advancement and exchange of knowledge, understanding and teaching throughout the world. The *AMSJ* is a principal vehicle for achieving the objectives of the organization. The editorial mission of this journal is to publish empirical and theoretical manuscripts which advance the discipline, and applied, educational and pedagogic papers of practical value to practitioners and educators. We look forward to a long and successful career in publishing articles which will be of value to the many marketing scholars around the world.

The articles contained in this volume have been double blind refereed. The acceptance rate for manuscripts in this issue, 25%, conforms to our editorial policies.

As editors, we intend to foster a supportive, mentoring effort on the part of the referees which will result in encouraging and supporting writers. We welcome different viewpoints because in differences we find learning; in differences we develop understanding; in differences we gain knowledge and in differences we develop the discipline into a more comprehensive, less esoteric, and dynamic metier.

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AD ATTITUDE AND NEGATIVE POLITICAL ADVERTISING: TOWARD A THEORETICAL UNDERSTANDING

Douglas R. Robideaux, Central Missouri State University

ABSTRACT

Negative political campaigns are common, but it has been debated as to whether voters' attitudes toward these ads render them useless. Practitioners obviously believe these ads to be working, but there is little theoretical foundation to explain why they might. This study examined the cognitive and affective dimensions of ad attitude and found that negative political ads had more negative feelings (affect) associated with them, but cognitively were evaluated as more informational, and as more believable.

INTRODUCTION

Negative political advertising has recently received a substantial amount of attention by both academics and practitioners. Polls show that the public dislikes it, and advertising research indicates that negative ads turn people away from the ads' sponsors. So why do political strategists, as evidenced by their continued use, believe that negative ads are effective? One problem for advertising theorist is that no foundation has been laid that explains the apparent success of negative political advertising.

There are both similarities and differences between the types of ads done by corporations and those done by politicians (McGann, 1988). They've both used a variety of rational and emotional appeals–including fear (LaTour, Snipes & Bliss, 1996)–to influence the public. However, a type of advertising that goods and services marketers have generally avoided is the negative ad campaign. Negative political campaigns have become commonplace on the local and the national level in the United States, and are becoming more common elsewhere. These negative ads (ads that make negative claims about a competitor) have been blamed for increasing distrust of the political process, an increased cynicism and apathy toward politicians, and lower voter turnouts (e.g. Banker, 1992; Merritt, 1984). However true the criticisms may be, there will always be different objectives between traditional marketers and those who market politicians.

Two differences between marketers and political strategists are the concept of (1) market share and (2) time. Traditional marketers, while trying to enhance their own position within a market, also are trying to enhance the overall size and growth of the market. Constant negative comments about competitors' products are likely to taint the market as a whole (Sheeman, Green & Plank, 1991). So the use of negative advertising by business marketers is likely to "turn off" all customers of that product class (e.g., Bissell, 1994; Jaben, 1992). Politicians need not worry about the size and growth of the market (voters). If they or their advertising reduce the size of the total market (voter turnout), it is not a problem as long as they reduce their competitor's votes more than they reduce their own. They need only capture the largest market share (by one vote) at a specific point in time (election day). This is the second difference: marketers try to be competitive on a continuous and long-term basis--not just one day--so they will be more wary of practices that may have short-term results at the expense of the long-term.

Both of these reasons help explain why negative advertising is used, but not whether negative ads work for, or hurt, the sponsor politician in any way. A Gallup Poll (Hume, 1992) taken about 10 days before the 1992 presidential election showed that the majority of voters (57-60%) claimed that the three candidates' ads had no influence on them. Even when the ads had an influence, it was not necessarily positive. For those voters influenced by President Bush's ads, the ads convinced twice as many to vote against Bush than for him (Hume, 1992). Theory does support this view that the attitude toward the ad, and not just the politician, may influence voter behavior (Hill, 1989).

Attitude toward the ad

Attitude is defined as "a learned predisposition to respond in a consistently favorable or unfavorable manner in respect to a given object" (Runyon & Stewart, 1987, p. 460) or as "an individual's internal evaluation of an object such as a branded product" (Mitchell & Olson, 1981, p. 318). Attitudes are composed of the dimensions of (1) affect or feeling, (2) cognition or beliefs, and (3) behavioral intent (Assael, 1998), and are expected to be stable over time.

Ad Attitude is an attitude toward an advertisement which will hopefully "leave consumers with a positive feeling after processing the ad" (Shimp, 1981, p.10-11). Ads generate moods and other subjective experiences (the affect component of attitude) during the ad exposure (Madden, Allen & Twible, 1988). Having a positive emotional response to an ad is not, however, the same as a positive cognitive evaluation of the ad (Stout & Rust, 1993). This is important because there "are two relatively distinct dimensions of attitude toward the ad, one cognitive and the other emotional" (Shimp, 1981, p. 10). In most studies, ad attitudes are only examined as an affective, emotional construct (Assael, 1998; Derbaix, 1995). This study will examine both the affect/emotional and the cognitive/belief evaluations of ads, and how the two relate to different types of political ads.

Earlier studies investigating ad attitude generally used messages that were positively framed and designed to generate positive emotions (Homer & Yoon, 1992). However, political ads are often not positively framed.

While negative political advertising is not new, its usefulness has been questioned. Indeed, some studies have found that negative ad campaigns are not effective (e.g. Hill, 1989) because the sponsor will be tainted by the negative feelings elicited by the ad. Previous researchers such as Hill (1989) have treated negative political ads as similar to consumer-oriented "comparative" ads because comparative ads claim superiority for the sponsor and impute inferiority on the competitor (Merritt, 1984). However, "the goal of negative advertising is to push consumers away from the competitor" (Merritt, 1984, p. 27) and negative political ads often have no positive message elements.

As with general, rational-oriented advertising, a common goal of political advertising is to be persuasive, and to be believable (a cognitive construct). General marketers' comparative ads ask consumers to logically, cognitively, conclude that the sponsor's product is better and their competitors' brands inferior. Negative political ads may, or may not, provide positive sponsor attributes, but they explicitly provide specific and/or general claims of the opponent's inferior attributes. This informational goal is likely to be represented in the cognitive evaluative dimension of attitude.

PURPOSE AND BACKGROUND

Ad attitude (A_{ad}), as an antecedent or moderator variable toward behavior and other attitudes and feelings, has been increasingly researched since 1981. A 1992 meta-analysis by Brown and Stayman examined 47 articles using ad attitude, most of them since the late 1980s. Only three of those articles examined comparative and noncomparative ads and their corresponding ad attitude--Droge (1989), Hill (1989), and Kamin et al. (1989). Only Hill (1989) investigated political advertising in the U.S.

Hill (1989) investigated the use of comparative political advertising in the 1988 presidential race between George Bush and Michael Dukakis and attempted to evaluate ad attitude as a function of comparative or noncomparative political ads. Hill was attempting to find evidence for the perception that "negative ad campaigns are not effective" because "voters view negative ads critically" (Hill, 1989, pp. 14, 15). Faber, et al. (1990) also found that negative political advertising tends to backlash against the sponsor. Additionally, in 1993 they stated that negative ads may be more retrievable from memory than positive appeals and have a greater role in voting preferences, but the preferences could be in either direction (i.e. bi-directional effects).

Merritt (1984) suggested that the comparative ads were not as effective because the negative information in the ads lacked credibility. She also concluded that a "negative strategy [may reinforce] predispositions but does not attract voters to the candidate" (p. 37). Of course, the objective of a negative ad may not be to attract voters to the sponsor-candidate, but to drive them away from the opponent.

Hill (1989) also felt that the use of negative comments about an opponent in an ad (comparative or negative) "may reflect negatively on the ad sponsor, and may have little impact upon the opposing candidate . . . compared to sponsor-positive ads" (p. 20). This helps explain why general advertisers hesitate to use comparative ads (Barry, 1993), but the politician-sponsor may be willing to lose some votes if the sponsor believes that he/she can cause a greater loss of votes for the competitor.

Most measurements of A_{ad} only investigated the affect portion of attitude, so it is not clear whether the studies showing attitude toward the ad as negative are because of an overall attitudinal evaluation that includes the cognitive-belief dimension, or just the emotional-affective dimension. In both high- and low-involvement decisions, the cognitive component of attitude precedes–and presumably influences–the affect component. Only in experiential decision-making does affect come first (Assael, 1998). Therefore, ignoring the cognitive element of attitude and ad attitude allows researchers to miss the first, and perhaps most important element of attitude toward the ad.

This study will label the three types of ads studied as Positive (for sponsor-positive only ads), Negative (for opponent-negative only ads), and Comparative (with both positive and negative elements) and search to find whether the three types of ads differ with respect to both the affect and cognitive components of A_{ad}.

HYPOTHESES

Consumer research has shown that ads that present both sides of an issue--comparative ads--are sometimes more persuasive and credible than ads that only present one side, but not always (Grewal, Kavanoor, Fern, Costley & Barnes, 1997; Merritt, 1984; Shimp & Dyer, 1978; Wilkie & Farris 1975). The early assumption was that the added informational (cognitive) content of comparative ads would give consumers a better basis for evaluating rival brands (Swinyard, 1981). Even though comparative advertising can often elicit higher recall, credibility may be lower due to counterarguing by the viewer (Stutts, 1982). The extent that this applies to political advertising is not clear.

This informational dimension of the A_{ad} construct represents the cognitive portion of traditional attitude theory (Runyon & Stewart, 1987) often ignored. Most studies have taken the affective portion to represent A_{ad} and have not considered the cognitive aspect of ad persuasion. The affective dimension of A_{ad} will be designated as A_a, and the cognitive dimension of A_{ad} will be designated as A_c.

Hypothesis One: A_a (the traditional Affective dimension) toward political advertising will be different for ads that contain only sponsor-positive elements and ads that contain opponent-negative elements.

Hypothesis Two: A_c (Cognitive content) of political ads will be judged different for ads that contain only sponsor-positive elements and those ads that contain opponent-negative elements.

METHODOLOGY

Instrument

Respondents were given a simulated advertisement with a pencil and paper questionnaire attached. Respondents had an equal chance of receiving one of three ad treatments--Positive, Negative, and Comparative (both the positive and negative statements). All statements in the simulated ads were taken directly from speeches by the candidates.

Subjects

A total of 390 business and non-business students at a large Southeastern university participated in the study–the population type used most often in ad attitude studies (Brown and Stayman, 1992). A filter question measured their "commitment to vote" (the behavioral-intent component of attitude) in the upcoming election. No attitude differences were found between the students at varying levels of commitment, so all questionnaires were retained for analysis. The students were assigned randomly to one of the three message treatments: positive-only ads, negative-only ads, and combination ads.

A_{ad} Measurement

Affective Measurement A_a. The instrument investigated subjects' attitudes toward the ads using a series of 5-point bipolar scales developed by Mitchell and Olson (1981); Lutz, et. al.(1983); Hill and Mazis (1985); and Hill (1989). The scales were labeled "good--bad," "like--dislike," "irritating--nonirritating," "interesting--uninteresting," "favorable--unfavorable," "pleasant--unpleasant," "nice--awful," "sensitive--insensitive," and "tasteful-- tasteless." While these scales represented A_{ad} as a global construct in Hill (1989) and Mitchell and Olson (1981), they were expected to represent the affective component of attitude (the focus of those studies) used for testing hypothesis one.

Cognitive Measurement A_c. The cognitive construct, representing thinking and beliefs toward the ad, is also a subcomponent of the overall ad attitude. Two scales, "believable--unbelievable" and "informative--not informative" were pretested to expectedly measure the content-relevant cognitive dimension (e.g. Tinkham & Weaver-Lariscy, 1994). All response scales alternated the position of the positive and negative polar adjective to reduce measurement error.

RESULTS

Construct Scale Development

Reliability: Before hypothesis testing was performed, all response scales were included in a test for reliability. A Cronbach's Alpha of 0.89 was obtained, indicating a strong internal consistency. **Factor Analysis:** A factor analysis was then executed to test whether the individual scales would load up on two constructs, and only on the two constructs expected–the affective and cognitive components of ad attitude. Upon rotation, only two factors developed with a minimum Eigenvalue of 1.0. As expected, the scales for the variables "believable" and "informative" loaded on the factor representing cognitive evaluation of the ad. However, the scale for the variable "interesting" also loaded on the factor for the cognitive construct rather than the affective construct as expected by the Hill (1989) and Mitchell and Olson (1981) studies. This Cognitive factor had an Eigenvalue of 1.17. The other scales loaded on the affective construct as expected. This Affective factor had an Eigenvalue of 5.47.

Composite Scale: Construct means were created (e.g. Mitchell & Olson, 1981) for the two constructs of A_{ad}. These construct means were used for the subsequent testing of hypotheses one and two.

Hypothesis One

Hypothesis one tested the affective dimension of A_{ad} toward political advertising and whether differences would be found between ads that contained negative elements and ads that did not. Hypothesis testing used the T-Test for difference in means, and MANOVA, to analyze for statistically significant differences between the Positive (sponsor-positive) ads, Negative (opponent-negative) ads, and Comparison (both) ads. Table 1 illustrates the construct means, T and F values, and any statistical significance.

TABLE 1
T-TEST AND MANOVA EXAMINATIONS IN
A_a (AFFECTIVE) AND A_c (COGNITIVE) AD TREATMENTS

Ad Treatment Comparisons	A_a Mean	Affect T-test[a]	Affect Manova[b]	A_c Mean	Cognitive T-Test	Cognitive Manova
Positive (Sponsor-Positive)	0.294			0.123		
versus		3.89*	15.16*		-2.21*	4.90*
Negative (Opponent-Negative)	-0.080			0.335		
Positive (Sponsor-Positive)	0.294			0.123		
versus		0.75	0.57		-1.17	1.37
Comparison (Both)	0.219			0.237		
Comparison (Both)	0.219			0.237		
versus		-2.88*	8.29*		0.91	0.83
Negative (Opponent-Negative)	-0.080			0.335		

[a]Students-T value
[b]F value
*Statistically significant at $p<0.05$

As shown in Table 1, the T-Test and Manova affect evaluation (A_a) of the ad treatments showed a statistically significant difference for two pairings--Positive ads versus Negative ads, and Negative ads versus Comparison ads. The tests for the Positive versus Comparison ads found no significant difference in construct means. The results provide strong support for hypothesis one--the A_a evaluation is different for political ads that contain only opponent-negative elements versus ads that contain some degree of sponsor-positive elements.

To examine the direction of the attitudes toward the three types of ads, Table 1 also includes the means of the composite attitude scores. The composite scores were designed so that positive scores reflected positive attitudes toward the ads and vice versa. Both the Positive and the Comparison ads were viewed with overall positive A_a evaluation, with the Positive ads slightly, but not significantly, higher. The A_a evaluation toward the Negative ads was negative. This tends to support Hill's (1989) conclusion that negative campaigns may not be effective because of the adverse reaction of voters toward negative ads.

Hypothesis Two

Hypothesis two tested for differences in A_c, a construct representing the cognitive, informational aspect of ads, between the three forms of ads. The results are displayed in Table 1.

The results of both the T-Test and Manova examinations provide partial support for the hypothesis. Statistical differences in means were found between the Positive ads and the Negative ads, but not between the other two pairings.

An examination of the means of the A_c shows that the cognitive/content aspect of the Negative ads had a higher mean than the other two types of ads, with a significant difference between the highest and lowest mean. This indicates that subjects viewed the Negative ads as having a higher informational content value than the other two types of ads. For the ad attitude dimension of cognitive evaluation therefore, subjects had more positive cognitive beliefs with the Negative ads. Much of the strength of the cognitive construct lies in the strength of the believable--unbelievable variable scale. The scale's mean indicated that the Negative ads were viewed as believable while the Positive ad was actually viewed as unbelievable.

DISCUSSION AND SUMMARY

As in earlier studies (e.g. Hill, 1989), affective attitudes toward negative ads had lower means (Table 1), reflecting a more negative attitude. This supports those that claim that negative ads are viewed with disdain, and may reflect poorly on the sponsor. However, this study found that while negative ads are associated with negative attitude-affects toward those ads, they are also associated with a higher, more positive degree of cognitive credibility. This finding provides a degree of theoretical support by using ad attitude theory as a foundation for the success of negative political advertising in affecting overall voter attitude.

This cognitive finding is all the more important because of the role of cognitive evaluation in both low and high-involvement decisions (political races could be of either type). The cognitive evaluation precedes, and therefore influences, the affective evaluation in both involvement levels (Assael, 1998). But if political races become too low-involvement for voters, then the Elaboration Likelihood Model supports the idea that the affect portion (using the peripheral route) of the ad attitude would take on greater meaning (Assael 1998; Droge, 1989).

The higher cognitive belief/believability dimension of negative advertising found in this study may be partly due to the degree of public cynicism toward politicians (Merritt, 1984), or at least the cynicism of younger voters–the subject population (Yoon, 1995). Voters may be more than willing to believe the bad, while being skeptical about the good. This cynicism may be a self-fulfilling conundrum–increasing levels of negative advertising leading to increased cynicism (Merritt, 1984) and doubts about the ability of the political process or government to solve problems (Zeller, 1991). This degrading of politicians makes negative advertising more believable, and therefore more effective in influencing voters. This study tends to support this idea, since even ads that contained the same negative elements but also had sponsor-positive elements were not found to be as believable.

This study has shown that if the A_{ad} is linked to purchase behavior as theoretically proposed (Mitchell & Olson, 1981), and attitudes are linked to the increased likelihood of behavior (Barry, 1993), then the more positive affect-component elements of the positive and comparison political ads should be used rather than the purely negative ads. This study has also found theoretical support for the use of negative political ads. The overall cognitive content evaluation (A_c) differed between negative and positive ads, with the negative ads eliciting a stronger, more positive, response.

Both these findings would support and lead to the expectation that future political campaigns will find both positive and negative ads to be useful, but for different tactical purposes. Positive ads could be used to elicit positive <u>feelings</u> for the sponsor, and negative ads could be used to elicit negative <u>beliefs</u> about the opponent. One can easily see how political operatives will find value and opportunity in the use of both when attempting to shape voters' attitudes.

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ENHANCING THE DELIVERY OF QUALITY EDUCATION: A SERVICES MARKETING PERSPECTIVE

Mark R. Young, Winona State University

ABSTRACT

The purpose of this research is to consider the classroom setting from a Services Marketing perspective. Students take on a variety of different roles ranging from customer to end product as they enter and matriculate through their educational experience at a university. Given entrance prerequisites (job qualifications), course syllabus (job description), class assignments (job tasks), and course evaluations (performance appraisals) viewing the student as a "partial employee" may provide insights into enhancing the delivery of quality education. Considering students as "partial employees" is consistent with the Services Marketing perspective that views customers as "partial employees" (Mills, 1986). As a "partial employee" a student adapts to and comes to appreciate the values, norms and required behaviors of the classroom and university. This study examines the organizational socialization process in which students pass through by replicating and extending Hoffman and Kelly's (1991) application of Feldman's (1976) Contingency Theory of Socialization in an educational context. Implications for enhancing the delivery of quality education are presented based on the findings.

INTRODUCTION

Customers of service organizations frequently provide resources (time, task completion) that directly contribute to the delivery of the service suggesting that customers can also be viewed as "partial employees" of the service organization (Mills 1986; Mills, Chase, and Marguilies 1983). Students must meet entrance prerequisites (job qualifications), are provided with course syllabus (job description), complete class assignments (job tasks), and under go course evaluations (performance appraisal); therefore, viewing the student as a "partial employee" is consistent with the services marketing perspective. The classroom may not include buyers and sellers in the traditional sense, however, education is a service and many of the ideas and concepts pertinent to the service encounter are relevant to the instructor – student interaction.

When students are viewed as "partial employees" the concept of socializing the student to the organization (classroom) offers potential insights into enhancing the management of the student's learning process. Feldman's (1976) model of organizational socialization is based on learning theory, focuses on outcomes that facilitate learning, participation, and performance. Figure 1 presents Feldman's model, which describes the sequence of stages an individual passes through during the socialization to an organization. Applications of the model in marketing include

Dubinsky et al. (1986) in the context of salesforce and Hoffman and Kelly (1991) in the context of education.

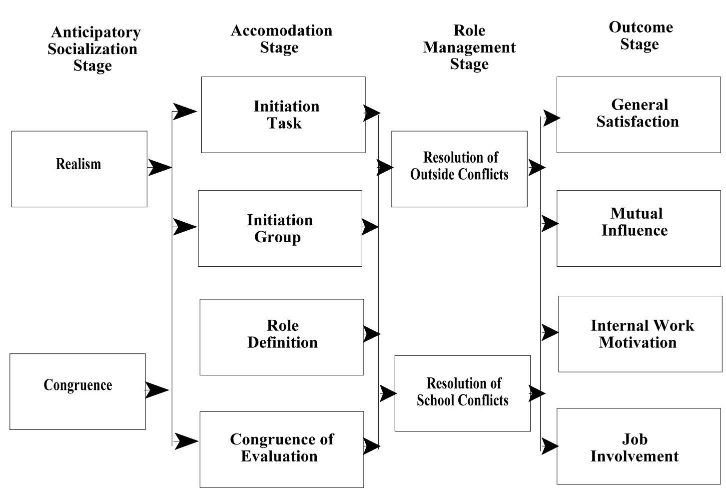
According to the model students proceed through four stages in the socialization process. The following is a brief introduction to Feldman's model for a detailed literary review of the relationships among the variables refer to Hoffman and Kelly (1991).

Stage 1: Anticipatory Socialization - consists of two process variables Realism and Congruence which consider the students experience prior to enrolling in the class.

Realism – the degree to which the student has a complete and accurate picture of what this class is really like. E.g. I knew what the good and bad points were when I choose this class.

Congruence – the degree to which the class's benefits and demands and a student's needs and skills are compatible. It indicates how successful individuals have been in making decisions about selecting classes. E.g. This class will prepare me with the skills and abilities I'll be able to use later in life.

Figure 1: Feldman's Organization Socialization Model



Stage 2: Accommodation - where the student seeks to discover what the class is really like and become a member of it. The four process variables in the accommodation stage are:

Initiation to the Task – the degree to which students feel competent and accepted as a full working member in the class. It indicates how successfully the student has learned new tasks in this class. E.g. I feel confident enough in my abilities to answer questions in class.

Initiation to the Group – the extent to which a student feels accepted and trusted by fellow students in this class. It indicates how successful the student has been in establishing new interpersonal relationships. E.g. My fellow students actively try to include me in conversations about things in the class.

Role Definition – an implicit or explicit agreement on what tasks one is to perform and what priorities and time allocation for those tasks is to be. It indicates the extent to which students have fully clarified roles. E.g. I feel the course syllabus is accurate.

Congruence of Evaluation – the degree to which the student and the instructor agree concerning the student's progress in the class. E.g. The instructor frequently tells you how you are doing in this class.

Stage 3: Role Management Stage – how the student attempts to resolve outside life conflicts and conflicting demands at school.

Resolution of Outside Life Conflicts – extent to which the student has come to be less upset by home/work-life and school-life conflicts and the extent to which they have come to some decision rules for dealing with these conflicts. E.g. I often find the demands of this class interfere with my home-life.

Resolution of School Conflicts – the extent to which the student has become less upset by conflicts among assignments/classes and the extent to which they have come to some decision rules for dealing with these conflicts. E.g. I'm sure which class to study for the most when other classes have exams scheduled the same day as this class.

Stage 4: Outcome Stage – outcomes that facilitate student learning, performance and participation.

General Satisfaction – an overall measure of the degree to which the student is satisfied and happy in this class. E.g. Generally speaking, I am very satisfied with this class.

Mutual Influence – the extent to which the student feels to have some control or power over the way work is carried out in this class. E.g. If I had an idea about improving the way assignments were done in this class, I think I could get action on it.

Internal Work Motivation – the degree to which a student is self-motivated to perform effectively in the class. E.g. I feel bad or unhappy when I do poorly on an exam or assignment in this class.

Class Involvement – the degree to which the student is personally committed and involved in this class. level of perceived personal importance and/or interest in this class. E.g. The most important things that happen to me involve my work in this class.

METHOD

The sample in this study utilized to empirically test the Feldman Model, in the classroom environment, consisted of 162 Principles of Marketing Students. The questionnaire was administered after midterm and was distributed and completed in class. The typical student was at the end of their sophomore year and had completed the course prerequisites of accounting and microeconomics.

The questionnaire consisted of 34 statements that were agreed or disagreed with using a seven-point Likert-type scale. The original items used by Feldman were used to examine employees in a community hospital. The Hoffman and Kelly (1990) study modified these items to be more appropriate for a classroom setting. Items used in this study resulted from a literature review of the main constructs and then phasing those items to be consistent in terminology for student response. For example, the Role Management Stage involves two constructs that measure Outside-Life Conflict and Within-School Conflict. Duxbury and Higgins (1991) have tested a variety of scales measuring work-family conflict including work-related conflict (Kahn ET al., 1964) and work-family conflict (Pleck, 1979). These scales formed the foundation for the items measuring the two constructs in the Role Management Stage. Table 1 provides the statistical information on the items and scales used in this study. With fourteen primary constructs it was decided to keep he number of items per construct to two or three items in an effort to facilitate students completing the questionnaire. The implicit trade-off with fewer items is less reliability (lower coefficient alpha) on some of the scales. Taking the number of items into account the statistical performance of the scales indicates good reliability and provides a degree of variability in mean response across constructs.

Partial correlation analysis was used to examine the relationships among the constructs in the model. Partial correlation analysis measures the strength of the relationship between a criterion variable and a single predictor variable when the effects of other predictor variables are held constant. Table 2 presents the zero-order correlations and the higher-order correlations for the constructs in the model. Figure 2 displays the Feldman Model with statistically significant partial correlations.

Table 1: Scale Statistics

Scale	Number of Items	Mean	Standard Deviation	Alpha
Realism	3	3.67	1.28	.75
Congruence	3	5.78	.88	.67
Initiation to Task	3	5.28	1.03	.76
Role Definition	3	5.78	.74	.62
Evaluation Congruence	2	4.97	1.26	.40
Initiation to Group	3	4.49	1.08	.47
Resolution of Outside Life Conflicts	3	4.83	1.13	.57
Resolution of School Conflicts	3	4.22	1.29	.64
Satisfaction	3	5.61	.86	.78
Mutual Influence	3	5.22	.87	.50
Internal Work Motivation	2	6.13	.69	.40
Class Involvement	3	4.86	1.06	.77

Table 2: Zero-Order and Higher-Order Correlations among Scales

Variables	Zero Order Correlation	Partial Correlation
Congruence with Realism	.18	
Initiation to Task	.22	.04
Initiation to Group	.16	.24
Evaluation Congruence	.18	.14
Role definition	.34**	.02
Resolution of Outside Life Conflicts	.35**	.16
Resolution of School Conflicts	.42***	.19
Satisfaction	.631	.313
Mutual Influence	.481	.12
Internal Work Motivation	.481	.332
Class Involvement	.791	.621
Realism with:		
Initiation to Task	.332	.07
Initiation to Group	.342	.352
Evaluation Congruence	-.07	.273
Role definition	.471	.352
Resolution of Outside Life Conflicts	.09	.01
Resolution of School Conflicts	.20	.04
Satisfaction	.371	.20
Mutual Influence	.322	.18
Internal Work Motivation	.24	.14
Class Involvement	.14	-.08

Table 2: Zero-Order and Higher-Order Correlations among Scales (continued)

Variables	Zero Order Correlation	Partial Correlation
Initiation to Task with:		
Initiation to Group	.511	.403
Evaluation Congruence	.14	.06
Role definition	.283	.13
Resolution of Outside Life Conflicts	.352	.293
Resolution of School Conflicts	-.03	.322
Satisfaction	.591	.461
Mutual Influence	.391	.293
Internal Work Motivation	-.07	-.27
Class Involvement	.16	-.18
Evaluation Congruence with:		
Role definition	.431	.451
Resolution of Outside Life Conflicts	.302	.23
Resolution of School Conflicts	.09	-.11
Satisfaction	.332	.273
Mutual Influence	.401	.421
Internal Work Motivation	.16	.382
Class Involvement	-.06	-.12
Initiation to Group with:		
Evaluation Congruence	.06	.02
Role definition	.20	-.16
Resolution of Outside Life Conflicts	.391	.15
Resolution of School Conflicts	.20	.13
Satisfaction	.461	.11
Mutual Influence	.332	.10
Internal Work Motivation	.03	-.11
Class Involvement	.283	.10
Role Definition with:		
Resolution of Outside Life Conflicts	.332	.07
Resolution of School Conflicts	.19	.11
Satisfaction	.411	.303
Mutual Influence	.391	.10
Internal Work Motivation	.20	.293
Class Involvement	-.03	-.372

Table 2: Zero-Order and Higher-Order Correlations among Scales (continued)

Variables	Zero Order Correlation	Partial Correlation
Resolution of Outside Life Conflicts with:		
Resolution of School Conflicts	.541	.561
Satisfaction	.421	.322
Mutual Influence	.421	.263
Internal Work Motivation	.11	-.09
Class Involvement	.20	-.12
Resolution of School Conflicts with:		
Satisfaction	.11	-.15
Mutual Influence	.19	-.02
Internal Work Motivation	.11	.09
Class Involvement	.14	.13
Satisfaction with:		
Mutual Influence	.431	.22
Internal Work Motivation	.20	-.06
Class Involvement	.521	.461
Mutual Influence with:		
Internal Work Motivation	.322	.23
Class Involvement	.322	.04
Internal Work Motivation with:		
Class Involvement	.431	.362

*** $p < .01$ ** $p < .05$ * $p < .10$

RESULTS AND DISCUSSION

Relationships among the constructs within a stage are examined followed by an examination of the relationships among constructs with the prior stages. In Stage 1: Anticipatory Socialization (student's past experience before entering the class) there was not a significant relationship between Realism (student's prior notion of the class) and Congruence (class coverage and demands match student's needs and skills). Students may have realistic expectations of the class, however, that may not have any significant relationship to the student's perception of the class meeting their needs or the skills they possess. Realism may be improved by having updated course descriptions, providing access to syllabi before the class (online), encourage word-of-month communication among students, and by having faculty that teach the prerequisites discuss sequential courses. Screening course prerequisites, explaining how this course ties into other courses, and relating the course to the 'real world' and potential careers can enhance Congruence.

Within the Accommodation Stage (discovering what the class is really like and becoming a member of it), Initiation to Task (feeling of competence in the class) and Initiation to Group (feeling of acceptance by class peers) were significantly related. Creating a classroom environment of success, encouraging participation, and treating students with respect will build self-confidence and the feeling of competence. Initiation to the Group may be enhanced by using group strategies that focus small groups on specific tasks and than rotating group memberships for different tasks. This would minimize problems associated with allowing self-selection of groups and conflicts among group members that last the entire term. Role Definition (clarity and priority of tasks) and Evaluation Congruence (agreement between student and faculty on performance) were related indicating that clearly communicating tasks and expectations assists students in performing well. Explicitly defining expectations on the syllabus with policies on attendance, assignments, exams and classroom participation, as well as, weighting schemes to provide guidance on time on task and reviewing the results of exams and assignments can improve both Role Definition and Evaluation Congruence. Realism in the previous stage was positively related to Role Definition, Evaluation Congruence and Group Initiation. The clearer the picture the student has of the class before they enroll in the class the easier it is for the student to become a working member and perform the tasks required in the class. This may be due to self-selection of instructors and teaching styles that best match with a student's capabilities/learning styles.

Resolution of Conflicts at School (conflicts among class assignments) and Resolution of Outside Life Conflicts (conflicts between work/home and school) were highly correlated in the Role Management Stage (resolving conflicting demands of a class). Students that have developed a sense how to resolve conflicting demands in one area tend to handle conflicts in other areas. Task Initiation was related to both of the Resolution of Conflict constructs. The feeling of self-confidence in completing tasks may also indicate the student has the self-confidence in making decisions about priorities and how to handle multiple tasks at the same time. Faculty advising students on the priority of work and class and providing class schedules that avoid conflicting class workloads can easy some of the conflicting demands on our students. Possibilities also include coordinating exams and projects among classes within the major.

Stage 4: Outcome Stage (learning, performance and participation) indicates that Class Involvement (personal commitment and involved in the class) is related to both Satisfaction (satisfaction with class) and Work Motivation (self-motivated to perform in the class). Student's that are highly involved in the class tend to be more self-motivated and feel more satisfied in the class. Congruence is related to Class Involvement implying that if students think the class will be of benefit and they are prepared with the proper skills to take the class they will be more involved and committed to the class. This study also found a negative relationship between Role Definition and Class Involvement, which might imply that making tasks too clear might reduce the amount of involvement by limiting effort only to the required tasks. Work Motivation is correlated with Role Definition, Evaluation of Congruence, and Congruence suggesting that students who have the proper skills, know what to do and understand how they will be evaluated are self-motivated to perform well in the class. Overall Satisfaction is related to Congruence, Task Initiation, Role Definition, Evaluation of Congruence, and Resolution of Life Conflicts. Once again understanding why the class is important to the student and having the proper skills (Congruence) is critical in another

Outcome construct, the student's Overall Satisfaction with the course. The results of the correlations with Satisfaction reinforce the importance of knowing what to do, how to do it and how the results will be evaluated. In addition the student's ability to resolve outside of school conflicts enhances satisfaction. Mutual Influence (student's control over how work is performed) is related to Evaluation Congruence and Resolution of Outside Conflicts. Providing flexibility in when and how assignments are to be completed helps resolve conflicting demands on the students.

Feldman's Organizational Socialization Model provides a rich framework in examining ways of enhancing the delivery of quality education. The data from this particular sample yielded some insights into areas to focus on and the interrelationships among the different stages of student socialization within the classroom. A key construct related to three of the four Outcome constructs was Congruence. It seems critical to clearly communicate why the class is relevant and how it fits into the student's academic program and their potential careers. In addition, students must have and perceive they have the necessary skills and prerequisites to perform the tasks required by the class. Congruence between the student and the instructor on progress evaluation also was related to three of the four Outcome Constructs. Strategies based on the results of the model were suggested to help develop aspects of the classroom experience that will facilitate enhancing learning outcomes.

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AN EXAMINATION OF STOCKPILING BEHAVIOR IN RESPONSE TO PRICE DEALS

Fred M. Beasley, Northern Kentucky University

ABSTRACT

Price deals for consumer nondurables may cause consumers to buy larger than normal quantities of a product (stockpiling). Despite the potential importance of stockpiling to the profitability of both retailers and manufacturers, seemingly little can be said with confidence about the phenomenon. Using household-level grocery purchase data, the study finds that deal proneness, the household's level of product inventory, and the level of price cuts are consistently related to the incidence of stockpiling.

INTRODUCTION

There is evidence that price deals can cause dramatic short-term increases in the sales of consumer nondurables (e.g., Guadagni and Little, 1983; Blattberg et al., 1981). One potential cause of the spike in sales during promotional periods is stockpiling. That is, a price deal may cause consumers to buy larger than normal quantities of a product.

The phenomenon of stockpiling is important to both retailers and manufacturers. One concern is that consumers, by purchasing larger quantities, may simply be loading up on a brand that they would have bought at its regular price. However, stockpiling may also be beneficial if it leads to an increase in consumers' consumption rates or if it prevents or delays consumers from switching to competitors' brands.

A number of studies, using a number of different types of products and promotions, have examined the phenomenon of stockpiling (e.g., Gupta, 1988, 1991; Schneider and Currim, 1990; Krishna and Shoemaker, 1992). Most studies have found that stockpiling occurs, however, frequently the evidence has been quite weak (e.g. Neslin et al., 1985; Gupta, 1988, 1991). Moreover, some studies, particularly those using store-level sales data, have not found the effect of stockpiling on store sales to be large enough to be noticeable (e.g., Walters and Rinne, 1986; Moriarty, 1985). Apart from the finding that stockpiling exists, very little can be said with confidence about the phenomenon.

The purpose of this study is to increase our understanding of the phenomenon of stockpiling. Specifically, using household-level grocery purchase data, the study examines the impact of household characteristics, product-related factors, and purchase environment characteristics on the incidence of stockpiling in four product categories. The study uses a rather strict definition of stockpiling -- a purchase quantity on a deal purchase occasion that is greater than the largest quantity purchased by the household on any non-deal purchase occasion during a 70-week period.

CONCEPTUAL FRAMEWORK / HYPOTHESES

The cost-benefit framework of the household inventory model (Blattberg et al., 1978, 1981; Jeuland and Narasimhan, 1985, Krishna, 1994) provides a theoretical foundation that can be used to link household characteristics and other factors to stockpiling behavior. The household inventory model proposes that households seek to meet their demand for products while at the same time minimizing their total costs. These costs which households seek to minimize might include ordering costs, holding/storage costs, stock-out costs, promotion search costs (e.g., the costs of scanning newspapers for coupons and advertised price specials, cutting and sorting coupons etc.), brand substitution costs (i.e., the costs of purchasing less-preferred brands), and future ordering costs (Bawa and Shoemaker, 1987; Schneider and Currim, 1990; Krishna et al., 1991).

The conceptual framework of the inventory model can be used to derive hypotheses regarding the impact of household, product-related, and situational factors on the incidence of stockpiling. The implied causal structure is that these household, product-related and situational factors affect one or more components of a household's purchasing costs, which in turn affect the purchase quantity decision (see Figure 1 for a summary of the hypothesized factors).

Figure 1
Summary of Hypothesized Factors Affecting Stockpiling Behavior

Household Characteristics			
Deal Proneness	(H1)	(+)	
Brand Loyalty	(H2)	(+)	
Product Consumption Rate	(H3)	(+)	
Product-Related Factors			
Deal Frequency	(H4)	(-)	=======> Incidence of Stockpiling
Price	(H5)	(-)	
Purchase Situation Characteristics			
Product Inventory Level	(H6)	(-)	
Depth of Price Discount	(H7)	(+)	

Household Characteristics: Deal Proneness, Brand Loyalty, and Consumption Rate

The incidence of stockpiling may be affected by the extent to which households search for deals (Schneider and Currim, 1990). Households that search for deals incur search costs (i.e., the cost of time spent scanning advertisements and in-store displays). In order to help allay these costs, these households may be more likely to want to receive the financial and perhaps psychological benefits derived from stockpiling a product.

Also, consumers incur substitution costs when they purchase less-preferred brands when they are on sale. Consumers who are more loyal to a particular brand may be more likely to purchase more of that brand, when given a price deal, because they would incur no substitution costs.

A third household characteristic that may affect stockpiling behavior is a household's product consumption rate. The lower the consumption rate of a household in a product category the slower inventory levels will dwindle, resulting in higher holding costs (i.e., the amount of space occupied and the amount of capital tied up in inventory). Thus, there is expected to be a positive relationship between household product consumption rate and the incidence of stockpiling. Low consumption rate households should be less likely to accelerate their purchases because of the holding costs that would be incurred. Thus:

H1:	Deal prone consumers are more likely than other consumers to stockpile.
H2:	In response to a price deal for their preferred brand, brand loyal consumers are more likely than other consumers to stockpile.
H3:	There will be a positive relationship between household product consumption rate and the incidence of stockpiling.

Product-Related Characteristics: Deal Frequency and Product Price

Households are expected to be more likely to stockpile when a brand is infrequently promoted than when it is frequently promoted. When deal frequency in a product category is perceived to be high, consumers may be less likely to stockpile because of the feeling that another deal will soon be available (Helsen and Schmittlein, 1992; Krishna et al., 1991). There is less incentive to incur the costs associated with stockpiling (e.g., holding costs) when future ordering costs are also expected to be low.

A second product-related characteristic that may affect stockpiling behavior is product price. A number of studies have examined the impact of a product's regular price on purchase behavior (e.g., Guadagni and Little, 1983; Gupta, 1988). There is expected to be a negative relationship between product price level and the incidence of stockpiling because price obviously affects holding, ordering and brand substitution costs. Thus:

H4:	In response to a price deal, households are more likely to stockpile when the brand is infrequently promoted than when it is frequently promoted.
H5:	There will be a negative relationship between product price and the incidence of stockpiling.

Situational Factors: Level of Inventory and Depth of Price Cut

One situational factor that may affect the incidence of stockpiling is a household's current inventory level of the product that is being promoted. Studies have found that a household's level of product in inventory affects purchase quantity decisions (e.g., Neslin et al., 1985; Gupta, 1988). Consumers with a large inventory at home tend to wait before purchasing and, if a purchase is made, purchase smaller quantities. The level of current inventory affects a household's holding costs, therefore, level of inventory is expected to have a negative effect on the incidence of stockpiling.

A second situational factor that may affect the incidence of stockpiling is the depth of the price cut for a promoted product. Previous research has generally found a positive relationship between the depth of any price cut and the response of consumers to it (e.g., Blattberg et al., 1981; Moriarty, 1983). Thus, larger price cuts should lead to more stockpiling (Helsen and Schmittlein, 1992). Thus:

H6: There will be a negative relationship between level of household inventory and the incidence of stockpiling.

H7: There will be a positive relationship between the depth of a price cut and the incidence of stockpiling.

METHODOLOGY

The Data

The scanner data consist of a 70 week record of grocery purchases made by households in a store of a national supermarket chain. Purchase records were available for all households that were members of the grocery store's frequent shopper's club. These purchase records were combined with price and promotional activity information. Four product categories were selected for analysis -- ground caffeinated coffee, paper towels, toilet paper, and canned tuna. All of these product categories have been examined in prior consumer promotion studies.

To insure that complete purchase histories of households were obtained, only households that met a number of selection criteria were included in the study[1]. The number of households in the study ranges from 395 in the coffee category to 756 in the toilet paper category (see Table 1).

The number of purchases in the four categories ranges from 3,462 (coffee) to 7,719 (toilet paper) (see Table 1). In each of the four product categories, more than half of all purchases are deal purchases.

Determining and Modeling the Incidence of Stockpiling

A logit model is used to examine the effect of household characteristics and other factors on stockpiling behavior. The logit model has been discussed and used extensively to study the effect of promotions on purchase behavior (for example, see Blattberg and Neslin (1990) or Guadagni and Little (1983) for details on the use of logit models).

Previous studies have usually examined stockpiling by comparing purchase quantities on deal and off-deal purchase occasions or by using regression or some similar analysis in which purchase quantity is dependent on a deal status variable (i.e., deal/off-deal). Rather than modeling purchase quantity as most studies have done (Neslin et al., 1985; Krishanmurthi and Raj, 1988, 1991), this study specifically models stockpiling. In this study, stockpiling is said to have occurred if the purchase quantity on a deal purchase occasion is greater than the largest quantity purchased by the household on any non-deal purchase occasion during the 70-week period. Purchase quantity is measured as the amount, in a relevant unit of measurement (e.g., ounces), of a particular brand that a household purchases on a purchase occasion.

Table 1
Purchases of Households Making 7+ Purchases

Estimation Period Purchases (40 weeks)	Coffee	Paper Towels	Toilet Paper	Canned Tuna
Off-Deal	1,668	3,247	3,575	1,274
Deal	1,794	3,708	4,144	3,278
Number of Households	395	680	756	553

Thus, stockpiling is operationalized as a binary variable -- given the value one if the quantity purchased on deal is greater than the quantity purchased on any off-deal purchase occasion, or given the value zero otherwise. In the logit models (one for each product), stockpiling is a binary (0/1) dependent variable and the independent variables are the household characteristics, product-related factors and situational factors. The logit models are estimated using the maximum likelihood approach. The first 30 weeks of purchase data are used to initialize the brand loyalty and inventory level variables for each of the household (see "Independent Variables in the Stockpiling Model") and the next 40 weeks of data are used to estimate the logit models in the four product categories.

Independent Variables in the Stockpiling Model

The study uses an exponentially weighted average of a household's past purchases of a brand as a brand loyalty measure (see Gupta, 1988; Papatla, 1995; Papatla and Krishnamurthi, 1996). The measure allows for differences in loyalties across households and changes in loyalties within a household over time. The brand loyalty of a particular household *i* with respect to the purchased brand *j* at purchase occasion *n* is as follows:

BL(i,j,n) = BL(i,j,n-1)*a + (1 - a) If household i purchased brand j at n-1
= BL(i,j,n-1)*a Otherwise[2]

The deal proneness measure, developed by Webster (1965), is obtained using all the purchases of a household during the 70 week period. It is as follows:

Ds_i	=	Sum_j [PPA_{ij}/PPB_j] * PPC_{ij} where
PPA_{ij}	=	Percentage of household i's purchases of brand j made on deal
PPB_j	=	Percentage of all purchases of brand j (all households) that are made on deal
PPC_{ij}	=	Percentage of household i's purchases in the product category in which brand j was purchased

Deal frequency is measured as the number of weeks during the 70-week period that the brand-size was on deal. Both advertised and unadvertised price cuts were considered to be deals.

The depth of any price discount is defined as the regular price minus the shelf price (in cents/ounce or cents/sq.ft.). The price of a brand is determined to be discounted if the brand is featured in a weekly newspaper insert or if a price reduction is greater than 30 cents or 15 percent of the price in the prior week.

The estimate of the level of product category inventory for a household in a specific week is obtained from the measurement procedure employed by Gupta (1988, 1991) and Krishnamurthi et al. (1992):

Estimated Inventory in Week t (beginning)	=	Estimated Inventory in Week t-1 (beginning)	-	Estimated Weekly Consumption	+	Quantity Bought in Week t-1 (if any)

Average weekly purchase quantity during the 70-week period is used as a surrogate for weekly product consumption rate, and the initial level of inventory at the first purchase occasion is set to zero (Bucklin and Lattin, 1991).

RESULTS

Table 2 presents parameter estimates and measures of fit for the four stockpiling logit models. As seen in Table 2, the log-likelihood chi-square statistic, not surprisingly, is significant in all four of the stockpiling models. That is, the null hypothesis that all parameter estimates are zero is rejected in all of the models.

However, the predictive ability of the models is rather low. The likelihood ratio index (p^2), a "pseudo-r^2" measure of the proportion of the log-likelihood explained by the model, ranges from .1 to .16. Although the values are low, the levels are consistent with the results from previous efforts modeling purchase quantities (e.g., Neslin et al., 1985; Gupta, 1988, 1991). The results indicate that a large proportion of the variability in purchase quantity is not explained by the models. Results relating to specific hypotheses are as follows:

Household-related Characteristics

Among the three household characteristics variables, deal proneness is most strongly and consistently related to the incidence of stockpiling. As hypothesized (H1), in all four product categories, there is a significant positive relationship ($p < .01$) between household deal proneness and the incidence of stockpiling.

Surprisingly, brand loyalty is not significantly related to stockpiling behavior in any of the four product categories. Thus, hypothesis 2 is not supported. The absence of any relationship between brand loyalty and the incidence of stockpiling may be due to the fact that deal purchase occasions were found to be dominated by households that make the majority of their purchases on-deal and have low levels of brand loyalty. It might also be the case that brand preferences in the four product categories are not as strong or important as size preferences or product-type preferences (e.g., light vs. chunk white tuna).

Hypothesis 3 is also not strongly supported because a significant negative relationship ($p < .05$) between household consumption rate and the incidence of stockpiling is found in three of the four of the product categories. The hypothesis is supported ($p < .01$) only in the canned tuna product category. The negative relationship between consumption rate and stockpiling in three of the four product categories may have occurred because heavy users are already buying large quantities of product and they may find it difficult to respond to promotions by buying larger quantities on deal purchase occasions. Heavy users of canned tuna, compared to heavy users in the other categories, would appear to be more easily able to increase their purchase quantities on deal purchase occasions because the additional quantity can be more quickly consumed and more easily transported and stocked.

Table 2: Parameter Estimates for the Stockpiling Models
(Standard errors in parentheses)

	Coffee	Paper Towels	Toilet Paper	Canned Tuna
Deal Proneness	.319**	3.299**	1.902**	4.520**
	(.112)	(.184)	(.104)	(.254)
Brand Loyalty	-.181	.068	-.088	-.264
	(.179)	(.204)	(.152)	(.166)
Consumption Rate	-.067**	-.003*	-.005**	.047**
	(.013)	(.001)	(.000)	(.013)
Deal Frequency	-.010	-.037*	-.026**	.072**
	(.011)	(.015)	(.007)	(.014)
Product Price	-.291**	-2.673**	.177	-.102**
	(.030)	(.259)	(.338)	(.018)
Inventory Level	-.033*	-.033**	-.048**	-.009
	(.012)	(.009)	(.008)	(.008)
Price Cut	.176**	1.817**	.917*	.245**
	(.026)	(.508)	(.446)	(.034)
* Significant at .05 level				
** Significant at .01 level				
N	1794	3708	4144	3278
-2LL (model)	1932.92	3381.67	4858.57	3743.50
Model chi-square (7 d.f.)	230.71**	656.26**	578.63**	703.94**
p^2	.106	.162	.106	.158

Product-related Factors

Of the two product-related variables, product price is more strongly related to the incidence of stockpiling. There is a significant negative relationship ($p < .01$) between the regular price of a product and the incidence of stockpiling in three of the four product categories (toilet paper is the exception). Thus, H5 is generally supported.

The deal frequency of a brand is found to have a significant negative effect ($p < .05$) on stockpiling in two of the four product categories (paper towels and toilet paper), and a significant positive effect on stockpiling in the canned tuna category. Thus, H4 is supported in only two of the four product categories.

The absence of a stronger relationship between deal frequency and purchase acceleration may be due to characteristics of the promotional environment. If many households purchasing on deal have no strong preferences toward any one brand, there is less motivation to monitor or develop perceptions about the deal frequency of any one brand. This should be particularly true when there are frequent promotions in the product category.

Situation-related Factors

Among the situation-related factors, both level of inventory and depth of price cut are consistently related to the incidence of stockpiling. In three of the four categories, household inventory level has a significant negative effective ($p < .01$) on the incidence of stockpiling, thus supporting H6. In all four of the product categories, there is a significant positive relationship ($p < .05$) between the depth of the price cut on deal purchase occasions and stockpiling behavior. Thus, H7 is supported.

DISCUSSION

Using the cost-benefit framework of the household inventory model by linking certain household, product-related, and purchase-situation characteristics to the components of a household's total costs, this study derived and tested hypotheses regarding the incidence of stockpiling.

Deal proneness is consistently found to be positively related to the incidence of stockpiling. Consumers who search for promotions incur costs (i.e., the cost of time spent scanning advertisements and in-store displays). To help allay these costs, they are more likely to purchase more of promoted products in order to receive the additional financial and perhaps psychological benefits.

In the four product categories, brand loyalty is not related to the incidence of stockpiling. Deal purchase occasions seem to be dominated by households with rather low levels of loyalty toward the promoted brand. If many consumers are largely indifferent between certain brands and willing to switch among certain brands if given a promotion, then perceived substitution costs may be low and perhaps not large enough to affect stockpiling behavior.

These two findings (regarding deal-prone and brand loyal households) should provide some comfort to manufacturers who are concerned that deals primarily attract consumers who stockpile brands that they would have bought at their regular price. The results from this study indicate that deal prone consumers, not brand-loyal consumers, are likely to be stockpilers. It may actually be beneficial to manufacturers to have deal prone consumers stockpile because it delays them from switching to some other brand that is on sale. In product categories where household penetration is either high or not easily increased, using deals to obtain brand switchers and defend against brand switching becomes a prominent objective, particularly if brand loyalty and perceived product differentiation are low.

Brand deal frequency was not consistently related to stockpiling behavior. This finding differs from Krishna (1994) who, in a laboratory experiment, found that if deals occur frequently there is less stockpiling and less purchasing of less preferred brands on deal. The results of this study suggest that many consumers have no salient deal frequency expectations and are willing to stockpile in response to the deals of many brands. In addition, the deal frequency measure is really only a surrogate for consumers' deal frequency perceptions and expectations. Future research should attempt to combine scanner-based behavioral data with perceptual and attitudinal information.

The regular price of a product and the depth of a price cut appear to be important in inducing stockpiling. Consistent with the theoretical framework of the inventory model, households are found to be more likely to stockpile if the brand's regular price is not high or if the depth of any price cut is high. The results also imply that consumers do attend to pricing and promotional information when making purchase quantity decisions. If an objective of price deals is to induce stockpiling, then it appears that steep price cuts will be influential in achieving that objective.

Finally, level of inventory was shown to have an effect on the incidence of stockpiling. As expected, lower inventories are associated with more stockpiling. This finding suggests that consumers do consider their holding costs when making purchase quantity decisions.

One limitation of the study is that information about coupon usage in the four product categories is not available. Although manufacturer couponing activity in the product categories is believed to be low, coupon redemptions by households may have affected purchase quantity decisions.

The results of the study suggest the need for research specifically examining the extent to which stockpiling affects household consumption rates (e.g. Wansink and Deshpande, 1994). Previous studies have often examined products which would seem to have relatively stable and not easily expanded consumption rates (e.g., toilet paper) and have assumed, at least implicitly, that household consumption rates are in fact stable. This assumption should be tested.

Differences in the findings across the four product categories illustrate the importance of continuing to broaden the scope of products used in sales promotion studies. Fader and Lodish (1990) have addressed this need in their efforts to discriminate among product categories based on the structure of the product category and its promotional activity. Further across-category research would strengthen confidence in the generalizability of sales promotion models and theories of the effect of deals on consumer purchasing behavior.

Finally, other research issues suggested by the findings of the study include the examination of other consumer characteristics (e.g., lifestyle characteristics) that might affect stockpiling behavior, and the effect of stockpiling in one product category on sales in other product categories.

ENDNOTES

[1] The selection criteria were as follows. First, households must have stated that the majority of their grocery shopping occurred at the store. Second, only households who made trips to the store throughout the entire 70 week period were included in the study. Households averaging less than one trip per week to the store were also excluded from the analysis because their purchase histories were believed to be incomplete. Third, only households that made seven or more purchases in the product categories during the 70 week period were included in the study.

[2] The brand carry-over constant (a) is set at .8. Other studies have found optimal values of this constant to be in the range of .8 to .875 and, furthermore, have found that parameter estimates and model fit are insensitive to small changes in the value of the constant (Gupta, 1988; Ortmeyer et al., 1991). At the first purchase occasion, the value of the brand loyalty variables are set to either (1 - a)/(number of available brands - 1), if the brand is not purchased on that occasion, or set to the constant (a), if the brand is purchased on that occasion.

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THE MARKET ORIENTATION PERFORMANCE RELATIONSHIP IN MINORITY AND WOMAN-OWNED SMALL FIRMS

John R. Frith, Nova Southeastern University and Central Texas College

ABSTRACT

Market orientation is a strategy for achieving superior business performance. Empirical research has shown it to be effective in both large and small firms. This study examined the market orientation/performance relationship in minority and woman-owned small firms, a population that has not been selected for study in previous research reported in the literature. The study sample consisted of 1040 minority and woman-owned small firms in Central Texas.

Two instruments were used to measure market orientation. The Deshpandé and Farley (1996) Summary Scale for Market Orientation was found to be the most robust for this study of minority and woman-owned small firms. Study results using this instrument showed a significant positive relationship between market orientation and performance as measured by sales growth rate and customer retention, but not return on sales.

A discussion of the possible causes for the absence of a market orientation/profit relationship is included, along with suggestions for ways to achieve a market oriented posture in minority and woman-owned small firms. Study limitations, application to theory, and suggestions for further research are presented.

INTRODUCTION

Since the early 1950's, the most prominent marketing philosophy thought to contribute to business success has been labeled the marketing concept, which, in essence, is taking care of customers. While the idea of paying attention to the needs of customers may date from as far back as Adam Smith in the 1700's (Bell and Emory, 1971), the modern marketing concept evolved from the early 1950's as business began a new era following World War II (Barksdale and Darden, 1971; Bell and Emory, 1971; Bennett and Cooper. 1979; Drucker, 1954; McKitterick, 1957; Webster, 1988). As interest in this marketing concept grew among marketing researchers, its definition evolved to include three tenets--customer orientation, integrated effort, and a profit direction. Customer orientation involves paying attention to the needs/wants/desires of customers; integrated effort means integrating the marketing function with all business organizational elements in the process from product design to production to promotion to the after-sale follow up; and profit direction means focusing on profit rather than sales volume as the overall business objective (Barksdale and Darden, 1971; Bell and Emory, 1971; Felton, 1959; McGee and Spiro, 1988; McNamara, 1972).

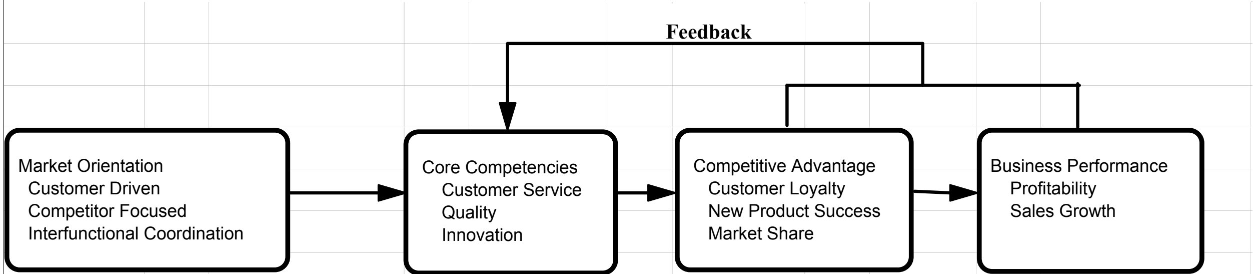
Kohli and Jaworski (1990) related the terms marketing concept and market orientation--the former being a business philosophy, the latter meaning implementation of the marketing concept. "Hence, a market-oriented organization is one whose actions are consistent with the marketing concept" (Kohli & Jaworski, 1990, p. 1). Market orientation, then, describes the firm that has implemented the marketing concept.

Market orientation is the key to the achievement of superior business performance (Narver and Slater, 1990; Slater and Narver, 1992). The following describes the mechanics of that process. Porter (1985) suggested that the basis for long-run successful business performance is sustainable competitive advantage. Competitive advantage occurs when a business is able to deliver consistent superior value to customers, and it is achieved using one of two strategies: increase benefits to customers in relation to customer's costs, or reduce customer's costs in relation to their benefits (Slater and Narver, 1992). Market oriented companies choose the former strategy (increase benefits) as the means of creating superior customer value (Johnson and Chvala, 1996). To achieve significant competitive differences by emphasizing benefits, the firm must develop core competencies (Prahalad and Hamel, 1990; Slater and Narver, 1992). The firm's core competencies stem from its culture (Slater and Narver, 1992), which is defined by Deshpandé and Webster (1989) as the "values and beliefs" (p. 4) that govern behavior within the firm. Lastly, Slater and Narver(1992) proposed that firms that adopt the proper culture, which they concluded was market orientation, are most likely to achieve "sustaining competitive advantage" (p. 2) which will lead ultimately to better performance. In summary, adopting the correct business culture (market orientation) facilitates development of core competencies, which create sustaining competitive advantage and lead to improved business performance, as illustrated in Figure 1.

Figure 1

Market Orientation, Competitive Advantage,

and Business Performance



(Slater and Narver, 1992, p. 2)

The first major empirical studies dealing with the impact of market orientation on business performance were done by Kohli and Jaworski (1990) and Narver and Slater (1990). Both found that firms with high levels of market orientation also had high levels of performance (profitability). Of the 15 studies comparing market orientation and performance reviewed by this author, all but two found a positive relationship between market orientation and at least one measure of firm performance; however, most dealt only with large businesses, and none dealt specifically with small minority and woman-owned businesses. Consequently, the results of these studies may not generalize to minority and woman-owned small businesses.

Minority and woman-owned businesses are the "emerging growth companies" of the 90's (McKee and Nelton, 1992). Scott (1983) and Godfrey (1996) indicated that minority and woman-owned firms operate differently than other firms in the pursuit of profit. This supports the contention that research results showing a positive relationship between market orientation and performance for both large and small companies in general may not generalize to minority and woman-owned companies. There are no studies of market orientation's impact on the performance of minority and woman-owned small businesses reported in the literature. This research study examined the impact of market orientation on performance of minority and woman-owned businesses as a step toward filling the void in the literature.

HYPOTHESES TESTED

The research question was: Does market orientation affect performance in minority and woman-owned small businesses? This question was based on the theory that market orientation is a significant determinant of firm performance (Jones, 1996; Kohli and Jaworski, 1990; Narver and Slater, 1990; Slater and Narver, 1992 and 1994 a & b).

Several measures of performance have been used in the various studies. Three commonly used measures are return on sales (ROS), customer retention (CUSTRET), and sales growth rate (SALESGR). Return on sales is a practical measure because it is easily understood by CEO's and easy to measure (Hendrickson and Psarouthakis (1992), and has been found positively related to market orientation in previous studies (Balakrishnan, 1996; Jones, 1996; Venkatraman and Ramunajam, 1986).

Customer retention is particularly important to small firms, because of the high cost of gaining new customers and because, in the typical business, existing customers account for 65 percent of all sales (Johnson and Chvala, 1996; Jones, 1996). The cost of gaining a new customer is five times the cost of keeping a current one (1985 TARP study cited in Johnson & Chvala, 1996 and Jones, 1996). Kohli and Jaworski (1990) found that market orientation enhances customer retention, and noted that their finding agreed with Kotler's (1988) similar contention (see also Balakrishnan, 1996; Jones, 1996; Narver and Slater, 1990).

The third measure, sales growth rate, was suggested as a valid measure of performance by Venkatraman and Ramanujam (1986), and previous studies have found it positively related to market orientation (Narver and Slater, 1994-a; Jones, 1996)

Jones (1996), in his study of 311 small firms in South Florida, used return on sales, customer retention, and sales growth rate as performance measures, because they are all particularly important for small firms. He found these variables positively related to market orientation.

Based on the foregoing discussion, return on sales, customer retention, and sales growth rate were used to measure business performance in this study. All were expected to be positively related to market orientation. Hence, the following hypotheses were tested.

H1	There is a significant positive relationship between market orientation and return on sales (ROS) in minority and woman-owned small firms.
H2	There is a significant positive relationship between market orientation and customer retention rate (CUSTRET)in minority and woman-owned small firms.
H3	There is a significant positive relationship between market orientation and sales growth rate (SALESGR) in minority and woman-owned small firms.

METHODOLOGY

Two instruments were used to measure firms' market orientation to determine if one is more robust with the study population. One (Table 1) was the 14-item scale developed by Narver and Slater (1990), as modified by Jones (1996). This scale divides market orientation into three components–customer orientation (6 items), competitor orientation (4 items), and interfunctional coordination (4 items). Respondents were asked to rate their firm's degree of compliance with each of the 14 statements on a Likert-type scale from one to seven, where 1 equals "not at all" and 7 equals "to an extreme extent". The firms' degree of market orientation was calculated as the mean of the sums of scores of the three components.

Narver and Slater developed and validated their original instrument to support their 1990 study. In their reliability analysis, Narver & Slater (1990) attained Cronbach alpha values exceeding .7 for all three components of market orientation. These values are acceptable for reliability, according to Hair, Anderson, Tatham, and Black (1995) and Nunnally (1978). Other researchers using the Narver and Slater scale found similar reliability coefficients (see Deshpandé and Farley, 1996; Jones, 1996; Lukas, 1996; Paul, 1994; Pleshko, 1993; Slater and Narver, 1994 & 1996; Siguaw, Brown, and Widing, 1994; Siguaw and Diamantopoulos, 1995).

The reliability analysis in this study found similar Cronbach alpha values for the Narver and Slater instrument--market orientation .81, customer orientation .76, competitor orientation .60, and interfunctional coordination .63. However, the values for competitor orientation (.60) and interfunctional coordination (.63) are below the commonly used threshold value of .7 for acceptable reliability, according to Hair et al. (1995) and Nunnally (1978). The low (<.70) alpha values for competitor orientation and interfunctional coordination indicate the scale does not have high internal consistency.

In ascertaining construct validity, Narver & Slater (1990) used simple correlation and factor analysis to examine the relationships among the three foundation components of market orientation and their relationships with three additional management variables related conceptually to market orientation. They found evidence to support convergent, discriminant, and concurrent validity which together support validity of the market orientation construct. Validity of the Narver and Slater scale was also confirmed by Deshpandé and Farley (1996); Lukas (1996); Paul (1994); Pleshko (1993); Siguaw and Diamantopoulos (1994); and Siguaw, Brown, and Widing (1994).

Table 1
Description of Narver & Slater (N-S)
Market Orientation (MARKOR) Variables

Variable	Description
1. CUSTO2	Customer satisfaction is main business objective.
2. CUSTO4	Constantly monitor commitment and orientation to serving customers' needs.
3. CUSTO7	Strategy for competitive advantage is based on management's understanding of customers' needs.
4. CUSTO9	Business strategies are driven by an understanding of how to create greater value for customers.
5. CUSTO10	Customer satisfaction is measured systematically and frequently.
6. CUSTO11	Management response to customer complaints is fast and courteous.
7. COMPO1	Competitor's strategy information is regularly shared among firm employees.
8. COMPO3	The firm responds quickly to threatening competitive actions.
9. COMPO12	Management regularly discusses competitor's strengths and strategies.
10. COMPO14	Customers are targeted in areas where the firm has competitive advantage.
11. COORD5	Function managers visit current and prospective customers.
12. COORD6	Both good and bad customer experiences are freely disseminated to all employees.
13. COORD8	All employee activities are integrated and coordinated in meeting customer needs.
14. COORD13	Management understands how all employees can contribute to creating customer value.

CUSTO = Customer Orientation; COMPO = Competitor Orientation
COORD = Interfunctional Coordination

Construct validity of the Narver and Slater instrument was supported in this study using factor analysis (Table 2). The analysis produced three factors with eigenvalues of 4.54, 1.45, and 1.04. The factors explain variances of 32.5%, 10.4%, and 7.4% respectively, with a combined total variance explained of 50.3%. This factor solution approximates the three-component solution proposed by Narver & Slater (1990) and found by Lukas (1996), with only minor differences in the loadings of the items on the three factors.

Narver and Slater ascertained face and content validity by first developing several questionnaire items describing characteristics of each of the market orientation components, and then having them reviewed for consistency with market orientation by two separate three-person panels of marketing strategy academicians. The items in the questionnaire were adjusted based on recommendations of the panels. The revised questionnaire was pilot-tested with six managers from the sample population and adjusted, based on their recommendations, to form the final questionnaire.

Since Jones modified the Narver and Slater questionnaire for use with small firms, he validated content and face validity in a pre-test. Although the instrument, as modified by Jones(1996), was not changed for this study, content and face validity were checked and verified during the pre-test.

Table 2 (N-S)
Rotated Factor Matrix N = 197
Total Sample--All Business Types

Variable	Factor 1 Interfunctional Coordination	Factor 2 Customer Orientation	Factor 3 Competitor Orientation
Variance Explained	32.5	10.4	7.4
Eigenvalue	4.54	1.45	1.04
COORD8	0.786		
COORD13	0.671		
CUSTO9	0.67		
COORD6	0.571		
CUSTO10	0.55		
COMPO14	0.468		
COORD5	0.441		
CUSTO2		0.783	
CUSTO4		0.619	
CUSTO7		0.57	
CUSTO11		0.529	
COMPO1			0.745
COMPO3			0.623
COMPO12			0.698

The second scale (Table 3) chosen for measuring market orientation in this study was developed by Deshpandé and Farley (1996). They synthesized the 44 items on the three most commonly used market orientation scales (Narver & Slater, 1990; Deshpandé, Farley, & Webster, 1993; Kohli, Jaworski, & Kumar, 1993) into a 10-item scale believed to be a simpler but still predictive measure of market orientation (Deshpandé & Farley, 1996). This new scale de-emphasizes the non-customer-related activity components (e.g., gathering information about competitors) found in the Narver and Slater (1990) and Kohli et al. (1993) scales, and focuses on satisfying customers, the "cross-functional activities devoted to satisfying target market needs" (Deshpandé & Farley, 1996, p.14).

Table 3 Description of Deshpandé & Farley (D-F) Market Orientation (MARKORD) Variables	
Variable	**Description**
1. CUSTO2*	**Customer satisfaction is main business objective.**
2. CUSTO4*	**Management constantly monitors commitment and orientation to serving customers' needs.**
3. COORD6*	**Both good and bad customer experiences are freely disseminated to all employees.**
4. CUSTO7*	**Strategy for competitive advantage is based on management's understanding of customers' needs.**
5. CUSTO10*	**Customer satisfaction is measured systematically and frequently.**
6.	**The business has routine or regular measures of customer service.**
7.	**The business is more customer focused than competitors.**
8.	**The business exists primarily to serve customer.**
9.	**Management polls end-users at least annually to assess product/service quality.**
10.	**Data on customer satisfaction are disseminated at all levels on a regular basis.**

*** Indicates the name of an identical item found also in the Narver & Slater instrument.**

Respondents rated their firm for each of the 10 market orientation items on a Likert-type scale ranging from one to five, where 1 equals "strongly disagree" and 5 equals "strongly agree".

In addition to simplifying market orientation measurement, Deshpandé & Farley's (1996) new scale led to a simpler definition of market orientation as "the set of cross-functional processes and activities directed at creating and satisfying customers through continuous needs assessment" (p. 2). This simplification was perceived to be a possible advantage in this study of small businesses.

The Deshpandé & Farley (1996) scale has not been widely used; hence, there are no reliability or validity data available other than that reported in their 1996 study. They reported a Cronbach alpha of .89 for reliability. This study found a similarly favorable Cronbach alpha of .85, which exceeds the minimum acceptable value of .70 recommended by Hair et al. (1995) and Nunnally (1978).

Deshpandé & Farley (1996) demonstrated validity of their 10-item scale through correlation analysis. Content and face validity were confirmed in this study during pre-test interviews. The six pre-test respondents were unanimous in agreeing that the 10 questions adequately measured the extent of "behaviors and processes related to continuous assessing and serving customer needs" (Deshpandé and Farley, 1996, p. 14), which is how Deshpandé and Farley describe the activities associated with market orientation.

In developing their 10-item scale, Deshpandé and Farley (1996) factor analyzed 44 items from three different market orientation scales, and selected the 10 items with the highest loadings on the first factor. Hence, one would expect to find a one-factor solution in subsequent studies. The factor analysis in this study (Table 4) yielded two factors, one dealing with customer-oriented actions and one dealing with firm strategy to achieve a customer-oriented posture. Respondents apparently perceived market orientation as having two customer-oriented components, actions and strategy. Both are consistent with the Deshpandé and Farley (1996) definition of market orientation.

Table 4 (D-F)
Rotated Factor Matrix N = 197
Total Sample--All Business Types

Variable	Factor 1 Action	Factor 2 Strategy
Variance Explained	43.8	14.3
Eigenvalu(	4.38	1.43
ITEM 6	.856	
ITEM 5	.808	
ITEM 10	.800	
ITEM 9	.679	
ITEM 2	.570	
ITEM 3	.567	
ITEM 1		.855
ITEM 4		.734
ITEM 7		.543
ITEM 8		.707

Business performance was measured subjectively (Table 5) using return on sales(ROS), customer retention(CUSTRET), and sales growth rate(SALESGR). While objective measures (actual data) are preferable, if available; Dess and Robinson (1984) found a strong correlation between top management's subjective perceptions of profitability and actual performance. As noted by Narver and Slater (1990, p. 27), "subjective measures of performance commonly are used in research on private companies" (see also Balakrishnan, 1996).

Table 5
Annual Performance

Please rate how well your business has performed relative to all of your key competitors.
For example:
If you believe that your sales growth is greater than that of approximately 60% of all key competitors, rate yourself a 5 for Sales Growth.

If you believe that your Return on Sales (net income divided by total sales) is greater than 30% of all key competitors, rate yourself a 3 for Return on Sales (ROS).

1	2	3	4	5	6	7
0-10%	11-25%	26-40%	41-55%	56-70%	71-85%	86-100%

	Rating	
Customer Retention	________	
Sales Growth	________	
Return on Sales (ROS)	________	(Net income divided by total sales)

Respondents were asked to rank their firm's position in relation to their key competitors in each of the three areas of firm performance on a Likert-type scale from one to seven, where 1 equals "<10%" and 7 equals "86-100%". To illustrate, if a CEO believed the firm's return on sales was greater than 30 percent of its key competitors, the rating would be a 3 on the scale.

The population surveyed for this study consisted of minority and woman-owned small businesses in the Austin metropolitan area of Central Texas, and included all of the 1040 businesses listed in the June, 1996 *Austin Minority Business Guide*. All businesses were certified by the city of Austin as either minority (562) or woman-owned (478). Minority categories included Black, Hispanic, Asian Pacific, and Native Americans as defined by the Texas General Services Commission (GSC Rules, 1996). The woman-owned category included Caucasian as well as minority owners. For this study, "small business" was defined as firms with fewer than 100 employees and no more than $10 million in annual sales.

The survey questionnaires were mailed to all 1040 firms with a cover letter explaining the study and a stamped, self-addressed envelope for return. Follow-up phone calls were made to each firm to encourage response. These calls identified 258 businesses that were either no longer operating (242) or were no longer minority or woman-owned (16). This reduced the total survey population from 1040 to 782.

A total of 216 questionnaires were returned for a 27.6 percent overall return rate. Of those, 19 were not usable, thus the usable responses totaled 197, or 25.2% of the adjusted population. A response rate of 25% is relatively high, considering the fact that mail survey response rates over 30% are rare and are frequently as low as 5-10% (Alreck & Settle, 1985).

Most firms in the sample were services, 117, (Table 6). The number of employees ranged from 0 to 99, with a mean of 11; 53% of the firms had five or fewer employees (Table 7). Sample business ages ranged from 1.5 to 73 years, with a mean of 11.8. The majority (60%) had been in operation for 10 years or less (Table 8). Ethnic group and gender distribution are shown in Table 9.

Table 6
Sample Profile
Types of Business

Business Type	Number	Percent of Sample
Manufacturing	17	8.6%
Wholesaling	9	4.6%
Services	117	59.4%
Retail	16	8.1%
Construction	24	12.2%
Other	14	7.1%
Total	197	100%

Table 7 Sample Profile Employee Data		
Range: 0 - 99 Mean: 11.2		
Number of Employees	Frequency	Percent of Total
0	12	6.1%
1-5	93	47.2%
6 - 10	45	22.%
11 - 20	23	11.7%
20 - 50	13	6.6%
51 - 99	11	5.6%
Total	197	100%

Table 8 Sample Profile Business Age in Years		
Range: 1.5 - 73 Years Mean: 11.8 Years		
Age (Range)	Number of Firms	Percent of Sample
1 - 5 Years	53	26.9%
5.5 - 10 Years	66	33.5%
10.5 - 20 Years	54	27.4%
>20 Years	24	12.2%
Total	197	100%

Table 9
Sample Profile
Ethnic Group and Gender Distribution

	Female	Male	Gender Missing	Total	Percent of Total
Black/ African American	6	13	2	21	10.7%
Hispanic	11	44	3	58	29.4%
Asian/Pacific Islander	3	4		7	3.6%
American Indian/ Alaskan Native	2	1		3	1.5%
Caucasian	103	0		103	52.3%
No ethnic Group	5			5	2.5%
Totals	130	62	5	197	100%

RESULTS

The three hypotheses were tested using ordinary least squares regression. With the Narver and Slater(N-S) scale, analysis showed no significant relationship between market orientation(MARKOR) and the three dependent performance variables (see Table 10); hence, hypotheses H1, 2, and 3 were not supported. Market orientation, as measured by the N-S scale, was not shown to influence performance of minority and woman-owned small firms in the areas of return on sales, customer retention, and sales growth.

Table 10
Regression Analysis
Market Orientation/ Dependent Variables
Hypotheses 1-3

Hypothesis	R^2	Adj R^2	DF	Sum of Sq	Mean Sq	F Value	Sig F	Beta Coeff	Sig T
NARVER & SLATER SCALE									
H1 MARKOR/ROS	0.0014	-0.0048	1	0.5640	0.5640	0.2195	0.6401	0.0168	0.6401
H2 MARKOR/CUSTRET	0.0103	0.0043	1	3.5800	3.5800	1.7230	0.1912	0.0416	0.1912
H3 MARKOR/SALESGR	0.0142	0.0082	1	6.2970	6.2970	2.3780	0.1250	0.0553	0.1250
DESHPANDÉ & FARLEY SCALE									
H1 MARKORD/ROS	0.0007	-0.0050	1	0.3165	0.3165	0.1197	0.7300	0.0070	0.7300
H2 MARKORD/CUSTRET	0.0332	.0278	1	13.523	13.523	6.206	0.0136	0.0440	0.0136
H3 MARKORD/SALESGR	0.0320	.0267	1	16.136	16.136	5.957	0.0156	0.0480	0.0156

For the Deshpandé & Farley market orientation (MARKORD) measurement scale, regression analysis (Table 10) showed a significant positive relationship between the degree of market orientation demonstrated by minority and woman-owned small businesses and performance, as measured by customer retention (CUSTRET) and sales growth rate (SALESGR); thus hypotheses H2 and H3 were supported. However, the analysis showed no significant relationship between market orientation and return on sales (ROS); hence, hypothesis H1 was not supported.

Since analysis yielded different results for the two scales, an evaluation was conducted to determine which would be most appropriate as the basis for study conclusions. The Deshpandé & Farley scale was selected as the most robust, based on the following comparison discussion.

MARKET ORIENTATION MEASUREMENT SCALE COMPARISON

The Narver & Slater(1990) market orientation measurement scale supports a uni-dimensional construct consisting of three components–customer orientation, competitor orientation, and interfunctional coordination. Its reliability and validity have been demonstrated in previous studies.

However, most dealt with large companies, rather than small firms which were the focus of this study.

The Narver & Slater (1990) scale has been criticized for not demonstrating the three theorized components of market orientation in factor analysis. The results in various studies have varied from two factors (Jones, 1996) to five (Siguaw & Diamantopoulos, 1995); however, at least two researchers (Lukas, 1996 and Paul, 1994) have found the three factors described by Narver & Slater (1990). In this study, factor analysis of the Narver & Slater (1990) instrument also yielded the same three factors when applied to the total sample. The principal difference in these various studies was the type and size of firms studied. Narver & Slater (1990) used strategic business units (SBU's) of large corporations, Jones' (1996) sample was small businesses in South Florida, Paul's (1994) sample was 153 railroad companies, Lukas' (1996) sample was SBU's of large manufacturing firms, and Siguaw & Diamantopoulos (1995) indicated that the sample they used was "quite different from that used by Narver & Slater (1990)" (p. 85). It appears, then, that the Narver & Slater instrument is not universally applicable as a measure of market orientation for all business types and sizes.

Another problem found with the Narver & Slater (1990) scale in this study was the number of questions not answered by respondents. Although pre-test respondents judged the questions on both instruments to be clear and understandable, the highest incidence of no response occurred with the Narver and Slater scale, 36, versus 26 with the Deshpandé & Farley (1996) scale.

Satisfactory reliability of the Narver & Slater (1990) scale has been demonstrated in a number of studies, but was problematic in this study. While the overall scale reliability of .81 (the same as reported by Narver & Slater, 1990) found in this study is acceptable, reliability scores for competitor orientation (.60) and interfunctional coordination (.63) are below the commonly used threshold value of .7 for acceptable reliability, according to Hair et al. (1995) and Nunnally (1978). The low reliability values for competitor orientation and interfunctional coordination indicate the scale has low consistency in this study.

Another possible problem with the Narver and Slater scale in this study is its composition. As noted previously, it measures three distinct components–customer orientation (6 items), interfunctional coordination (4 items), and competitor orientation (4 items). The first two are customer-related and likely to be fairly easily measured, while the third, competitor orientation, requires gathering information outside of the business which may not be readily available. Hence, collecting information about competitors may be assigned a low priority behind paying attention to customers, particularly in smaller firms.

A small business owner with little knowledge of competitors is likely to score low on the Narver and Slater scale, since competitor items (4 of 14) constitute 29 percent of the overall market orientation score. In fact, 18% of the responses to the four competitor orientation questionnaire statements were either no response, not at all, or to a very slight extent, which indicates a lack of attention to competitors. Similar responses to customer orientation and interfunctional coordination were only 5% and 9.5% respectively. This could have skewed the results. Lack of knowledge about competitors was also cited as a problem by several respondents who provided comments on the survey questionnaire.

The Deshpandé & Farley (1996) Summary Scale for Market Orientation has not been used extensively; hence, there are no reliability or validity data available other than that reported in their 1996 study. They reported a Cronbach alpha of .89 for reliability. This study found a similarly favorable Cronbach alpha of .85, which exceeds the minimum acceptable value of .70 recommended by Hair et al. (1995) and Nunnally (1978).

Deshpandé & Farley (1996) demonstrated validity of their 10-item scale through correlation analysis. In this study, overall construct validity was demonstrated using Pearson's correlation with the Narver & Slater market orientation scale. Pearson's correlation coefficient showed acceptable (r=.72) association between responses to the two instruments. However, an item-to-item correlation analysis of the two scales showed a major difference in the area of competitor orientation, which is measured by the Narver and Slater scale, but not by the Deshpandé & Farley scale. Of the 140 correlation factors between the two scales, only 24 were not significant; but 16 (75%) of those were in the area of competitor orientation. So, while in general the two scales are similar, there is one specific area, competitor orientation, where they don't match.

The fact that the results using the Narver & Slater scale showed no relationship between market orientation and any of the three performance measures in this study is not a valid reason for discounting its value. However, because a number of other studies that used the instrument found a significant positive market orientation/performance relationship, the researcher should seek possible cause for this apparent anomaly. Credible cause is found in the Narver & Slater instrument's low reliability and high incidence of unanswered questions shown in this study, coupled with its lack of consistency in demonstrating the three theorized components of market orientation when factor analyzed in other studies (see Jones, 1996; Siguaw & Diamantopoulos, 1995). Additionally, the Narver and Slater instrument requires a knowledge of competitors which can be a problem with smaller firms that, due to time and other constraints, may skip tracking competitors and focus on taking care of customers. These factors indicate that the Narver & Slater instrument is not universally applicable as a measure of market orientation for all business types and sizes. Hence, the results it produced in this study can be questioned. In this case, since the shorter, simpler Deshpandé & Farley (1996) scale did show good reliability and validity and excludes measurement of knowledge of competitors, which may be lacking in small firms, it appears to be a better measure for use with minority and woman-owned small businesses. Based on the foregoing discussion, the Deshpandé & Farley (1996) Summary Scale for Market Orientation instrument was deemed the best measure on which to base conclusions for this study.

CONCLUSIONS

"Being market oriented can never be a negative" (Slater & Narver, 1994-a, p. 54). This conclusion was based on several studies they completed in large companies that showed a positive relationship between market orientation and firm performance. This study supports that claim, based on results in a population not reported as having been studied before--minority and woman-owned small businesses. Although not strong, the results in this study show a significant positive relationship between market orientation and firm performance as measured by sales growth and the retention of customers, but no relationship between market orientation and profitability (return on sales). A discussion of appropriate conclusions based on these findings follows.

The significant positive relationship between market orientation and customer retention was expected, based on previous studies and reports in the literature (see Balakrishnan, 1996; Kohli and Jaworski,1990; Jones 1996; Narver & Slater, 1990). Deshpandé and Farley (1996) described market orientation as “the set of cross-functional processes and activities directed at creating and satisfying customers through continuous needs-assessment” (p. 14). We can conclude from the results of this study using the Deshpandé and Farley (1996) market orientation measurement scale that implementing those processes and practicing those activities do in fact improve customer retention in minority and woman-owned small businesses.

The significant positive relationship between market orientation and sales growth rate was expected, based on previous studies and reports in the literature (see Jones, 1996; Slater and Narver, 1994-a and 1996). The results of this study, using the Deshpandé and Farley market orientation measurement scale, confirm that the sales growth rate of minority and woman-owned small firms is significantly and positively related to the firms’ degree of market orientation. The firms that embraced a market-oriented strategy enjoyed greater sales growth than those that did not.

A significant positive relationship between market orientation and return on sales (profitability) was expected in this study, based on previous reports in the literature (see Balakrishnan, 1996; Jones, 1996; Venkatraman and Ramunajam, 1986).

The fact that this study showed no significant relationship between market orientation and profitability, as measured by return on sales, is of concern, but is not entirely surprisi ng. Three of the 12 studies reviewed by this author examining the market orientation/profitability relationship also found no positive relationship (Paul, 1994; Atuahene-Gima, 1996; and Slater & Narver, 1996). For example, the Slater & Narver (1996) study found a significant positive market orientation/sales growth relationship, but none for profitability. Their explanation for this apparent anomaly (results differed from their 1994 study and the 1990 Narver & Slater study) included the possibility that managers were deliberately trading profit for growth as a short term strategy to increase potential for greater long term profit. They also suggested the lack of a market orientation/profit relationship could be due to the myriad types of firms and industries in the sample, compared to those in their earlier studies. Their 1990 and 1994-a studies dealt with SBU’s of large corporations; their 1996 study involved small to medium firms. Both of these possible explanations are plausible in this study. We can only guess at the possibility of the strategy explanation, since that was not measured in this study, but the disparity in types of business represented in the sample is real (six major categories in this study). Additionally, the majority of firms in this study had annual sales under $1 million, which means they are probably significantly smaller than those in the Slater and Narver samples.

Another possible explanation for the failure to demonstrate a positive market orientation/return on sales relationship is confusion regarding pricing. “Pricing is one of the most important yet least understood of all managerial duties” (Scarborough & Zimmerer, 1996, p.271). Price is a powerful determining factor in how much profit a firm achieves (Boone & Kurtz, 1998). In many cases, small business owners/managers have no formal policy for setting prices, hence they end up underpricing their goods and/or services, with the resulting diminished revenue and profit, as well as cash flow problems (Scarborough & Zimmerer, 1996). A good indicator of underpricing in a small business, according to Scarborough and Zimmerer (1996) is increasing sales volume without commensurate growth in profit. This appears to be the phenomenon demonstrated by the firms in this study.

Scarborough & Zimmerer (1996) point out that most products and services have a price range, which is acceptable to customers, rather than one ideal price. The acceptable price range is the area between the highest price customers will pay and the lowest price the firm can accept based on its cost structure (Scarborough & Zimmerer, 1996). If a firm sets prices on the low side of the range, the likely result is solid sales growth and happy customers who keep coming back, but full profit potential is not achieved. Conversely, setting price at the high end of the acceptable range will also result in solid sales growth and happy customers who stay with the firm, but will yield greater profits. This, of course, assumes that the price range is such that the price elasticity of demand for the product or service remains relatively constant over the range.

A common mistake of small business owners is failure to take into account the many factors that should be considered in pricing decisions (Maynard, 1997). Additionally, according to Maynard (1997), small firms often don't have a good grasp of the actual costs involved in delivering a product or service; hence, they are unable to establish realistic margins. For example, Maynard (1997) notes that the small firm may fail to include in pricing decisions consideration of the cost of inventory, indirect labor, and returns handling; or may customize an order to please the customer, but fail to include the customizing cost in the price. The end result is underpricing the firm's products or services and failure to achieve maximum profit potential. As Calvin (1994) noted "few businesses fail from overpricing, but many fail [or at least reduce profit] from underpricing" (p. 9).

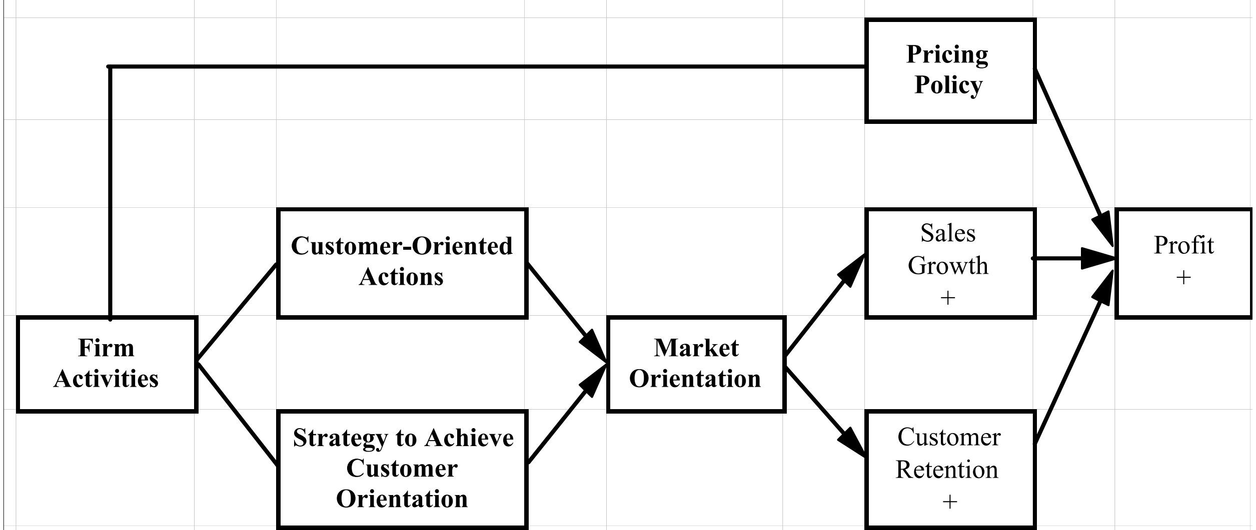
The failure, attributed to small businesses in general, to employ more sophisticated pricing techniques, which results in the above-described phenomenon of setting prices at the low profit end of the acceptable price range, is a possible explanation for the failure in this sample population to show that market orientation improves profit. If true, it indicates that market orientation alone may not be enough. It is suggested that it must be coupled with a well-thought-out pricing policy to realize maximum profits. Cort (1992) expressed it well when he said, regarding small businesses: "Your company probably knocks itself out to give customers what they need, when they need it [market orientation]. But when it's time to charge for your services, you may not know how to determine their value to the customer" (p. 20).

One might describe this proposed relationship between pricing and market orientation along the lines of Herzberg's (1968) motivation-hygiene theory. Herzberg said there are certain factors (hygiene factors) associated with a job (such as good pay and working conditions) that, if not present, will cause the workers to be dissatisfied and thus poor prospects for motivation. If the factors are present, according to Herzberg, the workers will not be motivated to work harder, they will simply be no longer dissatisfied and, hence, ready to be motivated by some other force (motivator). Herzberg's motivators included factors such as achievement, recognition, and the work itself. One might say, then, that market orientation is a "hygiene" factor that, when absent, hinders the ability to maximize profit. When present, market orientation doesn't increase profit by itself, it simply removes an obstacle to profit and sets the stage for increasing profits to occur. The "motivator" in this model is a pricing policy that will maximize profit. The model for this concept of the relationship between market orientation, pricing policy, and small business profitability performance is shown in Figure 2.

Figure 2

Market Orientation/Pricing Policy Model

Minority and Woman-Owned Small Firms



IMPLICATIONS FOR OWNERS/MANAGERS OF MINORITY AND WOMAN-OWNED SMALL FIRMS

The results of this study imply that adopting a market orientation strategy can have a positive impact on performance of minority and woman-owned small firms, which is consistent with findings in several previous studies of both large and small firms (see Jones, 1996; Kohli & Jaworski, 1990; Narver & Slater, 1990; Pelham & Wilson, 1996). This finding is important in that minority and woman-owned businesses are the "emerging growth companies" of the 90's (McKee & Nelton, 1992), and any knowledge of factors that could contribute to their success will be beneficial.

Two measures of firm performance were found to be positively related to market orientation in this study–-sales growth rate and customer retention. Sales growth is an important indicator because it indicates how well the firm is attracting new customers which is an essential element of growth. Customer retention is particularly important to small firms, because of the significant contribution of current customers to sales and the high cost of gaining new customers.

Study results also suggest that market orientation alone may not be enough to ensure maximum profitability. It is proposed that sound pricing policy must be coupled with market orientation to achieve profitability commensurate with customer retention and sales growth. This requires management to be knowledgeable of market characteristics and the range of acceptable prices. Additionally, management must be aware of the firm's real cost structure and ensure all costs are factored into the price structure. It is proposed that a strong market orientation posture sets the stage for greater profitability; appropriate pricing policy makes it happen.

It is evident in the foregoing discussion that minority and woman-owned small firms could benefit from adopting a market-oriented posture. The question remaining, then, is how does the business owner/manager guide the firm to a high degree of market orientation. The following paragraphs offer suggestions to aid the firm in gaining and sustaining a market orientation.

HOW TO BECOME MARKET ORIENTED

"Clearly, for a business to increase its market orientation, a necessary first condition is that the business be totally clear on the 'purpose' of a market orientation" (Narver & Slater, 1991, p. 3). The purpose of market orientation is to focus the company on the idea of continuously creating superior value for customers (Day, 1990; Levitt, 1960; Narver & Slater,1990 & 1991). To gain that focus, the generation of two pre-conditions to establish a favorable climate for the development is suggested (Narver & Slater, 1991). First, the bosses at every level must be totally committed to development of a market orientation focus, and that commitment must be clearly demonstrated in their actions and decisions. Lip service is not enough. Second, all employees must be educated on the "general meaning, nature, and importance of a market orientation" (Narver & Slater, 1991, p. 6), which can be summarized as follows:

a. Gaining and keeping customers requires creating superior value for them.
b. Creation of superior value for customers is a function of all employees.
c. All functional elements of the firm must focus on creating superior value for customers.

Deshpandé and Farley (1996), when they developed their simplified 10-item scale for measuring market orientation, shifted the focus of market orientation from the organization's culture (the Narver and Slater, 1990, emphasis) to the organization's activities–-those "behaviors and processes related to continuous assessing and serving customers needs" (Deshpandé & Farley, 1996, p. 14). The final step, then, in achieving a market orientation posture includes implementation of the strategies and actions indicated by the Deshpandé and Farley (1996)Summary Scale for Market Orientation, described below.

Strategies

- Establish business objectives that are driven by customer satisfaction.
- Base the firm's strategy for competitive advantage on its understanding of customers' needs.
- Become more customer focused than competitors.
- Operate with the belief that the firm exists primarily to serve customers.

Actions

- Constantly monitor commitment and orientation to serving customers' needs.
- Communicate information about experiences with customers throughout the company.
- Measure satisfaction systematically and often.
- Measure customer service quality regularly.
- Check end-users annually to assess product/service quality.
- Communicate information on customer satisfaction to employees at all levels.

STUDY LIMITATIONS

General limitations for this study include the following: (1)The Central Texas sample may not represent minority and woman-owned small firms in general, (2) The booming economy in Central Texas could skew the performance results, (3) The broad definition of small (up to $10 million in annual sales and up to 99 employees) can be problematic, in that it includes the very small home-based business which may lack the business acumen of the larger "storefront" operations in the sample, and (4) The study's cross-sectional design limits conclusions to association rather than causation. Two additional limitations are discussed below.

Business owners' self-assessment of their firms' degree of market orientation, as was done in this study, can lead to inflated scores. Consequently, accurate measurement of a firm's market orientation may require assessment by customers, since they are the target for market orientation efforts. Deshpandé et al. (1993) examined this issue in their study of Japanese firms, and found weak correlation between executives' and customers' assessment of market orientation.

Another limitation in this study was the inability to control who actually completed the survey for the business, since it was a mail survey. Although the letters explaining the survey were addressed to owners/managers by name, it is possible that some simply assigned responsibility for response to a subordinate, who may not have been well-versed on the firm's strategy and performance.

STUDY RESULTS APPLICATION TO THEORY

Marketing theory holds that degree of market orientation and performance of the firm are positively related. This has been demonstrated to be true in 13 of the 15studies reviewed by this author. This study contributes to the theory by demonstrating once again that market orientation is directly related to performance. It further contributes by extending the theory's application specifically to a population that has not been reported as being studied before, minority and woman-owned small firms. Because the sample population studied was relatively small and not geographically diverse (limited to the metropolitan area of Austin, Texas) results may not generalize to all minority and woman-owned small firms. Nevertheless, the study results provide a valuable addition to the literature.

A second contribution to the body of knowledge on market orientation theory results from validation in this study of the Deshpandé and Farley (1996) instrument for measuring market orientation. Unlike the Narver and Slater (1990) scale, it does not treat market orientation as a "culture" (values and beliefs that focus on the customer), but instead focuses on activities--"the set of behaviors and processes related to continuous assessing and serving customer needs" (Deshpandé & Farley, 1996, p.14). Further, this new scale de-emphasizes the non-customer-related activities (keeping informed on competitors) found in the Narver and Slater scale, and spawns a new and simpler definition of market orientation as "the set of cross-functional processes and activities directed at creating and satisfying customers through continuous needs assessment" (Deshpandé & Farley, 1996, p.14).

The final contribution of this study lies in the finding that while market orientation was positively related to performance as measured by sales growth and customer retention, it did not influence financial performance as measured by return on sales. A possible implication of this finding is that market orientation will not, by itself, make the firm profitable. It is proposed that being market oriented "sets the stage" for profitability, but proper pricing policy may then be the facilitator that makes it happen. A business can have satisfied and loyal customers and growing sales volume, but if pricing policy sets prices at the low end of the range customers will accept, profit commensurate with the other performance measures will not be achieved. It is proposed that this phenomenon is more common with smaller firms which may be less-informed on the techniques of pricing. This, in fact, has been shown to be the case in this author's two years experience as a business counselor in the Central Texas Small Business Development Center, as well as nine subsequent years of "ad hoc" business counseling in association with the Greater Killeen Chamber of Commerce and Central Texas College.

SUGGESTIONS FOR FURTHER RESEARCH

Larger studies of geographically-diverse minority and woman-owned small firms would serve to confirm the generalizability of the results of this study to the total population. Also, longitudinal studies of the market orientation and performance relationship in minority and woman-owned small firms would overcome the limitations of the cross-sectional study and should lead to more specific and accurate assessments.

Inclusion of market orientation assessments by customers as well as firm owners/managers in future studies would provide a more balanced and more accurate view of the real strength of the firm's market orientation posture. Assessments should be compared for correlation.

Studies of small firms' market orientation and performance relationship in combination with pricing policy should be conducted to test the validity of the Market Orientation/Pricing Policy Model (Figure 2) proposed in this study.

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A CASE OF MISTAKEN IDENTITY: APPLYING QUALITATIVE RESEARCH METHODS TO ASSESS A UTILITY COMPANY'S PROPOSED CHANGE IN CORPORATE IDENTITY

Mary Ellen Campbell, The University of Montana
Carol L. Bruneau, The University of Montana

ABSTRACT

The electric and gas utility industry in the United States is in a state of rapid change. The onset of deregulation is responsible for converting strong regional monopolies into companies who are facing fierce competition in retaining current customers and obtaining new ones. Over the next five years, competition for utility providers will be as ferocious as that currently occurring with long distance phone carriers. Because of these trends, the marketing concept of branding is becoming increasingly important to this industry. One crucial element of the branding concept is brand identity. The company used as a research site is a multinational energy and telecommunications company with headquarters in the western United States. This paper discusses the importance of using qualitative research to evaluate a brand name before it is introduced. Using qualitative research to evaluate a change in corporate identity not only has significant cost benefits, it also has important management implications relating to all stakeholders. The process suggested by the authors includes extensive use of qualitative research in the form of focus groups. This research established checks and balances of the many constituents involved in the branding process.

The company discussed supplies electricity and gas to approximately 430,000 customers and also conducts a variety of nonutility business activities including telecommunications, mining and alternative energy businesses. Being proactive in recognizing that in the near future competition for customers will be global, the company considered changing its name to appeal to a larger market-base and accommodate multiple product lines. This company hired a consulting firm that has had prior success in creating utility names. These consultants did not use up-front qualitative research to determine the attitudes and opinions of the stakeholders. As a result, the list of 14 names created by the identity consultants did not reflect the image of the company held by the employees or by its current customer-base.

Conducting focus groups of various stakeholders prior to creating names would have enabled the identity consultants to establish a benchmark for this company's current brand identity. Stakeholder groups include the directors, managers, employees, current and potential residential and commercial customers and investors. Because of the investment required to rename and to reposition the organization, the company decided to critique the decisions of the Madison Avenue creatives. It hired the authors, two academic researchers, to conduct focus groups consisting of

8 to 12 participants for the employee and customer stakeholder categories. These focus groups provided valuable insights into the firm's current brand identity and modified the renaming process.

This paper discusses the importance of academic research methods to the private sector in evaluating brand identity. It reinforces the belief that well-timed qualitative research contributes to cost effective decision-making by more accurately assessing stakeholders' attitudes and by limiting the dominance of any single group of stakeholders or vendors.

INTRODUCTION

Evolving deregulation in the U.S. electric utility industry is resulting in well-established regional monopolies being suddenly faced with fierce competition at a national level. Industry experts are predicting "an all-out brawl for the business" (Rosenthal 1996). It is predicted that increased retail competition could result in anywhere from a $50 billion to a $100 billion drop in annual consumer energy spending by the year 2000 (Dar 1996 and Miller 1997). In response to anticipated competition, proactive utilities are focusing on the branding of their products and services. However, as utilities have faced little competition in the past, they are often unsure about how to brand a product that traditionally has been viewed as a commodity. As a utility-employed MBA student in one of the author's classes stated, "An electron is an electron. How can we give that a brand identity?"

Utility branding has begun to take several different forms including: expanding product lines to include other services such as telephone and cable television (Kerber 1997b), emphasizing environmental friendliness (Kerber 1997a), and changing corporate names to attract a more diversified target market (Holden 1997). Utilities with national aspirations are calling on the latter strategy in order to differentiate themselves from "the utility next door" (Holden 1997) and to establish a brand identity that suggests to consumers that is an efficient, state-of-the art energy provider. These newly renamed utilities have discarded titles that include descriptive words such as power, electric or light for sleek one word corporate appellations such as: Entergy Corporation (formerly Middle South Utilities), Cinergy Corporation (a combination of the former PSI Resource Inc. and Cincinnati Gas & Electric), and Primergy Corporation (the proposed merger of Wisconsin Energy Corporation and Northern States Power Corporation). Utilities need to be aware that neither modernizing the corporate name nor relying on the reputation of a 100-year-old name is necessarily the best approach to establishing a marketable brand identity (Seamon 1996). Prior to making branding decisions, utilities must thoroughly understand their markets and their best competitive advantage. Understanding the market can only be accomplished by understanding the customers and the competitive environment.

One western utility that has recently been faced with these decisions is the focus of this paper. This is a diversified energy company that supplies electricity and gas to approximately 430,000 customers and also conducts a variety of nonutility business activities including telecommunications, mining and alternative energy businesses. Influenced by industry trends and a desire to be proactive in a rapidly changing competitive environment, this utility was recently faced with the decision on whether to change its name and if so, to what?

The potential increase and change in location for the utility company's customer base and the addition of multiple product lines made the consideration of corporate identity an important priority for the brand of direction. To help with this undertaking, the utility hired a firm well known for its prior success in creating corporate identities.

This identity firm worked with the utility's corporate communications department and corporate executives to create a list of names that might better reflect the growth and diversity of the organization and the changes within the industry. The specialists suggested names they felt met the criteria of being: (1) brief, (2) pronounceable, (3) tied to the industry, and (4) possessing good semantic characteristics.

Although the identity specialists had a strong preference for one name, they created a list of alternative names for the corporate executives to consider: AURORA; DYNACORP; DYNAMONT; ENERCORP; ENERMONT; ENERTEL; ENMONT; ENTANA; ENTERRA; MERITOR; MONTERA; STARMONT; SUMMIT; VECTREN.

These names were developed without benefit of qualitative research data. Therefore, they were proposed without considering the attitudes and opinions of the employees or of the present customers. When the corporate executive were provided with the list of suggested new names for the company, they decided on a tentative preference and agreed to seek more information about other people's reactions to the names. Executives were aware that changing the corporate identity would be a costly and time consuming process, and they desired more information before making such a substantive change in the organization.

To help them with the corporate identity decision, the executives decided to obtain feedback from numerous stakeholders on the names the identity experts proposed, and suggested that independent qualitative research should be acquired to provide additional information that would be germane to the decision. The Corporate Communications manager hired an independent communications consulting organization to conduct focus group tests on the proposed names. The authors, marketing professors at The University of Montana, conducted the research.

EMPLOYEE FOCUS GROUPS

Two employee groups composed of 23 employees (twelve in one group and eleven in the other group) representing numerous divisions throughout the utility organization gathered in a hotel meeting room away from headquarters to evaluate the suggested corporate names. The employee participants were selected by the Corporate Communications manager and given a personal invitation to participate. By reputation, these employees were chosen to engage in this research because of their candor and their attitudes toward their positions and towards the company. However, they were not given any special incentives such as time off or extra compensation to participate, although the focus groups were scheduled during regular working hours. They came of their own volition, even though it meant that some had to rearrange their work schedules and many had to travel some distance in order to participate in the focus groups. From the employees' reactions to the invitation, it was apparent they were pleased to be asked for their opinions. They understood that their feedback would be pooled with the opinions of others, and, because of this, they accepted that the opinions they would voice in their session might not be reflected in the final decision of a name.

The researchers felt it was very important for employee morale to apprise employees that each person would represent only one of many opinions the researchers would solicit. This fact was stressed to protect the utility managers from undergoing criticism from employees who might resent being asked for their opinions and then have them ignored. The researchers were very careful to inform participants when and how their opinions would be reported to the decision makers. The participants appeared to accept these conditions with good grace, also indicating that it was nice to be asked their opinion about a name change.

By soliciting employee opinion, the researchers noted that the utility gained interesting side benefits. Employees played an important role in the focus group process. (These benefits will be discussed in the "implications" section of this paper.) The results of all focus groups research were presented to the utility company in a written report along with a transcription of the participants' comments, although, no participant was identified by name, location or position. A synthesis of the results of the employee focus groups is presented in the appendix.

BENEFIT OF INDEPENDENT RESEARCHERS ON EMPLOYEE FOCUS GROUP RESULTS

Because the focus groups were conducted by professors from The University of Montana-Missoula under the auspices of an independent consulting organization, the employee participants were assured that there was no hidden agenda.

The academic mantle of objectivity reinforced for the employees that they could be outspoken without fear of retaliation. Also, because members of the firm that had developed the names were not the same people seeking feedback about the names, employees were comfortable proffering criticism that they might not have provided otherwise.

CUSTOMER FOCUS GROUPS

Two customer focus groups, one composed of commercial and one composed of residential customers, were conducted in each of three instate locations. The cities were selected because of the size of the market they represented for utility products and services within the state.

SELECTION OF CUSTOMER FOCUS GROUP PARTICIPANTS

Customer participants were selected at random from customer lists; where possible, high volume users were contacted first. Participants were contacted and screened by three independent advertising agencies in each of the three locations. A total of 59 customers participated. To make participation more attractive, each person was provided with a light meal and given $25 for approximately two hours of time.

The participants met in a hotel room where the researchers explained the type of organization that was sponsoring the focus group research. The company's name was never revealed. Participants were told that a utility company was considering moving to the region and that the company was considering renaming its organization. It was explained that the company wanted to have feedback on its proposed new name. The researchers thought it was important not to reveal that a particular utility was the sponsor of the research so that the halo effect of a well recognized utility name could be kept to a minimum.

The customer feedback was synthesized in a written report and the results were informally discussed by telephone with the corporate communications manager. A complete recording of all focus group sessions was available. However, the utility decided that a *verbatim* transcript of all six sessions was an unnecessary expense since the written report contained a detailed listing of representative responses and a tally for each suggested name.

Informal feedback from the participants suggested that they enjoyed their experience, as many volunteered to participate in a focus group should they be needed at a future date. A synthesis of customer focus group results is presented in the appendix of this paper.

BENEFIT OF INDEPENDENT RESEARCHERS ON CUSTOMER FOCUS GROUP RESULTS

Once again, the academic status of the researchers appeared to lend credibility to the project and provide a comfort level for many participants. Academics provided a legitimacy to the exercise that one person said, "proved it wasn't just some marketing scheme."

Another benefit of using independent researchers who did not reflect vested interests within the company or the creative agency was the extensive anecdotal information the participants provided about their experiences with the utility's products and service. Participants were very forthcoming in expressing their views not only of the names but of the service and products the sponsoring utility provided. What was of particular note to the researchers was that the unsolicited opinions expressed about the sponsoring utility were overwhelmingly positive.

METHODOLOGY

All customers were asked to respond to each name on the following list: AURORA; ENERTEL; ENTANA; ENTERRA; MERITOR; MONTANA INTERNATIONAL; MONTERA; SUMMIT; VECTREN.

The customer list had been pared to nine from the original list of fourteen names. This shortening was agreed to by the utility managers and the research consultants before working with customer focus groups because the names that were eliminated did not receive a single employee vote.

To focus customer attention on how the name sounded and how easy it was to read and pronounce, one person from the group read the list of names aloud before each name was discussed individually. Next, a group member led off by expressing an opinion about the name to help control group influence on individual opinions. Participants took turns leading off. This helped reduce the "me too" effect of what had been said by other participants. The moderator encouraged elaboration, when necessary, by asking follow up questions, such as, “what would the headquarters of this type of company look like,” or, “what type of person would work for a company with this type of name.”

After all names were examined, the focus group participants were requested to rank their top two name choices. The blind ballot was tallied after everyone left the room, and the results were not distributed. The participants were not pressed for consensus. In most of the groups, consensus would have been very difficult to reach since within several groups there were participants who held strong, opposite opinions about the same name.

ADVANTAGES OF FOCUS GROUP RESEARCH

Focus group research is often used by marketing researchers because the method produces a rich body of data expressed in the respondents’ own words and context (Stewart and Shamdasani 1991). Thus, focus groups allow the researchers to view the participants’ opinions, attitudes and perceptions from an emic (participants’ viewpoint) perspective rather than an etic (researchers’ perceptions of participants’ viewpoint). In other words, focus groups enable the researchers to “get in tune with the respondent and discover how that person sees reality” (Krueger 1994). In examining a corporation’s brand identity, the stakeholders’ perceptions of reality is extremely important to establish (Aaker 1996; Upshaw 1995). Corporations often have misperceptions about the way in which stakeholders, in this case employees and consumers, view the corporation and its products. It is next to impossible to reposition a corporation’s identity without establishing a baseline of stakeholders’ perceptions. However, the corporation being discussed, instead went directly to the identity consultants who claim to never use qualitative research when brainstorming new corporate names. Instead, the president of the identity consulting company claimed, “We are wordsmiths. We know the connotations that people put on words and we know how people view utilities. We don’t need to do qualitative research.” However, the authors disagree with this assessment and advise conducting focus groups in at least two stages of the corporate identity process. Focus group data can be very beneficial in identifying a corporation’s strengths and weakness with a current image and obtaining stakeholders’ reactions to proposed positioning strategies (Greenbaum 1997).

The following list of the advantages of focus group research synthesizes the views of several publications on the topic (Calder 1977; Greenbaum 1997; Krueger 1994; Morgan 1997; and Stewart and Shamdasani 1991). First, focus groups are efficient and cost effective. They allow researchers to collect data from a group of respondents much more quickly and at less cost than if each individual was interviewed separately (Stewart and Shamdasani 1991). The sample size of the qualitative study can be greatly increased with little extra effort or cost (Krueger 1994). In addition, the concentrated amounts of data collected are focused precisely on the topic of interest (Morgan 1997). Focus groups can often be assembled with little preparation time and the data are available immediately after the focus group sessions. The researchers in this study were able to provide the sponsors with synthesized data one week after the focus groups took place.

Another advantage of focus groups is that they allow the researcher to interact with the participants. This provides the researcher the opportunity to clarify responses, ask follow-up questions, and probe for deeper meaning. Because the researcher can probe the respondents, the flexibility exists to explore unanticipated issues (Krueger 1994). The researcher is also able to observe the participant's tone of voice and nonverbal communication. The participants, on the other hand, are able to ask questions to clarify what the researchers are asking and are also able to qualify their responses (Stewart and Shamdasani 1991).

As well as interacting with the researcher, participants can interact with each other. As people are social animals, they rarely make decisions without paying attention to the opinions and attitudes of the people around them (Krueger 1994). The interaction between participants allows respondents to react to and build upon the comments of others. Two phenomena that can occur during focus groups are synergism and snowballing (Stewart and Shamdasani 1991). Synergism occurs when the combined effort of the group provides a wider range of information than would interviewing each of the participants individually. In other words, data and ideas may be uncovered due to the group dynamic that may not have occurred to individual interviewees. Similarly, snowballing can occur in which a comment by one participant triggers a train of thoughts and responses in other participants.

Another advantage of focus groups is that they have high face validity. Face validity is merely the degree to which the results seem valid to the researcher and the sponsors. Focus group data are easy to understand and the results usually seem believable to those using the information (Krueger 1994). Researchers and decision makers can readily understand the verbal responses of the respondents. However, this is not always the case with complex statistical analysis of survey results (Stewart and Shamdasani 1991).

IMPLICATIONS OF THIS FOCUS GROUP RESEARCH

Focus groups are an important management tool for decision making. Because the focus group researchers sought the opinions of many of the utility's stakeholders, the executives could be assured that they were not making a corporate identity decision based solely on a single group's opinion or on the persuasive powers of marketing communications experts.

Focus group research is cost effective for firms seeking to change their name or to enhance their corporate identity. In this instance, the negative responses of the focus group participants to most of the names led the utility company's corporate communications manager to conduct other types of research to validate selecting one of the proposed names. This was very important because his research uncovered the fact that the website domain for some of the proposed names had already been claimed by other corporations. Also, the intellectual property rights of certain names had already been established.

Focus groups should be used at every juncture of the corporate identity process. The responses to the names by all groups in this research confirmed that the creative consultants would have been well served to conduct focus groups with employees and with other stakeholders before they developed the names. The researchers found that employees proffered many insights into the company's strengths and weaknesses. The creatives might have reduced the time they spent on developing names had the results of qualitative research been available. They certainly would have been influenced by the corporate strengths reported by both utility employees and customers. This information probably would have led them to different decisions about the names to be included in the list.

Also, when information is acquired in advance of the corporate identity process, follow-up qualitative research becomes more efficient. Acquiring research data before employing the services of a creative agency is the best way to provide the agency with direction and guidance. Qualitative research enables a utility to establish selection criteria rather than selecting a name based on what sounds good to a small, select group of decision makers on a given day.

Another important contribution of this qualitative research project is positive employee reinforcement. Employees expressed their appreciation about being asked to participate in a project that was of great interest to them. They knew a lot about the company, and they were pleased that others in the organization appreciated their abilities and sought their opinions on such an important decision. This certainly helped the utility reinforce its employee relationships, which are increasingly strained because of the changing corporate culture and the new competitive environment.

In addition, the focus groups revealed a great deal about customer attitudes toward utility products and services. This information reassured utility managers because most of the customers respected and liked the utility company. Constructive criticism was also relayed to the corporate communications manager who, in turn, followed up with the appropriate department.

CONCLUSION

The authors stress that applied qualitative research methods are invaluable to a corporation undergoing changes in corporate identity. This research reinforces the fact that well-timed qualitative research contributes to cost effective decision-making by providing a more accurate assessment of stakeholders' attitudes and by limiting the dominance of any single group of decision makers.

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APPENDIX

EMPLOYEE FOCUS GROUP RESULTS

The results reported represent a synthesis of the responses of the two focus groups conducted with utility employees. Employees were asked to express their opinion on 14 names chosen by the identity consultants, to select their first and second favorite names and to describe what they considered to be the strengths and weaknesses of their utility company.

EMPLOYEES' REACTIONS TO PROPOSED NAMES

AURORA: rejected because it reminded participants of Colorado rather than Montana. Groups found the name conjured up images of a variety of consumer products such as tissue paper and automobiles.

DYNACORP: rejected because it lacked originality. Participants indicated that too many other consumer products, ranging from golf clubs to machine tools, have similar names. CORP was considered to be too impersonal.

DYNAMONT: rejected because it reminded the groups of other products such as explosives, television programs, and failed mines. Several participants did not like MONT as a suffix.

ENERCORP: rejected because the pronunciation was too similar to the word "intercourse." ENER is relating solely to the energy business and not to the other facets of the utility. CORP suffix was considered too impersonal.

ENERMONT/ENMONT: rejected because they are too specific to "energy." Participants viewed their utility as having a broader mission than these words connote.

ENERTEL: participants were more positively disposed to this name because it encompassed both the energy and telecommunications businesses. The downside of this word was the similarity in name to Intel. This name had four first place votes and five second place votes.

ENTANA: rejected primarily because the pronunciation was too similar to the word "antenna." Visually the name was not pleasing to some participants because it seemed to be missing some letters. Those who did like it, were impressed by the sound of the name. It received one second place vote.

ENTERRA: This was the most liked name receiving 13 first place votes and 5 second place votes. Participants stated that it was generic enough to encompass all utility business lines. They liked the sound and the originality of the name.

MERITOR: This name received three first place and two second place votes. Participants who favored this name were impressed by its strength. Those who dislike it, felt the sound of the name was too harsh and impersonal.

MONTERA: received two first place and six second place votes. Those who liked it said it was easy to say and had a positive geographic connection. Many participants suggested that it capitalized on the western mystique. Some suggested that another "R" be added to the TERA because of a negative connotation to the ERA Realtors.

STARMONT: rejected because the name was associated with other businesses such as motels, dance clubs, movie theaters and TV cable companies.

SUMMIT: received one first place and two second place votes. Those who dislike the name felt that it was overused and had nothing to do with the core competencies of the utility. Those who did like the name, appreciated the idea of a company striving to be the best.

VECTREN: received one first place and one second place vote. Those who rejected it felt the name was to space-aged and conjured up images of Star Wars' villains. Those who did like the name, felt that the reference to vector was positive and implied a company with a sense of direction.

The two names that received the most votes were Enterra and Enertel.

CUSTOMERS' REACTIONS TO PROPOSED NAMES

Residential and Commercial customers were presented with a pared list of only nine names. Six names were determined to be unacceptable and therefore were not included in these focus groups. Also, one name was added to the list. It should be noted that the participants in these focus groups did not know the name of the utility being discussed. (The following comments represent a synthesis of the six focus groups conducted with utility residential and commercial customers. There was no discernable difference in the opinions of these two groups of consumers.)

AURORA: received a total of five votes: two first place votes and three second place votes. Reminded people of the Northern Lights which are bright and beautiful. They could imagine a beautiful logo and other marketing communications. However, the name also conjured up images of Colorado, an Oldsmobile and a brand of air fresheners.

ENERTEL: This received the most votes: 10 first place votes and five second place votes. It describes energy and telecommunications with a sophisticated all-embracing name. It was criticized by some as being too generic and sounding like another telephone or computer company.

ENTANA: received one first place and two second place votes. EN was associated with energy and TANA was associated with Montana, a state the participants love. It received fewer votes because it could be confused with antenna and shortened TANA was offensive to some participants.

ENTERRA: received two first place and one second place votes. This name has a pleasing sound that could be associated with conservation. The criticism is that it sounds more like a land developer or a mining company.

MERITOR: Received four second place votes. It sounds meritorious and trustworthy. The criticism was that it reminded participants of Merit cigarettes, Civil War ships and the ocean.

MONTANA INTERNATIONAL: This ranked second with 11 total votes: seven first place and 4 second place. Participants like the name because a company with this name would be perceived as being a Montana-based company that was striving to compete in international markets. This name reflects the pride that Montanans have for the name of their state. However, it did remind some of an airport or a pancake restaurant.

MONTERA: received four first place and three second place votes. It was considered a beautiful word that had a nice ring to it and was easy to say. Participants considered it simple and easy to remember and liked the connection to the state. However, the name is similar to that of a sports utility vehicle by Mitsubishi. Some participants thought it sounded Spanish or French.

SUMMIT: received three first place and six second place votes. Participants like the name because it could be associated with the state and denoted a company at the top of its industry. However, participants recalled several other companies with the same name.

VECTREN: received only two second place votes. Participants considered it a modern, high tech name. However, this was not a pleasant connotation for most participants who thought it too cold and impersonal.

The two names that received the most votes were Enertel and Montana International.