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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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VOLUME 6 NUMBER 1
MANUSCRIPTS

A METHODOLOGY TOWARDS MEASURING THE STRATEGIC PROFILE OF FIRST-MOVER FIRMS IN INDUSTRIAL MARKETS

Larry P. Pleshko, United Arab Emirates University
Richard A. Heiens, University of South Carolina Aiken
Leanne C. McGrath, University of South Carolina Aiken

ABSTRACT

This study goes beyond most previous research on first-mover advantages by examining the broader concept of strategic marketing initiative. Specifically, a measurement scale was developed to assess the full extent of a firm's first-mover efforts. A total of 1200 firms were surveyed, with a response rate of 12.2%. The Strategic Marketing Initiative Scale developed exhibited high reliability, and has application in assisting management in recognizing marketing areas for first mover advantages. This can result in better timing of decisions about the strategy of when to act, contributing to the ability to create a competitive advantage around marketing initiatives.

INTRODUCTION

For many years, researchers have studied the relationship between organizational strategy and the resultant effects on performance (e.g. Bharadwaj and Menon 1993; Dess and Robinson 1984; Frazier and Howell 1983; Ginsberg and Venkatraman 1985; Kohli and Jaworski 1990; McDaniel and Kolari 1987; Miles and Snow 1978; Miller 1987; Nwachukwu and Tsalikis 1990; Philips, Chang, and Buzzell 1983). One particularly well-documented strategy involves a given firm taking an aggressive approach and leading their fellow competitors with preemptive entry into product markets. As a type of business strategy, firms that engage in such proactive maneuvering have been popularly termed, "first-movers" (Kerin, Varadarajan and Peterson 1992; Lieberman and Montgomery 1998; Makadok 1998; Nakata and Sivakumar 1997).

Numerous conceptual and empirical studies appear to suggest that pioneering or first-mover firms are often able to achieve long-term competitive advantages. Specifically, first-movers in a product market have frequently been shown to have higher market shares than later entrants (Lambkin 1988, Parry and Bass 1990, Robinson 1988, Robinson and Fornell 1985). According to Lieberman and Montgomery (1988, 1998), early entrants to markets may gain advantages through the preemption of various resources, such as technology, location and personnel, and through the development of organizational capabilities that are crucial to the success of their products or services.

Order of entry, however, is not always associated with dominant and enduring market share and sustainable competitive advantage. For example, Lilien and Yoon (1990) found that the third through fifth entrants were actually more successful than first and second entrants. As Urban, Carter, Gaskin and Mucha (1986) point out, followers may have strategic options in the form of product positioning and promotion that may be even stronger determinants of market share than simple order of entry. Because it may be more accurate to examine first-mover firms in light of the totality of proactive strategic marketing decisions they may initiate, the present article develops and validates a comprehensive measurement instrument intended to capture the broad variety of first-mover efforts.

STRATEGIC MARKETING INITIATIVE

Although previous research on first-mover advantages recognizes that order of entry into a product market is an important means with which to achieve a dominant market position, the totality of approaches employed by many market leaders are actually more complex than simply striving to be the pioneering firm in a product market (Kerin, Varadarajan and Peterson 1992). In addition to order of entry, aggressive first-mover firms may also exhibit initiative by leading and implementing other marketing strategy decisions prior to competing firms (Aaker and Day 1986; Karnani 1984; Kerin, Varadarajan and Peterson 1992, Lieberman and Montgomery 1990; Schmalensee 1982).

It has been suggested that a firm may achieve first-mover status in numerous ways. For example, the first firm to (1) produce a new product, (2) use a new process, or (3) enter a new market can claim the distinction of being a first-mover (Lieberman and Montgomery 1990). First-mover firms may also include those organizations that are the first to pursue opportunities deriving from the initiating of pricing changes or the adoption of new distribution ideas (Smith, Guthrie, and Chen 1989; McKee, Varadarajan, and Pride 1989; McDaniel and Kolari 1987). Therefore, firms with an exceptionally aggressive corporate culture may consistently strive to gain first-mover advantages in several ways. With an overall strategic posture favoring first-mover status, such firms exhibit what may be referred to as "strategic marketing initiative".

MEASUREMENT INSTRUMENT

Recognizing the variety of proactive strategic efforts a firm may undertake, the current study goes beyond most previous research on first-mover advantages by examining the broader concept of strategic marketing initiative. Rather than relying on order of entry into a product market as the sole strategic decision used to classify first-mover firms, the authors propose and validate a measurement instrument intended to more adequately capture the multi-dimensional concept of strategic marketing initiative (SMI).

In the development of a measurement instrument for the SMI construct, perceptual measures were used. Perceptual measures were used because they avoid the variable accounting methods associated with objective measures (Varadarajan 1986; Keats and Hitt 1988; Miller 1987,1988; Frazier and Howell 1983; Sharma and Mahajan 1980). Moreover, perceptual measures have been shown to strongly correlate with objective measures of the same firm (Pearce, Robbins, and Robinson 1987; Dess and Robinson 1984).

A total of fifteen items pertaining to the strategy and performance of the firm were included in the original questionnaire. All proposed items in the Strategic Marketing Initiative Scale were assessed through the use of 7-point Likert scaled measures. Statements were made and respondents were asked to indicate their level of agreement with the statement as it pertains to their view of the firm. Response options were anchored from 1 (strongly disagree) to 7 (strongly agree).

SAMPLE DESCRIPTION

Research on first-mover advantages seems to indicate that these advantages are apt to differ significantly across product categories (Lieberman and Montgomery 1998). Consequently, a sample of chief executive officers was taken from four randomly selected NAICS code groups across the United States. A systematic sample of twelve hundred was drawn equally from among firms in four manufacturing industries: food and kindred products, textile mill products, primary metal industries, and miscellaneous manufacturing industries.

A single mailing was directed to the chief executive in each of the selected firms. The mailing included a personalized cover letter, a two-page questionnaire, and a self-addressed stamped return envelope. This procedure yielded 141 useable surveys, a 12.2% response rate. Of those responding, 81% were either chief executive officers or owners, with the remainder being functional managers and/or other high level staff.

The breakdown of the respondents by NAICS groups is shown below in Table 1 along with the selected sample. A Chi-square test of responses versus the sample indicated that the responding firms were evenly distributed across the four groups (Chi-sq = 0.84, $p < 0.80$). Additionally, an analysis of variance was performed to determine if the respondents from each of the NAICS groups differed from one another in terms of firm size. Neither mean differences in annual sales ($p<.15$) nor number of employees ($p<.20$) were significant. Thus, the respondents appear to include a representative cross-section of industrial and consumer products firms in their respective industries.

TABLE 1

SAMPLE AND RESPONDING FIRMS BY NAICS CATEGORY

SIC	Sample		Respondents	
	Frequency	%	Frequency	%
Food & Kindred Products	300	25	33	23.4
Textile Mills	300	25	28	19.9
Primary Metals	300	25	34	24.1
Misc. Manufacturing	300	25	29	20.6
uncategorized	0	0	17	12.0
	1200	100%	141	100%

RESULTS

According to Churchill (1976), coefficient alpha absolutely should be the first statistic one must calculate to adequately assess the quality of a proposed measurement instrument. When subjecting the original fifteen items to factor analysis, the results indicated that the six items included in Table 2 loaded highly on a single factor. The resulting factor exhibited a reliability estimate of 0.848 using coefficient alpha.

TABLE 2	
STRATEGIC MARKETING INITITIATIVE SCALE	
SMI 1	Always the first to introduce new services or variations
SMI 2	Always the first to introduce a new advertising campaign
SMI 3	Always the first to initiate pricing changes
SMI 4	Always the first to adopt new distribution ideas
SMI 5	Always the first to adopt new technology
SMI 6	Always the first to seek out new markets for our products

TABLE 3							
CORRELATION MATRIX							
	S1						
SMI1	1.0	S2					
SMI2	.63	1.0	S3				
SMI3	.51	.48	1.0	S4			
SMI4	.46	.56	.48	1.0	S5		
SMI5	.50	.43	.36	.36	1.0	S6	
SMI6	.57	.59	.37	.47	.46	1.0	SMI
SMI	.82	.82	.71	.74	.68	.76	1.0
Note: Correlations above .18 are significant at the .05 level							

Based on these results, it appears as if firms may consistently attempt to gain first-mover advantages in at least six important areas. These areas include (1) the introduction of new products,

(2) the introduction of new advertising campaigns, (3) the initiating of pricing changes, (4) the adoption of new distribution ideas, (5) the adoption of new technology, and (6) the seeking out of new markets. Consequently, the findings suggest that an overall indicator of Strategic Marketing Initiative (SMI) may be constructed by summing the six items in Table 2.

The resulting SMI scores ranged from a low of six to a high of forty-two. The mean for the measure was 24.897, and the standard deviation 7.833. All six items were highly correlated, and the correlations between the individual items and the constructed SMI variable are presented in a correlation matrix, as shown in Table 3.

CONCLUSION AND SUGGESTIONS FOR FUTURE RESEARCH

In today's highly dynamic environment, the impact of first mover advantage is shrinking because in general strategic time lines are shrinking. The decision by management regarding when to make a competitive move is a critical issue of timing. Sometimes seizing the window of opportunity for a first mover competitive advantage may result in above average returns for a firm. Recognizing common marketing areas where these opportunities are likely to be found can assist a firm in achieving this success.

The results from the SMI scale indicate that firms may attempt to gain first-mover advantages in at least six important areas, specifically (1) the introduction of new products, (2) the introduction of new advertising campaigns, (3) the initiating of pricing changes, (4) the adoption of new distribution ideas, (5) the adoption of new technology, and (6) the seeking out of new markets.

Because managers appear to answer the questions presented in Table 2 in a consistent manner, one may conclude that the resulting SMI scale may be a useful measurement instrument for assessing the variety of marketing strategies pursued by first-mover firms. As such, future studies seeking to elucidate the nature of first-mover advantages may use the SMI scale as means to classify the strategic marketing position of first-mover firms.

Building on previous research examining the relationship between first-mover status and market share performance, future studies may also seek to examine the relationship between strategic marketing initiative of first mover status and market share performance. Also, in addition to market share, future studies may look at the link between strategic marketing initiative and different performance measures.

One should be careful when generalizing the present findings to firms in every industry. A systematic investigation of other industries would validate the current research if the SMI scale identifies the same six areas for first mover advantage as the present study.

Overall, management that creates an entrepreneurial culture in crafting marketing strategy is generally seeking to identify areas in which to use first mover advantage successfully. Since the impact of this first mover action in marketing strategy changes the dynamics of competition within an industry, the identification of the SMI scale for use in crafting this strategy is very valuable. Knowledge that improves the ability of management to recognize marketing areas for first mover advantage results in better timing decisions about the strategy of when to act, and this contributes to the ability to create a competitive advantage around marketing initiatives.

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ON THE DEVELOPMENT OF CONSUMER SOCIALIZATION OF CHILDREN

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ABSTRACT

This paper examines the theoretical framework of the economic socialization of children and youth, and characterizes the dynamics of the process of socialization within the family, and as it applies to the consumer behavior of the young people. The meaning, conditions, and types of economic and consumer socialization, as well as the diversity of its determinants are examined.

INTRODUCTION

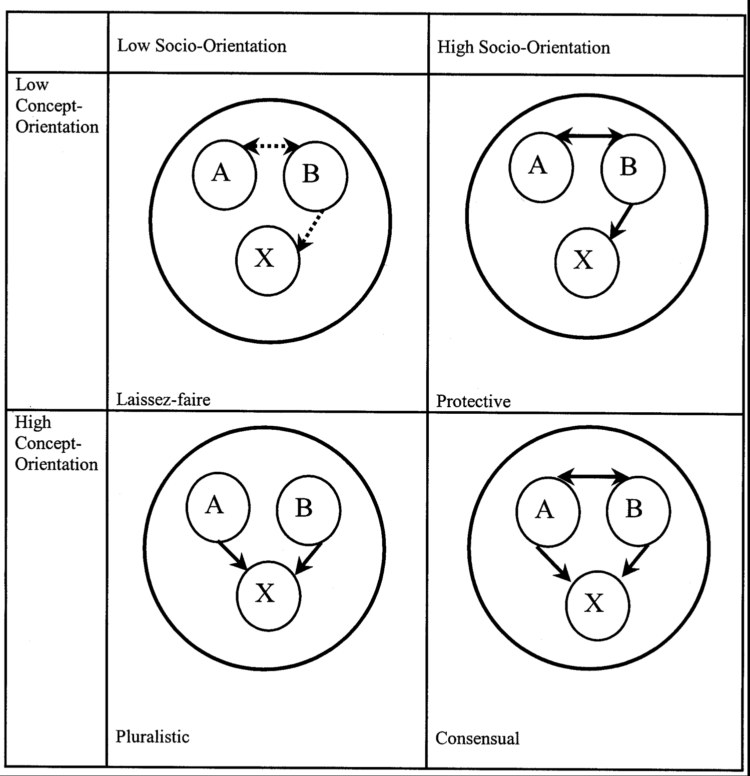
Economics and economic issues and concepts are destined to appear in people's everyday life regardless of their education, socioeconomic or cultural background. Whether through personal experience, through external sources such as peers or news media, or by formal education, people confront both the economic terms and their practical aspects on a variety of issues relevant to their socioeconomic performance and existence. These terms may include employment, earning, spending, saving, and investing on a microeconomic level; and inflation, taxes, government spending, deficits, and economic growth on a macroeconomic level. Walstad (1996) indicates that by thinking about, and practicing on a variety of economic issues, people develop economic opinions and attitudes. He states that the effective process of making sense of the economic world and its complex and wide-ranging economic issues starts at an early age and continues throughout the years of formal schooling (and) indeed over a lifetime (where) economic opinions and attitudes continue to form and change" (p.162). Socialization is generally defined as a process through which individuals learn to interact in society. It concerns learning social roles and acquiring the knowledge and skills related to them (Furnham, 1996, p.11). It is also defined as the process to acquire knowledge, skills, and value dispositions that enable individuals to participate as more or less effective members of groups and society (Brim, 1966; Danes, 1994; McNeal, 1987; Moschis, 1981). In terms of the notion of social control, socialization becomes the process of learning expected behavior patterns from those who have been more socialized such as parents, teachers, peers, or the mass media.

THEORETICAL FRAMEWORK

This process of socialization, as it is described above, is dynamic, systematic, and vigorous. It progresses with age and maturity of the subject. According to the Piagetian Cognitive-developmental Model, each individual child passes through a quasi-universal set of qualitatively different stages of socioeconomic understanding, moving from simple-concrete to complex- abstract notions of their physical and social world (Dittmar, 1996, p.77). As Roland-Levy

(1999) indicates, Piaget proposes a transactional process which links children's cognitive stages to their experience of the world, emphasizing the primacy of children=s action in their development and maturation. Another dominant theory in this field is the Environmentalistic Learning Theory, which focuses on children's behavior as a direct reflection to their environment. This theory can suitably complement Piaget's Cognitive Model for it offers an explanation of the inter-individual variations in the learning of children at the same age while Piaget's stresses the intra-individual differences as children grow up (Youniss, 1978). From an interpersonal perspective, the communication behavior of children can be based on their social and family relations using co-orientational variables in line with Newcomb's (1953) ABX paradigm (Moschis, 1991). According to this paradigm, two persons A and B are co-oriented to an object of communication, X. Moschis (1991) believes that this paradigm has been particularly useful for it is applicable to groups and to the actual interpersonal relations among people and their cognitions and perceptions. Assuming that family communication patterns can be instrumental in guiding the family members as they encounter situations outside the immediate family context, McLeod and O'Keefe (1972) applied Newcomb's paradigm to parent-child communication structures and patterns and came up with a new typology (Figure 1).

Figure 1. Adapting Newcomb's ABX Paradigm to Family Socialization



In this typology, there are two major dimensions of communication structure, the socio-oriented that represent the type of communication that encourages amiable and harmonious familial relationships, stressing A-B communications, and the concept-oriented type, which is more suitable for A-X connection where it focuses on positive constraints that help the child to develop personal views about the world. Since two levels, high and low, characterize each of those dimensions; the overlapping of these four levels produces four co-orientational patterns. The patterns (Figure 1) from left to right are Laissez-faire, Protective, Pluralistic, and Consensual. Laissez-faire shows the lowest level of interaction between parent and child (AB) as well as low and inconsistent interaction between the parent and his/her environment (BX). The protective pattern displays a strong socio-orientation but low concept-oriention. Children in a protective family are expected to conform and follow the social norm. The pluralistic type fosters independence, allows the child to explore, and place little or no emphasis on obedience and conformity. Finally, the consensual pattern shows a high level on both socio and concept orientations. Communications in the consensual family are integrated and complemented.

ASPECTS OF ECONOMIC SOCIALIZATION

Economic socialization, as an aspect of social development, is concerned with the comprehension and perception of both abstract and practical concepts of the economy and economic functions as they are related to people's decisions in utilizing resources for production, exchange, and consumption. Consumer socialization and financial socialization are integral parts and subcomponents of economic socialization. Consumer socialization, as introduced by Ward (1974) refers to the aspect of economic socialization where "young people acquire skills, knowledge, and attitudes relevant to their effective functioning as consumers in the marketplace" (p.2). Lunt (1996) suggests that the economic competence of citizens, in an increasingly complex consumer society that is partially demand-led, requires not only financially competent, but also committed consumers. He further states that "the issue of economic socialization goes beyond the issue of competence, as narrowly defined in terms of social skills, to include orientation to consumer society" (p. 10). Financial socialization, according to Danes (1994), is "much more inclusive than learning to effectively function in the marketplace. It is the process of acquiring and developing values, attitudes, standards, norms, knowledge, and behaviors that contribute to the financial viability and well-being of the individual" (p.128). As distinct from the broader concept of economic socialization, the concept of financial socialization remains closely relevant to the function of money and monetary transactions. It includes the areas of generating, spending, and managing money as well as maintaining one's standard of living (insurance, taxes, wills) and elevating that standard to the highest possible level through investment (Alhabeeb, 1996).

ECONOMIC SOCIALIZATION AND THE FAMILY

Economic socialization is a homegrown product influenced by external agents such as school and peer environments. Marshall and Magruder (1960) found that children had more knowledge of money and its use when their parents handled their family's income wisely. According to

Roedder-John (1999), consumer socialization does not take place in a vacuum. Rather, both families and peers play an important role in its development. Children usually acquire their knowledge early at home with a heavy influence by their families' behavior and their economic, social, and psychological atmospheres. Robert Fulghum, a popular philosopher, once gave an advice to parents stating; "Do not worry that your children never listen to you; worry that they are always watching you" (Fulghum, 1997). A number of studies confirmed that children learn about finances through observations, practice and participation, as well as through deliberate instructions by parents (Danes, 1993,1994; McNeal, 1987; Moschis, 1987; Rettig, 1985; and Rettig & Martenson, 1986). Danes (1994, p. 186) explains the family's impact on children's knowledge by the "family system thinking, which provides a much deeper understanding of the dynamics underlying the financial socialization of children, for it addresses issues such as the financial beliefs, attitudes, and practices of children as they are interconnected with those of their parents". Furthermore, there is empirical evidence attesting to the family's role in the formation of children's knowledge of the value and use of money . In the 1999 Youth and Money Survey, 94% of students reported that the first and major source of their financial information was their families (American Savings Education Council, 1999). In the 1998 Financial Literacy Survey, 89% of students stated that they learned most of their financial knowledge at home (Mandell, 1998). In assessing aspects of consumer knowledge, Pritchard and Myers (1992) found that teens revealed economic value orientations remarkably similar to those of their parents.

Given the critical role of the family as a core source of children's economic socialization, and given that money management and decision making are skills universally needed for a lifetime and that the consumer behaviors of adults are most likely to be a reflection of their early economic socialization and childhood experience (McNeal, 1987), it becomes warranted, and perhaps, imperative to initiate children's experience with money. Such an initiation would be done as early as possible for the purpose of making money management most efficient and effective throughout the lives of children. Lassarre (1996) suggests that parents who are the main purveyors of children's pocket money are also the most important educators of consumer behavior, and the practice of giving an allowance is the sign of an economic education within the family. By contrast, he reasons that for children who do not receive pocket money, there is no possibility of provisional strategies, no money management, and consequently no responsibility. Pliner, Freedman, Abramovitch, and Darke (1996) pointed out that since several studies have shown that greater participation in economic activity is related to greater economic maturity (Jahoda, 1983; Marshall & Magruder, 1960; Ng, 1983), one means by which parents can prepare their children for such participation is by giving them allowances.

Allowances can be an effective tool to vitalize children's socialization, providing them with early and valuable economic, as well as moral lessons. Lunt (1996) states that the allowance system provides children with an early experience in financial management, and believes that there has been a growing consensus in the literature concerning the advantages of such a system. In comparing the allowance system to other forms of children=s money, Leiser and Ganin (1996) suggested that allowances provide the best environment for the child to learn how to become a financially competent citizen. The monitored use of allowances can, over time, provide children with ideological benefits such as the knowledge and practice in making their own decisions and accepting the responsibility for them, appreciation of money and work values, self-reliance, and economic and social independence. Pliner et al. (1996) reasons that the allowance system works for the child and his family because it engenders a relationship of trust and expectation, which requires the child to become financially literate. In addition to the ideological reasons, there are the pragmatic benefits such as the skills that may be acquired in consumership, spending, saving, and investment. Several studies have found that children who received allowances had a better knowledge of pricing, better use of credit, and were more sophisticated about the use of money (Abramovitch, Freedman & Pliner, 1991; Marshall & Magruder, 1960; Mortimer, Lee & Finch, 1994; Pliner et al., 1996). Early and sustained utilization of the allowance system may greatly pay off in helping children competently and safely navigate through the maze of alternative decisions in their later years. For the role of allowances in the development of money management skills, the family economics and resource management literature confirm that through the receipt of regular allowances, children learn how to manage money more wisely in both spending and saving and how to plan ahead for future economic goals (Dunsing, 1956; Gruenberg, 1965; Baran & Tarrant, 1981; McKitric, 1986; Maddux, 1986; Horton, 1988; Heinzerling & Chandler, 1989; Danes, 1993; Danes & Dunrud, 1993; Alhabeeb, 1996, 1997). Since children and youth, especially in contemporary industrial societies, have increasingly been introduced to be active citizens in the consumer society, and been significantly affluent and effective in the dynamics of their presence in the market place, , studying the way they learn about and interact with their economic environment may have significant implications on the way we understand and predict consumer behavior, design and implement effective marketing strategies, or plan and utilize successful consumer education programs.

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AN EMPIRICAL EXAMINATION OF MACHIAVELLIANISM ON ADAPTIVE SALES PERFORMANCE

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ABSTRACT

This article investigates the various effects of Machiavellianism on adaptive sales performance. Results flag a wide range of results that indicate that those who possess high Machiavellian traits are more productive in many environments but received lower overall self-ratings and managerial ratings. The position held, as it relates to Machiavellianism is a significant factor, with retail salespeople performing in a different pattern than industrial sales personnel. Further, Machiavellianism may interact with several demographic factors that further exploration.

INTRODUCTION

The integrity, and reliability of business executives are often questioned by consumers as well as governmental agencies. Frequently they view business methods as manipulative and unethical (Hunt & Chonko, 1984). Within business, salespeople are the most negatively mentioned group (Gable, 1988). A major personality trait that has been linked to sales success and ethical concerns is Machiavellianism. Ricks (1998) in a study found some of the ethical paradoxes involving Machiavellianism sales and management. An additional 20 percent more data has been added to that data base in 2001. This current study will develop a more comprehensive study of Machiavellianism and adaptive selling.

Several researchers have described the link between management and Machiavellianism (MACH) and have developed profiles of such individuals (Jay, 1967; Buskirk, 1974). Many believe that salespeople who succeed have a certain level of Machiavellianism. They suppose that some degree of aggressiveness and manipulativeness are necessary to close sales (Greenberg & Mayer, 1964; Willet & Pennington, 1966; Christie & Geis, 1970; Olshavsky, 1973). Does a Machiavellian personality enhance or hinder sales performance? The purpose of this research is to determine which premise is more accurate in adaptive selling situations. For clarification purposes a brief review of Machiavellianism and other factors that contribute to performance are presented along with our operationalization of sales performance.

Machiavellianism

Machiavellianism is defined as "a process by which the manipulator gets more of some kind of reward than he would have gotten without manipulating, while someone else gets less, at least within the immediate context" (Christie & Geis, 1970, 106). Machiavellianism (MACH), has been used as a personality trait or dimension to classify people for several decades (Christie & Geis, 1970). The core of this personality type can be explained in terms of manipulative, persuasive behavior to accomplish personal objectives. Individuals having a Machiavellian personality trait or style may extol the virtues of using guile if necessary to achieve their objectives. They are self-oriented as far as personal goals are concerned. A twentieth century Machiavellian may employ aggressive, manipulative, exploiting, and devious behavior to achieve personal and organizational goals if necessary (Calhoon, 1969). These tactics are undertaken according to perceived feasibility with secondary consideration to the feelings or needs of others (Gable &Topol, 1991).

The issue of Machiavellian tendencies in salespeople requires further empirical studies to begin to fully explain this traits influence upon professional salespeople. For example researchers have found that successful female retail executives were high Machiavellians but not their male counterparts. They also found that younger people tend to be higher in Machiavellian traits than older subjects (Gable & Topol, 1988). These findings help support the concept that Machiavellian tendencies increase the probability of success. It can be speculated that those who are most driven toward success are more Machiavellian.

Suspicions of the selfish ends of Machiavellians has completely overshadowed the need for validation of this concept (Fraedrich, 1993). From our discussion come the following propositions:

Proposition 1a:	High MACH salespeople will have higher sales performance ratings on sales volume than low MACH people.
Proposition 1b:	High MACH salespeople will have lower total effectiveness ratings from managers than low MACH salespeople.

While a Machiavellian style may help in closing sales, former research reveal lower ratings by management(Ricks, 1998).

OTHER MEDIATING FACTORS

Five other factors are consistently indicated in the literature: (1) gender; (2) age; (3) race-ethnicity; (4) birth-order and (5) family-size. These mediate the responses of many customers to the salesperson and might alter somewhat the effects of Machiavellianism on sales effectiveness.

Market demographics foreshadow an older, more educated, and subculturally defined (e.g., blacks, women, Hispanics, and Asian immigrants) consumer population. Firms whose sales forces can best deal with these trends should have a competitive advantage. A greater sensitivity to the specific needs of various sub-populations will be required of sales personnel.

Cravens (1987) asserts that each sales operation must develop specifications concerning what characteristics to look for in new sales recruits. Those specifications should be developed after a thorough analysis and description of the tasks and activities involved in selling the firm's products to its target market. This will also necessitate an evaluation of the characteristics and qualifications that new salespeople must have for maximum performance of those tasks and activities considering these covariates or mediating factors.

Such a sales force should have an advantage even in non-sales activities such as providing services to customers and channel organizations, selecting and evaluating middlemen, and obtaining market information.

Gender

Literature on gender and selling indicate that gender acts as a mediating factor with regard to perception of the salesperson (Futrell, 1984). Gender Scheme Theory indicates that some individuals tend to encode and organize information according to a male/female scheme (Bem, 1981). Gender may also substantially alter the types of scripts developed which is related to sales (Schein, 1973; Muehling, 1988).

Gable and Topol (1991) conducted a series of research projects among retail executives that demonstrated a link between gender (female executives) and Machiavellianism. Consequently we propose that:

Proposition 2:	Gender will interact with MACH levels and performance of salespeople as measured by volume.

Experience/Age

Experience has been operationalized by using age and is considered an important variable in sales (Gable, 1988; Gabel, Holland & Dangello, 1992). Further younger managers were more Machiavellian than older executives. Gable and Topol (1988) also found that gender (senior female executives) was also related to Machiavellianism. Finally, Vitell, Lumpkin, and Rawwas (1991) conducted a study of consumer attitudes and ethics and concluded that the elderly, while more ethical than younger consumers were also somewhat more Machiavellian than the general population. Relative to the research we propose that:

Proposition 3:	Salespeople with experience (age) are more successful and are less Machiavellian.

Ethnicity/Race

Limited empirical evidence exists with regard to race-ethnicity and salesperson perceptions (Mobley, 1982). For example, Christie and Geis (1970) found one result suggesting high MACH's tend to indiscriminately stereotype both blacks and whites. Other research indicates that some differences based on ethnic, cultural or experiential factors may exist in the U.S. (Henthorne, LaTour & Williams, 1992). Greenberg and Greenburg (1989) however, found no differences in performance between races or in turnover rate among industrial sales representatives. Although the research is somewhat mixed we propose the following:

Proposition 4:	Salespeople from minority racial or ethnic groups will be at some level of sales performance disadvantage with race-ethnicity having a significant interaction with performance.

Birth-Order

Birth-order and the related factor of family size are believed to be mediating influences on personality development as it relates to sales behavior and Machiavellianism (Stotland, 1971; Leman, 1985; Boone & Kurtz 1988; Randall & Randall, 1990). The stereotypical tradition that last born children are most likely to achieve success as sales professionals, and will be the most ambitious and successful in the family has little empirical support. First Borne's are believed to be more Machiavellian however Boone and Kurtz (1988) found that a disproportionate number of middle born children were represented among automobile salespeople. Middle children are relatively more insecure but are more sensitive, and thereby often have the best social skills in the family. From the literature we expect to observe the same tendencies relative to adaptive selling behavior. Specifically we propose that:

Proposition 5:	Birth-order will interact with Machiavellianism and thereby sales performance in an adaptive sales setting.

The other factors that are predicted to have a possible moderating or covariate influence upon the main dependent variable measures of sales success are the following:

Proposition 6:	Salespersons position and sales environment whether retail or industrial will be a factor in sales performance and especially in regard to level of Machiavellianism.

Proposition 7a:	Family size will be significantly related to Machiavellianism.
Proposition 7b:	As family size decreases the tendency to produce high Machiavellian traits will increase.

Contrary to the position that high MACH's contribute to productivity is Hunt and Chonko's research (1984) which found no correlation between success and high Machiavellianism. Consequently, we feel that another proposition is warranted:

Proposition 8: High MACH salespeople will have lower sales performance ratings on overall self-ratings.

METHODOLOGY

A Correlational and Ex Post Factorial design was employed using correlations between personality and past sales performance data. The effects of demographic variables were controlled by MANCOVA procedures. A multi variate analysis of the factors, three dependent variables (manager's ratings, self reports, volume reports) and personality trait scores in addition to the modifiers allowed for the study of separate effects of the influencer. The sample included 225 Samples in the first run and an additional 57 samples used in 2001 (population = 637, 25 firms) randomly selected salespeople (45.8 male, 54.2 female) from various Midwest auto parts firms and retail chains who had several years of experience so that long and short term measures of their selling abilities could be obtained (see Table 1 for demographics). The independent variable of Machiavellianism was measured using Christie and Geis's (1970) Mach V scale (for a detailed analysis of the MACH scales see Vleeming 1979). Scores were standardized using a theoretical decision based on what scores represented. A median split to determine high and low levels was not used because a normative score for each trait does exist (Nunnally, 1978). Therefore, scores were based on what the construct being measured represents instead of a statistical decision based on a particular group's frequency distribution, or on quartiles or percentiles. This procedure prevents group distribution bias that could exist among salespeople. Position divided the sample into three groups: industrial salespeople, managers of other salespeople but who also sold products, and retail salespeople.

The dependent variables were developed using a quantitative volume ranking to measure sales performance (Behrman, 1982), with dollar, or unit sales contribution to profit over time. These volume ratings were normed by industry and individual firms. Next each subject was given an appropriate volume ranking of very high, high, medium or low as defined by management which reflected actual records. The dependent variable "sales performance" was also measured a multi-item instrument (Futrell & Parasuraman, 1984). The instrument allows manager and salesperson to consider the most important factors in outcome performance when determining an *overall effectiveness* rating.

Westhuizen (1993) reviewed sales managers' assessments of their personnel and concluded that performance appraisal systems using only output factors (such as volume) may be misleading. Further each subject was rated by his/her manager according to records as to long and short term effectiveness.

Third, each subject was given a self-rating scale: one determining overall sales effectiveness and the other, long/short term sales effectiveness. In all, seven dependent variables were developed: three managerial ratings, three self-ratings and one volume assessment.

A between-subjects multi variate analysis of covariance was performed on the major dependent variables associated with measurement of sales performance, sales volume ranking. Adjustment was made for the three covariates; gender, family size, race-ethnicity because they proved to have the most influence on Machiavellianism and sales volume. (See Table 1.) Some additional tests were conducted to determine if support for Propositions 3 and 6 existed. A paired T-test with mach and age revealed a correlation that was negative. Therefore, the older people were less Mach with a t = 9.712, Sig. = .000. A similar T-test was done for position and it was found that t - 10.724, Sig. - .000. Meaning management was more likely to be high Mach.

RESULTS

Table 1 reviews the MANCOVA results overall. The Table begins with a justification for the modifying covariables, The upper portion of Table 1 indicates the power of three covariates or modifying demographic factors. Analysis of Variance is a flagging instrument. A further study is needed to clarify the interactions. The Pearson Correlations at the top of Table 3 reveal that Machiavellianism alone apart from sales effects is correlated with three factors, age birth-order and Family size. These are related to the human development of such a personality trait. Propositions one through eight are supported by these results. Table one reveals that most factors using sales volume as the measuring factor have a significant interaction with Machiavellianism and other factors such as Self-Monitoring and all the Managerial and Self-ratings. Table 3 indicates that the cell means for the 281 samples show a higher mean for high mach than low mach in both retail and industrial selling. However the retain salespersons had a higher relative rating. All these need further empirical research. The results support proposition 1.

TABLE 1
MULTIPLE ANALYSIS OF VARIANCE
(Demographics)

All by Sales Volume as Key Factor	F	Sig.
Gender & Mach	3.772	.001*
Age & Mach	.824	.552
Family Size & Mach	3.193	.005*
Experience & Mach	1.164	.326
Race & Mach	3.963	.001*
Birth Order & Mach	.948	.461
T-Test – Paired Samples Measurements A		
Pairs of Sales Personality Traits	**T-Score**	**Sig. (2-Tailed)**
Mach & Self-Monitoring	2.290	.023
Mach & Empathy	-1.540	.125

TABLE 1 MULTIPLE ANALYSIS OF VARIANCE (Demographics)		
T-Test – Paired Samples of Sales Performance Measurements B		
Pairs of Sales Performance Measurements	**T-Score**	**Sig. (2-Tailed)**
Mach & Self-Short-Term Ratings	-52.510	.000*
Mach & Self-Long-Term Ratings	-53.392	.000*
Mach & Self-Ratings	-61.087	.000*
Mach & Managerial Short-Term Ratings	-58.356	.000*
Mach & Managerial Long-Term Ratings	-52.721	.000
Mach & Overall Managerial Ratings	-58.180	.000

Table 2 reveals that the two independent variables Mach and Self-Monitoring have a strong interaction effect. This also needs further development. Empathy and at best only a low level of interaction and that in a negative direction. Possibility Empathy and Mach are opposing traits.

TABLE 2 MULTIPLE ANALYSIS OF VARIANCE A		
Overall Self-Ratings of Sales Effectiveness as Measuring Factor by Personality Measures	**F**	**Sig.**
Machiavellianism	2.278	.047*
Mach by Self-Monitoring	2.120	.063
Mach by Empathy	1.058	.384
Overall Self-Ratings of Sales Effectiveness by Other Measures of Sales Effectiveness	**F**	**Sig.**
Mach by Sel-Short-Term Ratings	62.670	.000*
Mach by Self-Long-Term Ratings	69.858	.000*
Mach by Managerial Short-Term Ratings	10.000	.000*
Mach by Managerial Long-Term Ratings	10.832	.000*
Mach by Managerial Overall Ratings	8.202	.000

Again the T-test results support overall the MANCOVA data in that high MACHS perform better than low MACHS for sales volume, and that Machiavellians is interacting with these other factors since Table 1 is all based on sales volume as the measuring factor. See cell means for details (Table 3). Self-ratings indicate that high MACHS also rate themselves lower than low MACHS. This correlation is significant and supports proposition 8, p = 0.000. Retail sales people show no strong clearly higher rating pattern.

TABLE 3
MANCOVA RESULTS WITH PRE-TEST CORRELATIONS WITH MACHIAVELLIANISM

PEARSON CORRELATION COEFFICIENTS

Gender	Age	Birth Order	Family Size	Experience	Race
0.0776	-0.1088	0.1359	-0.1057	-0.1074	0.0095
279	281	281	281	281	281
P = .198	P = .047	P = .006	P = .057	P = .074	P = .357

MANCOVA CELL MEANS
Sales Volume

	Position	Mean	
	Industrial Low Mach High Mach	 2.837 3.052	
	Retail Low Mach High Mach	 4.306 4.738	
	Entire Sample Mean	4.255	

Covariates Regression Analysis

Covariate	T-Value	Sig. of T
Gender by Mach Sales Volume Factor	-2.957	.003*
Family Size by Mach Sales Volume Factor	0.537	.591
Race/Ethnicity by Mach Sales Volume Factor	2.566	.011*

The results indicate a preliminary findings of the higher the Mach level and the sales levels the lower the self-ratings. This does not seem logical. Further the high Mach with high sales volume tend to get the lower Overall managerial ratings. This also needs further study. This study has used flagging devices effectively to identify trends that may help future researcher.

IMPLICATIONS AND CONCLUSIONS

To understand the basic implications of our findings it is essential to look at the underlying assumptions and determine if they are supportable. The first assumption is that Machiavellianism has a positive influence on total salesperson productivity based on volume. Results indicate that in both industrial and retail salespeople befit, but not in the exact same levels. The second assumption is that in spite of sales volume, managers do not see Machiavellianism as advantageous among subordinates. Further it can be concluded that managers perceive that a high Mach personality trait is not advantageous in all aspects of the sales assignment.

Machiavellianism alone should be viewed with some ambivalence by since it did prove beneficial al alone. Further research on why Machiavellianism operated in such a dual manner may also prove enlightening. For example, sales volume improved by high levels of Machiavellianism and yet overall managerial ratings which include many organizational factors were depressed. Selling, traditionally, has experienced a high turnover rate for new recruits within the first tow years of employment. Pragmatically, a screening test might help eliminate large numbers of applicants. This smaller pool of applicants would include a higher percentage of future salespersons who could succeed at a specific selling task, and possibly decrease consumer complaints and fraud if the correct personality and training are strategically used in the appropriate environments. Minority sales personnel might benefit also from training in adaptation to the majority. Some sales positions may require more or less Machiavellianism than others. If true, then those with certain personality combinations will demonstrate a greater likelihood of success, thus costly turnover rates would be lower.

High Machiavellians also rated themselves lower in self-ratings than low MACHS. They might rate themselves lower as a modesty strategy or a method to lower expectations to assure success? This may account for data which shows them rated higher than their sales volume would justify.

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MARKETING DETERMINANTS OF CUSTOMERS' ATTITUDES TOWARDS SELECTING A RESTAURANT

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ABSTRACT

This study examines the marketing determinants of customers' attitudes towards selecting a restaurant either for leisure or for business. Various factors such as service, product, location, physical, promotion, price, and image attributes were rated and analyzed on importance. The study utilizes a self-administered questionnaire containing close-ended questions to a random sample of people (usable 556 surveys). The questionnaire consisted of 7-point bi-polar type scales about different attributes. Factor analysis and paired t-tests were performed and means were determined. The findings of this exploratory study supports that customers find food quality, ambience factors, image, and friendly staff important in selecting a fine dining restaurant. The business sector wants availability of rooms for special functions, seminars, and banquets, while the leisure segment wants discounts, buffets, and prices less than $30 a person.

INTRODUCTION

Restaurants across the globe are estimated to have generated more than US$704 billion in revenues in 1997 and employed more than 48 million people, (Olsen, 1999). According to the National Restaurant Association, almost half of all Americans are cooking fewer meals at home than they were in 1994 (Managing Risk, 1998). Moreover, Americans lives are growing busier making time more valuable. Therefore, people are choosing to spend less time in their kitchens. The number of double-income households is increasing meaning that both spouses are working, which creates less time at home and for meal preparations. In addition, Americans are working beyond forty hours a week. As a result, consumers purchase more prepared or partially prepared foods that require little or no cooking time and dine out for everyday meals more frequently. Restaurants and catering facilities will play a larger part in entertaining family and friends, for business, or special occasions. (Visions of the Future, 2000)

As the demand for food away from home increases, there is opportunity for growth in the restaurant industry. According to Setlow (1998), only 29% of Americans enjoy preparing weeknight meals, and less than half like to cook on special occasions and holidays, or when entertaining guests. Therefore, this is where restaurants can offer a hassle-free alternative for individuals and families.

A restaurant takes a basic drive-the simplest act of eating-and transforms it into a civilized ritual involving hospitality, imagination, satisfaction, graciousness, and warmth (Gunasekeran, 1992). Physiological and social needs are listed in Maslow's hierarchy of needs. Hunger is a need that produces physiological discomfort, which can be satisfied by eating. Restaurants can satisfy this physiological need and can also satisfy a person's higher level needs. Going to a restaurant is a social experience, an opportunity to meet old friends, amazed by exciting food presentations, and to even be entertained by a small musical ensemble or a chef preparing the meal at the table in front of the customers.

Quick meals and convenience, social occasions, business necessity, and celebration are all reasons people dine out (Kivela, 1997). Two markets can be defined by their ability to satisfy a customer's needs; the dining market are those who need to satisfy both their social and ego needs which may be motivated by recognition, prestige, status, or norms; while the eating market is motivated by physiological needs (Gunasekeran, 1992). Management must determine customers' needs and perceived expectations and satisfy them (Spears, 1991)

Customers are people with individual needs, yet segmenting them into groups with similar product needs is a necessity in the foodservice industry (Spears, 1991). The dining market can be divided into two market segments, leisure and business, based on their reasons for dining. Professionals who attend restaurants for economic benefits and meeting with clients comprise the business market. Impressing a client, closing business deals, or achieving intangible or tangible benefits from co-workers are specific reasons why a consumer in the business segment would visit a restaurant. On the other hand, the leisure segment consists of those who are visiting a restaurant to entertain friends and/or relatives, celebrate a birthday or special occasion, or do not want to cook. These consumers are concerned with satisfaction for themselves or for that group with whom he/she is dining.

Household disposable income, changing demographics, and standards of living affect a person's choice in leisure activities. Also, people become time-starved, they are hastier in making decisions on how to spend their time. Since dining out can be considered a leisure activity, it has to compete for consumer's time and money.

Several research studies on the restaurant industry focuses on perceived quality and perceived value (Oh, 2000; Kivela, 1999; Hing &Yun, 1995). Extensive research has been conducted on the fast-food restaurant industry/market; only limited research has been done on the up scale dining industry/market (Brady et. al , 2001; Khan, 1995; Laroche & Toffoli, 1999). Research had been conducted on restaurant attributes in Singapore restaurants that cause a consumer to select a restaurant (Gunasekeran, 1992). The exploratory study will evaluate the attributes found most important among the business and leisure segments of the dining market.

LITERATURE REVIEW

Kivela (1999) has divided restaurants into four categories based on their differentiation in price, location, theme/ambience, service level, cuisine and style. The fine-dining or gourmet restaurants are the most formal fine dining experiences and have both informal and formal panoramic, so some restaurants have large, open dining areas while others have private dining areas. Gastronomy, sophisticated service, elegant ambience, and spectacular views or location are the focus for restaurants of this category. Though some theme or ambience restaurants may be fine dining, they have specific characteristics that distinguish themselves from fine dining or gourmet restaurants. Theme or ambience restaurants have both a formal and an informal authentic, reconstructed atmosphere. There is an informal entertainment-theme and there is presentation of reconstructed theme or authenticity, for example, ambience and food style. Therefore, they usually feature authentic cuisine or décor. Unlike fine dining, gourmet, theme or ambience restaurants, family or popular restaurants are only characterized as informal, offering a pleasant informal dining atmosphere. These restaurants offer well-cooked and presented, moderately priced meals for singles, groups, and families. Meals at family or popular restaurants can be substituted for homemade lunch/dinner meals. The menu items suit the taste of adults as well as children. Finally, the convenience or fast-food restaurants are informal focusing on offering meals to be consumed on site and/or off-site for customers who do not want to prepare meals for themselves, and who require a quick convenient economic meal with fast service and a moderate price.

Determinants in restaurant selection vary across age groups, income levels, and restaurant types. According to Kivela (1999), ambience factors seem to be the important determining choice variable for 25-34 year olds. Auty (1992), Bitner (1992), and Finkelstein (1989) suggest this might be because these groups tend to look for ambience or atmosphere type restaurants because they provide a more suitable social environment for 25-34 year olds. Falling within this age group are "yuppies," these are young urban professionals between twenty-five and thirty-nine years of age, college educated, and in a professional or management position who spend an estimated $1 out of every $12 in restaurants (Spears, 1991). The choice determinant variables for 45-54 year olds are: quality of food, ambience factors, comfort level, prestige, and prompt handling of complaints. Also, middle and high-income groups have chosen comfort level as their choice determinant variable. The high-income groups are more inclined to dine-out because of quality, comfort and prestige, and personalized service. Middle and high-income groups will have more disposable income and are more likely to frequent fine dining/gourmet restaurants. The top four choice variables for the fine dining/gourmet restaurant type are ranked in order of importance as prestige, friendliness of waiting staff, quality of food, and ambience factors (Kivela, 1999).

Food quality and food type are frequently cited variables for restaurant selection (Kivela, 1999). Ambience or atmosphere, prestige, location, and cost of food are nevertheless critical in the final selection or rejection process. According to a customer attitude profile, food quality was the most important choice variable in the fine dining category (Smith, 2000). With food quality as the number one reason why customers visit a restaurant, the data suggests that those restaurants that put emphasis on their food will differentiate themselves from the crowd (Smith, 2000).

Restaurants can also separate themselves from competitors through their service. Services are deeds, processes, performances or acts that a service operations system provides to customers (Berry, 1980; Lovelock, 1992; Zeithaml &Bitner, 1996; Hope & Muhlemann, 1997). Golcalves (1998) treated services as special offerings. When a customer purchases a service it is proposed that he or she is purchasing an experience created by the service operations of a service organization (Bateson, 1995; Tseng et al., 1999). Today a majority of consumers have largely exhausted the things they need to purchase and are focusing instead on what they want to buy. Customers are looking for opportunities and experiences that make their lives happier, richer and more rewarding (Lewis, 1998).

Once target market(s) have been identified, a marketing mix consisting of the 4 P's-product, price, place, and promotion-needs to be developed to satisfy these people. The product is a set of features and advantages that have the capacity to satisfy customer needs and wants, thus delivering valued benefits. Marketing a good or service involves facilitating exchange relationships between an organization and a customer (Spears, 1991). Lewis and Chamber (1989) stated that the three components: goods, services, and environment are concerns of customers when they purchase the hospitality product. Management has direct or almost direct control over goods which are mostly physical factors and usually tangible. Service includes nonphysical, intangible attributes that management should control. For example, the personal element provided by employees such as friendliness, speed, attitude and responsiveness are all important components of service (Spears, 1991). While the environment is something the customer feels, the environmental attributes include: décor, atmosphere, comfort, ambience, and architecture. Price, the monetary value given in exchange for a product or service, often helps establish a good or service and often is used as a competitive tool. This is a key issue in the marketing mix for services because price can be used to imply quality prior to the purchase experience, and is ultimately connected to a customer's perception of product quality, prestige, and image (Ferrel et. al, 1999). Promotion is an organizations effort to inform, persuade, and remind consumers about their service and/or products. Advertising, merchandising, suggestive selling, back-bar signs, window signs, table tents, menu clip-ons or any other method of telling people more about the goods or services provided are types of promotion; publicity and public relations are also included (Laine & Laine, 1972). A key to successful promotion is endorsements from other customers who have had positive experiences. Place is getting a good or service to the prospective or actual consumer and moving goods or services to the right place in the right quantities at the right time (Ferrel et. al, 1999). Service distribution must be developed to provide service in a convenient manner, and located where they are expected to be found (e.g., shoe shine stands in airports and hotels) (Ferrel et. al, 1999). In addition, multiple outlets are often required for service distribution in order to increase customer convenience.

According to Steadman (1991), people do not go to restaurants just to be fed, they can order take out or deliver, if they do not want to cook. Customers at fine dining restaurants want to be made to feel special. Service quality is a critical component of customers' value perceptions that, in turn, become a determinant of customer satisfaction; therefore, customers perceive greater value for their money when they experience a high level of quality (Oh, 2000). Unfortunately, it is difficult to gauge or measure service quantitatively because they are intangible and the end product (the service) is primarily contingent upon the exchange of human action and behavior (Susskind, et. al, 2000).

Hing and Yun (1995) consider the following five dimensions as distinct components of perceived service quality:

♦	*Tangibles*, which pertain to the establishment's physical facilities, equipment and appearance of personnel. Since restaurant patrons do not receive only meals, but also a large component of service, they undoubtedly depend on other cues in the absence of tangible evidence by which to assess service quality.
♦	*Reliability*, which refers to the organizations' ability to perform the promised serve dependably and accurately. In food outlets, this may involve reservations of tables, adherence to customer requests regarding the preparation of menu items and accurate billing.

♦	*Responsiveness,* which refers to the willingness of service providers to help customers and provide prompt service. Perceived service quality may be enhanced if, for example, patrons are assisted with the wine list and menu, or if staff responds appropriately to a customer's request for prompt service.
♦	*Assurance*, which relates to the knowledge and courtesy of employees and their ability to inspire trust and confidence. For example, patrons should be able to trust the recommendations of the sommelier, feel confident that food is free from contamination and be able to voice any concern without fear of insult or recrimination.
♦	*Empathy*, which refers to the caring, individualized attention the firm provides to its customers. This may involve employees providing personalized attention to patrons' needs, perhaps by adhering to special dietary requirements, or by being sympathetic towards customer's problems.

The restaurant business can be pictured as an inverted pyramid. The customers are at the top supported by descending layers of staff, mid-management, top management, and owner. Everybody in the organization has a responsibility to the customer (Steadman, 1991). Research shows that value-not satisfaction-is the key to creating loyal customers (Marney, 1991). Quality, value, and satisfaction were all significant post-purchase predicators that customers would return to and recommend the restaurant (Oh, 2000). According to Oh (2000), value seems to be a powerful indicator of customer's patronage over time. Though past experience and restaurant's reputation may influence restaurant dining and selection decision, the key factor still will be expected and perceived value (Oh, 2000).

Customer perceived value is a good predictor of customer behavior. Customer perceived value sometimes is a better predictor of customer behavior or market outcomes than customer satisfaction (Marney, 2001). Oh (2000) suggests that marketers interpret satisfaction as an instant summary of customer experience, but not as a long-term indicator of repurchase or referral intentions. Marketers need to pay more attention to customers' assessment of value than to their reported quality and satisfaction. Customer value should be a central concept in restaurant marketers' efforts to understand consumer behavior (Oh, 2000).

Customer behavior is the ways in which customers select, use and behave after they have received or purchased goods or services (Morrison, 1996). Dining out is usually a social occasion where the food is not the main point, rather enjoying the company of family, friends or business associates, or just of the wait staff is the primary reason for being there. Customers usually know what kinds of food, service, and ambience they like. However, decisions about eating out at fine dining restaurants are not just routine buying decisions. Eating out at a fine-dining restaurant often involves limited decision-making and in this case customers will go through all five buying process stages-need awareness, information search, evaluation of alternatives, purchase, and post-purchase evaluation-when they make a purchase (Morrison, 1996).

Restaurant customers measure value by considering what they will gain and what they will sacrifice by patronizing a given restaurant. Cost, driving time (i.e., location), convenience, and alternatives among competitor restaurants are factors associated with customer sacrifice (Oh, 2000). Though customers prove to be more willing to travel further for an upscale restaurant, as much as

19 minutes on the average for a weekend dinner (Smith, 2000). Knowing the customers and their desires can lead to repeat business (Spears, 82, 1991).

Some time ago, the astute manager learned that customer satisfaction is essential for the success of any foodservice. Quality food items, impeccable service, low prices, and well-planned menus may all contribute to satisfaction, but it has not been effective unless the customer returns. According to Lewis and Chamberland (1989), making a sale or getting a customer is easier than keeping a customer. If customers are not satisfied, they can usually find another restaurant that will meet their needs (Spears, 1991).

Restaurants who want to attract more customers and meet the needs of customers will need to understand what customers want. Marketing a fine dining restaurant will be more successful if one understands what is important to customers when selecting a fine dining restaurant. Therefore, an exploratory study was conducted to determine what factors are important to customers when selecting a fine dining restaurant for a business occasion and for a leisure occasion.

RESEARCH METHODOLOGY

A self-administered, close-ended questionnaire was designed as an evaluating instrument to determine the importance of specific attributes in selecting a fine dining restaurant. For the purpose of the questionnaire, respondents were told to distinguish fine dining restaurants from other restaurants by its "up-scale" image and clientele, gourmet food and wine, reputation, excellence in service, pride and/or any other quality creating a special dining experience that would be repeated. The questionnaire consisted of 7-point bi-polar type scales (1=not at all important and 7=extremely important) about different attributes. Several factors and attributes affecting restaurant selection were suggested in previous research. The respondents were asked to select a rating of 1 to 7 for each factor of each attribute based on selecting a restaurant for a leisure occasion and again for business occasions. Following this portion of the survey, were a series of demographic questions. The attributes can be classified into the following seven components:

♦	*Service* (e.g., appearance of employees, amenities, knowledgeable to recommend food/wine);
♦	*Product* (e.g., variety of alcoholic beverages, large dessert selection, portion size);
♦	*Location of Restaurant* (e.g., in a prominent hotel, near a place of entertainment) near your home/office);
♦	*Physical Attributes of Restaurant* (e.g., Atmosphere/surround, spacious layout, lighting);
♦	*Promotion* (e.g., discounts for repeat customer, live entertainment, extended hours of operation);
♦	*Price* (e.g., more than $90/person, between $60 to $89/person, less than $30/person);
♦	*Image* (e.g., prestigious/high class, cater to "upscale" clientele).

For data quality purposes, a pilot test was run in a marketing research class on a university campus prior to the main study being conducted, to determine and remove any ambiguity in the questionnaire. Based on this pre-test, it was anticipated that the questionnaire would take between 5- 10 minutes to answer. To ensure consistency, undergraduate students of a marketing research class were given specific guidelines on survey distribution, and were then instructed to get a sample of ten respondents from the region. Respondent participation was completely voluntary and no monetary incentives were presented to the interviewer or interview. In addition, anonymity was guaranteed to all respondents. When the questionnaires were returned the data was coded, entered, and edited in the computer.

DATA AND ANALYSIS

The survey generated 556 usable, which were used for evaluation. The gender make up was almost equal with 55.6% male and 43.7% female. Of these 556 respondents 42.8% earn up to$30,000 a year while the percentages decrease as the income levels increase ($30,000-$60,000 at 27.3%, $60,000-$90,000 at 13.8%, and 12.9% make over $90,000 a year). Over half (59.7%) of the respondents have business or professional occupations, while 24.5% are students. The majority (83.3%) of the representative population is of Anglo-American descent. In addition, over 80% of the respondents have some form of college education; of these 39.4% have some college education while 47.3% have a college degree or more.

The internal consistency reliability method using Cronbach's alpha coefficient was used to assess the reliability of measurement scale for the data gathered from the surveys. The alpha measures how well a set of items or variables measure a single unidimensional latent construct (Cronbach, 1955). When data has a multidimensional structure, Cronbach's alpha will usually be low. Otherwise, the alpha coefficient should be above a 0.70 to be considered reliable (Nunnelly, 1996). Table 1 in the appendix shows the alpha coefficients for combined components of each attribute based on a business occasion and based on a leisure occasion. The components of each attribute were all found to be reliable with Cronbach Alphas exceeding 0.7000, however, price has a low coefficient meaning it has a multidimensional structure or this could also be attributed to the low number of items used to operationalize the constant.

Factor Analysis is often used in exploratory data analysis to study the correlations among a large number of interrelated quantitative variables by grouping the variables into a few components; after grouping, the variables within each factor are more highly correlated with variables in that factor than with variables in other components (SPSS). The information gathered from the survey was analyzed for both, leisure and business, and the results are as follows.

The service attribute remains as a single component for business occasions while two components, employees and facilities, are significant for selection on a leisure occasion. Leisure occasions, again, consider two components, food selection and nutritional information, when looking at the product attribute, while visiting on a business occasion, product is the only component. The business occasion considers location as one component, but for leisure occasions, the location is broken into two components, distance and surroundings. The physical attribute is considered one component for business occasions, but two components, ambience and smoking designation. The promotion attribute remains as one factor for the business occasion while leisure considers it as two components, staff and specials. However, the price attribute is divided into two components on both occasions, costly (above $30) or reasonable (less than $30). Finally, image was considered as one component on both leisure and business occasions.

Paired comparisons were made to determine the significance between the ratings for business versus leisure occasions. The rating for each factor of each attribute is compared for the leisure occasion to the business occasion. Paired samples t-tests were used to test if the means of the two measures differ significantly. The *p* value for t-scores higher than 3.5 will be very small (<0.0005), indicating that a difference of 3.5 departs significantly from 0 (SPSS, 1999). In this particular study, using a 99% confidence interval of difference, *p* values of 0.000 will be deemed significant and *p* values more than 0.000 will not be considered significant. The means of the ratings for each the leisure and business occasions will be reviewed to determine which occasion found the factor more important. (See appendix for p-values and t-scores)

This exploratory study found customers visiting restaurants for leisure occasions have more importance placed on several factors than customers visiting for leisure occasions. When comparing the leisure and business responses for the service attribute, four factors had *p* values equaling 0.00001. Customers visiting for leisure find courteous, responsive, friendly staff that are knowledgeable of the menu items, and are also accurate and attentive to be more important than on a business occasion. Although on business occasions, they find it more important for restaurants to have rooms for specialized functions, seminars, and banquets. The service attribute is the only attribute with a factor of significant importance to visitors of restaurants for business occasions. The remaining seven attributes were found to have factors receiving *p* values of 0.000, but these were identified to only be of more importance for leisure occasions. Respondents found that for leisure occasions: quality of food, variety of alcoholic/non-alcoholic beverages, food selection, and specialty food were important factors of the product attribute. The location of the restaurant in proximity to places of entertainment or shopping malls was of more importance when selecting a restaurant for a leisure occasion. In addition, the physical attribute factors: atmosphere/surrounding, spacious layout, lighting, type of music, and separate smoking areas are again of more importance for leisure occasions. Discounts/ coupons, live entertainment, fixed prices for lunch/dinner, buffet or semi-buffet of specialty food, special promotion, and extended hours of operation are factors of the promotion attribute which are found to be of more importance for restaurant selection in for a leisure occasion. Finally, the only significant attribute for the price attribute is the cost being less than $30; an overall reputation is the important factor for the image attribute.

The rankings of the mean attributes based on mean averages slightly vary for leisure occasions and business occasions. Business occasions rank the attributes of importance in the following order: Service, physical attributes, image, product attributes, location, price, and promotion, while leisure rankings are: service, physical attributes, product attributes, image, promotion, location, and price. The overall factors of importance based upon the means follow in order of importance: quality/flavor and taste of food, courteous, responsive, friendly staff, smoking/non-smoking sections, atmosphere/surrounding-cozy and relaxed, and overall image and reputation. These factors were consistent for each occasion except atmosphere was not as important to customers visiting for a business occasion. The results of this exploratory study are very similar to the Kivela's (1999) findings of the top four choice variables for fine dining/gourmet restaurants of prestige, friendliness of waiting staff, quality of food, and ambience factors.

CONCLUSION AND RECOMMENDATIONS

The results of the exploratory study can be beneficial to restaurateurs in helping determine what is important to customers visiting a restaurant for a business occasion or for a leisure occasion. By recognizing factors of importance, restaurateurs could focus on these factors to attract more customers and cater to their preferences. The following recommendations are made considering the results of the analysis:

♦	The only service factor, restaurants providing rooms for special functions, seminars, and banquets, was significantly important to customers selecting a restaurant for a business occasion. Restaurants seeking business clientele should focus on having areas such as these available for use within their restaurants or in a vicinity where rooms such as these are accessible.
♦	Due to the importance of discounts, special offers, and extended hours, restaurateurs using promotional activities such as these will be more likely to attract customers looking for a restaurant to visit on a leisure occasion. Promotions such as advertising a reputable chef are not much importance for those attending for a leisure occasion; though, reputable resident chef is the most important factor for those attending for a business occasion.
♦	Do not focus too much on pricing, because customers find this to be least important attribute to the restaurant, through prices below $30 are more attractive to customers.
♦	Food quality and food type is the most important factor in selecting a restaurant; therefore, a restaurateur should make food quality their number one priority, with service following.
♦	Spacious layout, lighting, background music, smoking/non-smoking areas, and the atmosphere are significantly important physical attributes.

The researchers recommend that all fine dining restaurants should provide quality food and a courteous, friendly, responsive staff. In addition, if the restaurateur chooses to focus on a business clientele, he/she should have access to rooms and areas where special functions, seminars, and banquets can be held. On the other hand, restaurateurs seeking customers coming in for leisure should provide discounts, buffet, and prices less than $30 a person.

LIMITATIONS AND FUTURE RESEARCH

The exploratory study has determined what factors are more important to customers selecting a fine dining restaurant. This study has shown that customers find some factors more important than others depending on their reason for patronizing a fine dining restaurant. For example, customers seeking a fine dining restaurant for leisure occasions consider service, product, location, physical, promotion, and price attributes to be viewed as two components rather than as a single attribute. Contrarily, customers seeking a fine dining restaurant for business occasions considers all seven attributes a single component except for price.

Limitations of time and funding constraints prevented in-depth research to be completed. Other limitations are the high percentage of Anglo- American respondents and students in the sample, which is not a valid representation of the general population. Distribution of the survey in different cities would provide a more accurate and detailed information, and distribution of the survey at all the fine dining restaurants in a city would be most accurate and provide detailed information since the population would consist of those who do attend fine dining restaurants. This study provides a glance at what a general population deems is important in selecting a fine dining restaurant for leisure occasions and for dining occasions.

Future studies may be performed to determine the same or similar factors of importance to people in the different types of restaurants. This study and others have food quality and food selection as the number one factor of importance in selecting a restaurant, so a study focusing on menu items and food selections for a particular category of food may be beneficial to restaurateurs (Smith, 2000). By reviewing results from this study, restaurateurs can develop a marketing strategy to fulfill the needs and desires of the customers in both segments: leisure and business.

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APPENDIX

TABLE 1

	Leisure		Business		t-score	*p* value
	Mean	Std Dev	Mean	Std Dev		
Service Attributes	**4.76**		**4.58**			
Fast, Efficient, Prompt	5.39	1.62	5.12	2.53	2.031	0.043
Courteous, Responsive, Friendly	6.15	1.37	5.22	2.55	7.625	0.000
Appearance of Employees	5.38	1.41	4.98	2.46	3.350	0.001
Knowledge (able to recommend food/wine)	5.17	1.53	4.72	2.42	3.758	0.000
Accurate/Attentive (pre-empt customer needs)	5.63	1.41	5.01	2.47	5.135	0.000
Personalized (know you by name)	3.37	1.93	3.57	4.07	-1.090	0.276
Special Functions/seminar/banquet room	2.81	1.96	4.13	2.54	-9.994	0.000
Amenities (lounge, bar, etc)	4.11	1.92	3.83	2.40	2.249	0.025
Payment methods (check, credit card, cash, etc)	4.86	1.98	4.67	2.61	1.535	0.125
Product Attributes	**4.45**		**3.90**			
Quality/Flavor and taste of food	6.38	1.28	5.40	2.61	7.797	0.000
Variety of alcoholic beverages	4.28	2.00	3.73	2.46	4.352	0.000
Variety of non- alcoholic beverages	4.20	1.86	3.78	2.37	4.243	0.000
Large dessert selection	3.75	1.81	3.43	2.17	2.906	0.004
Nutritional information specified (calories)	3.63	2.04	3.10	2.25	6.093	0.000
Artistic food presentation	4.14	1.72	4.01	2.34	1.084	0.279
Large selection of food (French, Italian etc)	4.44	1.61	3.98	2.25	4.159	0.000
Specialty food only (French food only)	3.97	1.75	3.55	2.18	3.916	0.000
Portion size (food quantity)	4.99	1.50	4.10	2.25	8.385	0.000
Large sub-selection (Italian-pasts, veal, etc)	4.69	1.53	3.93	2.12	7.141	0.000
Location of Restaurant	**3.72**		**3.29**			
Near your office for business lunch/dinner	4.39	2.50	N/A	N/A	N/A	N/A
Near your home for leisure lunch/dinner	N/A	N/A	4.42	1.81	N/A	N/A
In a prominent hotel	2.70	1.73	2.97	2.21	-2.582	0.010
Easy access to park car or valet parking	4.70	1.83	4.54	2.47	1.332	0.184
In an exclusive club (for members only)	2.71	1.87	2.99	2.32	-2.663	0.008
Near a place of entertainment (theater)	4.20	1.89	2.60	2.08	14.368	0.000
Near a mall/shopping center	3.59	2.02	2.19	1.96	13.987	0.000

TABLE 1 (Continued)						
Physical Attributes of Restaurant	**4.76**		**4.30**			
Atmosphere/Surrounding-cozy and relaxed	5.70	1.40	4.44	2.43	10.197	0.000
Interior decoration-elegant	4.73	1.62	4.59	2.37	1.049	0.295
Exterior decoration-trendy/fancy	4.45	1.59	4.26	3.28	1.200	0.231
Spacious layout	4.64	1.60	4.20	2.29	3.902	0.000
Elegant dishes and silverware	4.31	1.64	4.33	3.36	-0.144	0.885
Lighting	4.78	1.49	4.29	2.29	4.169	0.000
Type of background music	4.73	1.70	4.04	2.34	5.768	0.000
Separate smoking/non-smoking sections	5.82	1.87	4.95	2.68	6.724	0.000
Cloth napkins and tablecloths	4.66	1.81	4.54	2.44	0.874	0.383
Security Service (guard)	3.73	2.01	3.38	2.30	3.237	0.001
Promotion	**4.07**		**3.15**			
Discounts for repeat customers	4.11	2.04	3.27	2.41	7.634	0.000
Coupons/Discounts (lunch specials/happy hour)	4.39	2.00	3.23	2.31	10.300	0.000
Live entertainment (drama, band, fashion show)	3.77	1.90	2.77	2.08	9.673	0.000
Set lunch/dinner at fixed price	3.89	1.83	3.10	2.18	7.669	0.000
Buffet or semi-buffet of specialty food	4.04	2.63	3.05	2.19	7.146	0.000
Special promotions (New Year Dinner)	3.83	1.99	2.70	2.22	10.327	0.000
Reputable resident chef	3.99	1.92	3.74	2.38	2.158	0.031
Extended hours of operation	4.56	3.05	3.30	2.30	7.871	0.000
Price	**3.68**		**3.20**			
More than $90/person	2.83	2.48	2.61	2.48	2.022	0.044
Between $60 to $89/person	3.14	2.39	2.89	2.47	2.052	0.041
Between $30 to $59/person	3.98	2.26	3.55	2.52	3.304	0.001
Less than $30/person	4.78	2.31	3.75	3.96	5.576	0.000
Image	**4.08**		**4.13**			
Prestigious/High class	3.94	1.93	4.30	2.50	-2.773	0.006
Cater to "upscale" clientele	3.81	1.80	4.24	2.44	-3.496	0.001
Name-simple and easy to remember/pronounce	3.74	1.94	3.43	2.30	3.019	0.003
Overall image and reputation	5.25	1.62	4.81	2.46	3.564	0.000
Required dress code	3.68	1.88	3.88	2.44	-1.550	0.122

Table 2

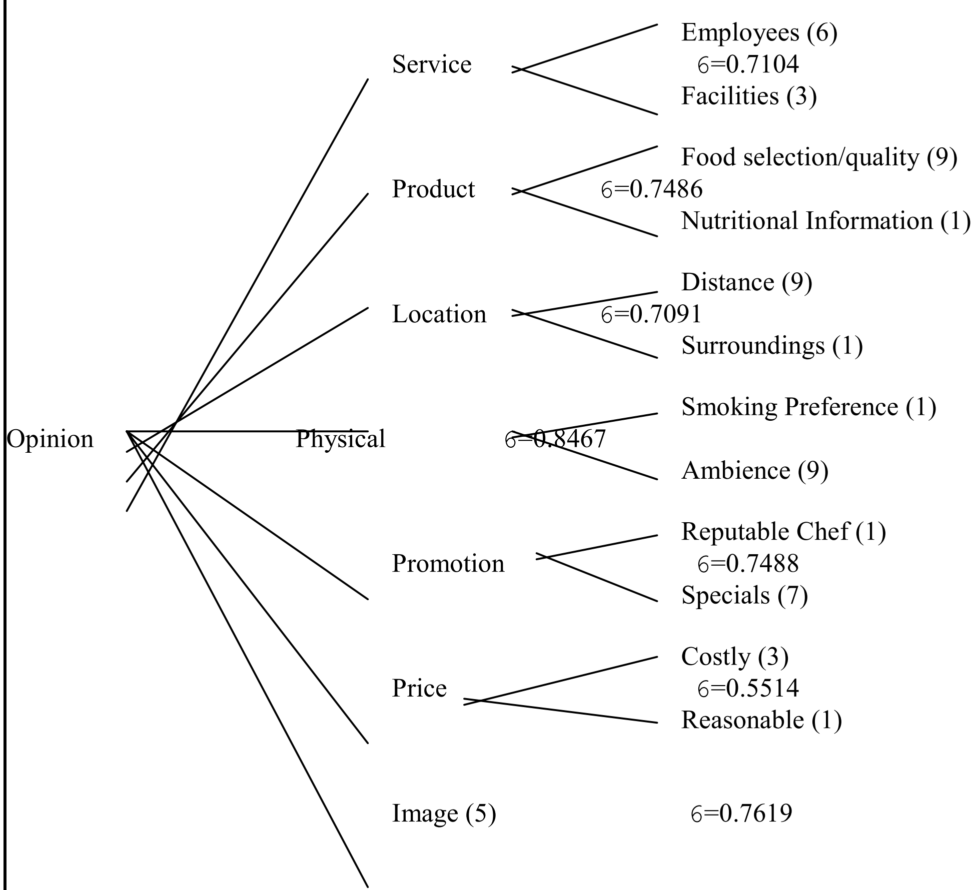
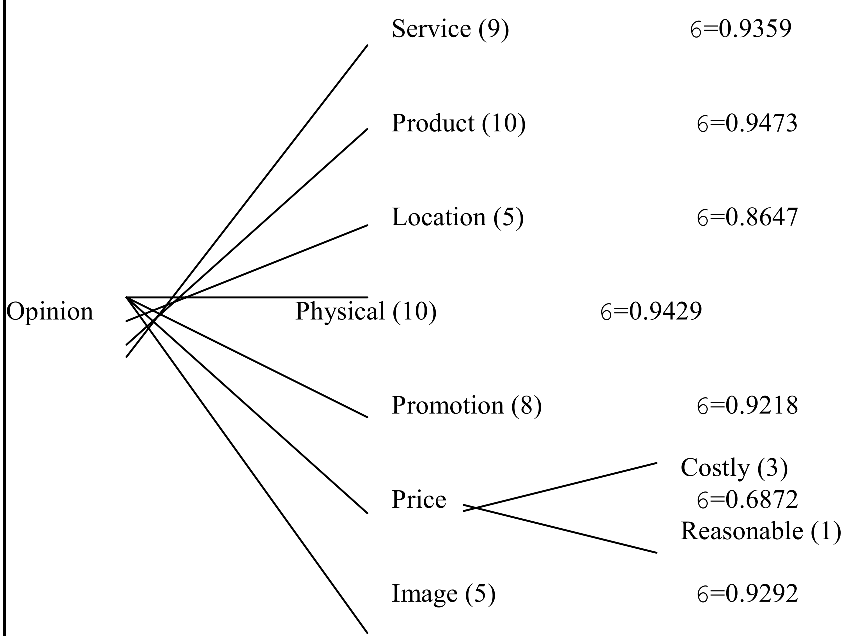

Opinion
Service
Employees (6)
6=0.7104
Facilities (3)
Product
Food selection/quality (9)
6=0.7486
Nutritional Information (1)
Location
Distance (9)
6=0.7091
Surroundings (1)
Physical
Smoking Preference (1)
6=0.8467
Ambience (9)
Promotion
Reputable Chef (1)
6=0.7488
Specials (7)
Price
Costly (3)
6=0.5514
Reasonable (1)
Image (5)
6=0.7619

Table 3



Service (9) 6=0.9359
Product (10) 6=0.9473
Location (5) 6=0.8647
Opinion
Physical (10) 6=0.9429
Promotion (8) 6=0.9218
Price
Costly (3)
6=0.6872
Reasonable (1)
Image (5) 6=0.9292

DEMOGRAPHICS

TABLE 4: Age

Age	Frequency	Percent
<18	0	0
18 to 22	90	16.2
23 to 27	159	28.6
28 to 32	84	15.1
33 to 37	52	9.4
38 to 42	30	5.4
43 to 47	57	10.3
48 to 53	41	7.4
> 53	39	7.0

TABLE 5: Ethnic background

Ethnicity	Frequency	Percent
Anglo-American	463	83.3
African-American	22	4.0
Asian-American	26	4.7
Hispanic-American	15	2.7
Other	26	4.7

TABLE 6: Gender

Gender	Frequency	Percent
Male	309	55.6
Female	243	43.7

TABLE 7: Marital Status		
Status	Frequency	Percent
Never Married (Single)	255	45.9
Married	249	44.8
Divorced/Separated	42	7.6
Other	7	1.3

TABLE 8: Education		
Education	Frequency	Percent
Some High School	2	.4
Completed High School	47	8.5
Vocational/Technical School	11	2.0
Some College	219	39.4
Completed College	178	32.0
Some Graduate School	37	6.7
Completed Graduate School	48	8.6
Other	9	1.6

TABLE 9: Income		
Income	Frequency	Percent
< $15,000	102	18.3
$15,000 to $30,000	136	24.5
$30,001 to $45,000	73	13.1
$45,001 to $60,000	79	14.2
$60,001 to $75,000	39	7.0
$75,001 to $90,000	38	6.8
> $90,000	72	12.9

TABLE 10: Occupation

Occupation	Frequency	Percent
Homemaker	11	2.0
Professional (Doctor, Lawyer, etc)	48	8.6
Upper Management/Executive	58	10.4
Middle Management	84	15.1
Sales/Marketing	90	16.2
Service Worker (Postman, etc)	16	2.9
Tradesman/Machine Operator/Laborer	12	2.2
Retired	11	2.0
Student	136	24.5
Self Employed/Business Owner	52	9.4
Other	34	6.1

CAMPUS STALKER RAPES STUDENTS OF THEIR FINANCIAL DIGNITY: A REVIEW AND STRATEGIC ETHICAL FRAMEWORK FOR CREDIT CARD COMPANY MARKETING PRACTICES

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ABSTRACT

This manuscript identifies the realities and risk factors faced by marketing managers of credit card companies and urges them to consider the role of consumer sovereignty in the design and delivery of ethical marketing programs. The inherent risks of targeting to the college student market are discussed as they relate to legal standards and consumer sovereignty status. A theoretical framework is presented for marketing program risk assessment and a marketing program risk assessment tool is given to help marketing managers see their marketing programs from an ethical and risk minimizing perspective. The premise of this paper revolves around the importance of establishing the nature and degree of consumer sovereignty present in any target market before (re)designing and implementing marketing strategies geared to it. Assessing the level and nature of consumer sovereignty is paramount to the ultimate design and risk minimization of ethical marketing strategies. The risk assessment tool provided may help marketing managers prioritize the type of information to be gleaned from the college student market and in the subsequent provision of appropriately thought out strategies, avoid costly lawsuits and negative publicity in the future.

INTRODUCTION

As Jeff passes by the MBNA Career Center on campus, which is named after the credit card company that he owes several thousand dollars, the irony of his "catch-22" situation is not lost on him, "how can I pay them back when their credit reports are hurting my chances of getting a good job!" It is not surprising that growing numbers of students like Jeff are increasingly using sexual analogies in describing their unforeseen circumstances, denouncing the predatory policies of the credit card industry as a form of "financial rape."

Significantly, the most striking feature of the ongoing furor over predatory marketing to college and high school students has been the adamant refusal of the credit card industry to publicly acknowledge any culpability. (Manning, 1999a)

Profound changes have occurred in the credit card industry since its deregulation in the late 1980s. These changes have been enhanced by the technological advancements of the 1990s, enabling easier access and response to the consumer markets. As a result, with more lenders entering the credit market, the credit card industry has become a very profitable and yet, increasingly competitive environment leading to a saturation of the traditional target markets. The saturation of these traditional target markets has led to identifying the students market, college and high school students, as the last untapped segment which holds promise for sustaining the profitability of credit card issuers.

The competitive arena that credit card issuers have found themselves in, both in the traditional and nontraditional markets, has spurred these marketing reactions: (1) heavily stimulating the uses of cards such as by encouraging cardholders to use them to pay for groceries and other basic necessities; (2) suspending the traditional criteria for cardholders and offering large amounts of easy credit to college students who have no credit experience or familiarity with the credit world; (3) adjusting downward the minimum monthly payments (e.g., 2.0 percent, 2.5 percent); (4) lowering minimum monthly payments and not indicating the consequences of making minimum payments; (5) encouraging college students to apply for and use credit lines that are beyond their ability to pay; (6) offering pre-approved credit cards to students without establishing pre-approval status; (7) offering premiums, discounts, and promotions to sign up for or use a credit card; (8) establishing credit limits that exceed the student's monthly income; (9) approving credit limits without considering how much is owed on currently held cards and its relationship to their monthly income; and (10) not clearly informing the cardholder of the total finance charges if minimum payments are made or a payment is made late (Committee on Banking and Finance and Urban Affairs, 1995).

From the marketing manager's perspective, these strategies are intended to create and keep a customer. Whoever is able to provide students with their first credit card, often remains a loyal provider for an average of 12-15 years (Hultgren, 1998). The first in the pocketbook has a greater chance of remaining in the pocketbook. That creates a competitive edge when dealing with a market that has higher than average lifetime earnings and is beginning a transition period related to their purchasing behaviors (Warwick & Mansfield, 2000).

Marketing managers of leading credit cards companies in America today face what seems to be an almost insurmountable dilemma, balancing the corporate interests (market share and profit) against the interests of customers (trust, honesty, fairness, and satisfaction). In other words, weighing the consumer sovereignty assumption behind truly ethical marketing strategies against the monster profit motive.

This manuscript identifies the realities and risk factors faced by marketing managers of credit card companies and urges them to consider the role of consumer sovereignty in the design and delivery of ethical marketing programs. The inherent risks of targeting to the college student market are discussed as they relate to legal standards and consumer sovereignty status. A theoretical framework is presented for marketing program risk assessment and a marketing program risk assessment tool is given to help marketing managers see their marketing programs from an ethical and risk minimizing perspective. The premise of this paper revolves around the importance of establishing the nature and degree of consumer sovereignty present in any target market before (re)designing and implementing marketing strategies geared to it. Assessing the level and nature of consumer sovereignty is paramount to the ultimate design and risk minimization of ethical marketing strategies. The risk assessment tool provided may help marketing managers prioritize the type of information to be gleaned from the college student market and in the subsequent provision of appropriately thought out strategies, avoid costly lawsuits and negative publicity in the future.

THE TARGETED MARKET-COLLEGE STUDENTS

Traditional consumer markets are saturated, so the need is present to search out new markets. The credit card industry has done just that--the new market, college students. What makes this group such a viable segment? It meets the criteria for forming prospective buyers into segments--size, purchasing power, similar needs, reachability, and responsiveness to marketing (Berkowitz, Kerin, Hartley, & Rudelius, 2000).

In 1998, there were more than 14 million students enrolled in U.S. colleges and universities, with enrollment expected to reach 16 million by 2007 (U.S. Department of Education, 2001); its size is large enough to be potentially profitable. The students market spends billions each year on consumer goods, $60 billion in 1994 (Committee on Banking, Finance and Urban Affairs, 1995) and estimated at more than $90 billion by Campus Concepts, a marketing and advertising firm specializing in colleges (Kessler, 1998). The real strength of this segment is the potential lifetime earnings of students having college degrees and the fact that they are at a stage in their lives that denotes a transition period related to their purchasing behaviors (Warwick & Mansfield, 2000). Because of these factors, adequate purchasing power is present. College students represent a market that has similar needs. These needs focus on college tuition and related expenses, living expenses, and the social demands that must be satisfied (e.g., the needed spring break trip to Europe or Cancun). Estimates for such essential purchases as rent, food, gas, car, insurance, tuition, and books represent $23 billion in spending and the nonessential pizza money, $7 billion (Ring, 1997). Concerning the reachability criterion, campuses provide the optimum locations, the segment is concentrated and captive to the promotional efforts of credit card marketers. Lastly, students within the segment are responsive to marketing efforts. This is evident by the fact that 81.0 percent of college students had their first credit card by the end of their freshman year (Consumer Federation of America, 1999).

While just over a decade ago, few credit card issuers saw this group as a potential customer base; card issuers are now competing intensely for their business. Forty of the top 50 card issuers, and approximately 65 of the top 100 are competing for a presence in their wallets (Ring, 1997). Parents, generally, are not concerned that their students are being targeted. In a national survey, the overwhelming majority of parents thought credit cards offered good benefits to the student. Of the parents who had children under the age of 18 years, 88.0 percent thought that credit cards helped college students establish credit, and 82.0 percent believed that they offered a means to learn about financial responsibility (Newton, 1998).

Various data can be found relating to the ownership and usage of credit cards by college students. Data vary depending on the population, sample, data collection, and study period. A composite is provided by the United States General Accounting Office (GAO) Report to

Congressional Requesters (2001) that compares the data from three major studies that were done in 1998 and 2000. These include Student Monitor (a marketing research firm), The Education Resources Institute and Institute for Higher Education Policy (TERI/IHEP; nonprofit, nonpartisan groups), and the Nellie Mae Corporation (a national provider of higher education loans for students and parents). The Student Monitor and TERI/IHEP studies were based on random, statistically valid samples of larger and broadly defined populations of U.S. college students; the surveys relied on self-reporting. The Nellie Mae study was based on credit reports of students who applied for a certain type of private loan; representing a self-selection bias, but not a self-reporting bias. Collectively, a profile is presented.

Almost two-thirds of college students have at least one credit card in their name (the Nellie Mae study found that percentage to be higher, at 78.0 percent). The majority of this group has only one card, but there are sizable groups that have multiple cards, with three cards being the average number reported in the Nellie Mae study. There is a broad distribution of credit limits with those cards, ranging from limits of $1,000 to $5,000 or more; most had combined limits of less than $3,000. Roughly 10.0 percent were unaware of what their credit limits were. The "don't know" categories indicate the vulnerability of the college student market. The data represents a quantitative measure showing lack of consumer sovereignty, or in other words, showing a marketing manager that there is significant threats posed by consumer sovereignty.

The Student Monitor sample charged an average of $127 a month. Those carrying credit balances (42.0 percent of the sample) had an average debt of $577, and 16.0 percent had a credit card debt of over $1,000. Over three-fourths of the TERI/IHEP sample (who carry a balance) had average monthly balances of $1,000 or less. The Nellie Mae study reported higher debt balances. The average credit card debt was $2,748 and the median card debt was $1,236. Thirteen percent had balances of $3,000 to $7,000 and nine percent had balances of $7,000 or more. The Nellie Mae study found that the average credit card debt was up 46.0 percent from 1998, and other data indicate the average credit card debt among students is up 100.0 percent from 1993 (Hoover, 2001).

Students received their credit cards through a variety of sources. Many came to campus already possessing a credit card (range of 25.0 to 34.0 percent of the students); but generally half of them acquired their first card in their first year of college. Slightly over one-third of the Student Monitor and TERI/IHEP samples acquired their cards through mail solicitations. Almost one-fourth of them received their cards through an on-campus representative (e.g., tabling) or advertisement (e.g., college publication or stuffers in a college bookstore bag).

The majority of college students are deemed as being responsible in their use of credit cards. Credit cards offer resources in case of emergencies, can provide a financial record of spending for students and their parents, provide some financial security or protection because of liability limits for fraudulent or unauthorized charges, and provide interest free use of money until payment is due. Students generally make use of these advantages and are accountable for their credit card usage. They make fewer late payments than the older population. Cardholders between the ages of 35 to 44 years account for the largest proportion of overdue payments, 29.0 percent; while those between the ages of 18 and 24 years account for only 18.0 percent (Newton, 1998).

Though credit cards can provide a learning ground for future short-term and long-term credit for these individuals, what is being learned sometimes can't be classified as being positive learning.

"Is it OK to pay my Visa with my MasterCard?" (Souccar, 1998); referring to a $4,500 Rolex watch, "I had never had debt until I was Miss Smartypants and decided to get that watch." (Schembari, 2000); "It was just ignorance. Even though I had a job I couldn't meet my expenses and pay off the cards. If you fall one month behind, it takes three months to catch up." (Schembari, 2000).

Recognizing the fact that the usage of credit is the responsibility of both the consumer and the creditor, are credit card issuers providing the needed information to the college student market in order for them to make responsible decisions? Does this unsophisticated market represent a cash cow to the credit industry? "It's a dangerous situation when the banks know exactly what they are doing, and students don't have a clue" (Hoover, 2001). The vulnerability of this market provides an ethical dilemma for the marketing manager. What follows will identify the realities and risk factors for the marketing managers of credit card companies to consider in designing, or redesigning, marketing programs to the college market. What should be avoided is consumer response similar to this comment¾"I've learned my lesson, although I certainly never expected to have two educations. One came from school, and the other came from my wallet" (Hoover, 2001).

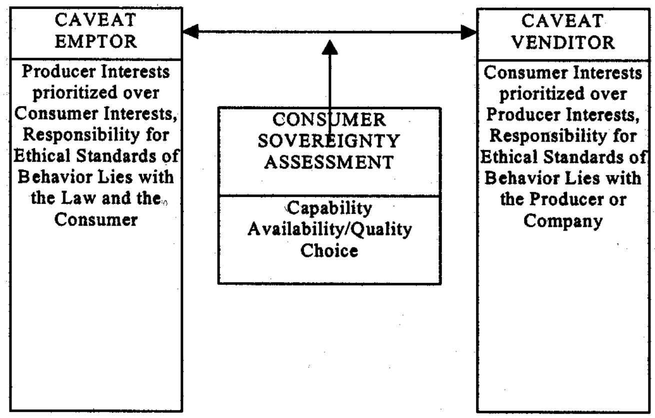
THEORETICAL FRAMEWORK FOR MARKETING PROGRAM RISK ASSESSMENT

Marketing managers whose clear directive has been to penetrate and develop the students credit card market are increasingly faced with ethical hurdles, as the students want the right to use credit cards but are hard-pressed to shoulder the responsibilities required to manage debt loads effectively. As if it weren't enough that the strategic future is belayed with such obstacles, the playing field itself is a literal minefield of explosive lawsuits, bankruptcies, legal standards, university policies, consumer rights activists, and stories of personal tragedy. Marketing managers historically faced with the seemingly opposing balance between the pursuit of corporate interest and consumer interest, have reported feelings of extreme ethical conflict (Chonko & Hunt, 1985).

The source of the conflict is confusion about how to assess whether there is or is not an appropriate and effective balance between producer and consumer interests, and how to know whether marketing practices and programs are ethical. Research on marketing managers and ethics reveals that a foremost question asked is, "How do I know that my marketing strategies are ethical?" (Smith, 1993). The answer to this question lies first in the determination of whether marketing strategies comply with legal standards, and secondly, in the assessment of consumer sovereignty. Consumer sovereignty assessment involves a determination of the vulnerability of the consumers, their ability to assess the availability and quality of information present in the marketplace, and their ability to make educated choices among alternatives in the marketplace (Smith, 1993).

The theoretical framework guiding the development of the marketing program risk assessment tool is presented in Figure 1. The framework shows a continuum between caveat emptor and caveat venditor philosophies on which marketing programs are positioned; appropriate and ethical positioning would be determined by an assessment of consumer sovereignty. A brief description of each theoretical component and a general description of how it relates to the credit card students market follows.

Figure 1
Theoretical Framework for Marketing Program Risk Assessment



The assessment of consumer sovereignty is essentially a tool for managers to determine whether current strategies should remain status quo or should be changed to better prioritize producer or consumer interests. If consumer sovereignty is not present or lacking, then marketing strategies should be changed to accommodate vulnerabilities in the consumer market, provide access to quality information, or facilitate choices and comparison shopping (a movement toward caveat venditor). On the other hand, if consumer sovereignty is present, then current marketing programs may remain (caveat emptor).

Caveat Emptor

Caveat emptor or 'let the buyer beware' philosophy exists among management when the producer's or company's interests are prioritized over those of the consumer. Typically, when caveat emptor philosophies are held by marketing managers, marketing programs are comprised of strategies that (1) fall short of or meet legal standards, (2) minimize expenditures, or (3) are deemed 'ethical' when they meet the letter of the law.

In the credit card industry, many issuers hold a caveat emptor philosophy and prioritize their interests of profit maximization over those in the best interest of the student consumer. This has led to what issuers may call brilliant marketing programs producing heightened profitability, in spite of serious accusations of unethical and irresponsible marketplace behavior. This paper will later discuss credit card marketing programs that reflect a caveat emptor philosophy. These programs are clearly the result of a thorough understanding of the student psyche and are designed to influence, persuade, and modify purchase behaviors through short-term reinforcement while setting the stage for long-term punishment. The realities of the caveat emptor marketplace exist in the power of the corporation to influence consumers and to manipulate consumer response (Galbraith, 1984). The responsibility for ensuring whether ethical standards of behavior are met will ultimately lie with the consumer; as the consumers experience dissatisfaction and unrest in the marketplace, they must let their voices be heard by corporate America in order to improve the standards of ethical behavior in a market based on caveat emptor strategies.

Caveat Venditor

Caveat venditor or 'let the vendor beware' philosophy occurs when a company puts the consumers' best interests over its own desire for profit maximization. This philosophy often is born out of marketing strategies developed in response to (1) a significant threat of legal retaliation or consumer unrest, (2) a strong desire to invest in preventative strategies, or (3) a concerted effort to establish ethical programs by meeting or exceeding consumer needs.

A number of credit card issuers have adopted a caveat venditor philosophy and not only complied with legal standards for the industry, but have gone beyond the letter of the law and made significant investments in educational and supportive training programs and materials for the students market. These other-centered market initiatives, although virtuous by comparison to their caveat emptor counterpart, have somehow fallen short of marketing manager expectations. In spite of valiant financial efforts by credit card marketers to avoid lawsuits and consumer unrest, both still are plentiful in the marketplace. This paper will later discuss credit card marketing programs that reflect a caveat venditor philosophy. These programs run the risk of over-investment in ineffective educational tools because their inherent success is dependent upon a consumer marketplace that wants to be responsible.

Consumer Sovereignty

The consumer sovereignty of a target market exists to various degrees, depending upon the vulnerable nature of the consumer, their ability to assess the availability and quality of information, and their ability to make reasoned choices among competitor providers in the marketplace (Smith, 1993). An ethical obligation of marketing managers is to assess the degree of consumer sovereignty and redress any power imbalance that exists between company and consumer interests. This requires a marketing manager to (1) investigate and assess marketing programs and their effects, (2) legitimately research the marketplace, (3) face marketplace truths, and (4) effectively respond to significant threats caused by deficiencies in consumer sovereignty. Table 1 shows a general framework for assessing consumer sovereignty test developed by Smith (1993). A marketing manager would research the degree to which each consumer sovereignty dimension was present in a target market, use the associated criterion for establishing its adequacy, then interpret any imbalance among the dimensions.

Establishing the degree of consumer satisfaction is a requisite of competitive markets. Kotler's (1988) societal marketing concept centers on the directive that "the organization's task is to determine the needs, wants, and interests of target markets and to deliver the desired satisfactions more effectively and efficiently than competitors in a way that preserves or enhances the consumer's and society's well being" (p. 28). It is the ethical, moral, and strategic responsibility of credit card company marketing managers to assess the degree and quality of consumer sovereignty in the college student market.

TABLE 1	
Marketing Ethics Framework: Consumer Sovereignty Test	
Dimension	Establishing Adequacy
Capability of the consumer.	Vulnerability factors (age, education, income, etc.).
Ability to assess the availability & quality of information available	Sufficient to judge whether expectations of purchase will be fulfilled.
Ability to make choices among provider options.	Level of competition and "switching costs".
Source. Smith, N. C. (1993). The role of ethics in marketing management. In N. C. Smith, & J. A. Quelch (Eds.), *Ethics in Marketing* (pp. 3-9). Boston, MA: Irwin.	

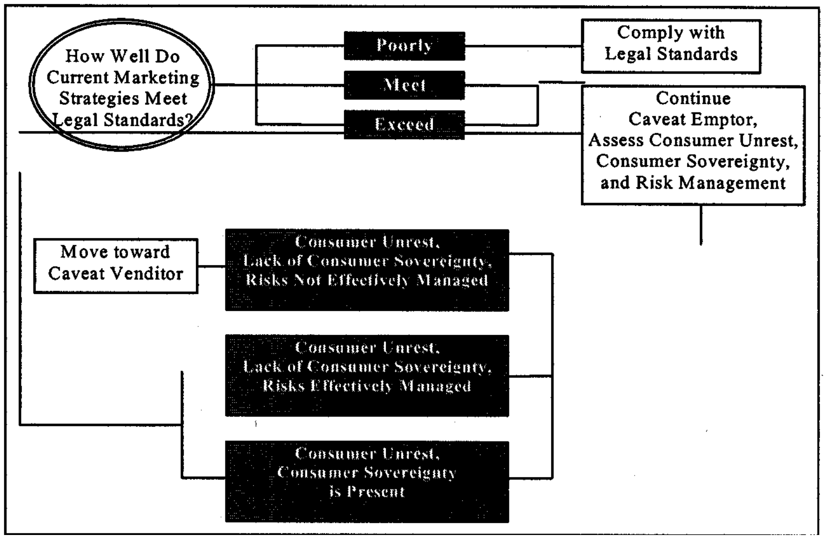
MARKETING PROGRAM RISK ASSESSMENT TOOL

This section presents a marketing program risk assessment tool for use by marketing managers of credit card companies. It is a prescriptive framework for marketing managers to assess marketing program risk. Its purpose is to assist marketing managers in (1) profiling their current marketing programs to the students market, (2) establishing whether programs are deemed ethical as defined by meeting minimum legal standards, (3) assessing the nature and degree of consumer unrest and consumer sovereignty, (4) assessing whether risks posed by consumer unrest or lack of consumer sovereignty are effectively managed, and (5) determining whether current working philosophies and strategies (e.g., caveat emptor or caveat venditor) need to be refocused.

First, the marketing manager should begin by asking how well current marketing strategies meet legal standards. Strategies deficient in this area must be changed to comply with the law. On the other hand, when strategies meet or exceed legal standards (and there is no consumer unrest in the marketplace), the company should proceed with a caveat emptor philosophy but continue to monitor the marketplace for any signs of unrest that may be associated with consumer sovereignty.

The second question revolves around the degree of consumer unrest in the marketplace (even though the marketing strategies meet or may exceed legal standards). When there appears to be a degree of consumer unrest, appropriate market research should be conducted to determine its cause and likely effect. Specifically, investigations should be made into (1) the capability of the consumer target market and its degree of vulnerability, (2) the ability of consumers to assess the availability and quality of information, and (3) the ability of the consumer to make reasoned choices among marketplace alternatives.

Figure 2
Marketing Program Risk Assessment Tool



If research shows that lack of consumer sovereignty in any area is causing a significant threat to the company and/or to the consumer, then the marketing manager must determine whether these risks are being managed effectively. If the company is not managing risks posed effectively, then a philosophical shift towards a caveat venditor position (where consumer interests are more prioritized) should occur. On the other hand, if under similar circumstances the risks are being managed effectively or there are no significant or impending risks, then the company should maintain a caveat emptor philosophy but continue to monitor all of the consumer sovereignty risk factors.

In the sections that follow, each aspect of the marketing program risk assessment tool is applied to credit card marketing programs geared to the college student market. The order of presentation follows the two primary risk assessment questions (see Figure 2), assessment results and their strategic implications.

HOW WELL DO CURRENT MARKETING STRATEGIES MEET LEGAL STANDARDS?

Marketing Strategies Poorly Meet Legal Standards

Competitiveness is not only present amongst credit card issuers in the industry, but is ever present in the industry's legal environment as well. All stakeholders--credit card issuers, college campuses, Congress, state legislatures, parents, and college students--have taken on active roles in trying to either protect or enhance the already existing lucrative credit card market, or to regulate marketing practices that have been deemed predatory and unethical. Some stakeholders are placed firmly on one side of the fence (e.g., parents), while others ride the fence well (e.g., college campuses).

Some of these positions have become battles in the courtroom (see Table 2) and have resulted in important victories for credit cardholders (Hinds, 2001). Cases of this nature do not create positive press for the credit card companies so this is countered with their credit education programs and huge monetary donations to political campaigns and higher education institutions.

TABLE 2

Class Action Cases Setting Legal Precedent

Company	General Claims	Specific Charges	Pay Out
Providian	Deceptive marketing and sales procedures Targeted credit-impaired people	Sales of optional products (coupons, credit protection) marketed deceptively or added to accounts without permission	$105 million
First USA	Unfair late fees	3rd party processor delays in payment postings caused accounts to be wrongly charged	$39 million $45 million total (including administration of the settlement)
Fleet Bank	False advertising & deceptive practices	Increased fixed APR after one month	Pending
Capital One	Illegal fees & failure to disclose policies	Illegal late fees, over the limit fees, failure to disclose policies	$45 million
Chase Manhattan	Unfair deadlines	Early a.m. deadline posting transactions received on due date	$22.2 million & noon deadline (with 1 day leniency)
MBNA America	Deceptive offers	Balance transfer offers were deceptive	$6.4 million

Source. Hinds, S. (2001). Cardholder actions bring relief from unfair practices. Consumer Action News Annual Credit Card Survey 2000-2001. Retrieved January 30, 2002 from http://www.consumer-action.org/Library/English/Newsletter/NL-I-19_EN/NL-I-19_EN.html

It is apparent by many that marketing strategies fall short on providing due care to ensure that students' interests are not harmed by the credit cards offered them. The position of each stakeholder group is evident; and becomes a battle between fueling the caveat emptor marketing environment (e.g., let the buyer beware), establishing a consumer sovereignty position whereby a measure of responsibility is placed with the consumer, and creating a caveat venditor environment that protects the consumer (i.e., the unsophisticated college student consumer) while providing for that consumer's satisfaction.

The federal government's participation/role in investigating the marketing practices employed by credit card companies in targeting these young adults has been sporadic. The hearing on "Kiddie Credit Cards" before the Subcommittee on Consumer Credit and Insurance (1995) and the U.S. General Accounting Office Report to Congressional Requesters, "Consumer Finance: College Students and Credit Cards" (2001) have been notable exceptions. These investigations encompassed data and viewpoints from many perspectives--credit card issuers, college campuses, parents, and college students.

It is difficult to get an Administration and Congress, and college campuses, actively involved in credit card reform when the industry spends millions in support of politicians and the education system. According to the Federal Election Committee, in 2000, $9 million was given in campaign contributions (more than the contributions given by the tobacco industry and twice that of the gun-rights advocates). The largest contributor to President Bush's campaign was MBNA America Bank, one of the two largest distributors of credit cards on college campuses (Hoover, 2001). These dollars also flow to higher education institutions. For example, Penn State has been the beneficiary of millions, resulting in two buildings carrying the MBNA name; and the University of Delaware has the MBNA America Hall building and the MBNA Career Services Center (DiStefano, 2001). Dollars lead to intimidation and with the network of supporters across the country, any real public policy changes are often suppressed.

The recent agenda of the credit card industry, in order to support its profit maximization goal, has been to spend millions of dollars in an attempt to make it more difficult for consumers to declare personal bankruptcy. The Bankruptcy Reform Act that is before Congress would make it easier for credit card issuers to collect on debt (e.g., accounts receivable); debt that is often incurred through the use of high-interest credit cards that were issued to unqualified consumers who had already exceeded reasonable debt limits or high-risk individuals with no source of income. These credit cards are often obtained as a result of high-pressure marketing tactics (Consumer Federation of America, 2001). The proposed bill would support the profit motives of credit card issuers (caveat emptor) and would limit the information on the cost of carrying credit that is provided to consumers, not meeting the standards of consumer sovereignty.

Other recommendations that would protect consumers against unfair credit card practices run the spectrum from requiring on credit card bills a calculation indicating the duration of repayment (without any additional charges from use of the card) if minimum payment is made, elimination of the fee changed when consumers pay off their full balances on time, and prohibiting the mailing of unsolicited credit cards ("Recommendations for Colleges, Students, and Congress," 1998). All of these present strategies in the college credit card market underlie the caveat emptor position while encouraging the cardholder to carry the high-cost, credit card debt.

While major reform has not occurred in this industry, small inroads are being made. The Federal Reserve has made a response to the absence of consumer sovereignty, specifically the inability to assess/compare information due to unstandardized reporting procedures in the industry on critical comparative shopping criteria; with it new mandatory rules that took effect October 1, 2001. These include: (1) APR for purchases must be printed in 18 point font (historically, 12-point font or smaller has been used); (2) additional information to include not only the APR for purchases, but also the rates for cash advances and balance transfers (using a minimum 12-point font), must be included in the "Schumer box" (solicitations in the disclosure table format); (3) disclose penalty rates for late payments in a conspicuous place; and (4) Internet sites must show all rate information and an "accept" button relating to the terms must be clicked before the application is submitted (Sherry, 2001a).

To counter the lack of policy reform at the federal level, many states are proposing or enacting their own legislation in order to determine the effects of credit cards on college students, to educate young adults on personal financial management or to protect them against aggressive solicitation in an environment where they are a captive market. The leading impetus for this movement is pressures felt by legislators from the parents of college students, student groups, and negative media reports about aggressive credit card marketing practices on campus (U.S. General Accounting Office, 2001). The pressure has been broadly felt across the United States, for example, states that proposed or enacted legislation on credit card solicitation at institutions of higher education from 1999 to 2001 included Arkansas, California, Delaware, Hawaii, Kansas, Kentucky, Louisiana, Maryland, Massachusetts, Missouri, New Hampshire, New Jersey, New Mexico, New York, North Carolina, North Dakota, Oklahoma, Pennsylvania, Rhode Island, South Carolina, Tennessee, Virginia, Washington, and West Virginia (U.S. General Accounting Office, 2001).

In spite of an aggressive effort by the states, most proposals are vetoed by the governor, fail to pass the House, are withdrawn from further consideration, held in Joint Committee, or referred to another entity for review and consideration. Few get approved and thus raise the minimum bar for ethical standards in their respective states.

Marketing Strategies Meet Legal Standards

Has the credit card industry become sophisticated loan sharks by preying on the naiveté of inexperienced college students? Manning, a noted researcher of the college student credit card industry, comments, "Students get their first card, and the offer says it's a 4.9 percent APR. Then they get their statement, and it's a 17.9 percent APR, and they see 4.9 percent was only for balance transfers" (Souccar, 1998). Caveat emptor, let the buyer beware, the interests of the credit card issuer (profit maximization) are paramount and override any serving of the customers' interests. The students want the money (students thinking of the cards as a source of income), the card issuers provide the money, and the students take on long-term indebtedness. Profit is maximized for the credit card issuers and students are overwhelmed by their early indebtedness.

The college student market offers great short-term and long-term profit potential. For the short-term, college students have a tendency to pay the minimum balance owed, which often amounts to just paying the interest that has accrued with minimal, if any, monies going to pay off the principal of the debt. Banks consider students their best customers because of that fact (Hoover, 2001). This amounts to a sizable profit as the U.S. Public Interest Research Group found almost 25.0 percent of college students paid their credit card bills late, or only paid the minimum amount due ("Update! Student Credit Card Debt", 1998). Long-term profit potential is also existent when it is realized that about 50.0 percent of college students (based on a MasterCard study) remain loyal to their first card after 15 years (Kessler, 1998), and on average, 12 to 15 years (Hultgren, 1998).

The drop in bad debts and personal bankruptcies has positively impacted the bottom line for credit card issuers. Profits were reported to be at their highest level in 2000 in relation to the last five years; with pre-tax return-on-assets (ROA) at 3.6 percent. This measure of profitability was a 16.0 percent increase over 1999 and 44.0 percent over 1998. Fee income generates a sizable portion of the profits, 28.0 percent in 2000, compared to 24.0 percent in 1999 (Consumer Federation of America, 2001).

Adjusting strategies for fee income, in order to fuel profits, appears to be commonplace in the industry. Prevalent strategies include: (1) increased use of penalty rates either for not adhering to the payment conditions (these can be as high as 25.0 percent) or by exceeding the credit limit (fees as high as $29); (2) increased late fees (66.0 percent increase from 1995 to 1998, averaging $21.82 but as high as $35; or use of a tiered penalty rate structure where the rate increase with each missed payment); (3) shortened grace periods (generally 20 to 25 days from the end of a billing cycle); (4) reduction in any leniency periods related to receiving payment at day/time of due date (tolerance has gone from 15 days to zero tolerance for some cards, resulting in immediate assessment of late fees); and (5) lowered minimum payments (down to 2.0 percent of the outstanding balance) (Consumer Federation of America, 1999; Sherry, 2001b).

Though credit card issuers may meet the legal standards in the industry, the marketing strategies that are employed often become questioned. The questioning is basically a result of different perspectives on how college students are viewed as a market. Credit card issuers want to treat college students as adults, yet they do not hold students to the same standards of meeting eligibility criteria for the acquiring of credit cards. If the college market were treated as part of the adult market, then they would be subject to the same screening and scoring mechanisms (i.e., employment and income) as other adults. From the students' perspective, they too want to be treated as adults but often feel that marketing strategies are aggressive and that they have been "baited" by the freebies that go along with the solicitations or the no-to-limited discussion of the credit card terms and usage.

Part of that baiting also comes through with the high affective appeals used in credit card advertising for this market. The strong emotional appeals to be independent from parents, purchase deserved rewards for oneself, be able to socialize with friends, have all the money one needs, and afford the spring break trip complemented by the introductory low interest rates and the frequent flyer miles, rebates, and cash advance checks, mask the responsible behavior that is necessary for the management of these cards.

The offering of rebates is among the strategies used in solicitations in order to garner that student as a credit cardholder. The promotion is set to provide a " . . .rebate during each billing cycle in which the total payment and credits to your account is less than the previous balance. Translation: To get any cash back, you must keep a balance and pay interest on the balance and on everything you charge next month" ("Just Who is Raking It In?" September 1998, p. 8). If the student reads the fine print, the bottom line would indicate that generally the rebate is nonexistent because high interest charges would most likely offset any rebate, and the rebate would be forfeited if any payments are late. Along with forfeiting the rebate, a $25 late fee is assessed and the interest rate is raised as a form of penalty ("Just Who is Raking It In?" September 1998). Though the information is provided, does the student have the financial understanding to interpret the information and make a responsible decision? Consumer sovereignty is in question.

Credit card issuers' business strategy for leveraging the opportunities presented to them by having this captive audience in optimum locations is to develop partnerships or alliances with the higher education institutions. This results in the caveat emptor philosophy being supported by many universities and the balancing act begins between looking out for their students while keeping both eyes on the bottom line.

Many universities not only permit aggressive credit card marketing on campus, but they also benefit financially from this marketing. Suddenly, it is in their interest for their students to be in debt. Credit card issuers pay institutions for sponsorship of school programs, for support of student activities, for rental of on-campus solicitation tables ($175 to $400 a day), and for exclusive marketing agreements such as college "affinity" credit cards. Approximately four out of every five colleges and universities permit some form of solicitation on campus (Berman, 1998; Souccar, 1998).

In 1999, 30.0 percent of the college students obtained credit cards through channels influenced or controlled by college campuses, compared with 34.0 percent receiving the offer through direct mail. Channels used and their resulting solicitation effect were: on-campus displays ("take one" applications on posters), 20.0 percent; card representatives on campus (through tabling, credit seminars, and special events), 6.0 percent; application included in bookstore purchase bag, 2.0 percent; and college publication advertisements ("Student Credit Cards," 2000).

Relationships between credit card issuers and universities are driven by the profit motive. These relationships thwart any state legislative initiatives to ban credit card solicitors from campuses because state universities and alumni groups like the lucrative agreements. Delaware-based MBNA Corp. is the industry leader in endorsement deals, having exclusive arrangements with over 600 U.S. universities and colleges (DiStefano, 2001).

While donations of up to $25 million for a building provide a major presence on campus, affinity programs provide the opportunity to reach students, as well as alumni of these institutions, and keep a consistent flow of dollars going into the coffers. With the MBNA/university credit card, millions again flow back to the universities. The rate can vary with each institutional agreement, but may typically range from 40 cents to $1 for every $100 charged, or 0.5 to 1.0 percent of the amount charged (DiStefano, 2001; Harris, 1996). The more the cards are used, the more dollars flow back to the respective universities.

Caveat emptor is present in the relationships that most credit card issuers have with universities and colleges. With this present, the basis for ethical conflict is apparent in attempting to balance the interests of credit card issuers and universities with the interest of these credit card customers, college students. Marketing managers need to continually assess for consumer unrest with an attempt to reach a level of consumer sovereignty, while continuing to meet the legal standards in pursuing the caveat emptor philosophy.

Marketing Strategies Exceed Legal Standards

Numerous credit card issuers, college campuses, and consumer advocate groups have made consumer credit education a high priority. Distribution of written materials, presentation of workshops on college campuses, development of advertising campaigns with the message of responsible use of credit cards, and the creation of Web sites for the purpose of educating on the wise use of credit have been some of the efforts made to increase the skill level of college students in order to make them more capable consumers in the choices and use of credit cards. With these endeavors, the parties involved (specifically, credit card issuers and college campuses) believe they are exceeding the legal standards and expectations of the market.

Research has also been conducted with the college market to better understand their attitudes, knowledge, and use of credit cards, and credit card development strategies for this market. College students' knowledge of and attitude towards credit cards (Warwick & Mansfield, 2000); differences in spending habits and credit use of college students (Hayhoe, Leach, Turner, Bruin, & Lawrence, 2000); number of credit cards held by college students based on credit and money attitudes (Hayhoe, Leach, & Turner, 1999); materialism and credit card use by college students (Pinto, Parente, & Palmer, 2000); the ethical implications of marketing credit cards to college students (Lucas, 2001); the relationship between credit card use and compulsive buying among college students, and the implications for consumer policy (Roberts, 1998); the role of parental involvement in the student acquisition of credit cards and the implications for public policy (Palmer, Pinto, & Parente, 2001); and factors important to college students in the selection of credit cards (Kara, Kaynak, & Kucukemiroglu, 1994) represent ongoing research in these areas. These studies have provided insight into determining the knowledge base of this market segment relating to credit cards, their uses and the respective attitudes toward usage, and the development of appropriate credit card marketing strategies based on the importance of factors in credit card selection (e.g., interest rate and type of payment).

Though credit card solicitation is prolific on most campuses across the country, it has been countered with strategies to temper the unrest college students and their parents might feel. A representative overview of these efforts include: American Express offering Optima student cardholders with a toll-free telephone number that provides credit and financial management information (Souccar, 1998); an industry-funded pilot program begun in 2000 on 15 campuses that employs students to educate their peers in money management ("Congratulations, Grads--You're Bankrupt," 2001); Citibank's "Ask Anita" service (an e-mail format) and the related comic strip being part of a comprehensive financial management education program focused on helping college students learn money management skills ("College Students: Boost Your Financial GPA and Take Charge of Your Credit Cards," 2001); Visa U.S.A. touring college campuses presenting information on money management in a game show format and providing budgeting and credit teaching material to universities and junior colleges (Souccar, 1998); and MasterCard International providing guidebooks to parents on teaching their children about credit and developing advertisements that illustrate the consequences of misusing credit (Souccar, 1998).

To further support their commitment to market responsibly to students on college campuses and to encourage the responsible use of credit, several card-issuing financial institutions (American Express, The Associates, Capital One, Citibank, Discover Financial Services, Household Credit Services, MasterCard International, MBNA America, and Visa U.S.A.) have established a "Code of Conduct" for on-campus solicitations. The Code establishes standards for tabling companies and their representatives, requiring signatures of both parties. With a copy kept on file, the credit card companies audit their practices and take appropriate action if the code is breached. The Code specifically states (U. S. General Accounting Office, 2001, p. 69):

♦	*Tabling companies are responsible for ensuring that their representatives comply with these standards.*
♦	*Tabling companies will provide financial education materials supplied by the issuer to students who inquire about credit cards.*
♦	*Students will fill out their own applications; representatives of tabling companies will not tell a student what to put on the application, beyond giving general explanations.*
♦	*Representatives of tabling companies will be respectful of a student's wishes not to fill out an application if the student indicates that he or she is not interested in acquiring a credit card, or if the student walks away from the table. Representatives are strictly prohibited from following students away from the tabling area.*
♦	*Representatives of tabling companies will maintain a professional appearance and manner.*
♦	*Representatives of tabling companies will carry identification and a letter of authorization from the tabling company and/or the credit card company. The letter of authorization should be valid for a specified period of time and should include contact information for the tabling company and the credit card company that the individual is representing.*

All students using credit cards do not end up in positions of indebtedness where the options are seen as long-term payment of the debt, parents stepping in to pay off the bills, securing other consumer loans for payment, filing personal bankruptcy, or for some, suicide. The overwhelming majority of college students use their credit cards responsibly with the help of numerous resources provided by such entities as credit card issuers, college campuses, and consumer advocate groups. With making quality credit information available to the college student market, their capabilities to make responsible financial choices and financial management decisions are enhanced. Consumer unrest is not present in the marketplace (and less likely to occur in the future); marketing managers should continue to pursue the caveat emptor philosophy, with the continual monitoring of the college market response to the marketing strategies practiced.

TO WHAT DEGREE HAS THERE BEEN CONSUMER UNREST, CONSUMER SOVEREIGNTY, AND RISK MANAGEMENT?

Consumer Unrest, Lack of Consumer Sovereignty, Risks Not Effectively Managed

While the marketing strategies of credit card issuers may meet legal standards, their implementation is having devastating effects to the financial and psychological futures of a noticeable portion of the students market. The caveat emptor mentality has given birth to signs of consumer unrest among students, parents, attorneys, universities, issuers, and industry consultants. The signs of unrest are prevalent.

The fastest growing group of bankruptcy filers is under 25 years old. Filings by this group increased 51.0 percent between 1991 and 1999, with a total of 120,000 filings (6.90 percent of all filings) in 2000 ("Credit-Card Debt Pushing Youth into Bankruptcy," 2001; Berman, 1998; Hoover, 2001; U.S. General Accounting Office, 2001). Legal firms such as Prescott and Pearson, a firm handling near 20.0 percent of all Minnesota bankruptcy cases, report that about 1/5 of their clients are in their 20s ("Credit-Card Debt Pushing Youth into Bankruptcy," 2001). Specific investigations into the personal bankruptcies of college students reveal histories of excessive credit card purchases (Souccar, 1998). The majority of young adults who file bankruptcy (70.0 percent) opt for Chapter 7 whenever possible, and attempt to absolve themselves of the debt with minimal penalty ("Credit-Card Debt Pushing Youth into Bankruptcy", 2001). According to Hoover (2001), the first adult act for thousands of young adults may be to declare themselves financial failures. For the majority of college students who are fortunate enough to avoid the imposing threats of bankruptcy, the future may be tenuous at best. Once they enter the job interview phase of their career track, many students with high credit card debts are having trouble getting good jobs because employers are viewing a student's personal credit reports as an indicator of financial astuteness. One interviewee was asked by a major Wall Street Banking firm, "How can we feel comfortable about you managing large sums of our money when you have had such difficulty handling your own credit card debts?" (Manning, 1999). The psychological problems resulting from unsustainable debts can be more severe than the strains posted by financial pressures or threats to future employment. These problems manifest themselves in generalized anxiety, dysfunctional escapist strategies, and suicidal attempts (Consumer Federation of America, 1999).

The Consumer Federation of America (1999) has found that typically students progressively slide into debt as unsecured credit lines are routinely extended and minimum monthly payments are lowered. Frequent flyer miles, rebates, and cash advance checks may encourage the high-affective (and often low-income) college student to expand credit use into daily financial transactions, such as entertainment, gasoline purchases, and food away from home (Hayhoe, Leach, Turner, Bruin, & Lawrence, 2000). On target credit card campaigns positioned to the student market revolve around appeals to emotional desires (the desire to pamper oneself, acquire a desired standard of living, travel to foreign countries, and entertain). Joined with the ease of unsecured credit access, this is really staggering, when you consider most college students have just a part-time job (Berman, 1998).

Fueled by the emotional engine, students have brought their financial naiveté into a sophisticated financial arena where prowess pays. Debt counselors observe a similarity between marketing credit cards to students and "hawking cigarettes to minors", saying the similarities are uncanny and protectionist strategies should be implemented (Souccar, 1998). Critics charge that card companies are offering millions of dollars in credit without showing students how to use it responsibly, causing consumer unrest.

The degree to which consumer sovereignty exists in the students market has come under scrutiny by parents. One parent highlights the vulnerability of college students and their inability to comprehend the scope and risk of their own behaviors; "I believe in the right of business to make a profit, but it appears that the credit card industry that I have come in contact with has become the sophisticated loan sharks for the middle class by preying on the naiveté of inexperienced college students, they are taking advantage of the trust their professionalism has given them. We do not hand out driver's licenses and then hope some day that a student will learn to drive, why dish out unsecured credit, and then hope students can handle it?" (Committee on Banking, Finance, and Urban Affairs, 1995).

To allow students access to unsecured credit cards before screening them and addressing threats posed by lack of consumer sovereignty is financial homicide; issuers who do not establish for adequate controls in the marketplace are being brought to justice through legal recourse (see Table 2) and student bankruptcy rates are increasing.

Some university officials have recognized that mounting credit card debt is taking its toll, as students with unsustainable debt loads are forced to cut course loads or drop out of school to increase work hours and pay off debt. Students themselves have blamed card debts for their defaults on tuition payments (Souccar, 1998). Students see themselves as victims. In fact, in 1998 the University of Indiana reported that it lost more students to credit card debt than to academic failure (Credit Union National Association Inc, 1999). Responses from universities range from establishing limited policies to guide credit card soliciting on campus to banning solicitation from campus entirely. A number of colleges (e.g., John Jay College of Criminal Justice in New York, Widener Universities' Chester, PA campus, Boston college, and Northeastern University) banned card solicitors, saying indebtedness was causing students to drop out (Schembari, 2000; Souccar, 1998). University bookstores have also agreed to stop putting card advertisements in checkout bags or have only allowed card stuffers from companies like American Express which do not allow students to carry revolving balances (Souccar, 1998). Responses such as these have compelled some state legislators to introduce bills that curb on-campus soliciting (Berman, 1998). Unfortunately, most university administrators and credit card promoters refuse or are not empowered to acknowledge their roles in these outcomes. Instead, the corporate mantra of individual responsibility and caveat emptor is invoked (Manning, 1999)

There is admission within the industry itself that consumer sovereignty risks are not being managed effectively. Some marketing managers have questioned whether they should be profiting from the potential lack of consumer sovereignty in the students market; and responded by proactively monitoring student accounts for unusual patterns of activity and encouraging faster payoff and less interest accrual by raising minimum monthly payments. AT&T, for instance, has begun to monitor student accounts for unusual patterns of purchase or payment activity, and raised their minimum monthly payment from 2.2 percent to 2.5 percent (Committee on Banking, Finance, and Urban Affairs, 1995).

Robert Bugai, a campus marketing program consultant and President of College Marketing Intelligence of North Arlington, N.J., is critical of credit card marketing programs because the barriers to entry for becoming a student credit card holder are almost entirely removed to the point that a student can sign up for a card with no prescreening or pre-approval process; no knowledge of annual percentage rates, minimum payments, and other concepts. The working assumption behind most college marketing program initiatives is that college students for the most part are financially illiterate (Souccar, 1998).

Evidence and suspicions abound against the credit card industry and its marketing practices to the students market. It is clear that unrest is ever present among students and stakeholders. When consumer unrest has been identified as a significant force in the marketplace and consumer sovereignty dimensions are deficient, then marketing managers must make a philosophical shift towards a more ethical caveat venditor philosophy wherein consumer interests and sovereignty are prioritized to a greater degree so the power balance between producer and consumer interests is less suspect, even at the expense of profit maximization.

Consumer Unrest, Lack of Consumer Sovereignty, Risks Effectively Managed

To help stave off criticism and negative press about marketing to the students market, a number of leading issuers feel they are managing risk effectively by having turned to aggressive educational training support programs and key strategic alliances.

MasterCard International has spent an undisclosed amount on a campaign featuring credit-education ads (which discuss the pitfalls of misusing credit) on MTV and in popular youth magazines such as Rolling Stone, Spin, Wired, and an interactive Web site (www.Creditalk.com), allowing students to manipulate financial charts and budget expenses (Berman, 1998; "Doing Something about the Problem", 1997). MasterCard's Consumer Education Program partners with national college student leaders to offer an educational (not sales-oriented) "Are You Credit Wise" campus-wide program, which provides money management information to college freshmen; including budgeting, bill payment, responsible use of payment cards and the importance of building a credit history. MasterCard also allied with College Parents of America (CPA), the leading advocacy organization for parents and college students, to offer an educational program called 'Money Talks'. Brochures provide advice to parents on how to talk to their college-aged students about personal finances. MasterCard Consumer Education Programs also include: (1) "Be E-Wise", an educational brochure developed with the National Consumers League (NCL) on how to conduct online transactions safely, (2) "Kids, Cash, Plastic and You", a consumer education magazine developed with the U.S. Office of Consumer Affairs to help parents teach children about money management, (3) League of United Latin American Citizens (LULAC), a Latino consumer education program on money management, (4) "MasterCard University" where online consumers get basic financial information and budgeting help, and (5) "Master Your Future" video and curriculum guide for high school teachers to integrate into their lesson plans (MasterCard International Press Office, 2002).

Visa also has a media campaign aimed at teaching college students how to use credit wisely. Visa sends out educational kits to freshman orientation leaders at over 4,000 colleges, along with advice on how students should select credit lines. Visa has toured over 30 campuses in the U.S. with a glitzy game show designed to teach students how to manage money in a fun atmosphere. Finally, they sent out teaching materials on budgeting and credit to over 4000 universities and junior colleges with the intent of supporting an educational program to be taught during freshman orientation, resulting in over 70.0 percent participation rate (Souccar, 1998). American Express also has an interactive Web site for students and hands out educational materials with applications, and students must sign special "clear language" statements saying they understand the terms ("Doing Something about the Problem", 1997; Souccar, 1998). Citibank and First USA tie some of their product pitches to informal credit-education seminars typically held in dorms and fraternity houses (Berman, 1998). Private companies are also on the scene. Philadelphia-based Campus Dimensions annually blankets over 1,000 schools nationwide using up to 20,000 exhibits to feature information for clients such as AT&T Universal Card, MasterCard, Sunoco, and Unocal (Berman, 1998).

Bank card associations are also pouring money into promotions, brochures, and even entertainment events to encourage smart use of credit among the students market (Souccar, 1998). Launched in early 1998, www.studentcreditcard.com offers ongoing finance and credit education by offering practical advice on maintaining a good credit record, managing money responsibly and creating a personal budget. The site also builds loyalty and retention by giving college students special values while enabling electronic processing of credit card applications ("Student Credit Card Web Site Recognized with Four Awards", 1999). Non profit organizations such as the Consumer Credit Counseling Service of Southern New England, conduct freshmen budgeting information sessions each summer; offer 40 different programs for students throughout the state each year (Healy, 2001).

Lenders claim that programs and initiatives such as these, geared to the college market promote financial responsibility among students and should be supported by university officials. The industry gives public assurance that they themselves are responsible. "We review all applicants carefully, and make great effort to help college students use their credit wisely," said Darrell Colemen, marketing manager for Wells Fargo Card Services, "We want to build long-term relationships with new customers" (Berman, 1998). Long-term relationships are also being sought with colleges and universities, some of which are beginning to view this issue as a component of higher education.

In spite of these initiatives, true success seems to be still out of reach. Survey results of 1260 undergraduate students across 15 campuses show that only 59.0 percent of all students found credit card education materials "not helpful"; over 26.0 percent found introductory "teaser rates" misleading; and when asked how long it would take to pay off a $1,000 credit card debt at an 18.0 percent APR and making only minimum payments, 80.0 percent of students didn't know ("Survey Finds Credit Card Industry Targets Students", 1998). Schnurman (1999) states that student consumers are less knowledgeable about personal finance and more impulsive in their spending than traditional adult markets. Furthermore, consumer credit counselors report a 10.0 percent increase in walk-ins from college students looking for help to manage their way out of a financially threatening situation (Committee on Banking, Finance and Urban Affairs, 1995).

The presence of student credit counseling services and stop-gap aid from parents have buffered the effects of the debt squeeze on the student market and possibly clouded its accurate assessment by marketing managers, an example of a problem situation that has been buffered would be the relatively lower default rates for students as opposed to other demographic segments (Weinstein, 1998). Lenders may be choosing to see the proverbial glass half full of responsible and paying customers who access and empower themselves with the educational opportunities provided. This may lead to an overgeneralization and invalid conclusion that the majority of student credit card holders are responsible citizens. An understandable mistake because "If you're going to be at a credit seminar, you're going to be more responsible in the first place," says Larry Chiang, founder of $11 million United College Marketing Services, which collects up to $25 for every application its seminars bring in for a sponsoring bank (Berman, 1998).

Although leaders in the industry have identified consumer unrest, some marketing managers believe that consumer sovereignty issues have been adequately addressed by current marketing strategies and that any significant risks posed by lack of consumer sovereignty are being effectively managed. These companies will continue with a caveat emptor mindset but should continue to monitor the degree of consumer unrest, threats from lack of consumer sovereignty, and the effectiveness by which risks are being managed. Their marketing efforts will likely remain aggressive on and off college campuses, whether support from university officials exists or not. After being expelled from a New York University school building, one issuer was still so adamant that consumer sovereignty existed in the college market (and any ethical dilemmas mentioned by the university officials were fictions of their imagination), that it simply set up tables on nearby public sidewalks.

Consumer Unrest, Consumer Sovereignty is Present

Once consumer unrest and consumer sovereignty have been legitimately researched, a company may find that its targeted market possesses adequate sovereignty, is not vulnerable and can effectively assess availability and quality of information when making choices in the marketplace. Proponents in the credit card industry have argued that college students fall into this category, do have a clear sense of financial responsibility, are cautious in using credit cards, and are merely a participant in a society that has embraced a culture of debt (Hoover, 2001; Newton, 1998). The U.S. Government released a GAO Report (July 17, 2001) that provided ample evidence that the marketing, underwriting and servicing of credit cards to college students is being conducted in a responsible manner by credit card issuers. It shows that card issuers, students, college administrators and college alumni are all involved in the process of marketing credit cards to college students, and are supporting educational initiatives as well.

If consumer sovereignty is indeed adequately present in the consumer's market then strict arbitration clauses that hinder a student's right to sue their credit card company and federal government mandates that student loans cannot be discharged in a bankruptcy action (Blair, 1997), should not cause concern. For if the student consumers are sovereign, then as they express their freedoms in the financial community to use their credit cards, they should be held to the same accountability as any other adult consumer. Marketing managers who know that there is some unrest in the student markets but have convincing evidence that consumer sovereignty is present should continue with caveat emptor strategies while continually monitoring consumer unrest, potential risk posed by consumer sovereignty factors, and manage the existing unrest as effectively as possible. Keeping in mind that there are inherent powers held by credit card companies and leveraged against student consumers; and that the exercise of these powers are used within the social conditioning of a credit-laden and debt-accepting culture (Galbraith, 1984). In other words, unethical practices may go unnoticed because even if they are causing financial hardships on students, our cultural tolerance for financial hardships has increased along with our debt loads.

FUTURE TRENDS

Colleges and lenders are increasingly working together to provide financial management education via curriculum enhancements throughout the student's college career (Healy, 2001). Ending credit card solicitation by issuing banks on campus does not appear to be a solution that will develop consumer sovereignty since there are multiple sources where students may acquire credit card applications, as well as it does nothing to educate further the student on the basic principles of using credit (Warwick & Mansfield, 2000). Consolidated Credit Counseling Services, Inc. (CCCS), points out that 80.0 percent of colleges and universities permit some form of on campus credit card solicitation, and nearly 80.0 percent of full-time undergraduates have credit cards (Consumer Federation of America, 1999).

Some issuers are agreeing to take a more conservative lending approach to students; putting lower borrowing caps on accounts, instituting stricter re-issue rules, and limiting the number of credit cards issued to students. In practice, credit limits must be based on the applicant's present income, not on their potential to earn (Consumer Federation of America, 1999). Limits could be set on the total revolving credit extended to individual students (certainly to no more than 20.0 percent of their incomes unless parents co-sign for the debt). College ethics codes should prohibit administrators from accepting subsidies from issuers, should severely restrict credit card marketing on campus, and insist that the quid pro quo for marketing is effective financial education for cardholders, especially during freshman orientation (Consumer Federation of America, 1999).

Congress and issuers could form an alliance and phase in an increase in the minimum payment allowed from 2.0-3.0 percent to 4.0 percent. Historically, the decline in the typical minimum payment to 2.0-3.0 percent (resulting in more revolving credit and higher interest payments) has been responsible for much of the rise in consumer bankruptcies through the past decade. The low minimum payment barely covers interest obligations, convinces many borrowers that they are okay as long as they can meet all their minimum payment obligations. But those that cannot afford to make these payments carry so much debt that bankruptcy is usually the only viable option (Consumer Federation of America, 2001). Government could consider regulating the issuance of cards to children under the age of 21 (Consumer Federation of America, 1999). Congress could pass legislation permitting only those minors with parental approval or sufficient income to obtain credit cards. In a national opinion survey conducted by Opinion Research Corporation International in April, 79.0 percent of those between the ages of 18 and 24 supported such a restriction (Consumer Federation of America, 1999).

Recommendations for parents of college students include (1) Educating students about credit cards. According to CCCS, 44.0 percent of students understand the word "budget", 34.0 percent comprehend the concept of buying on credit, and a mere 8.0 percent have a knowledge of compound interest. They don't grasp the often-expensive issues of grace periods, late payments, finance charges, and minimum payments. Students also need to learn about the importance of building and keeping a good credit history since it affects their chances of getting future loans and even their ability to find a job. (2) Teach students to keep just one card. Even if the credit limit for a newly issued card is $500, a student with a handful of cards can run up a lot of debt in a hurry. Credit limits tend to climb depending on age and credit history, so the student might be smart to ask for a low credit limit initially and keep it there. (3) Teach students to watch out for teaser rates. Select a card based on its full rate, not a teaser one. Some cards for college students offer rates around 8.0 percent, but jump to 16.0-17.0 percent within a few months. Also look for cards with low or no annual fees as well as reasonable late-payment, grace period, and billing policies. (4) Help students practice, start students out with a debit card. (5) Don't co-sign their card, parents will be legally responsible for paying the debt, late fees, and could hurt their own credit (O'Connell, 1994). (6) Encourage students to keep it paid off or pay more than the minimums and to request a lower interest rate after establishing a good payment history. Be sure they understand the high cost of making only the minimum payment, which will run up the interest charges over time. ("Are College Students Ready for Credit Cards?" 2000).

Students need to limit their spending; they need to think about the long-term consequences of how they use credit; they need to realize the value of delayed gratification (Consumer Federation of America, 1999).

CONCLUSION

Marketing managers of credit card companies face what seem to be almost insurmountable realities and risk factors when marketing to college students. Most of the large research studies that comprise this field of study use generally sound methodologies but have some generalization limitations. For example, the TERI/IHEP and Student Monitor studies relied on self-reporting and were subject to non-response from sampled students, and the Nellie Mae study covered only a small pool of students who were trying to get a particular type of loan. But in spite of these limitations, their results are fairly consistent. Not only are signs of consumer unrest noticeably present, but there is significant unrest among other stakeholders such as parents, educational institutions, state legislators, and consumer activist groups. There is no way for a marketing manager to turn a blind eye to these dynamics. Sentiment is strong and accusations that consumer sovereignty does not exist to the degree it should are resounding loudly.

> *It is unconscionable for marketing programs of credit card issuers to take advantage of a college student's youth and inexperience. They are ignoring their own sound banking practices by changing the rules just to benefit themselves. Banks cannot state in their contract that falsely representing one's credit worthiness is a crime and them turn around and give credit to one who is not creditworthy when it suits their own financial benefit. As professionals with the public trust, they have the responsibility not to ignore their own rules (Committee on Banking, Finance and Urban Affairs, 1995).*

In a highly competitive arena where the strongest form of advertising is well accepted to be 'word of mouth', these voices are risks that must be effectively managed through ethical marketing strategies that balance well the power and interests of producer and consumer.

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VOLUME 6 NUMBER 2
MANUSCRIPTS

CUSTOMER SATISFACTION RELATED COMPETENCE DEVELOPMENT

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ABSTRACT

This paper examines customer satisfaction related competence development especially from the perspective of personnel training. A theoretical framework for customer satisfaction related competence development consisting of three major areas is described. The areas covered in the framework are strategy & structure, customer focus, and service & quality. The framework is validated empirically. The paper describes alternative methods to evaluate personnel training. Also, it was studied what kind of evaluation methods firms are using to evaluate the implemented personnel training. The empirical results indicate that feedback from customers, productivity figures, supervisory observation, and customer satisfaction studies are the most often used evaluation methods for personnel training.

INTRODUCTION

It has become an economic necessity for companies to keep their current customers satisfied, while attracting new customers costs more than keeping the old ones. According to Miller (1994) customer satisfaction is the only acceptable measure of future corporate performance. Customer satisfaction is a function of customer expectations and perceptions of the services (Bateson, 1991). Customer expectations have a major impact on customer satisfaction. Stauss and Mang (1999) imply that customers who have clear expectations of the service performance react strongly in cases where the service performance deviates from their expectations. Therefore, customer expectations should be influenced through communication. High level of customer satisfaction is widely believed to be a good indicator describing company's profitable operations in the future (Kotler, 1991). Failing to meet customers' expectations is more likely to have a negative effect on customers repurchase intentions, which decreases the marketing profitability (Anderson & Sullivan, 1993). However, satisfying customers is not enough to retain them, and being able to retain its customers is crucial for a company (Deming, 1988). The advocacy of customer focus in different kind of organizations, to improve customer satisfaction and business performance, is widespread. However, practical guidance on building and maintaining customer focus is relatively rare (Piercy, 1995).

However, if customer satisfaction is seen as an important corporate level objective then how could it be improved? Training is a viable method to build and maintain a customer focus and to keep the current customer base. According to Ferketish and Hayden (1992) the human resource development (HRD) challenge for the future is to assure a continuous improvement culture by keeping the system aligned with continuous improvement strategies. A learning culture provides managers with the information and analyses necessary to modify their organizations to satisfy both internal and external stakeholders (Harvey et al., 1998). It is evident that there are no easy tricks that make the company's customer base satisfied overnight. Like all continuous improvement programs, also customer satisfaction improvement programs are based on continuity. In customer relationship perspective this means that a satisfied customer is more likely to be loyal and make further purchases. Therefore the long-term profitability of satisfied customers becomes the key for profitable operations overall. Customer satisfaction improvement programs can be seen to consist of following phases: (1) understanding the importance of satisfied customer base and linking this understanding with company's strategy, (2) allocating development resources to achieve improved level of customer satisfaction, and (3) controlling the improvement process by measurements. According to Fojt (1995) the customer-based metrics are the key to high-performance organizations.

Satisfied customers are a prerequisite for future corporate success. Even though the company would be oriented to satisfy the needs of its customers, it also has to meet the market's product and/or service needs. In case company's sales people are able to meet the expectations of their clients the company can expect them to be loyal making also future purchases from the same company. High quality customer service improves customer satisfaction. However, companies tend to be either product or transaction focused in terms of service quality (Grönroos, 1982). A product transaction-focused company defines service quality as "accuracy and efficiency in completing the transaction" while a customer-focused company defines service quality as "meet the customer's expectations". It is seen that customer service training is based on the assumption that changing the organization's service culture by empowering employees to better serve the customer through personal enrichment training. This kind of training helps people review their personal effectiveness and rekindle belief is that people who feel better about themselves, and who have clearer perspective on life goals, personal skills, and rewards will have more creative energy to put in the job (Albrecht & Zemke, 1985). It can be seen that gaining and holding a loyal customer base is a key challenge for any company. Therefore, training efforts should be directed to improve customer-service quality, customer satisfaction, and customer loyalty (Stum & Church, 1990). It is important that while planning personnel training interventions limited financial and training resources are allocated so that corporate objectives are met. In case the customer satisfaction is seen as the key to future corporate success as Müller (1991) indicates, more emphasis should be put on allocating training resources to improve customer satisfaction through personnel training.

People and knowledge are the fundamental sources of a company's competitive advantage (Kaufman, 1999). Training and development is playing an important and strategic role in the economic success of organizations (Tannenbaum & Yukl, 1992; Marquardt, 1999). According to Carnavale (1995) firms have increased their investments in personnel training in order to stay competitive. Also in the future organizations will depend on well-trained employees who can perform complex tasks and successfully operate in the global environment (Marquardt et al., 2000). Day (1994) has emphasized the importance of marketing capabilities and their contribution to commercial success. He considers marketing capabilities as the integrative processes by which skills and knowledge are combined with tangible resources to transform marketing inputs to outputs. Training and development activities can be used to reinforce certain behaviors and attitudes which contribute effective service (Garavan, 1997).

Firms realize more than ever that employee knowledge gained through training and development has become a strategic necessity and more and more source of strategic advantage

(Drucker, 1994). When it comes to allocating development resources in order to improve company's competence to take better care of its customers, personnel training gets an emphasized role. It is seen that competence development activities can make an important contribution toward improving customer focus in a company. While more organizations become convinced that customer focus leads to the competitive edge, finding, developing and training high skilled people who are able to take care of company's customers becomes a more critical task towards success (Zemke, 1986). Also, the personnel's support to organizational improvement processes seems to be positively effected by company's customer focus as a driving force for improvement (Crosby et al., 1994).

According to O'Driscoll et al. (2000) it is important to examine how learning, training and development in the organization are a part of its strategy and contribute to competence development. They define competence as a skill, expertise or capability that an organization or its members possess of relevance to the management and development of the organization. This definition is rather similar to the definition of Nordhaug and Grønhaug (1994) who define competence as work-related knowledge, skills and abilities. Also, in operational terms competence can be defined as the degree which the company or its subunits can reliably meet or exceed objectives (McGrath et al., 1995). The key to learning organizations is not to focus on what the organization knows, but rather on how the organization learns (McGill et al., 1992). Shared interpretation of learning occurs when information is used to gain consensus on the meaning of new data or situations (Day, 1994). The process of learning can be seen to consist of three phases: information acquisition, analysis, and dissemination (Sinkula, 1994; Slater & Narver, 1995; Nevis et al., 1995). In order to promote learning the organizations must encourage unlearning (Schein, 1993). There are various alternative sourcing methods for required competence: training programs, on the job training, recruitment, organizational development, co-operation with universities, partnerships, consultants, acquisition of companies, outsourcing etc. (Baladi, 1999). Teece et al. (1997) argue that distinctive competences and capabilities must be built while they generally cannot be acquired due to imperfect factor markets and the non-tradability of intangible assets like culture, values, and organizational experience. The training effort should not be concentrated only to the front-line personnel who have the most contacts with customers. It is probable that customers do have interaction also with other personnel, and therefore also they should be concerned about taking care of customer needs. Training related to the customer-service awareness is one of the foundation blocks helping employees to focus on doing the right things in a right way. Excellent service providers put large amount of effort to service professionalism, which is largely based on committed training (King Taylor, 1992).

This paper concentrates on covering customer satisfaction related competence development especially from the perspective of personnel training. The research problem in this particular paper is threefold: (1) to validate the conceptual framework for this paper, and (2) to study whether different kinds of companies see customer satisfaction improvement through personnel training in a similar way, (3) to study what kind of evaluation methods firms are using to evaluate the implemented personnel training. The discussion above does not differentiate whether customer satisfaction improvement would be dependent on the size or industrial orientation of the company. Hence, it is hypothesized that company's size or its industrial orientation do not have an effect on the importance of the factors how company's customer satisfaction can be improved through personnel training. The discussion around customer satisfaction is divided in this paper into three topics: (1) Strategy and support, (2) Customer focus, and (3) Service and quality. This particular division is used while it is seen to cover the whole topic of customer satisfaction related competence development through personnel training.

Strategy & support - Company's activities should follow the corporate strategy, this is the case also with personnel training within a company. Training interventions that are loosely linked with corporate strategy are not about to bring optimal results. Also, company's management has an important role on supporting the chosen activities. It is difficult to imagine that a large training intervention for customer satisfaction improvement that takes both time and financial resources would be successful without top management's support. From a customer's subjective point of view the customer satisfaction is important. Customer satisfaction is an external concept from the company while customer focus reflects the company's internal attitude towards customers as well as the interaction between the company and its customers.

The basis for personnel training in every organization is to improve personnel's skills and knowledge to reach organizational objectives. Organizational objectives both long and short term should be based on the overall strategy. Therefore also training should be integrated with the corporate strategy (Catalanello & Redding, 1989 and Cocheu, 1992). Many companies invest in personnel training. However, it may prove to be difficult to quantify the immediate results caused by training. Therefore it is often close to impossible to calculate "return on training investment", while there are also other factors effecting simultaneously (Gaines Robinson & Robinson, 1989). In case integration with the organizational objectives can be made, training programs can be seen as an investment to improve personnel's skills and knowledge. The management's commitment to training on customer satisfaction is very important for the training to be successful (Whiteley, 1991).

Customer focus - Customer focus is a necessity for long-term customer relationships and customer satisfaction. The customer satisfaction is closely linked to the customer service. Although contextual differences do occur, improving service skills is seen as a mean to improve customer satisfaction. Also, quality improvement is closely related to customer focus while it is the customer's expectations that define the quality (Waltuck & Armshaw, 1994). Creating real customer focus within a company requires energy and persistency. For this kind of a resource allocation management's role is particularly crucial since their efforts and attitude effect the entire organization (Joiner, 1994). Managerial commitment to customer focus also means commitment to constant change and improvement (Heller, 1994).

According to Gravens and Guilding (2000) there is a positive relationship between market orientation and organizational performance. It is evident that knowing the customer's needs is essential. In general there are two kinds of customer knowledge: (1) knowing customers generally in terms of their buying patterns and motivations and (2) knowing them as individuals because of the close interactions that front line employees have with them. The large companies usually have to rely on the general customer information because of the large number and complexity of the composition of their clientele (Albrecht & Bradford, 1990). However, individual customers usually do appreciate that their individual needs are taken into account. Although the company's orientation to satisfy the needs of its present and potential customers is fundamental to success, there is actually no point in pursuing such a strategy if the organization lacks the internal capabilities required to meet the market's product and/or service needs (Chaston, 1993).

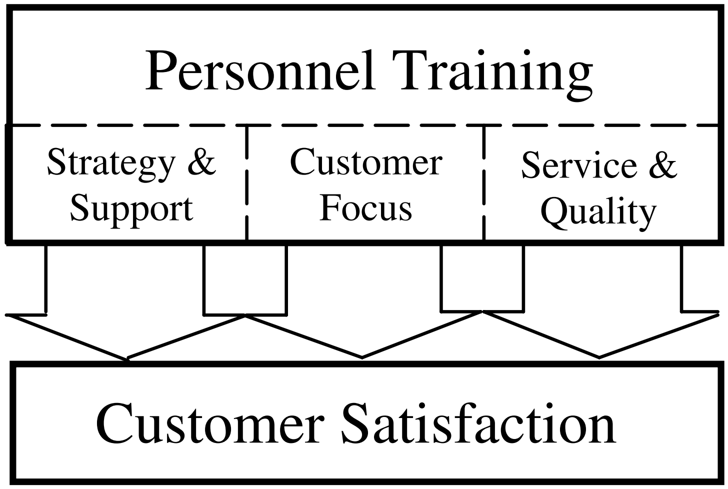
Therefore it is most important to improve the organization 's competence to meet the customer's needs. One viable solution for this is to increase the amount of training concentrating on fulfilling the customer needs. Training salespeople about meeting customer's expectations can have a major improvement in customer satisfaction to a great extent (Franco, 1990). However, it is probable that there is no magic in training itself. In order to have long-term results as well the training should be long-term oriented. The corporate culture of different organizations varies. It is evident that some of the organizations are more customer and service oriented than the others. A customer facing culture can be created through extensive training (Foster et al., 1989). The companies should be more responsive to the customers. For all organizations this has necessitated a move from reactive management style to a proactive culture, with all the implications for changes in staff attitudes and behavior. This is why the organizations should be totally committed to training; without service professionalism you cannot get service excellence (King Taylor, 1992).

Service & quality - In order to secure high level of customer service the management has to ensure appropriate behaviors on the part of front-line workers: those employees who actually meet the customer and deliver the service. This means that in an increasing number of organizations management's response to this challenge by implementing customer care programs targeting the orientations, attitudes, and behaviors of front-line employees (Peccei & Rosenthal, 2001). The service quality is closely linked with meeting the customer's needs and expectations. Actually the real challenge related to the service quality is to at least meet if not exceed the customer's expectations (Berry et al., 1985). To earn a reputation for quality, an organization must meet or exceed customer's expectations (Sonnenberg, 1989). Gummesson (1991) emphasizes the key role of people working for customer care and service quality to overall effective marketing.

Continuous personnel training helps personnel to perform better on tasks requiring service and quality skills (Cornish, 1988). Organizations aim to improve especially those elements of quality, which do not meet the customer's expectations. Personnel training is a good measure for this purpose. It is also an integral part of company-wide service quality programs that are based on external and internal pressures to make organizations become more market-responsive and customer-oriented (Foster et al., 1989). Quality training itself can be divided into three different categories: quality awareness training, employee involvement training, and statistical process control training. All three types of training are essential to the overall quality education process (Cocheu, 1992).

In order the personnel training to have positive effect on customer satisfaction it should be linked with corporate strategy, which is strongly supported by senior management. While customer focus is a necessity for long-term profitable customer relationships also the training should integrate customer focus. Customer focus is closely linked with customer service and quality orientation. Therefore also they should be linked with personnel training.

Figure 1. Framework for customer satisfaction related competence training through personnel training



EVALUATING PERSONNEL TRAINING

Goldstein (1993) divides a training process into three phases: 1) needs assessment, 2) development, and 3) evaluation. While evaluating training's profitability and outcomes there are several different concepts that reflect different things depending on the chosen level of observation or viewpoint. In a simpler way, when it deals with training's economic outcomes the term efficiency is commonly used. While other than economic outcomes are observed, term effectiveness is used (Raivola, 1992). There is a real pressure for human resource development professionals to bring actual results of training and development programs (Swanson & Gradous, 1988). There is a significant trend toward measurement. Senior management is concerned that also human resource development programs show evidence of their impact (Phillips, 1983). The HRD professionals are continually forced to respond to the challenge of trying to assess training outcomes and provide useful data for the organizational decision makers.

Evaluation is an integral activity of training and serves a number of useful purposes. One of them is to determine the effectiveness of proposed or completed efforts to improve employee performance (Monteau, 1987). The evaluation of training effectiveness should be programmatic and focused on whether or not the training achieved its immediate instructional objectives. Among these is the evaluation of following items (Delaney, 1987): Did the training program deliver what it was supposed to? Did the students learn what they were supposed to? Did they learn because of - or in spite of - the training program? Are there ways the program could support learning better? Personnel training evaluation strategies are significant tools that can be used to improve education and productivity (Hawthorne, 1987). Personnel training programs intended to improve organization's competence to take better care of their customers should create measurable, predictive and constructive changes in organizational behavior (Whiteley, 1991).

In an efficient HRD function formal evaluation of training takes place in some form. Training can be evaluated by measuring reactions, learning, behavior, and results (for example see Swanson & Gradous, 1988). Measuring reactions may not be the most effective method to improve existing training programs and to justify the cost of training to senior management. Analysis of both before and after measures of learning along with individual and group interviews can gain actionable information that can directly improve the training program. Justifying the cost of training requires documentation that the increased use of skills has resulted as cost savings, increased customer satisfaction, improved productivity and quality, etc.

Pearce (1995) encourages considering the evaluation related issues before the actual training interventions take place. According to Lin & Darling (1997) training evaluation is the systematic collection of data to assess the effectiveness of attaining the training goals. According to Pearce (1995) evaluation tends to be a neglected part of personnel training. However, absence of at least some evaluation can lead to an enormous waste of resources. Mathews et al. (2001) report that skills inventory is the most widely applied formal technique for assessing quality related training needs. They do also mention that Finnish organizations tend to pay more attention to customers and work groups while defining training needs. The effective HRD function generally uses competence-based training and evaluates against course objectives for accountability reasons (Chalofsky & Reinhart, 1988). Every effort should be made to isolate non-training variables, i.e., incentive systems, reinforcement, etc. which could cause the improved results (Phillips, 1983). HRD professionals should not try to justify their existence by using inappropriate indicators or promise increased productivity outcomes. However, training is not necessarily only a training issue (Kramm, 1988). Reliable evaluation methods should be developed to estimate the training's effect on meeting corporate objectives. Among the potential evaluation methods are the following: testing work performance, supervisory observation, external observation, customer satisfaction studies, productivity figures, complaints/compliments and return on investment.

Testing work performance - To measure the effect of training programs to the work performance a pre/post test approach is required so that the changes in work performance before and after the training can be measured. The training evaluation is essential for performance improvement (Rosenberg, 1987). While selecting the monitoring objectives it should be kept in mind that those factors that are important to the customers receive most emphasis.

Supervisory observation - Behavioral observations conducted by managers are common method for evaluating working performance. Productive management requires the ability to observe what people do in their work and to figure out why they do it. Behavioral scientists believe that increasing observational skills can help supervisors make sense of their observations related to the employee performance evaluation (Lefton et al., 1984).

External observation - Another form of behavioral observation completed often externally is mystery shopper research. Mystery shoppers posing as customers can be used to track down the performance on key factors effecting customer satisfaction on the service (King Taylor, 1992). Behavioral rating forms are typically used to facilitate the evaluation process. Mystery shopper research if administered on an on-going basis can be an efficient evaluation measure to improve service quality. Efficient mystery shopper programs include three characteristics: (1) The approach is used positively and constructively as a basis for rewarding outstanding service providers and coaching those who receive lower scores. (2) To be upfront with employees, making it clear that they will be "shopped" from time to time. (3) Shopping each service provider more than once during the performance appraisal period to minimize the potential bias of just one measurement encounter (Berry et al., 1989).

Customer satisfaction studies - Customer surveys are another behavioral measure used especially by service organizations. These surveys provide both quantitative and qualitative measures of the actual service and sales skills used by the employee in customer contact situations (Swanick, 1988). Customer surveys can analyze individual elements of service quality such as service times, appearance, friendliness, flexibility, and ability to meet the customer's needs. Customer satisfaction measurement is a critical component of monitoring and improving service quality (Stershic, 1990). They indicate clearly the potential changes in the measurable variables. This means that potential changes in organizational behavior can be evaluated in those items that can be affected by personnel training. Continuous and timely customer satisfaction measurement makes it possible to detect potential changes in customer satisfaction especially during training programs with long-term perspective (Horovitz & Jurgens-Panak, 1992).

Productivity figures - Productivity measures represent an additional means for evaluating performance improvement. Tracking down operational results of training makes it possible to determine whether there is an increase in productivity because of training. Results typically involve evaluating the impact of training programs by measuring overall improvement in a particular area or department of the organization. This type of measurement could entail an output quantities produced, review of section-wide productivity per employee, quality changes, or increased profits, etc. (Hobbs, 1990). While using productivity figures it should be notified that also other issues than training effect them, therefore evaluating the effect of training itself may cause problems. According to Mathews et al. (2001) formal, structured methods such as cost-benefit analysis are used by less than one in five organizations to evaluate quality related training programs.

Complaints/Compliments - Consciousness about the link between corporate complaint handling and profitability is increasing. The companies should maximize the feedback from their customers. The feedback provides an opportunity for two-way communication between the company and its customers. All feedback is valuable including complaints. Even though many companies try to minimize the amount of complaints, they should be seen as opportunities (Plymire, 1991). Especially complaints from dissatisfied customers should be encouraged. This makes it possible to learn from the mistakes made and change the operational procedures to such that dissatisfaction is minimized. Naturally, also positive feedback should be encouraged. Institutionalizing a proactive, continuous complaint management system is far more important than commonly assumed. Without such a system, an institution is destined to ignore certain policies, practices, and people that are unnecessarily damaging its service reputation. Efficient complaint management involves the following: (1) making it easy for customers to register complaints via telephone lines or electronic mail, (2) pre-addressed postage paid cards available at point-of-sale, and (3) having a system for categorizing, analyzing, and acting on the complaints that are received.

Return on investment - Training professionals are under increased pressure to demonstrate return on investment (Bassi et al., 1997). Evaluating the impact of training effort in operational, or hard-data, terms is generally done by calculating both the costs and benefits of training and comparing them. While the calculation of the training costs is relatively easy, the determination and quantification of training benefits is considerably more difficult because the methods for computing benefits vary greatly from one situation to another (Gaines Robinson & Robinson, 1989). Forecasting versus evaluating return on training investments would allow corporate management to choose the best among several optional training programs. Forecasting benefits of training programs are about to be more advantageous to decision makers than after-the-fact return on investment calculations. Even though the calculations related to return on investment are used commonly, their use in evaluating training investments may be difficult due to the difficulties related to quantifying the training outcomes.

EMPIRICAL FINDINGS

The sample used in this study was collected by a mailed questionnaire from a population representing large and medium sized Finnish companies. The research instrument was sent for selected representatives of Human Resource Development management identified by name and position in 200 sample companies. The amount of responses received at the given time period was 94 (47 %). This can be considered as a quite good result while the target group was corporate management, who often because of their tight schedules do not have time or are not willing to fill the questionnaires addressed for them. The responses were considered to match the sampling quite well and therefore the non-respondents are not considered to effect the research validity adversely. All of the responses were applicable for the study. A mailed survey was used as a data collection method while it was seen to provide reasonably accurate and reliable data while economical considerations were simultaneously considered. The respondents were stated several propositions on personnel training. They were asked to rate their attitude towards these propositions by using a 1 to 5 scale. Number 1 meaning fully disagree and number 5 meaning fully agree.

As the first research problem was to validate the theoretical framework, it is seen that the high ratings the used variables received on scale 1 to 5 indicate that the presented framework describes well the effect of personnel training on customer satisfaction improvement and the issues that are linked with it. Especially the variables belonging to the Strategy & support section received very high ratings. This means that almost all the respondents totally agreed with the propositions. In general all the variables received ratings 4.00 or above which means that the respondents agree with the propositions and therefore it can be concluded that the framework matches relatively well with the reality.

The second research problem dealt with the background of the companies and whether it effects on how customer satisfaction can be improved through personnel training. The hypothesis was tested by using t-test. In order to study the effect of background factors the empirical measurement was divided into two parts (1) company's size measured by the amount of sales and amount of personnel and (2) industrial orientation depending whether the company is an industrial or a non-industrial company. While the size was used as a dividing factor the companies with sales less than 500 MFIM were considered small and the companies with sales exceeding 500 MFIM were considered to be large. Also, when the amount of personnel in a company exceeds 500 it was considered to be large. In case the amount of personnel is smaller than 500 the company was considered to be small.

It does not seem that company's size nor its industrial orientation affects how customer satisfaction can be improved through personnel training. The average ratings of propositions in different groups are described in Table 1. The star signs beside the t-values indicate the statistical significance between the groups.

Table 1: Means and t-values for level of agreement with propositions in different background perspectives

	Size								Industrial orientation			
	Sales				Personnel							
	Small	Large	t-value		Small	Large	t-value		Industrial	Non-industrial	t-value	
Strategy & support												
Training and company's strategic objectives	4,81	4,90	1,26		4,91	4,83	1,14		4,80	4,91	1,52	
Training as an investment	4,70	4,84	1,53		4,75	4,78	0,32		4,73	4,80	0,74	
Management's support and training success	4,79	4,96	2,60	**	4,89	4,85	0,57		4,85	4,89	0,57	
Customer focus												
Knowledge about customers' needs and training	4,14	4,10	0,24		4,08	4,18	0,60		4,03	4,17	0,84	
Long term sales training and customer's needs	4,00	3,89	0,70		3,92	4,10	1,27		3,95	4,04	0,64	
Personnel training and service culture	4,42	4,52	0,83		4,51	4,43	0,65		4,30	4,59	2,46	**
Service & quality												
Customer satisfaction and service training	4,21	4,18	0,21		4,13	4,25	0,83		4,08	4,26	1,26	
Service skills can be instructed	4,23	4,06	1,17		4,11	4,15	0,27		3,95	4,26	2,14	**
Quality and training	4,35	4,40	0,44		4,42	4,30	1,07		4,20	4,50	2,73	***

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

In the size dimension the only significant difference seems to be with that proposition that senior management's support is necessary for success of corporate-wide training programs ($p<0.05$). The very high average rating of 4.96 in the group of companies with sales exceeding 500 MFIM clearly indicates that management's support is a necessity for success of large development activities. In smaller companies it also remains very important (4.79) but the difference is still statistically significant.

The average ratings of non-industrial companies exceed the ratings of industrial companies in all propositions. However, the significant differences seem to be with the role of personnel training while changing service culture ($p<0.05$), service skills can be instructed ($p<0.05$), and quality can be improved through training ($p<0.01$). This is an interesting finding, which could be interpreted so that industrial companies have harder values than non-industrial companies and they do not believe in softer solutions like training as much as non-industrial companies do.

The respondents were asked to rate the personnel training evaluation methods on scale 1-5, in which 1 mean not at all in use and 5 mean used to a great extent. The question dealt with the general use of personnel training evaluation measurement methods in firms. The format of the question implies particularly how the respondents evaluate the efficiency of personnel training. The averages and standard deviations of results are described in Table 2.

Table 2: Use of different personnel training evaluation methods		
Evaluation method	Mean	SD
Testing work performance	2.60	1.05
Supervisory observation	3.80	0.86
External observers	2.13	1.12
Customer satisfaction studies	3.54	1.21
Productivity figures	3.94	1.17
Feedback from customers	3.94	0.82
Return on investment	1.89	0.94

Based on the responses it is possible to conclude that the use of personnel training's efficiency related measurement methods differs a lot. The most used evaluation methods for training efficiency were customer feedback in form of complaints and compliments, customer satisfaction studies, supervisory observation and productivity figures. The least used measurement was return on investment. Even though there would be willingness to evaluate the immediate monetary outcome resulting from training, the formal quantitative approach is still considered to be too difficult to implement in practice. This is in line with the findings of Mathews et al. (2001). They stated that formal structured evaluation methods are used by a small minority of organizations. It seems that most companies use several overlapping evaluation methods for training's efficiency measurement and the efficiency evaluation does not seem to be very organized.

CONCLUSIONS

The companies are dependent on their customers. This is the fact that should be remembered also during the times when the business seems to prosper. In an economic slow down, the importance of the current customer base is vital. It is much easier and cheaper to keep the current customers satisfied and loyal, than acquire new customers to replace the ones that have started to use the rival's products or services because of the unsatisfactory service or quality. Like high levels of quality also customer satisfaction seems to be an imaginary target that is hard to reach. However, it does exist and it does matter - a great deal indeed.

In the framework of this study the discussion was divided into three dimensions: strategy & support, customer focus, and service & quality. Each dimension contained several propositions. All the propositions received high ratings indicating that the respondents agreed with them. Although industrial companies seem to have a less believing attitude on personnel trainings possibilities to improve customer satisfaction than non-industrial companies do, it could still be concluded based on the high ratings received that personnel training still has a lot to provide for customer satisfaction development efforts.

An efficient training evaluation is required to allocate the training resources in the most appropriate way. Senior management is interested in whether training resources are used efficiently.

Even though the discussion above concentrates specially evaluating the efficiency of customer satisfaction related personnel training, the survey results indicate that the measures described above can also be used to evaluate personnel training's efficiency in general.

Customer satisfaction studies and customer feedback can be also used to locate training needs at training planning stage. After the implemented training these results can then be used as a comparison to evaluate the potential development. However, the setting of the measurements should be maintained the same between all the measurements to avoid the deterioration of the reliability of the results. In some cases it may be difficult to isolate the effect of training measures from other development activities. Therefore, certain cautiousness should be maintained if it is claimed that achieved results are only based on training.

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GENERATION Y: PURCHASING POWER AND IMPLICATIONS FOR MARKETING

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ABSTRACT

The study examines the buying habits of Generation Y The sheer size of the market of some 80 million strong makes it worth the attention of any retailer. The difference between Generation Y's purchasing power and Generation X's purchasing power is amazing. The income of the younger generation is used for more than just entertainment purposes, such as toys, but also for more adult-like purchases, such as stock. The researchers sought to determine what impact this had on the market compared to Generation Xers.

INTRODUCTION

During the mid to late 1990s, the literature was replete with information about Generation X, the 46 million Americans between the ages of 20 and 33 having come of age in the 1980s and 1990s, and who were dramatically different from preceding generations in terms of attitude, language, culture, lifestyle, orientation, and aspirations (Burandt, 1997-, Morrison, 1997). Today, Generation Y (those boom from 1977 to 1997) seems to be edging out Generation X in terms of coverage in the literature and with emphasis upon the financial clout this group of young people has. Currently, there are said to be some 80 million members of Generation Y, those individuals between the ages of one and 20. "Of the $6.5 trillion spent annually by consumers in the U.S., some $600 billion is spent by the 80 million members of Generation Y" (Gronbach, 2000a, p. 45). Other terms applied to this generation are Echo Boomers (Gronbach, 2000b), Net (or Internet) Generation, Nexters, Millenials, and Nintendo Generation (Alch, 2000).

CHARACTERISTICS OF GENERATION Y

They Have Time and Money

Today's Generation Y teenagers have grown up with a greater degree of affluence than any generation before them. Offspring of the Baby Boomers, today's teenagers, the leading edge of the Generation Y market, are defined by two things: time and money. Because, in most cases, both parents of Generation Y teenagers work outside the home, they have been able to provide their children with four times as many toys when they were growing up as were provided to children of 20 to 30 years ago (Gronbach, 2000a). For example, in 1972, the average child received $50 in toys during the year; in 1992, when the Echo Boom hit, that amount went to more than $200 per child per year (in adjusted dollars). Consequently, today's generation of seven-to-12 year-olds have high expectations in terms of future purchases (Gronbach, 2000b).

Now spanning 3 to 23 years of age, these young people have $150 billion in direct purchasing power today, more than their parents ever had at their age, and about $500 billion indirect purchasing power. According to Teenage Research Unlimited, there are 31 million kids in the U.S. between the ages of 12 and 19 (Barrett, 2000). Teen income was estimated to be $119 billion in 1998, and it has been projected to grow to $136 billion by 2001. The younger members of the Echo Boomers Generation (4-12 years old) had about $28 billion in income (Alch, 2000). Teenage Research Unlimited estimated that Generation Y teenagers spent $153 billion in 1999, 8.5 percent more than 1998. TRU also estimated that this group (those between 12 and 19) would increase by four million (to 35 million) by 2010, making it the largest teen population in U.S. History (Barrett, 2000). Many of these young people are, and will be, living in broken and blended families, having extra sets of grandparents who are happy to add to kids' pocket money (Alch, 2000).

They Are Self-sufficient, Responsible, and Mature

The fact that both parents work outside the home has also made these teenagers more self sufficient, responsible, and mature than any other generation. For example, teens have assumed the responsibility for the family's grocery shopping, giving them a direct impact on the American marketplace. Because they also do much of the meal planning and cooking for the family (including their parents), they shop for prepared foods such as Hamburger Helper, etc., because they want something quick and simple to prepare (Gronbach. 2000b).

They Maintain Credibility with Their Parents

Generation Y teenagers are also affecting the economy because of their degree of credibility with their parents. Today's Generation Y teenagers have greater credibility with their parents than did their counterparts (the Baby Boomers) of 20 years ago who thought that their parents just weren't cool. Today's increasingly responsible teens have a different relationship with their parents who treat them almost as equals and who give their opinions considerable weight in making major purchases. Consequently, today's Generation Y teens have direct input into practically every purchasing decision their parents make (Gronbach, 2000a). This includes every-thing from the homes their parents buy to the cars they purchase. The chances are that if their Generation Y teens like it the parents will buy it (Gronbach, 2000a, Gronbach, 2000b).

They Have Knowledge about Investments

More young Americans own investments today than any other generation of children. According to the results of a survey conducted by Liberty Financial, a Boston money-management firm, 335 percent of eighth through 12th graders own stocks or bonds, with only four percent owning mutual funds. According to William Strauss, Coauthor of the book entitled Millennials Rising: The

Next Great Generation, prior to the 1990s, stock ownership among those younger than 20 was essentially zero (Opdykel, 2000).

Meghan Powers, a 17-year-old from Canandaigua, New York, who baby sits for her spending money, exemplifies this trend. Rather than emptying her wallet (of her baby sitting money at the mall, she puts $50 each month into Intel Corporation. This has resulted in her having accumulated $5,195 worth of stock in the tech giant over the past three years. She indicates that her early market experience will make her more confident about money matters than her mother was at a young age (Opdyke, 2000).

According to Lisa Ballek, a fifth-grade teacher at Midland Elementary School in Rye, New York, about 80 children participate in the Stock Market Game, a national investment competition and educational program played by more than 700,000 U.S. students. She indicates that the students in her class six years ago knew nothing about the stock market-, now, however, her 10- and 11-year-olds are asking her about penny stocks they have read about on America Online (Opdyke, 2000).

AJ. Triano, a seventh-grade student at Midland Elementary, watches CNBC each morning to see how the futures are doing and what the market is going to do for the day. He is familiar with financial names like Fidelity, Schwab, and Ameritrade because he sees them all the time on TV and billboards. Along with his sister Kaitlin, a sixth-grade student who also participated in the stock market game, they encourage their family to actively trade via an American Express account, and A.J. has indicated that the family has quickly nearly doubled their money in Goodyear and Disney stocks (Opdyke, 2000).

At no other time in history have America's children been more interested in money. Consequently, an increasing number of mutual fund companies, financial planners', and other investment firms are starting to tailor their products and services toward youth. These youth have come of age during the county's greatest bull market, and they control far more discretionary dollars than their parents or older siblings during their formative years (Opdvke, 2000).

Two years ago, Jonathan Strong, membership manager at the National Association of Investors Corporation, the umbrella group for the country's investors clubs, introduced a -youth membership" and now has 3,300 members under the age of 18. Likewise, Liberty Financial Company's Stein Roe Young Investor mutual fund has more than 23 1,000 accounts. This is an exponential leap from the 4,056 accounts six years ago, with the average investor's age being 11. In addition, the brokerage giant, Charles Schwab and Company recently launched its new Gift Package, "which lets parents, grandparents and other open brokerage accounts for an 18-year-old with as little as $500, a tenth the cost of opening a regular Schwab account" (Opdyke. 2000).

They Are Technoliterate

This new wave has been fueled to a great extent by technology. Today's Generation Y-ers have grown up alongside the Internet, which provides a great amount of easy-to-read information about investing, not to mention the online trading options, which are much cheaper and less intimidating than traditional avenues. Consequently, the young investor doesn't need a car or business attire to conduct business with E*Trade once his or her parents have opened the account (Opdyke, 2000).

Well-informed and media savvy, Generation Y has grown up understanding the new digital economy. Comfortable with the changes brought about by the new technology and e-commerce just starting to come into its own on the Internet, Generation Y, more than any previous generation, is becoming conversant with a communications revolution that is transforming business, education, health care, entertainment, government, and every other institution in society (Alch, 2000).

Generation Y-ers, having grown up with technology in school and at home, are infinitely more comfortable with it than their parents are. Unlike television, the Internet is something over which they feel that they have control. Instant global interaction has been made possible by the revolution in telecommunications, and Generation Y's understanding of the Internet has created a large technology-knowledge gap between themselves and their parents. Consequently, members of the -Net Generation"' represent a potentially more powerful cohort than any previous generation (Alch, 2000).

Mernit, an analyst of Generation Y sum up this group's influence on media tools as follows. "Teens are unquestionably the drivers of this medium. They've made the Internet absolutely part of the fabric of their culture today. It's their rock and roll. In the 50's my parents were focused on being in a band. Today it's being an Internet developer or doing your own website" (Cheng, 1999, p. 30).

Generation Y has already had, and continues to have, a tremendous impact on music and movies, computer software and interactive games. Among the "must haves" of this generation are such things as cell phones and pagers. "What previously was defined as luxuries by other generations are now considered necessities by Generation Y" (Gronbach. 2000a, p. 45).

Generation Y has been raised on movies, television, music, electronic magazines, and electronic games. Nearly 80 percent of this generation has a computer at home, and about half have access to the Internet. Their interests have been developed in a world where there are numerous opportunities to learn via media technologies, such as computers, video, and an array of cable television options. The Internet, thanks to this generation, will continue to be an increasingly important tool in developing and maintaining the relationships with Generation Y. They have spawned huge marketing plans involving a vast diverse majority of promotional techniques, ordering operations, and prospective consumer databases (Gronback, 2000).

They Are Marketing Savvy

While the potential of the Generation Y market is obvious, determining how to win over Generation Y isn't. Teenagers, for example, are notoriously fickle; what is hot one month can be passé the next. At the same time, Generation Y is not favorably impressed with an "in your face, hard-sell" approach to advertising. For example, Nancy Carruth, Target's director of advertising management, stated that the internal market research conducted by the firm over a period of a year and a half revealed that the circulars the company ran in newspapers were not reaching teens at all. Consequently, Target has since gone to their new magalog (a combination of magazine and catalog) to put their brand and merchandise in front of Generation Y-ers without being in their faces (Barrett, 2000).

No shopaholic, David Garman, a 16-year-old from Geneva, New York, typically buys clothes just before the beginning of the school term or over the Christmas break, spending little time during the remainder of the year cruising the mall for fashion. However, he has recently begun reading the Sketchers shoe catalog, the magazinecatalog hybrid, or "magalog," which combines stories on celebrities and trends-including one on feng shui, the Far Eastern art of placing buildings and furniture to facilitate harmony with nature-with the usual product information. While he has already planned to order Sketchers sandals, David says that those stories make the catalog and brand more appealing. "It does make it more interesting," he says. "Just staring at shoes for a while gets boring" (Barrett. 2000, p. 78).

Teens are interested in being able to purchase practically everything that relates to their entire lifestyles from the organizations they patronize, rather than just one or two items (such as clothing) or brand names. Consequently, retailers are pushing to expand their brands to include music, sports, books, and bedroom decorations-just about every facet of the teen lifestyle-to become more entrenched with their teen customers (Barrett, 2000).

The lifestyle craze among marketers is difficult to miss. For example, Abercrombie and Fitch Company may be a clothes company: however, its magalog offers everything from music reviews to advice on travel in South Africa to tips on making cheap feature films. Alloy Online Inc., a catalog and Website operator catering to teens, publishes its own teen novels, poetry, and nonfiction books, all with prominent Alloy Books imprints on the covers with a story of life at a Hawaiian high school, as well as information on products sucli as neon-colored wireless phones on the inside. Making that lifestyle connection and generating customer loyalty among the members of Generation Y are paramount (Barrett, 2000).

Building an image reflecting the Generation Y lifestyle has also helped American Eagle Outfitters Inc. to stage a comeback over the past six years. The firm has cultivated an active, outdoorsy image, and its magalog offers American Eagle branded snowboards and scooters as well as clothes. The magalog even recommends other products (such as an underwater camera and a compact guitar) that American Eagle doesn't sell. According to Michael James Leady, American Eagle's executive vice-president for marketing and e-commerce, "The catalog is now more of a marketing tool than a selling tool" (Barrett, 2000, p. 79).

The Web is definitely a key element for building a broad lifestyle brand. According to Wendy Liebmann, president of New York marketing consulting firm WSL Strategic Retail, Generation Y-ers are heavy communicators, with access to the Internet, cell phones, and Palm Pilots. That's why Alloy has an online mall (email) that combines chat and entertainment with shopping. The mix has attracted big-name marketers seeking to reach Generation Y. For example. Johnson & Johnson and Procter and Gamble both advertise on Alloy (Barrett. 2000).

They Are Media and Advertising-savvy

A major difference between echo boomers and the preceding generation is the current generation's savvy about the media: The are not pushovers for slick ads. According to American Demographics, Generation Y uses the Internet to find information about products and to make better-informed decisions about consumption (Alch, 2000).

They Are Brand Conscious and Loyal

Also, unlike their predecessors, Generation Y-ers aren't as cynical about advertising as Generation X and the Baby Boomers. "This has created a generation that is brand conscious and loyal"' (Gronbach, 2000a, p. 45).

They Are Interested in Value

Retailers who wish to successfully court Generation Y teens must emphasize value. A series of focus groups conducted in Boston, New York, and Connecticut revealed that young consumers have an excellent knowledge of value. Generation Y-ers are concerned about getting "good deals" and are willing to go out of their way to get them (Gronbach, 2000b).

They Are Not Too Concerned about Cost

Rather than being too concerned about how much an item costs, these youths are more concerned about the total cash outlay. Compared to their Generation X predecessors, Generation Y-ers are likely to pay as much as $5 for a special cup of coffee or as much as $9 for an interesting appetizer, expenses with which Generation X is very uncomfortable (Coeyman, 1999).

They Desire Choices

Generation Y also wants choices. Consequently, employers and insurers are having to rethink the packages they offer. For example,, Generation Y is expected to be less tolerant than previous generations of health plans that limit choice or exclude such things as oral contraceptives (Coevman, 1999).

They Are Socially Responsible

The Echo Boom Generation doesn't appear to be a group of self-indulgent, gratification-seeking, irresponsible shoppers. In fact, surveys indicate just the opposite. They show them to be strong advocates for social responsibility "Like their parents, the baby-boom generation, they care about the world, the environment, poverty, and global issues in general" (Alch, 2000, p. 45).

They Are Concerned about Image

The image a company projects is extremely important to these youths. Generation Y-ers are turned off by those firms that do not maintain a responsible global image. The quickest way to destroy a company now-a-days is to project a negative corporate image (Neuborne, 1999).

They Are Enviromentally Aware and Concerned

Members of Generation Y have grown up being environmentally aware. They want clean, fresh products that don't involve testing on animals or that have a potential ozone laver damaging quality (Neuborne., 1999). They like things that are "green." They related well to causes that help the environment and make the planet better for all people (Gronbach, 2000b, p. 36). They also know enough about damage control to ask the right questions (Neuborne. 1999).

They Are Optimistic

Generation Y seems to be more optimistic than preceding generations. There are a number of similarities between them and the GIs who returned home at the end of World War 11 because they value the community over the individual (Gronbach, 2000a).

They Are Brand Conscious and Loyal

Unlike their predecessors, Generation Y-ers aren't as cynical about advertising as Generation X and the Baby Boomers. "This has created a generation that is very brand -conscious and loyal (Gronbach, 2000a, p. 45).

HOW CAN MARKETERS REACH GENERATION Y?

Given the characteristics of Generation Y, how can marketers reach this powerful group of consumers? They must get inside their heads; they must relate to their needs and understands how they think, where they spend their time and money, and what moves them (Gronbach, 2000a).

When they aren't in school, Generation Y-ers spend their time with radio, television, and the Internet. They need to be "talked to" where they live. This means using street marketing (or guerrilla marketing). This is a form of localized, personalized, non-conventional marketing which includes such things as give-aways, samples, and special events. For example, one athletic shoe company sends people out to watch kids play basketball and gives the best players a pair of shoes (Gronbach, 2000a). Target goes a bit further by giving away two Saturn cars per month to Generation Y-ers with newly minted driver's licenses (Barrett, 2000). Another retailer who caters to teens also uses street marketing when the firm opens a new store. Representatives are sent out to areas around the local schools to give away T-shirts, water bottles, and other goods which feature the retailer's logo (Gronbach. 2000b).

Generation Y teenagers love "Teen Clubs." "'They really like club-type cards that they can carry in a wallet, things that give them a feeling of affiliation. They also like the fact that those memberships bring special discounts and free merchandise that's just for them" (Gronbach, 2000b, p. 3 7).

While conducting focus groups with members of Generation Y, consultants discovered that these young people are smart, aware, and fair-minded. They like to be entertained in the ads that are directed toward them. They appreciate spoofs and anything that makes them laugh. However, they don't like to see ads that make fun of anyone (Gronbach, 2000a).

Marketers should develop promotions that are geared directly toward Generation Y. "They appreciate campaigns that show an understanding of their needs and an interest in them as customers. They respond well to campaigns that directly tell them what an advertisers has just for them" (Gronbach, 2000b, p. 3 7).

Regardless of what one is selling, the individual must establish a teen-friendly environment. Nothing could be worse than launching a major campaign which successfully brings teens into a store which is not teen-friendly. Rather than staffing the store with older employees who appear to be distrustful of teenage customers, hire teens. Other Generation Y teens will feel more comfortable buying from them, and one can expect their friends to visit them and shop while they are there. If it is a clothing store, the retailer should expect the teenage salespersons to wear their clothing brand while on the job (Gronbach, 2000b).

Radio and television are appropriate media for attracting the teen market through mass marketing efforts. Generation Y-ers aren't as cynical about advertising at are the predecessors, Generation X and the Baby Boomers. "This generation is very brand-conscious and loyal-a fact that bodes well for advertisers" (Gronbach, 2000b).

Direct mail can also be very successful with the Generation Y market. First, it addresses their fondness for anything that is personalized for them. Second, it allows marketers to deliver tile free gifts, samples, and club-type cards they love. However, on the negative side, marketers can't purchase lists with the addresses of teens. The best they can do is to buy lists of households where teens live and hope that the mail reaches them (Gronbach. 2000b).

While the Internet is a promising means by which to market the teenage segment of Generation Y, the numbers aren't appreciable at this time. Having grown up with computers in school and at home, Generation Y takes the Internet for granted. "It has always been a part of their lives and its importance will continue to grow" (Gronbach, 2000b, p. 38). However, the teenage segment of Generation Y has not yet made its full financial impact when it comes to online spending. While teens spend a great amount of time on the Internet, few go online specifically to shop. The results of a PriceWaterhouse Coopers survey indicate that "while more than one-fourth of teen Internet users regularly go online to shop, only two percent say that shopping is their primary reason for going online" (Gronbach, 2000b, p. 38). It is inevitable, however, that these numbers will continue to increase.

The teenage segment of the Generation Y market (actually, the group includes those between the ages of 10 and 19) can be subdivided into three sub-markets or niches toward which marketers may direct their advertising and promotions. The three segments are pre-junior high, pre-driving age, and high school.

The pre-junior high bracket includes those children who are between the ages of ten and 12. While the boys in this age bracket care about what they wear, it is the girls who are the big spenders and who are beginning to make their mark as consumers. Since these children are dependent on their parents for transportation and money, they shop with their parents; however, they are already developing their own style preferences. In addition, they are beginning to feel peer pressure and are responding to it.

The pre-driving teen set, those between the ages of 13 and 15, are also dependent on their parents for transportation but often shop with friends. Parents often drop these children off at the mall, and the kids will pick out their own clothes and other items they choose to purchase. Parents have little influence over what their children wear at this state; however, they can exercise veto power over purchases by refusing to pay for them.

The 16-to-19-year-old teenagers shop almost entirely on their own since most of them have access to a car. Parents have little input at this stage. This group of teenagers buys what they want and often pay for it themselves. There is an exception, however, at back-to-school time since this is a time when substantial sums of money may be spent. Parents often accompany their teenagers and pay for their clothes purchases. So they do have some input into the decision-making process (Gronbach, 2000b).

THE IMPACT OF GENERATION Y

One of the biggest mistakes any marketer can make is not to pay attention to the Generation Y market. Nevertheless, many marketers have ignored Generation Y because they think they are "just kids" without the cash to spend (Gronbach, 2000a; Gronbach, 2000b).

The Echo Boomers (Generation Y) are a particularly powerful market segment because they are used to having a number of possessions (Gronbach, 2000b). "These children (now ages 1-20) are the offspring of the Baby Boomers, and marketers can expect their effect to be similar to the impact that their parents had during the 1960s" (Gronbach, 2000b, p. 36).

"This generation of consumers will create a new economic boom of increased productivity, real-wage gains, rising savings, and falling debt. They will create a new culture of work, characterized by more independence in the work force. Many of these future workers will become entrepreneurs" (Alch, 2000, p. 42).

Demographers, market analysts, and researchers already realize that this new group will dominate marketing in the twenty-first century (Alch, 2000). The sheer size of the Generation Y market demands the attention of marketers. Add to that the fact that the 12-to-17-year-old segment also has influence over another enormous market-their parents-and one has a group of teenagers with unprecedented economic clout. Today's teenagers now, have direct input into almost everything their parents purchase (Gronbach, 2000a).

The payoff can be tremendous for those marketers who manage to bond with this generation. The key will be to keep in step with the latest image today's teens want to try on for size (Barrett, 2000).

IMPLICATIONS OF MARKETING

Having grown up in a period of relative world peace (comparatively speaking), the Echo Boom generation has been more able to concentrate on themselves and their immediate interests and a comparatively secure future than preceding generations. Having grown up with more possessions will probably continue to grow.

Those individuals included in Generation Y today between the ages of three and 20 are said to have $150 billion in direct purchasing power today and about $500 billion in indirect purchasing power. This is represented by the fact that those members of Generation Y between the ages of 12 and 17 have tremendous influence upon the purchases (including cars and homes) made by their parents. Even children between six and ten years of age significantly influence their parents' purchases: this is especially true in terms of children's clothing purchases.

Estimated at $119 billion in 1998, teen income alone is projected to increase to $136 billion by 2001. Younger Echo Boomers (between the ages of 4 and 12) had almost $28 billion in income. Generation Y teenagers alone were said to have spent $153 billion in 1999, an 8.5 percent increase over their spending in 1998. The teenage group alone, now numbering 31 million, will increase to 35 million by 2010. There is no reason to believe that their spending habits will not also continue to increase as this segment of Generation Y continues to come into its own.

Consequently, today's Generation Y is undoubtedly the wealthiest generation to have grown up in the U.S. in the history of the nation. For any marketer of the types of goods and services that these young people desire to assume that they are "just kids with no appreciable purchasing power" would be a grave mistake.

However, no marketer should take Generation Y for granted. That is to say that the one-size-fits-all marketing approaches that may have been effective traditionally are no longer effective, especially for this new generation of young people. Marketers must realize that today's young people (Generation Y) are intelligent, aware (not only nationally but also internationally), and fair-minded (for themselves as well as for others). Consequently, marketers must pitch quality and value in attempting to reach this generation: they must show an understanding of this generation's needs; and they must show respect for Generation Y-ers as customers.

Marketing and promotion efforts must be geared specifically to Generation Y; these consumers must be shown the types of products and services that a marketer has just for them. Products and services that can be "personalized" and which meet their needs will be appreciated and accepted.

Being the most technoliterate generation in history, today's Generation Y will continue to be attracted by improvements in computer technology and software (including both educational and recreational games). Generation Y-ers enjoy and appreciate the challenges and satisfaction that these types of products provide. The same can be said for technological improvements in fields such as music, television, and wireless communications. Anything that is recent, new, interesting, and challenging can be expected to attract the interest of Generation Y. The extent to which a greater number of activities or services can be enjoyed through an individual medium (such as television, a computer, or a cell phone) will fascinate, attract, and therefore sell Generation Y on the resultant product or service.

It is common knowledge that the teenage segment of Generation Y go online and surf the net much more frequently than the preceding generation. However, although approximately one fourth of the teen Internet users frequently go online to shop, only about two percent indicate that shopping is their primary reason for going online. Nevertheless, this is a promising means by which online marketers can cultivate the loyalty of this segment of the market by making it easy for them to shop online. Marketers need to organize their sites by targeted areas of interest and provide user-friendly navigational instructions for online shopping (Gronbach, 2000b). Targeting the three segments (pre-junior high, pre-driving age, and high school) with the appropriate advertising and promotional information may prove to be tremendously advantageous for marketers of various types of products and services. Targeting these teenage sub-markets should be a vital part of most advertising programs. Teenagers have tremendous influence now; however, it will only increase in the future (Gronbach, 2000b).

Given Generation Y's willingness to spend money, the amount of money, at their disposal, and their familiarity with technology, the Internet's power to reach young consumers should not be underestimated. It is imperative that marketers provide Web sites that to the under 18 consumers (Neuborne, 1999).

Given the fact that today's younger generation is much more tolerant of and much more receptive to diversity, Generation Y is a multicultural group. The, - y travel in mixed races and socio-economic classes. They are globally inclusive in terms of race, gender, religion, and state of environment. Consequently, marketers must not only recognize this phenomenon but also develop and implement advertising and promotional strategies to reflect and appeal to this diversity (Neuborne, 1999).

Today' parents and grandparents continue to be interested in and concerned about assuring a financially secure future for Generation Y-ers. As a result, they continue to purchase stocks (including mutual funds) and bonds for their children to make this possible. Generation Y-ers are using some of their own earnings for the same purpose. Therefore, financial institutions should develop investment portfolios that meet the needs of Generation Y. By developing this relationship with these consumers at this stage of their lives, such financial institutions should be able to maintain this relationship through the remaining stages of their life cycles.

Generation Y members are not only interested in their present well being, but they are also looking forward to a bright future. For example, today's teenage segment of Generation Y will be tomorrow's college students and graduates and entering their respective professions and careers. As they move into the "real world," they will be utilizing the same consumer habits they have developed as members of Generation Y whether they are buying cars, homes, or mutual funds. Those companies that are able to develop a close connection (a key word in Generation Y's vocabulary) will be in a better position to maintain that connection in the future than those companies who aren't able to do so. Consequently, marketers must be attuned to the changes today's Generation Y members will be making as they enter the next stage in their lives. The implication is that if marketers are skillful in meeting the needs of Generation Y today, they should be intent on keeping them as customers as they move into the next stage in the live cycle. That is to say, that as this particular segment of the market makes lifestyle changes, so, too, must there be changes in the advertising and promotional efforts directed toward them on the part of business firms if they expect to be successful in maintaining their patronage.

CONCLUSION

Overall, the decisions of Generation Y youth have a tremendous impact in today's society. With 80 million members, their decisions affect many economic choices. These include the choices of their parents, whether they are purchasing an item as simple as clothes or a larger expense such as a car. Technology is taking over the world, and Generation Y is helping to further the advancements. Their familiarity and ability to utilize today's technology puts them ahead in the acquisition of information. Logging on to the Internet is an everyday activity, where these young adults read news, interact with other people all over the world, shop, and just indulge themselves in a world in which Generation X was not as quite familiar with. Teens raised in a home with two wage earners tend to be more self-sufficient. They are allowed to help make choices in which the previous generation did not even consider thinking about. This has also led them to be more responsible, more mature, and to have a higher purchasing power. Generation Y youth are the generation members who are influencing and changing the goals and aspects of the future. Generation Y will definitely have a tremendous economic impact on our society today since it is larger than Generation X and the Baby Boomers.

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ETHICAL AND SOCIALLY RESPONSIBLE ADVERTISING: CAN IT BE ACHIEVED?

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ABSTRACT

Prior to establishment of the FTC, consumers had no protection against the claims of advertisers. In 1938, the FTC declared "unfair or deceptive acts or practices" to be unlawful (Preston, 1975). Since that time, regulators, consumer groups, and advertisers have wrestled with the ethical issues involved in "fair" advertising. Recently, social pressures and congressional bans on certain types of advertising have come in conflict with the First Amendment which, as the Supreme Court has ruled, applies generally to commercial speech with certain specific limitations. The paper reviews the history of ethics and social responsibility in the advertising industry in the light of free market economics. Possible incentives for proactive, socially responsible advertising are explored. Implications of the ban on tobacco advertising and proposed bans on alcohol advertising are discussed. Advertising in other industries, particularly education, consumer goods, and gambling are discussed as well. The paper concludes that advertising is protected by the First Amendment and contributes positively to the proper functioning of the free market system. Hence, regulation should be minimized.

INTRODUCTION

The advertising industry has become a vital part of the United States' economy. The Pontifical Council for Social Communications states that advertising has a great influence on a consumer's understanding of life, one's culture, and the world (Foley, 1998). Advertising encourages economic growth through information being made available about competing goods and services. However, advertising can be deceptive, encourage unlimited consumption, create confusion for the consumer, and intensify destructive desires such as lust and greed. Advertising encourages consumption by showing improvement in features and quality of products and services. It promotes products such as colas, cigarettes, and alcohol, which can cause consumers to use products in excess, causing possible dangerous side effects (Boddewyn, 1999). Advertising is only one aspect that goes into shaping consumer choices, and the role advertising plays in either initiating or reinforcing consumer trends is dubious (Schudson, 1984). Laws regulating advertisements should be minimal because the public can self-regulate false or misleading ads through the use of personal boycotts. Private and public consumer advocacy groups exist to inform the public of misleading advertisements, poor quality products, and potentially dangerous products. Government regulation has its place in protecting the consumer through the placement of warning labels on potentially dangerous products, but consumerism is ultimately in the hands of the consumer.

The church closely protected consumers in the Middle Ages (Preston, 1975). Trade was tightly controlled, and strict laws were enforced to protect the consumer. The idea of caveat emptor developed from the practice of unlawful trading, such as horse-trading. Caveat emptor became legally accepted as kings saw financial benefits from trading. This became part of the legal tapestry of the time, and eventually common law (Preston, 1975). As trade grew, consumers were offered more products, but not much of a choice within each product. This situation led to a sellerism atmosphere, where consumers had little choice but to accept the seller's claims. With the decline of church influence, sellerism became prevalent, and expectations regarding the honesty of the seller were lowered (Preston, 1975). The sellerism attitude continued throughout American history until the early 20th century. Sinclair's book, The Jungle, published in 1906, changed attitudes towards sellerism. The book revealed some of the unethical practices of the "Captains of Industry" and shed light on the plight of consumers. In 1906, President Roosevelt signed two laws to protect the consumer: The Meat Inspection Act and The Pure Food and Drug Act. Eight years later, the federal government would intervene to protect the consumer with the inception of the Federal Trade Commission (FTC).

FEDERAL TRADE COMMISSION

The commission's original purpose was to enforce antitrust laws. In its early days, the FTC deemed that a business was involved in unfair methods of competition if it falsely advertised (Preston, 1975). During this time, the only avenue consumers had to retaliate against unethical advertisements was the court system, which proved to be the seller's friend, because under common law one must prove intent on the part of the advertiser (Preston, 1975). After Section 5 of the FTC Act was passed in 1938, the FTC became the consumer's advocate. Section 5 states that unfair or deceptive acts or practice are hereby declared unlawful. Unfair and deceptive acts are determined by the FTC and are reviewed by the courts (Preston, 1975). In 1938, Section 12 was added to the Act. It states:

1)	If no court review is sought within 60 days of issuance of a commission order to cease and desist, the order becomes final; further violation will result in a penalty or fine.
2)	When an advertisement of a food, drug, medical device, or cosmetic is likely to induce the purchase of a commodity injurious to health, or when there is intent to defraud, a criminal proceeding may be instituted, with fines and imprisonment.
3)	The commission may seek a temporary injunction against the dissemination of false information about food, drugs, medical devices, and cosmetics, pending a final determination by the commission and subsequent court review (Kintner, 1978).

The Act makes a distinction between deception and falsity. Deception is present when an advertisement communicates a false belief, even though its claim may be true. Falsity, on the other hand, is easily detected; if an advertisement makes a claim which is not true, it is a falsity (Preston, 1975). The Act does not regulate what is said, but what message is received, and thus value and opinion statements do not fall under its jurisdiction (Preston, 1975).

The dominant agencies which regulate advertising are the FTC and the Department of Agriculture (Steiner & Steiner, 1997). The FTC is headed by five commissioners, who are appointed by the President, and confirmed by the Senate for staggered seven-year terms. There are regional offices located across the United States to accommodate complaints received from the public (Fisher & Phillips, 1998).

The FTC is the chief regulator of advertising and marketing; it has recently focused on ethical issues along with its traditional regulation of deceptive practices (Murphy, 1998). The FTC and other government agencies are powerful and outspoken on the issue of ethics in advertising. According to FTC guidelines, unfair practices are those which are deceptive, specifically those which go against established public policy or common law, those which are amoral, unethical, or oppressive, and those which cause harm to consumers (Kintner, 1978). The FTC may use the general public's ignorance to bring forth a case against an advertiser, regardless of how outlandish the claim. Within this scope, the FTC does not have to prove intent or knowledge of falsity on the part of the advertiser (Kintner, 1978). Preston (1975) states that opinion statements can be held liable if they result in a misrepresentation of fact. With this in mind, the question may be asked: on whose shoulders should the burden of proof lie?

An ideal consumer is one existing in a free market economy, possessing a great deal of information, a high level of education, and an ability to reason rationally in order to discern valuable information from worthless information (Schudson, 1984). A consumer culture is one with a large number of goods or one whose value is derived from a large number of goods (Schudson, 1984). The United States has been transformed from a seller's culture to a consumer's culture. With this transformation comes an exorbitant reliance on government regulation to police situations that could be handled by private citizens. In the present atmosphere, a salesperson is expected to be dishonest (Preston, 1974). It is considered proper for a consumer to assume that a product advertised is one of exaggerated quality. Is there a balance between sellerism and consumerism? The answer is yes; both parties hold a certain level of responsibility to each other. The United States has gone from one extreme to another. To reach a balance, one must be willing to search out answers to the questions of what level of responsibility each party holds.

CONSTITUTION

The First Amendment was added to the Constitution in 1791 and states that: "Congress shall make no law respecting an establishment of religion, or prohibiting the free exercise thereof; or abridging the freedom of speech; or of the press; or the right of the people to peaceably assemble and to petition the government for a redress of grievances" (Fisher & Phillips, 1998). In the Virginia State Board of Pharmacy vs. Virginia Citizens Consumer Council, Inc., 425 U.S. 748 (1976) (USSC+), the Supreme Court ruled that advertising or "commercial speech" is protected by the First Amendment, and that consumers have a right to receive information through the advertising medium (Kintner, 1978). Thus, false, deceptive, or misleading advertising is not protected by the First

Amendment. Steiner & Steiner (1997) elaborate on this issue by categorizing commercial and non-commercial speech. Commercial speech is intended to stimulate business and market products. Non-commercial speech includes various expressions, such as those of a political, scientific, or artistic nature (Steiner & Steiner, 1997). Courts create constitutional law because many of its provisions are unclear (Fisher & Phillips, 1998). The Constitution is a dynamic document that changes for mainly three reasons: its language is obscure; new social conditions and/or values require additions or modifications; and it was purposely written by the Founders to provide for future changes (Fisher & Phillips, 1998). In Central Hudson Gas and Electric Corporation vs. Public Service Commission, 447 U.S. 557 (1980), Justice Powell set guidelines determining when restrictions could be placed on commercial speech. The test is:

1.	Only the promotion of lawful products or activities is protected.
2.	If the government wants to restrict an advertisement, it must be for a substantial reason.
3.	If the government wants to restrict an advertisement, the restriction must help the government reach a policy goal.
4.	Suppression of commercial speech must not be excessive, or more than is necessary for the government to achieve its desired goal (Steiner & Steiner, 1997).

Positive law is a rule from a political superior to a political inferior, which the inferior habitually obeys, with sanctions imposed if the rule is broken; positive law does not require the law to be moral or immoral (Fisher & Phillips, 1998). Constitutional positive law provides a moral element by which the lawmaker derives his or her authority from the people, the Constitution limiting positive law to moral standards, and by limiting the amount of intrusion on people's lives and businesses' affairs (Fisher & Phillips, 1998). With these standards, consumers have an agent of change to raise the ethical ideals of the advertising industry. By maintaining an awareness of what the law says and of current activities regarding the FTC and consumer protection agencies, consumers can obtain much information, which will help them make rational, intelligent decisions. In turn, when consumers make purchase decisions based on accurate information, rather than emotion, the advertising industry will become aware of this trend and respond by raising their advertising standards.

REGULATIONS

The FTC has many regulations regarding product claims. Advertisers puff certain products up by assigning them certain characteristics, such as youth, beauty, and power, which have little to do with the product itself. Preston (1975) states that puffery appears in television, print, verbal, and pictorial advertisements. Puffery is permissible because its claims are not specific and it is assumed that reasonable people will accept the claims as puffery. In reality, these claims are specific, with advertising claiming products are the best, greatest, or fastest, for example. Consumers rely on these claims as decision-making tools (Preston, 1975). Puffery is legally defined as the advertising of a product by praise, subjective opinion, exaggerations, etc. without stating specific facts (Preston, 1975). An example of puffery might be a local restaurant making the claim that its pizza is "the best in town." Fisher & Phillips (1998) state that puffery or "seller's talk" should not be confused with fact. The "best pizza in town" is subjective.

Deception is a misleading message sent by the advertiser in an attempt to fool the consumer (Preston, 1975). In 1983, the FTC released a policy statement on deceptive advertising, stating that the alleged deceptive behavior must involve an omission or practice that is likely to mislead, and a consumer acting reasonable under the circumstances (Fisher & Phillips, 1998). A deceptive advertisement is one that can be proven false. Deception can be implied from a product's appearance, the circumstances of the transaction, the seller's express representations, or consumer expectation; actual deception is not a necessary criteria (Fisher & Phillips, 1998).

Falsity differs from deception. There are several types of falsity, which are not considered to be deceptive. These include puffery, obvious falsity, and social-psychological misrepresentations, which are claims that attribute certain features to a product and are only existent in the consumer's mind, personality, or environment (Preston, 1975). Social- psychological misrepresentations are harmless to the consumer and are equated by marketing industry standards to puffery (Preston, 1975). Other kinds of falsity are mock-ups which alter the appearance of a product to make it appear brighter and better, especially when comparing the product to a competing brand (Preston, 1975). When watching an ice cream or fast food commercial, one cannot ignore how appealing the advertisement is. The products as seen on television are often fake products made to look better than the actual product; a reason for this could be the hot lights that are used on the set of the commercial which melt food so quickly that advertisers cannot use the actual product in the commercial (Preston, 1975). Passing-off is the practice of substituting one product for an original product, or slightly altering the original product and marketing the product in competition with the original product (Kintner, 1978). An explanation for the use of falsity to sell a product could be fundamentally economic. In the United States' economy, when supply exceeds demand, producers need a way to differentiate their products from the competition (Preston, 1975).

The FTC may use consumers' ignorance to support a complaint against an advertiser. Preston (1975) asks to what standards should a marketing campaign be upheld, a "reasonable man's standards" or an "ignorant man's standards?" The balance between sellerism and consumerism becomes more difficult to achieve when consumers are expected to be ignorant. This is one of the problems of consumerism: consumers assuming their own to be ignorant.

Consumerism's opponents argue that consumerism causes prices to rise because of increased costs to producers, such as testing, and that buyers should protect themselves and their pocketbooks. Consumerism's proponents argue that businesses are dominant and powerful and that consumers must be protected, because they are vulnerable. Other proponents believe that consumerism actually benefits business by protecting the honest businesses from the dishonest ones (Fisher & Phillips, 1998). Consumers should expect every industry to uphold ethical standards. Regulatory power is in the consumers' hands. Becoming informed of industry regulations is the first step in attaining the power to self-regulate an industry. Consumers can become informed through the Better Business Bureau, FTC regional offices, and various publications such as Advertising Age, The Wall Street Journal, and Consumer Reports.

ADVERTISING

The advertising industry suffers a poor reputation concerning ethics. Polling American consumers, the Wirthlia Worldwide Agency found that 4% "strongly disagree" that advertisements deliberately stretch the truth about their products; 18% "strongly agree" that advertisements deliberately stretch the truth; and 56% "somewhat agree" that advertisements deliberately stretch the truth to sell their products (Dolleger, 1999). Several theories offer explanations why this industry is perceived as lacking in ethics a priori. Ferrell & Gardiner (1991) define an ethical act as one perceived as proper and acceptable according to a society's standards. In addition, utilitarianism is an act that leads to the greatest benefit for the greatest number of people. Also included is ethical formalism, which is an act that does not infringe on one's rights, such as life, liberty, the pursuit of happiness, privacy, speech, and due process (Ferrell & Gardiner, 1991). Fisher & Phillips (1998) define ethics or deontology as the study of clashes in moral values. Ethical dilemmas exist because one has choice. For example, one could choose to cheat on an income tax return and avoid paying taxes, or one could honestly fill out a tax return regardless of the taxes owed (Fisher & Phillips, 1998). Ethics are ultimate values, or a priori, meaning their assumed value is in their existence, with no need of justification (Fisher & Phillips, 1998). Business ethics refer to the values used to make choices by a business in its daily affairs. Businesses' values can be judged by their actions (Fisher & Phillips, 1998). Positive ethical values include making a profit, delivering the best products and services to consumers, providing workers with jobs, giving owners a good return on their investment, and being a good community citizen (Fisher & Phillips, 1998). To make a profit, businesses must have the incentive to deliver quality products because they usually have competition. Using the above criteria, one can explore the reasons that the advertising industry appears to be bereft of ethics.

Murphy (1998) has developed one theory. Questionnaires were sent to 785 Fortune 500 companies, which assessed the importance that each company placed on ethics. One hundred ninety-eight, or 25%, of the companies had specific codes addressing ethics in advertising (Murphy, 1998). From this research, it may be inferred that businesses are not placing much importance on ethics in their advertising departments. With increasing government regulation and consumerism, one would hope that the statistics would be better. Obviously, businesses listen less to government than they do their customers.

Another theory developed by Murphy (1998) addresses the "unholy trinity" made up of advertisers, agencies, and the media. Advertisers want to sell their product by portraying a favorable image, and to maintain current consumption of their product. Agencies want to maintain clients, express creativity, and place advertisements in a profitable and acceptable medium. The media relies on advertising for financial support and the education and entertainment of the audience (Murphy, 1998). These goals do not emphasize ethics as being a priority.

Ethics also encompasses corporate social responsibility (CSR), especially in Europe. Balabanis, Phillips, & Lyall (1988) theorize ethics of CSR in advertising by personifying a firm's needs and comparing them to Maslow's hierarchy of needs. After a firm fulfills its psychological needs (profit), safety needs (competitive advantage), and affiliative needs (involvement in trade association), it will fulfill its internal and self-actualization needs by practicing corporate social responsibility. As in the former theory, ethics are held in abeyance until other needs and desires are fulfilled.

One possible solution for the lack of motivation present in the business world to prioritize ethics is the implementation of self-regulation. The National Advertising Review Council imposed age-restricted regulations on alcohol and tobacco advertisements (Fox & Krugman, 1998). The advertising industry's largest organization dedicated to ethical issues is the National Advertising Review Board (NARB), which is a part of the Council of the Better Business Bureau (Murphy, 1998). The NARB also has a Children's Advertisement Review Unit (Fox & Krugman, 1998). Managers of agencies volunteer to serve on these boards to investigate complaints. The review board does an effective job of regulating the advertising industry; coupled with limited government regulation and consumer awareness, review boards can be a powerful weapon in the fight against unethical advertising (Murphy, 1998).

Advertisers use many methods to intrigue consumers to purchase their product. The use of the media is popular. Schudson (1984) states that when the media brings attention to a product, without regard to the actual advertisement, this influences consumers by enticing them to purchase a product or use a service out of curiosity. Such is the case with movies and artwork. Other times, consumers are turned off and will not purchase the product or use the service (Schudson, 1984). This type of boycott takes place when a group or organization is morally opposed to a product, such as the Southern Baptist Convention boycotting Disney World and Disney products. Schudson (1984) states that consumers use their personal experience to determine what they will purchase. Even if a product has proven to be of high quality, if one has an unsatisfactory personal experience with the specific product, it will not be purchased a second time (Schudson, 1984). For example, this could mean that if a car customer has a bad experience with a specific make of car, he or she would not purchase that type of car again. Advertisers know this, and will work very hard for that good first impression. With this idea in mind, if a consumer's first impression of a product is formed due to an advertisement, the producer will put in a great deal of time, effort, and money to reach the consumer through a quality advertisement. The power is in the consumer's hands.

Specific other methods include the use of sex in advertising and group targeting in advertising. For the last 30 years, sex has been the predominate tactic for selling products (Laberis, 1998). Gould (1994) found that little is known about the effects of sexuality in advertising, even though many studies have been conducted. There are various interpretations of what is acceptable, and sex is a personally subjective, culturally related, and historically changing issue (Gould, 1994). Proponents of sexuality in advertising include liberals, who abhor censorship and seek to protect free speech under the First Amendment. Opponents of the use of sexuality in advertising include feminists, who find such advertising offensive and degrading to women, and conservatives, who support moral values and oppose sexual exploitation (Gould, 1994). During the 1999 Super Bowl advertisements, sex was a predominate tactic used by advertisers. Garfield (1999) states that the advertising industry has benefited from the dishonor of women to impress men, which is illustrated in the advertisements that took up many commercial slots during the Super Bowl. Companies such as Epson and Samsung are using sex to sell computers (Laberis, 1998). The use of sexuality in advertisements brings a focus on women's issues and targeting groups such as minorities and children.

ALCOHOL AND TOBACCO

Treise and Weigold (1997) found that alcohol and tobacco advertisers are accused of targeting minorities with higher tar cigarettes and malt liquor, which are more addictive. The Detroit Planning Commission found that in Detroit's low-income neighborhoods, 55 to 58% of all billboards were for cigarettes and alcohol, compared to 34% of billboards in higher income neighborhoods (Treise & Weigold, 1997). It is difficult locating research on whether advertisers target certain groups for harmful purposes, or if advertisers have found as in the past that certain groups find products, such as malt liquor and high tar cigarettes, more appealing, and therefore are the primary buyers of those goods. If the latter is the case, the consumer is in control of the type and amount of advertising put on television and billboards. Advertisers will not spend resources targeting groups that do not buy their products. One of the most controversial issues dealing with advertisers targeting specific groups is the issue of cigarette advertising.

Both tobacco and alcohol are rite-of-passage products. Steiner & Steiner (1997) found that these products had the automatic attractiveness of being forbidden; therefore they attract young people. Most smokers started smoking before the age of 21. Brand loyalty is important, especially to young smokers. The introduction of R.J. Reynolds' mascot Joe Camel increased Camel cigarette sales from three percent of underage smokers to 13.3% of underage smokers, between 1988 and 1992 (Fox & Krugman, 1998). The number of mature smokers loyal to Camel cigarettes remained the same after the introduction of Joe Camel (Steiner & Steiner, 1997). Cigarette advertisements construct lifestyle themes, emphasizing the good life. Healthy, attractive people are shown smoking, which undermines the health warning present on the packages of cigarettes and written in the print advertisements (Steiner & Steiner, 1997). Not only are young people targeted by advertisers, women are also targeted by cigarette manufacturers. Thirty years ago less than one-third of smokers were women. Now, after the introduction of women's brands and marketing that targets women's desire for independence and self-fulfillment, women make up half of the smoking population (Steiner & Steiner, 1997). Cigarette advertisements are also criticized for marketing the slim cigarette to women. Models are used to emphasize the elegance and grace associated with thinness and smoking feminine cigarettes (Steiner & Steiner, 1997). Philip Morris was chastised because of a promotional campaign that targeted women, specifically young women, by offering a CD featuring popular female singers for a certain number of proofs of purchase (Fox & Krugman, 1998). Absent is the fact that women do want to be viewed as independent and intelligent and not as helpless and naïve. Women are capable of making their own choices, regardless of what is portrayed on television or in print. Tobacco companies are also accused of targeting minorities, such as African-Americans and Hispanics, and other groups such as blue-collar workers and the less educated (Steiner & Steiner, 1997). African-Americans are targeted with menthol ads prevalent in their neighborhoods. Hispanics are targeted through Spanish advertisements (Steiner & Steiner, 1997). With the resistance present in the United States, tobacco companies have entered the global market.

Developed countries, such as the United States and Canada, are experiencing a declining rate of smoking. In a study conducted by the American Journal of Public Health, researchers found that smoking has been declining steadily in the United States since the 1970s by approximately 0.7

percentage points per year (Pechman & Dixon, 1997). Japan saw a five-fold increase in smoking from 1960 to 1975. From 1975 to 1994, Japan saw a slight drop in smokers to 60% of men and 15% of women, but the total tobacco consumption in Japan has increased (Pechman & Dixon, 1997). Smoking for Asian women has become socially acceptable and the number of women smoking in Asia has risen (Steiner & Steiner, 1997). In Brazil, Argentina, and the former Soviet Union, the number of smokers is rising. Ironically, those governments are becoming reliant on cigarette tax revenue (Steiner & Steiner, 1997).

Although there are a number of billboards advertising cigarettes, the trend is changing. Anti-smoking billboards are replacing cigarette advertisements. In 1998, outdoor tobacco advertisements accounted for three percent of all billboard advertisements; in 1991, they made up 25% of all billboard advertisements (Krol, 1999).

With all the controversy surrounding smoking, cigarette manufacturers' and smokers' voices are mostly ignored. Banning cigarette advertising is not viewed as censorship due of the health issues that surround smoking. Smoking advertisements encourage a risky habit. Science has proven that smoking is harmful; however, instead of encouraging smokers to quit, advertisers encourage smokers to switch to a lower tar brand (Steiner & Steiner, 1997). Shaffer (1987) states that public service announcements informing viewers of the dangers of smoking are prevalent, but cigarette makers are not given equal time. Senator McCain proposed an FDA national tobacco policy to regulate nicotine and advertisements relating to tobacco (Freedman, 1998). Coorsh (1999) states that the Supreme Court agreed to rule on whether the FDA has the authority to regulate tobacco products as drugs and whether cigarettes are drug delivery devices. The federal government is attempting to ban cigarette advertisements, even though they are protected by the First Amendment.

The popular belief is that smoking is strongly linked to advertisements. Schudson (1984) contradicts this belief by linking the rise of smoking to the democratization of cigarettes. The mass media's portrayal of smoking has a great influence on a young person's decision to smoke. Advertising followed rather than led the spread of cigarette usage, and it was the convenience and democracy of the cigarette, coupled with specific new opportunities for its use, that brought the cigarette into American life (Schudson, 1984). In defense of tobacco advertisements, tobacco is a legal substance. Tobacco companies have a right to advertise and government regulation could be viewed as censorship. The United States has seen a decline in the rate of smoking, even with an increase in tobacco advertisements (Steiner & Steiner, 1997). This illustrates that consumers can make up their own minds when it comes to certain issues.

Distilled spirit manufacturers recently lifted the 60-year voluntary ban on liquor advertisements. The major networks refused to air the advertisements, but cable channels will allow companies to purchase time. This is not a widely accepted practice because there is much controversy surrounding the advertisements (Hall, 1999). Seagrams is lobbying to get radio time, but broadcasters fear action from the Federal Communications Commission (FCC), because the FCC fears the influence that advertising may have on children (Schwirtz, 1998). The beer and wine industry's self-regulation prevents advertisements on networks where the majority of viewers are underage. A sample of MTV programming shows many violations of the ban with advertisements for beer and wine (Fox & Krugman, 1998). The print media accepts liquor ads, especially those with underage audiences, such as Spin, Allure, Vibe, and Rolling Stone (Fox & Krugman, 1998).

Alcohol manufacturers are responsible for ethics in advertising, and so are the television stations, magazines, and billboard owners. If the media that receive advertising dollars had high ethical standards, manufacturers would have no choice but to be sensitive to their stance.

There are many laws and agencies regulating the alcohol industry. Alcohol is required to be labeled with its ingredients and alcohol content, as legislated through the Bureau of Alcohol, Tobacco, and Firearms (ATF), and the labels must be approved by the ATF (Kintner, 1978). The University of Kentucky agreed to ban alcohol-related advertising in broadcasts and publications authorized by the University's athletic department. The impact was a $400,000 loss of income. The University of Louisville did not join the ban; they are benefiting from an Anheuser-Busch $2 million donation for their Papa John's Cardinal Stadium (Redding, 1998). NCAA rules do not allow alcohol to be sold at games, and limit alcohol advertisements to 60 seconds per hour. Conference USA allows alcohol sales at games and does not limit the time of alcohol advertisements (Redding, 1998). There is concern about college binge drinking. Binge drinking is defined as five drinks in a row for men and four drinks in a row for women (Nation's Health, 1998). Researchers at the Harvard School of Public Health surveyed 15,000 students at 116 colleges and universities in 39 states. Researchers found that in 1993, 39% of college drinkers drink to get drunk, while in 1997 the number rose to 52%. Researchers also found that four out of five fraternity members were binge drinkers. On the other hand, they found that abstinence from alcohol had grown from 15.6% in 1998 to 19% in 1997 (Nation's Health, 1998).

Alcohol manufacturers have a right to advertise, just as other industries have the same right provided for by the First Amendment. Advertising allows companies to maintain their competitive edge and to have an opportunity to introduce new products (Steiner & Steiner, 1997). Targeting women and minorities has been criticized, but women and minorities seek targeting. If there are not enough commercials or advertisements targeting women and minorities, complaints about being discriminated against rise (Steiner & Steiner, 1997).

EDUCATIONAL SETTINGS

Advertising in educational settings has become controversial. When firms donate products such as computers and toys to schools and display their logos, critics claim that they are attempting to influence children to buy their products. This does not allow competing products equal time. Often these products are desperately needed by financially strapped school systems (Mullins, 1996). Corporations are giving away their products and providing for many children who would not normally have the opportunity or access to high-tech, educational products.

Other types of educational advertising are criticized. Vocational schools and home study courses are typically known to be of lower quality than accredited institutions for those that are seeking serious career advancement. In the case FTC vs.Cinderella Career and Finishing Schools 404 F.2d 1308, (D.C. Cir. 1968), the FTC found that the school was guilty of fraudulent claims and deception. The school was promising "miracles after sundown," claiming the typist could be transformed into the glamorous airline stewardess, or the clerk into a fashion counselor; the school offered a broad curriculum including courses in fashion retail and courses related to airline stewardesses (Kintner, 1978). Many individuals who opt for vocational or home study courses are young and inexperienced. Students seeking this type of education are concerned with the quality of training, number of jobs available in a certain field, expected income, and job placement (Kintner, 1978). Often schools exaggerate the ability of their program to fulfill the needs of their students. Some take issue with the fact that accredited colleges and universities advertise their liberal arts programs with the unspoken promise that students will be able to obtain employment. Corporate recruiters are looking for graduates with liberal-arts degrees as long as they are computer literate and have good communication skills.

FOODS, DRUGS, AND COSMETICS

The claims of foods, drugs, and cosmetics presented to consumers cause controversy. Some foods, such as margarine, claim they are lower in cholesterol and saturated fat and a part of a cholesterol lowering diet. In a study in the New England Journal of Medicine, researchers found that the chemical used to make margarine solid actually has the opposite effect on serum lipoprotein cholesterol (Schaefer, Lichtenstein, Ausman, & Jalbert, 1999). The sales of vitamin nutritional supplements have risen dramatically over the last 15 years. Claims of energy boosting, mind sharpening and total wellness are often false and misleading. Advertisements appeared in the USA Today promoting Vitamin O, a dietary supplement claiming to eliminate everything from breathing problems and lack of energy to life threatening diseases such as cancer and heart disease. Scientists found that Vitamin O is nothing but bottled salt water selling for $10 dollars an ounce (Schaefer, Lichtenstein, Ausman, & Jalbert, 1999). Cellasine, a soft-gel capsule made of herbal ingredients, claims that it can help to eliminate cellulite. The Center for Science in the Public Interest filed a complaint with the FTC claiming deceptive advertising. The pill is not under review by the FDA because Cellasine is a dietary supplement (Kalb & Springen, 1999). In response to these product claims, the consumer's power comes from the amount of information he or she possesses. Information is power when discerning valuable information from worthless information.

In the late 19th century, quackery was prevalent in the marketing of medicines. Claims were outrageous, and the alcohol content was high in many of the tonics. There was no fear on the part of the peddler of being held responsible for the advertising, because there were no laws governing their actions (Kintner, 1978). Today, the FTC and FDA regulate the claims of pharmaceutical advertisements and the drugs that are allowed on the market. They are concerned with protecting the public from overzealous claims of healing (Kintner, 1978). If a product claims to have medicinal properties, it must be approved by the FDA (Foulke, 1992). Even products such as deodorant and suntan lotion, since they affect the body's function and structure, are considered drugs and are regulated by the FDA (Kintner, 1978). In 1980, the FTC set the standard for an offending practice that causes injury to a consumer by stating that it must be substantial, not outweighed by an offsetting consumer or competitive benefit the practice produces, and not be reasonably avoidable by consumers (Fisher & Phillips, 1998). Substantial harm, as defined by the FTC, includes a monetary loss or a health and safety risk to a consumer (Fisher & Phillips, 1998). The FTC has the power to order an advertiser to cease and desist from certain claims. It can also require an advertiser to correct future advertisements by disclosing certain information (Fisher & Phillips, 1998). The FTC ordered Novaris Consumer Health to run eight million dollars worth of corrective advertisements for its Doan's Pills (Teinowitz, 1999). This was the first time in 25 years that the FTC had taken this type of action. The FTC determined that advertisements running from 1987 to 1996 falsely presented Doan's Pills as a better brand for back pain than other remedies (Teinowitz, 1999).

Pharmaceutical companies have shifted much of their advertising budgets from medical journals and physicians to television and print advertisements directed to the general public. Drugs that fight obesity, such as Phen-Fen, and over-the-counter medications, such as Metabolife, are marketed as safe and effective; Phen-Fen was taken off the market by the FDA after consumers suffered severe health problems, and Metabolife is considered an herbal supplement, so it is not under federal guidelines. Consumer regulation of false and deceptive drug claims is difficult because a consumer cannot obtain all the information necessary to make an informed decision. The consumer must rely on a physician or other health care professional for guidance. This area is one where government regulation is important for the safety of consumers.

The FDA also regulates cosmetics. The FDA protects consumers from fraudulent claims of structural changes by a product, such as wrinkle remover, because it is considered a drug (Kintner, 1978). Cosmetic manufacturers rely on puffery to sell their products. Claims began with gimmick additives such as shark oil extracts to promote skin rejuvenation or to tighten chin muscles. Today, claims are more sophisticated, such as of Vitamin C extract in Alpha Hydroxy Acids, that claim to fight free-radicals, which cause aging (Foulke, 1992). Cosmeceuticals are products that combine the properties of cosmetics and pharmaceuticals; they are marketed in such a way as to avoid FDA regulations. Cosmeceuticals include Alpha Hydroxy Acids (Dolack, 1995). Cosmetic companies are only permitted to claim that their products change the appearance of a person's skin (Kintner, 1978). The selling style of the cosmetics industry is very calculated. The industry profits on the consumer's desire to be young and beautiful, and the products are overpriced. The consumer in this situation is usually driven by emotions, such as vanity, and it is difficult to be rational and weigh the pros and cons of the desired purchase. Women are not the only targets of deceptive advertising when it comes to cosmetics. Men spend $1.2 billion dollars a year for hair loss remedies, $100 million of which is spent on unproven treatments (Rutz, 1997). The FTC is not concerned with bogus claims from the cosmetics industry; the commission's priorities are claims involving health and safety (Rutz, 1997). Helsinki Formula shampoo is an example. From 1985 to 1990, Americans spent $1.1 million dollars on a bottle of shampoo priced at $50 that supposedly would stimulate hair growth. In 1994, a court of appeals agreed with the FTC that there was no scientific evidence that Helsinki Formula shampoo grew hair or stopped hair loss. In 1996, the FTC agreed to a $27 million settlement with the product's promoters (Rutz, 1997). Consumer advocacy groups, such as the American Association of Retired Persons (AARP), Consumer Union, Center for Economic Justice, the Center for Science in the Public Interest, and evening news shows, such as "20/20," "Dateline," and "60 Minutes," are helpful by informing consumers about fraudulent or deceptive claims.

GAMBLING

The National Gambling Impact Study Commission, a nine member committee formed by Congress in 1996, has come out against gambling advertisements (Teinowitz, 1999). The commission fears that gambling advertisements are targeting the poor and minorities. Treise & Weigold (1994) state that minorities are targeted for lotteries on billboards placed in the inner city. The gaming industry fears that if gambling ads are banned, their First Amendment rights will be denied (Teinowitz, 1999). Congress states that gambling contributes to corruption and growth of organized crime (Strupp, 1999). The ninth court of appeals in San Francisco invalidated an FCC ruling banning gambling advertisements, by ruling that gambling advertisements could run in nine western states (Teinowitz, 1997). The Supreme Court, in a case brought to light by the Greater New Orleans Broadcasting Association, ruled to lift the ban on television and radio advertisements promoting casinos outside Indian reservations, and ruled that the ban violated the First Amendment (Alsop, 1999).

Sweepstakes, another form of gambling advertisement, are used to promote goods or services, usually magazine subscriptions. Many times the prizes that are won are never claimed, because the winner is not informed on how to obtain the prize. Other times the prizes offered expire before the contest ends (Kintner, 1978). Eustace Hull, a retired medical technician from Brandon, Florida, testified before a Senate subcommittee that he had spent $15,000 on contests since 1992 with nothing to show for it (Zagorun, 1999). Contestants are encouraged to spend exorbitant amounts of money on subscriptions to improve their odds at winning the grand prize. Gambling and lotteries are legal in some states and have age limitations for participation. Adults are free to make the choice of whether they want to gamble or not. Sweepstakes are a different matter. Mail fraud is a federal offense, and victims of sweepstakes fraud have a responsibility to report any incidence of it to prevent others from becoming victims.

CONCLUSION

Schudson (1984) states that advertising represents values already present in society. Advertisers pick up on certain values and represent them as commonly shared values between the consumer and seller. In a perfect world, advertisers would be self-regulated. Unfortunately, it is not a perfect world. Government regulation, on a limited basis, is a necessary evil (Foley, 1998). The best way to eliminate unethical advertising is for moral and educational leaders to take a stand against it (Murphy, 1998). Professors should teach their students about ethics in advertising, and encourage them to support ethical advertising and boycott unethical advertising. The FTC's greatest challenge is to balance economic and social interests, protecting the consumer, while allowing the free market to work properly. The FTC, state governments, and consumer protection agencies can contribute to the safety of consumers. Ultimately, consumerism lies within the consumer. Advertisers are vying for consumers' attention, and the best way to send a message to an advertiser is to refuse to buy their product. The advertising industry has become a fundamental part of the American way of life, of the economy, and of corporate America. Advertising is considered protected free speech under the Constitution. A partnership between government regulation, industry regulation, consumer protection organizations, and the informed consumer will bring about ethical advertising that is beneficial to the consumer and the economy.

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INVESTIGATING THE STOCHASTIC NATURE OF CONSUMER SEARCH TERMINATION

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ABSTRACT

Previous studies of consumer search have often ignored the stochastic element in the search process leading to biased results. This study develops a stochastic model of search that incorporates the effects of time elapsed since commencing search, individual and product characteristics and unobserved heterogeneity.

Results indicate substantial duration dependence. Perceived benefits of search, size of the evoked set and the quality of past experience are found to be important determinants of the hazard function. This study highlights the importance of accounting for unobserved heterogeneity and the sensitivity of the parameter estimates to the specification of its distribution.

INTRODUCTION

What causes a customer to terminate his search process and purchase? This is a pervasive question faced by numerous marketing managers. Many studies have documented the effects of consumer characteristics on the extent of information search for durable products as well as patterns of search across information sources (Punj & Staelin, 1983; Kiel & Layton, 1981; Furse, Punj & Stewart, 1984; Beatty & Smith, 1987; Srinivasan & Ratchford, 1991; Putsis & Srinivasan, 1994). However, to date, there has been little significant work documenting the termination of consumer search and final purchase. In addition, contemporary marketing literature on the extent of search does not explicitly model the fact that the duration of search is a stochastic process. Thus, a consumer may terminate search early if he/she got lucky and chanced on a good deal early in the search process or he/she may be unlucky and not obtain an acceptable offer until late in the search. A complete model of search behavior would account for this stochastic element.

Another shortcoming of the literature on search is that it fails to model the possible effects of unobserved heterogeneity. The most common method of accounting for observed heterogeneity is to include consumer, retailer and product characteristics in the model, and to estimate how the measured extent of search varies with these variables. However, given the difficulty of determining and measuring these characteristics, there are likely to be many variables that affect search that are unmeasured. A complete model of search behavior would explicitly model the effect of this unobserved heterogeneity, and failure to do so may contaminate the estimates of the included variables (Heckman & Singer, 1984).

This study focuses on the rate of search termination and its determinants, using a stochastic model of search within the framework of a conditional hazard function. The probability of search termination is modeled as a function of the duration of search, measured consumer characteristics and unobserved factors.

HAZARD FUNCTION

Hazard function models have been used extensively in economics and statistics literature especially in the areas of research on job search, employment and unemployment (Jones, 1988; Lancaster, 1985; Flinn & Heckman, 1982). It has been used in a study on inter-purchase timing in marketing (Jain & Vilcassim, 1991) but never in the area of search. Since the hazard function can be thought of as the rate at which an event occurs, its application in this area of search termination is very appropriate.

For the purpose of this study, let the random variable T be the time a consumer spends searching for external information before purchasing an automobile. Duration T spans between the interval $[0, \infty)$. The hazard function $\lambda(t)$ can therefore, be defined as:

$$\lambda(t) = \lim_{\Delta t \to 0} \frac{\Pr(t < T < t + \Delta t \mid T > t)}{\Delta t} \qquad (1)$$

Equation 1 indicates that the hazard function simply specifies the instantaneous rate of search terminating at time t, given that the consumer is still searching at t. In other words, conditional on the consumer not having purchased, the hazard function measures the likelihood of search ending at time t.

The hazard function is a convenient method of organizing, testing and interpreting data in cases where conditional probabilities are theoretically or intuitively appealing. The basic requirements of the hazard function are non-negativity and finiteness. This makes it less stringent than the requirements of probability distributions, which are required not only to be non-negative but also to sum or integrate to unity.

Since there are likely to be individual differences in the rate of terminating search, how individual characteristics enter into the hazard model needs to be specified. Also, since identifying all relevant characteristics is difficult, if not impossible, unobserved or unmeasurable heterogeneity needs to be taken into account. Accordingly, the conditional hazard, conditioned on a vector of consumer characteristics **X**, and on unmeasured heterogeneity θ is specified as (Flinn & Heckman, 1982; Heckman & Singer, 1984):

$$\lambda(t \mid X, \theta) = \lambda_0(t)\ \phi(X, \beta)\psi(\theta), \qquad (2)$$

where λ_o is the baseline hazard corresponding to $\phi = \psi = 1$; β is a vector of parameters corresponding to the consumer characteristics **X**; θ is unobserved heterogeneity. The observed and unobserved heterogeneity act multiplicatively on the hazard function and in effect serve to shift the hazard from its baseline.

For the specification of the measure of covariates, the commonly used form is adopted:

$$\phi(X, \beta) = \exp[\,X\beta\,] \qquad (3)$$

Since the expression exp(.) is always positive, the hazard function is automatically non-negative and finite for all X and β. Following Heckman and Singer (1984) the unobserved heterogeneity shall be specified as follows:

$$\psi(\theta) = \exp(c\theta) \tag{4}$$

where θ is the individual heterogeneity that remains constant within each spell and *c* is the associated coefficient.

Finally, the baseline hazard is parameterized in as general a form as possible. To this end, the Box-Cox formulation is adopted because the most commonly used probability distributions are nested within this general form (Cox, 1972).

$$\lambda_0(t) = \exp[\gamma_0 + \sum_{j=1}^{J} \gamma_j \frac{(T^{\varepsilon j} - 1)}{\varepsilon_j}] \tag{5}$$

The baseline hazard captures the time elapsed since embarking on search and T is the duration of search. Here again, the expression exp(.) ensures the non-negativity of the baseline hazard and, hence, the hazard. Two commonly used distributions in studies on duration, namely the Weibull and Erlang-2, are used in this study. These are nested in the Box-Cox formulation and statistical tests can, therefore, be performed to test their suitability. Table 1 illustrates restrictions on the parameters in Equation (5.) and the resulting probability distribution.

Table 1

Restrictions on Parameters in Equation (5) and the Resulting Probability Distribution

Restrictions		Baseline Hazard	Corresponding Probability Distribution
1.	$\gamma_k = 0 \;\; k \geq 1$	$\exp(\gamma_0)$ = constant	Exponential
2.	$\epsilon_1 \rightarrow 0 \;\; \epsilon_k = 0 \;\; k \geq$ $\gamma_1 \neq 0$ $\gamma_k = 0 \;\; k \geq 2$	$\exp(\gamma_0 + \gamma_1 \ln t)$	Weibull
3.	$\epsilon_1 = 1$ $\epsilon_2 \rightarrow 0$ $\epsilon_3 = 2$ $\gamma_1 < 0 \;\; \gamma_2 = 1$ $\gamma_3 = \gamma_1^2$ $\gamma_k = 0 \;\; k \geq 4$	$\exp[(\gamma_0 - \gamma_1 - \gamma_1^2/2) + \ln t + (\gamma_1^2/2)t^2]$	Approximately Erlang-2

ESTIMATION

Defining Y= (γ_0, γ_1, β, c), the method of maximum likelihood is used to estimate *Y*. The likelihood function of *Y* for individual i on θ is, therefore, given by:

$$L_i(Y|\theta) = [f(t_i|\theta)] \tag{6}$$

Substituting for $f(t|\theta)$ into the above equation and assuming the covariates remain constant during the search, we obtain the following conditional likelihood function:

$$L_i(Y|\theta) = [\lambda(t|X,\theta)\exp(-\int_0^t \lambda(u|X,\theta)\,du] \tag{7}$$

By integrating over the distribution of θ, the nuisance term *u* is eliminated. Therefore, the unconditional likelihood function $L_i(Y)$ is given by:

$$L_i(Y) = \int_\theta L_i(Y|\theta)\,dG(\theta) \tag{8}$$

Parameter estimates are obtained by maximizing the likelihood function across all N individuals in the sample:

$$L(Y) = \prod_{i=1}^{N} \int_\theta [\lambda(t|X,\theta)\exp(-\int_0^t \lambda(u|X,\theta)\,du)\ dG(\theta)] \tag{9}$$

The specification of $G(\theta)$ is approached in two ways. First, following past research a standard normal distribution is adopted (Massy, Montgomery & Morrison, 1970). Second, a non-parametric approach is used in which the structural parameters and the distribution of the unobserved covariates of the model are jointly estimated. Results for the two approaches will be compared.

Estimates of the parameters are obtained through an iterative maximum likelihood procedure using the CTM (Continuous Time Model) program developed by George Yates at the National Opinion Research Institute (NORI), Chicago, Illinois. Non-parametric estimation of the unobserved heterogeneity requires the joint estimation of *Y* and the cluster points θ_1..... θ_s. Estimates obtained through the iterative likelihood procedure are consistent (Amemiya, 1985). To ensure that global optimality is obtained, the iterative program is applied to different sets of starting values. When the final estimates are nearly identical, global optimality is concluded to have been achieved (Yi, Honore & Walker, 1987).

DESCRIPTION OF COVARIATES

Search is defined as the effort directed toward the acquisition of marketer and non-marketer dominated information from the external environment. It begins when need triggers the serious consideration of a purchase and ends with the actual purchase transaction (Beatty & Smith, 1987; Srinivasan & Ratchford, 1991). The hazard rate is modeled as the dependent variable. In essence, the hazard can be thought of as the rate of terminating search and is inversely related to duration.

Based on a general knowledge of the automobile market and from current marketing literature on search behavior, motivational determinants of search that would influence the distribution of the hazard function are identified. The variables included in the study are consumer, product and demographic factors. Variable names are included in parenthesis.

(1) Amount of Experience (AMOUNT, +) is defined as the number of new automobiles purchased in the last ten years. Consumers who have experience in buying cars are likely to develop simplifying procedures that reduce the amount of time required to reach a decision (Alba & Hutchinson, 1987; Johnson & Russo, 1984; Furse, Punj & Stewart, 1984). By being more efficient, the amount of time spent by the consumer in searching for external information is reduced. Duration of search is, therefore, reduced, and it is posited that the amount of experience is positively related to the hazard function.

(2) *Perceived Risk* (RISK, -) is a measure of the consumer's belief of the chance of incurring a physical, financial, performance and convenience loss (Peter & Ryan, 1976; Peter & Tarpey, 1975; Srinivasan & Ratchford, 1991). The higher a consumer's perceived risk of making a wrong choice, the greater is the duration of search. Hence, perceived risk is negatively related to the hazard function.

(3) *Evoked Set* (EVOKE, -) is the number of models included in the individual's consideration set. A larger set would require more extensive information search as opposed to a smaller set, thereby leading to an extended duration of search. Evoked set is, therefore, hypothesized to be negatively related to the hazard function.

(4) *Perceived Benefits of Search* (BENFT, -) is a measure of a consumer's perception of potential gains from search. For example, the consumer may benefit in the form of obtaining a better price or a more satisfactory model. A greater perception of the benefits of search would drive the consumer toward more extensive search.

(5) *Interest* (INTRST, -) in the product class would result in more time spent collecting information (Maheswaran & Sternthal, 1990). The rate of terminating search is, thereby reduced. Interest is, therefore, hypothesized to be negatively related to the hazard function.

(6) *Knowledge* (KNO, +) is the knowledge and understanding that an individual has of a product within a particular product class. It enables the person to process information more efficiently by excluding irrelevant information (Bettman & Park, 1980; Johnson & Russo, 1984; Beatty & Smith, 1987; Urbany, Dickson & Wilkie, 1989; Brucks & Schurr, 1990). Duration of search is thereby shortened, and product class knowledge is, therefore, posited to be positively related to the hazard function.

(7) *Positive Experience* (EXPER, +) with the product reflects the quality of past experience with the previous car and the dealer or manufacturer. A positive experience builds feelings of trust and confidence toward the manufacturer and/or dealer and impacts positively on decision making in that product category. Positive experience manifests itself in simplified decision processes often based on simplistic rules (such as purchasing the same brand of car or buying from the regular dealer). This is similar to what Bettman and Zins (1977) refer to as "preprocessed choice." Therefore, we expect greater amounts of positive experience to be accompanied by shorter durations of search. In other words, positive experience is positively related to the hazard function.

(8) *Price* (PRICE, -). This is defined as the net price after taxes. Consumers tend to spend a long time searching

for items of higher value (Kiel & Layton, 1981). The higher the price of the automobile, the more extended the duration of search. Price is posited to be negatively related to the hazard function.

(9) *Discount* (DISCOUNT, +). This is the combined total manufacturer and dealer discounts. Discounts act as incentives to purchase. Larger discounts would encourage consumers to terminate search and complete the purchase transaction. Therefore, large discounts are associated with higher rates of terminating search, and the covariate is hypothesized to be positively related to the hazard function.

(10) *Age* (AGE, +) reflects the lifestage of an individual. Hempel (1969) and Srinivasan and Ratchford (1991) have shown that older individuals tend to engage in less search. In other words, their duration of search is smaller. Hence, age is hypothesized to be positively related to the hazard function.

(11) *Education* (EDU, -) is used as a proxy measure of an individual's ability to collect, process and use external information (Newman & Staelin, 1972; Ratchford & Srinivasan 1993). More educated consumers tend to engage in extended search, thereby, leading to higher durations of search. Education is, therefore, negatively related to the hazard function.

While all attempts have been made to adequately measure and include variables that might account for heterogeneity, it is expected that there remain some factors which are unaccounted for or unmeasurable. The heterogeneity factor, c, captures these unexplained effects and leaves the estimated parameters unbiased.

DATA

The data set used in this study is a subset of a data set obtained through a mail survey of people who registered new cars in May in a northeastern SMSA and were listed with the R.L. Polk Company. A sample of 3,034, obtained by including every other person on the list, was sent three mailings starting in September, at two-week intervals. The questionnaires elicited response from the person mainly responsible for buying the new car. In total, 1,401 responses were obtained, representing a response rate of 46 percent. After eliminating all cases with any missing data, 1024 usable cases remained. These were employed in the analysis.

The measure of time spent searching in this data set is the sum of self-reported time spent in the search process on the following categories: talking to friends/relatives, reading books/magazine articles, reading/listening to ads, reading about car ratings in magazines, reading automobile brochures/pamphlets, driving to/from dealers, looking around showrooms, talking to salespersons, test driving cars.

DISCUSSION

Equation (9.) is estimated using the iterative maximum likelihood procedure. While several commonly used distributions for the hazard function were estimated, the Weibull hazard gave the best results. Results for this model are displayed in Table 2. This table reports results for three different specifications of the unobserved heterogeneity factor, namely a specification that does not account for unobserved heterogeneity, another that assumes standard normality, and finally a non-parametric specification that represents heterogeneity in terms of a discrete distribution of mass points.

Table 2: Parameter Estimates

Variables	No Heterogeneity	Standard Normal	Non-Parametric
Intercept	4.570++++	22.798++++	9.052++++
	(0.307)	(0.744)	(0.528)
ln t	0.249++	4.426++++	3.356++++
	(0.029)	(0.167)	(0.179)
KNO (+)	0.885++	4.921++++	3.688++++
	(0.383)	(0.579)	(0.621)
EXPER (+)	1.225++++	1.206++	6.261++++
	(0.336)	(0.509)	(0.601)
AMOUNT (+)	1.085++++	0.461	2.695++++
	(0.309)	(0.490)	(0.554)
RISK (-)	-0.453	-2.219++++	-1.279++
	(0.272)	(0.478)	(0.566)
EVOKE (-)	-2.459++++	-13.913++++	-11.752++++
	(0.329)	(0.687)	(0.675)
BENFT (-)	-3.588++++	-16.371++++	-14.438++++
	(0.305)	(0.684)	(0.782)
INTRST (-)	-0.830++++	-2.558++++	-1.705++++
	(0.181)	(0.235)	(0.376)
PRICE (-)	-1.259+++	-1.054+	-1.437+++
	(0.392)	(0.548)	(0.596)
DISCOUNT (+)	0.964++	1.412++	3.009++++
	(0.427)	(0.589)	(0.651)
AGE (+)	1.150++++	7.199++++	3.440++++
	(0.325)	(0.527)	(0.596)
EDU (-)	0.618+	2.892++++	0.865
	(0.339)	(0.493)	(0.524)
HETEROGENEITY FACTOR (c)	-	3.887++++	14.305++++
		(0.128)	(0.642)
Negative Log Likelihood	1624.39	1617.64	1606.0

Standard errors are in parentheses.
++++Significant at the p=0.001 level; +++ Significant at the p=0.02 level;
++ Significant at the p=0.05 level; + Significant at the p=0.1 level.

In estimating the non-parametric specification, the end points of the interval over which the support points are estimated are fixed at 0 and 1, and other support points between these are determined in estimation. Also, the probability mass associated with each point is estimated. In estimation, support points are added one at a time until two points become clustered at approximately the same location. In the analysis, five support points are required to adequately estimate the underlying probability distribution. The estimated support points are 0, 0.33, 0.55, 0.75 and 1.00 with associated probabilities of 0.0264, 0.1392, 0.3194, 0.3924 and 0.1226 respectively.

Effects of Time on Search Termination

Looking across the columns in Table 2, the duration term (coefficient of lnt) is seen to be significant at the 0.001 level. It takes on the values of 0.25, 0.54 and 3.36 under the no heterogeneity, standard normal and non-parametric specifications respectively.

The hazard is positively related to lnt in Table 2, implying that the longer the time elapsed while searching, the greater is the likelihood of terminating search. For the non-parametric heterogeneity case, the estimated coefficients of lnt exceeds one, implying that the second derivative of the hazard with respect to time is positive, which means that the hazard increases at an increasing rate.

Effects of Covariates on Search Termination

The covariates with the strongest effects on the duration of search are perceived benefits of search and size of the evoked set, both of which tend to lower the hazard and lengthen the search. As expected, both amount and type of experience are associated with an increased hazard, and hence a shorter duration of search. The effect of the covariate interest is significant at the 0.001 level. Interest in a certain product class encourages more external search for information. Past research indicate that knowledgeable consumers experience pleasure in collecting and processing information (Maheswaran & Sternthal,1990). The results are similar to Srinivasan and Ratchford (1991) who have shown that the interest a consumer has for a certain product class is a major motivator of search. It follows, then, that greater interest leads to a lower probability of terminating search or lower hazard values.

While these results are in general agreement with past studies of search effort for automobiles, our study has the advantage of controlling for changes in the hazard through time, and for unmeasured heterogeneity. The estimated effect of several of the covariates changes considerably when heterogeneity is taken into account, indicating that it is important to control for unmeasured heterogeneity when studying the determinants of search.

The heterogeneity factor, c, shown in Table 2 is significant at the 0.001 level in both the standard normal and non-parametric specifications, thereby rejecting the null hypothesis of no heterogeneity. This implies that unobserved heterogeneity has a positive impact on the hazard function and if unaccounted for will contaminate the parameter estimates (Heckman & Singer, 1984). While the more flexible non-parametric model yields a higher log likelihood than the model with normal heterogeneity, the two models are not nested, and no formal significance test for their difference was run.

CONCLUSION

This study attempted to model the stochastic nature of search. One of its contributions is to provide a framework within which three distinct effects on the hazard function can be examined. They are the effects of time, the influence of observed product and consumer motivational factors and the significance of unobserved or unmeasured heterogeneity.

The results show significant amounts of duration dependence and point to duration as a major determinant of the rate of terminating search. The effects of time elapsed since commencing search is biased when unobserved heterogeneity is not taken into account.

Another important finding relates to the magnitude and nature of the unobserved heterogeneity. This component is found to be highly significant and exerts substantial impact on the parameter estimates. The results highlight the importance of accounting for unobserved heterogeneity and the sensitivity of parameter estimates to the specification of its distribution. Problems associated with the assumption of standard normality for the unobserved heterogeneity are also presented.

Covariates that exert the largest impact on the hazard function are found to be the perceived benefits of search and the size of the evoked set. Price and amount of discount are also found to be significant. Of the demographic characteristics, age is found to be positively related to the hazard while education is not significant.

Due to the nature of the data, this study restricts itself to a single spell. Assuming that consumers build up an inventory of knowledge and experiences, which impact on future actions and choices, it would be interesting to build and estimate a model incorporating several spells.

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PLAYING THE ANGLES: A MANAGERIAL OPPORTUNITY IN AD PLACEMENT

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ABSTRACT

This study explores the effects of an ad form variable-camera angle-on ads in an ad pod. It found that while camera angles do not affect recall/recognition or brand attitudes for the ad in which the camera angles are abnormal, it does affect these measures for proximate ads in the pod. The results suggest that advertising managers can gain a business advantage by placing ads in pods where other ads have abnormal executions. Doing so should magnify positive ad responses.

INTRODUCTION

According to James Marra (1982), the first and essential rule in advertising is "Gain Attention." But that first rule is qualified by the old adage "it's not creative unless it sells." Thus, in advertising, the objective of a creative team is attention without distraction, to break through boredom barriers and, amid a clutter of ads, win attention with ad concepts and ad executions that do not distract from the product and product claims. Of the tools available to the creative team as they seek to achieve this objective, ad form is the one most likely to be used across different ads.

Unfortunately, as a conference of the Marketing Science Institute (1988a) has made clear, practitioners are often forced to make decisions about ad form without having any clear idea what impact those decisions may have on viewers. MSI has suggested that the relationship between ad executional variables and viewer information processing should be a research priority (1988b). In the spirit of that priority, this study focuses on an important ad form variable, specifically, the ways in which camera angle can be manipulated to maximize attention gains while minimizing distraction costs.

WHAT IS FORM?

The nature of form has been a perennial question in philosophy, a question that has been answered in a variety of ways. After surveying various responses to the question, Steven Pepper (1970) argued that "formists" generally agree on one thing: form is rooted in the intuition of similarity. Thus, two objects have the same form to the extent that they resemble each other on some dimension. Insofar as they do not resemble each other, they are particular.

Given those definitions of form and particularity, it is obvious that everything has form in some degree, for everything resembles something else on some dimension. But dimensions differ in their range of applicability. Size and collar cleaning capacity are both dimensions on which products may be compared; however, the size dimension is relevant to many product classes whereas collar cleaning capacity is relevant only to a few. Thus, on the continuum anchored by form and particularity, size is a more purely formal, collar cleaning capacity a more particularistic dimension. In this study of ad form, the focus will be a dimension that is applicable to all ads that contain images.

THE MULTIPLICATION OF FORMS

The main pitfall of formal analysis is its tendency to produce new forms ad infinitum. In an inductive analysis of ad forms, a new variable emerges whenever two commercials are perceived to be similar on some dimension. Since commercials can be similar on an infinite number of dimensions, any researcher who looks for similarities between ads will find variable after variable after variable. These variables will be identified on heterogenous dimensions at all different levels of abstraction. They will, consequently, result in an arbitrary chaos of autonomous forms even if only the more generalizable and, therefore, more purely formal dimensions are retained.

It is possible that the multiplication of forms cannot be entirely avoided by any approach to formal analysis; however, the systematic approach proposed in this study minimizes the problem by embedding different forms in an underlying matrix. In the context of the matrix, relationships can be established between apparently discrete executional variables (Metz 1974).

PREVIOUS RESEARCH ON AD FORM

As the discussion in the previous section indicates, if the term form is used in its broadest sense, research on ad form includes all reseach that identifies a shared attribute of ads and explores that attribute's effect on viewers and listeners. Thus, with this broad definition, the body of previous research on ad form is very large.

There is, however, one study which may be taken as a compendium of previous ad form research. In the mid 1980's, MSI funded and published a massive study by Stewart and Furse (1986) of 193 form variables coded for 1,000 television commercials with each commercial being watched and evaluated in a realistic setting by 300-450 respondents. The variables in the study included essentially all aspects of ad form that had previously been identified by either academic researchers or practitioners as having an important effect on ad responses. This project confirmed the utility of studies focused on form, for it found that 13-26 percent of variance in recall and 9-11 percent of variance in persuasion could be accounted for by form variables.

While it has provided and will continue to provide useful guidance to other researchers who focus on ad form, this study, precisely because it is so impressively massive, also illustrates especially well the principal hazard of research focused on form-the multiplication of overlapping and inconsistent forms. Since the coding of variables was guided by no overarching theory, the categorizing scheme used in the study suffered, as Stuart and Furse freely admit, from indeterminate looseness. Citing Kuhn (1970), they acknowledge that, along with all previous studies, their study is pre-theoretical and, therefore, merely descriptive. They suggest that it needs to be superceded by research grounded in a theory that can provide a set of well-defined measures, testable propositions about specific relationships, and a comprehensive statement about what effects are important

(Stewart and Furse 1986, p. 9). In focusing on the missing theory of ad form, Stuart and Furse have identified a gap in advertising research that this study will partially fill with semiotics, the science of signs.

SEMIOTICS AND FORM

Semiotics is the general science of signs (Peirce 1931-1958; Saussure 1958). It emerged as a new discipline when the insights and methods of linguistics were applied in new non-linguistic domains. A semiotician's objective is to uncover the hidden foundations on which the meaningfulness of signs rests (Culler 1975; Saint-Martin 1987). These foundations are typically some relatively stable deep structure that grounds and organizes the apparently chaotic surface manifestation of a phenomenon, e.g., the relationships between Saussure's (1959) langue and parole or Chomsky's (1957) deep and surface structures.

The specific class of signs treated in this study is images, in Peirce's (1931-1958) technical terminology, icons. A sign is iconic to the extent that it resembles its referent on some dimension. So all pictures are fundamentally iconic. But despite their close resemblance to the things they signify, pictures also have the properties of a surface structure, i.e., they tend to be more varied and fragmented than the reality they signify. In pictures, sudden shifts in time and space are possible, shifts that don't occur in reality. The fact that ordinary experience of a thing is more stable than audiovisual experience suggests that everyday experience may function as a kind of deep structure against which changes in the surface iconic depiction can be measured.

But on what dimension are direct experience and images in ads to be compared? Ideally, the dimensions used will be applicable to most or all iconic ads and, therefore, will be truly formal, not particularistic. One feature of an image that has the kind of variability that makes it a surface structure attribute but the universality that makes is a critical element of form is point of view. The same object can be viewed from a number of different points of view and can be shown successively from different points of view. Some of those points of view will be normative in that they reflect normal spatial relations relative to that object. Other points of view will be anomalous in that they are rarely encountered in our ordinary interactions with the thing. Marr's (1982) work suggests that the information processing demands posed by normal points of view (e.g., looking at the profile of a car at eye level from a distance of twelve feet) will be lower than those posed by anomalous points of view (e.g., looking at the underside of a car from a distance of twelve feet).

PAST RESEARCH ON ANGLE EFFECTS

When viewing an object, some points of view may be more affectively charged than others. It follows that some camera angles may be more affectively charged, for camera angles reflect spatial position relative to a focal object. Film makers have long believed that camera angles influence affective responses (Giannetti 1982), and Kraft (1987) has provided empirical support for this longstanding belief. He photographed six brief slide show narratives from eye level and 40 degrees above, 40 degrees below eye level. After viewing the narratives, subjects rated actors on various dimensions. Across all stories, actors viewed from 40 degrees below eye level were judged to be taller, stronger, bolder, and more aggressive than those viewed from 40 degrees above. Those viewed from eye level were in the middle on each response dimension. Meyers-Levy and Peracchio (1992) replicated Kraft's (1987) study in an advertising context finding that camera angle influenced responses to computers and bicycles. As in Kraft's study, attitudes were most favorable from the low level angle, and least favorable for the high level point of view. While Kraft and Meyers-Levy and Peracchio demonstrate the importance of camera angles, the domain of their studies is quite restricted. They varied camera angle on only one of three possible dimensions, the vertical axis. In this study, the angle was varied on two dimensions, the vertical (y) and the sagital (z) axes.

RESPONSE THEORIES

Two competing theories that offer opposite predictions on the effects of normal versus abnormal camera angles are tested in this study. The first theory, distraction theory (Festinger and Maccoby 1964, Nelson Duncan, and Kiecker 1993), suggests that abnormal ad executions (unusual camera angles) will be less effective than normal executions (customary angles) because they will distract attention from the ad's product claims and reduce product claim recall. The second theory, the dual-mediation hypothesis (Homer 1990; McKenzie and Lutz 1989; Brown and Stayman 1992) suggests that abnormal executions will be more effective than normal ones, through a two-stage process. First, the greater arousal elicited by the abnormal execution will elevate attitude toward the ad; then that positive AAd will spill over onto product claim processing, producing greater product claim recall.

While distraction theory and the dual-mediation hypothesis lead to diametrically opposed predictions on brand learning and brand attitudes, it is possible that the two theories are not incompatible. Abnormal executions may produce both a distraction effect and an attention spillover affect. Net effects would then depend on the relative magnitude of these negatively and positively valenced effects. If the negative distraction effect were larger, increasing the salience of the execution would reduce learning and brand attitudes. If the positive spillover effect were larger, a more salient execution would lead to enhanced learning and attitude. So which effect is likely to dominate in what circumstances? A third set of competing hypotheses will be offered in this study suggesting that the dominance of the negative distraction and positive attention effects will be moderated by the amount of ad clutter. In low clutter contexts where much attention is likely to be focused on the ad, abnormal executions may be expected to draw attention away from the ad, in other words, produce the negative distraction effect predicted by distraction theory. In high clutter contexts, on the other hand, where attention may already be directed to other ambient stimuli, an abnormal execution may draw attention back to the ad and produce the positive attention effect predicted in the dual-mediation hypothesis. In other words, this theory predicts an interaction between execution normality/abnormality and ad clutter.

INTERNAL AND EXTERNAL EFFECTS

Scott (1994) has pointed out that researchers often ignore the complexity of responses to ads. If in the context of a given ad, viewers see that an unusual camera angle has been used, they may draw unpredictable conclusions about what the angle is meant to suggest in the ad. This means that the internal effects of an ad execution may be confounded by the semantic meanings inferred by viewers. This semantic confound is not likely to exist for proximate ads in the same ad pod. Viewers are unlikely to think that odd angles used in one ad have any significance in a proximate ad. And yet, more basic distraction/attention effects should spill over onto proximate ads since at a less reflective level, the borders between ads are arbitrary. Since semantic confounds can occur only internally in responses to the ad that contains the execution, external effects of the execution on proximate ads may be the better test of classical conditioning and other unconscious attention and attitude effects on ad responses. Both internal and external effects are tested in this study.

HYPOTHESES

The hypotheses presented here follow from distraction theory (first hypothesis), the dual-mediation hypothesis (second hypothesis), and the composite moderator theory proposed in this study (third hypothesis).

H1:	Compared with normal camera angles, abnormal angles will produce lower brand learning (and brand attitudes).
H2:	Compared with normal camera angles, abnormal angles will produce higher brand learning (and brand attitudes).
H3:	The effects of normal/abnormal angles on brand learning (and brand attitudes) will be moderated by the level of ad clutter, such that abnormal executions produce higher brand learning when clutter is high and lower brand learning when clutter is low.

METHOD

These hypotheses were tested in an experiment that had a 2 (normal/abnormal angle) by 2 (high/low ad clutter) design. A convenience sample of 91 university students were used for this theory test. Camera angle was manipulated in an insurance ad featuring three people who had supposedly been helped by a fictitious company called Southwest Mutual Insurance. The actors were shown sitting on a chair not saying anything. A gender and age consistent voice recounted in a voiceover a positive experience each person had had with Southwest Mutual. (The same voiceover narratives were used in all ad versions to avoid a narration confound.) In the normal version of the ad, the camera was at eyelevel about six feet away from the actor. In the abnormal version, it was only a foot away and three feet above the actors head looking down. The normal and abnormal commercials were embedded in ad pods of 5 (low clutter) and 15 (high clutter) commercials.

TABLE 1
Effects of Angle on Brand Information Recall/Recognition

INTERNAL	Clutter	Normal		Abnormal	
RECALL					
Ad Claims	Low	.84	[44]	.74	[47]
	High	.67	[47]	.60	[42]
	Total	.79	[91]	.67	[89]
Product Class	Low	.50	[44]	.57	[47]
	High	.40	[45]	.33	[42]
	Total	.45	[89]	.46	[89]
Brand Name	Low	.27	[44]	.34	[47]
	High	.22	[45]	.19	[42]
	Total	.25	[89]	.27	[89]
RECOGNITION					
Product Class	Low	.73	[44]	.83	[47]
	High	.78	[45]	.67	[42]
	Total	.75	[89]	.75	[89]
Brand Name	Low	.68	[44]	.81	[47]
	High	.60	[45]	.62	[42]
	Total	.64	[89]	.72	[89]
EXTERNAL	Clutter	Normal		Abnormal	
RECALL					
Ad Claims	Low	2.89	[44]	2.98	[47]
	High	1.96	[45]	1.90	[41]
	Total	2.42	[89]	2.48	[88]
Product Class	Low	.68	[44]	.83	[47]
	High	.33	[45]	.38	[42]
	Total	.51	[89]	.62	[89]
Brand Name	Low	.14	[44]	.17	[47]
	High	.02	[45]	.05	[42]
	Total	.08	[89]	.11	[89]
RECOGNITION					
Product Class	Low	.98	[44]	1.00	[47]
	High	.96	[45]	1.00	[42]
	Total	.97	[89]	1.00	[89]
Brand Name	Low	.25	[44]	.30	[47]
	High	.27	[45]	.29	[42]
	Total	.26	[89]	.29	[89]

Dependent measures were taken for the insurance ad (internal effects) and a proximate ad (external effects). Dependent measures included recognition and recall of the product class and brand name and recall of the product claims. All recognition and recall items were reported as 0 where absent, 1 where present, so mean scores (reported in Table 1) represent the percentage of subjects remembering an ad. Ad claim recall was measured by asking subjects to list all ad claims they could remember. Claims were scored by two judges (Cohen's Kappa .87). Mean number of claims per ad version ranged from .74 to 2.98 (Table 1). Attitude toward the brand was measured with a four item scale ranging from 1, very favorable, to 5, very unfavorable) (Cronbach's alpha .89).

RESULTS

Since there were a number of dependent recall and recognition variables, hypotheses were tested using MANOVA. The ad recall/recognition and brand attitude parts of the hypothesis were tested separately. It is possible to conclude that H2 (the attention effect) is more valid than H1 (the distraction effect) based purely on an inspection of the recall/recognition means reported in Table 1 and brand attitude means reported in Table 2. While the internal effects of angle are inconclusive, the external effects are clearly consistent with H2, inconsistent with H1. Nine of the ten external measures of recall/recognition were consistent with H2. And for both internal and external measures, brand attitudes were more favorable (on the 1 favorable, 5 unfavorable scale) for ads with abnormal angles. Still, across all internal and external dependent memory variables, H2 was not supported by the MANOVA test. The main effect was not significant ($F(10,164) = .71$, $p = .72$). The lack of an internal effect where semantic confounding is possible may explain this lack of significance, for H2 would seem to be supported by the external effect of the angle manipulation. The probability that nine out of ten external recognition/recall means would be in the direction hypothesized by H2 is low ($z = 4.22$, $p < .001$). And while the external effect on brand attitude was not significant that the .05 level, it was significant at the .1 level ($t = 1.52$, $p = .07$). H3, the hypothesis that angle and clutter would interact, supporting the distraction hypothesis in low clutter contexts, the dual-mediation hypothesis in high clutter contexts, was not supported.

TABLE 2
Effects of Angle on Brand Attitude

INTERNAL	Clutter	Normal		Abnormal	
Ad Claims	Low	4.41	[44]	4.33	[47]
	High	4.68	[44]	4.41	[42]
	Total	4.54	[88]	4.37	[89]
EXTERNAL	Clutter	Normal		Abnormal	
Ad Claims	Low	4.48	[44]	4.03	[47]
	High	4.53	[44]	4.46	[41]
	Total	4.51	[88]	4.23	[88]

DISCUSSION

The angle manipulation used in this study was relatively subtle. While the camera was repositioned on more dimensions than in previous research, only one camera angle was used in each version of the ad. Presumably, the effect of the angle form element would be stronger in ads where multiple abnormal camera angles were used than in ads such as these where only a single angle was used. The striking pattern of directional results consistent with an attention effect for external ads suggests that a small effect of form probably does occur as camera angles become more unusual. This effect would seem to be dominated by interpretations of the semantics of the angle in internal ads.

These findings have practical implications for advertising managers. Ads with unusual executions would seem to enhance responses to proximate ads. Positions in an ad pod next to unusual ads would seem, therefore, to have extra impact and extra value. This finding represents an opportunity for informed managers because advertising vendors do not charge higher prices based on which pod of ads a particular ad is shown in or on where in the pod the ad is placed. Vendors should be willing to accommodate requests for a particular position. Thus, until the effects identified in this study become widely known and pod position pricing is changed to reflect the differential impact of different pod positions, managers can enhance advertising effectiveness at no cost to their firm.

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DERIVED IMPORTANCE-PERFORMANCE ANALYSIS: A DIAGNOSTIC TOOL FOR "MAIN STREET" PLANNERS

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ABSTRACT

Assessing the community's perceptions of both downtown business and historic preservation is, as outlined in this study, an important first step in the establishment of any successful downtown revitalization effort. This study strives to understand the multi-faceted desires of downtown customers: experiential consumption desires; interest in being in an aesthetic and historic environment; and desire for exploration and excitement. This research study goes beyond the collection of customer satisfaction data to the use of a diagnostic planning tool for Main Street planners. This diagnostic tool is derived importance-performance analysis. This tool provides targeted strategic direction for leaders of a downtown revitalization effort.

THE MAIN STREET PROGRAM

The Main Street Program was developed in 1977 by the National Trust for historic preservation. This program comprises a multi-faceted approach to promote economic revitalization of downtowns while preserving the historic-built environment. The Main Street program has grown into a national and international success. Kennedy Lawson Smith, Director of the National Main Street Center, reported that by 1995 "almost 1,100 towns and cities in 40 states and the Commonwealth of Puerto Rico . . . launched local Main Street programs" (Smith, 1995, p. 51).

Downtown businesses can be restructured to fill shopping needs left unmet by regional shopping malls and discounters. Main Street focuses on the overall distinctiveness of downtown districts by focusing on rehabilitation of historic properties, the aesthetics of the downtown area and changing generally unfavorable community attitudes toward the historic downtown district (National Main Street Center, n.d.). However, the changing of attitudes must be based on reality. The problem is that many downtown retailers may not be willing to reinvent their businesses to be more responsive to today's consumers.

RETAILING TRENDS

The Main Street Program has a proven track record of addressing retailers' concerns in downtown areas: low store traffic; diminishing sales trends; lack of cultural and entertainment attractions in the downtown area; and an overall poor image associated with the downtown area. Downtown merchants are not alone in resolving retailing patronage issues. Recent trends indicate that mall patronage is declining. Wakefield and Baker (1998) report three reasons for this decline, based on information from the shopping center industry. First, there are numerous malls that offer much of the same merchandise, with minimal distinguishing merchandise. Second, more consumers feel time-pressed, making fewer trips to the mall. When consumers shop, they seek to maximize their shopping time (Ashley, 1997). The third reason relates to a finding that fewer consumers enjoy the experience.

Despite these problems with retail center patronage, there are success stories. Ashley (1997) indicates that even though consumers' lives are more time-pressed, they will find the time to engage in activities they enjoy. Furthermore, they will drive past weaker malls to reach destinations that have the best variety of stores and merchandise. Mall developers strive to entice customers by creating an exciting mix of shopping and entertainment activities. Similarly, those involved in the revitalization of downtown shopping areas desire to obtain an attractive mix of stores, merchandise, entertainment and cultural experiences to better attract customers.

The concept of experiential consumption may be valuable in understanding the factors which consumers feel are necessary to improve a downtown's offerings. "In the context of consumer habitats, a location may itself be a source of pleasurable experiences consumed by visitors" (Bloch, Ridgway, & Dawson, 1994, p. 25). The physical habitat itself (downtown) may reflect the experiential consumption desires apart from merchandise-focused activities. In their study of consumption benefits pertaining to malls, Bloch, Ridgway, and Dawson (1994) found a variety of perceived benefits that motivate consumer presence in mall habitats: aesthetics (an appreciation of the physical design or appearance of the mall); escape (relief from boredom and an escape from routine); exploration (desires for variety or novelty in exploring products or stores); flow experiences (pleasurably absorbed so as to lose track of time); knowledge gains (receipt of information about new stores and new products); and social (opportunities to talk to and socialize with others).

Parallels can be drawn to the consumer habitat of the downtown shopping district. The concept of aesthetics includes the maintenance and preservation of historical buildings often found in downtowns. In addition, the natural environment of the downtown (the green-space, the scenery of the area) should be a motivating factor drawing consumers to the area. Many downtown revitalization efforts have tried to create excitement in the downtown area by creating special events, with a focus on entertainment and cultural experiences. This effort would be consistent with the motivating factors of escape, flow experiences and social dimensions. Efforts to improve the tenant variety (stores, dining and related services) in the downtown area would address the remaining factors of exploration and knowledge gains.

The concept of excitement in a shopping location was studied by Wakefield and Baker (1998). Excitement had a significant positive effect on desire to stay at the mall (type of shopping center studied). The results of their study suggest that an exciting shopping environment is more likely to generate repeat patronage and become a part of the customer's shopping routine. The opposite would be true of low excitement levels. Factors which were found to have an influence on excitement were tenant variety (food service, stores, and entertainment), involvement with shopping, and physical environment (ambience, interior design and décor, and layout). Leaders in downtown revitalization efforts similarly focus on improvements to tenant variety and physical environment in order to alter emotional states toward downtown as a shopping area.

In an effort to change both the reality and perception of downtown, in early 1999 economic development leaders and merchants of Cape Girardeau, Missouri formed a committee to explore the benefits of enacting the Main Street Approach. As the committee was being formed it became clear that involving as broad a spectrum of the community as possible would be key to the success of the program. In an attempt to both assess the needs of the downtown and broaden support for the program, the Main Street Steering Committee commissioned a marketing research class of Southeast Missouri State University to conduct a study of customers' attitudes toward shopping in the various shopping districts of the city, and their feelings about the historic building fabric downtown and its preservation.

METHODOLOGY

The research process began with a series of focus groups of Cape Girardeau residents. Only those who had shopped in the downtown area during the past year were selected. The purpose of the focus group sessions was to provide customers' viewpoints of their experiences and attitudes toward shopping in downtown Cape Girardeau. Members of the "Main Street" steering committee viewed the sessions in the observation room and were able to obtain immediate insights into customers' opinions. This qualitative feedback was also of value in developing the questionnaire for the survey research phase.

The next stage of assessing a broader spectrum of downtown customers consisted of the survey research phase. The "Main Street" program encourages customization of the surveys to best fit the particular community. The resources available from Main Street consisted of sample survey instruments used in other Main Street communities. Upon review of these questionnaires, the research team felt the instruments did not address all facets of the downtown shopping experience, from historic preservation issues to typical shopping attributes to experiential shopping characteristics. Additionally, pre-existing Main Street survey instruments did not adequately address the importance of comparing customers' opinions across competitive shopping environments. Furthermore, the researchers felt that what was needed was more than attitudinal data but a diagnostic planning tool for Main Street planners to reference and guide them in making choices about improving the downtown shopping environment. This diagnostic tool can be referred to as derived importance-performance analysis. Based on the desire to provide this planning device, the survey was structured with this concept in mind.

The measures for the study were based on the focus group results, an extensive review of the literature in the areas of customer satisfaction (Oliver, 1997) and shopping center characteristics (Shim & Eastlick,1998; Bellenger, Robertson, & Greenburg, 1977). In addition, a series of items were developed based on historic preservation and design. The questionnaire consisted of a series of open-ended questions followed by a set of customer satisfaction attributes and an overall satisfaction measure for each of the three shopping districts of the community. The instrument was pretested on a subset of subjects and then revised prior to the final interview procedure. Students in a marketing research class underwent three hours of training on the interview process as well as on-going monitoring by the professor during the entire research process. In order to obtain a sample which was representative of the Cape Girardeau adult population, age and gender quotas were given to the interviewers, a technique typically used in intercept interviews. Store coupons were given to those agreeing to be interviewed as a sign of appreciation for their participation.

The research design consisted of "intercept" interviews (personal interviews at shopping districts), a non-probability sampling technique. The intercept interviews were conducted in the major shopping districts of Cape Girardeau, Missouri: Downtown; a major strip center; and a regional mall. This technique was selected due to the desire to interview "shoppers" and the need to show participants a map of the shopping areas being discussed during the interview process.

Student interviewers (21) completed 310 surveys of individuals who had been to downtown at least once during the past year. Excluded from the interviews were retailers and employees of any retailers in the shopping districts in this study. Also excluded were those less than 18 years of age. The interview period was from April 6-18, 1999, covering all days of the week and all day parts (10:00 AM to 8:00 PM) at multiple locations for each of the three shopping areas (Downtown with 23% of responses; the strip center with 31% of the responses; and the regional mall with 46% of the responses).

The study's sample was representative of the population characteristics of Cape Girardeau County with a few noted exceptions. The study had a slightly greater proportion of females (58% in the study as compared to 52% in the 1990 Census). The project had more affluent demographics (29% in the $50,000 annual family income level and up as compared to 23% in this category noted in the *1998 Survey of Buying Power, Sales and Marketing Management Magazine*). Additionally, the study had a higher percentage in the 18-34 age group (57% in the study versus 31% in the 1990 Census).

RESULTS

The survey results were similar to findings from the focus group sessions and were compatible with literature on current retailing trends. Customers wanted to preserve the historic character of the downtown area. They enjoyed the downtown area as a form of escape, primarily due to the area's growing numbers of restaurants and evening entertainment venues and its physical location on the Mississippi River. The answers to the questions emphasized the importance of understanding the multi-faceted desires of downtown customers: experiential consumption desires; interest in being in an aesthetic and historic environment; and desire for exploration and excitement.

A four-point scale of importance (not important, somewhat important, very important and essential) was used to assess how important respondents felt particular services and historic preservation was for Downtown Cape Girardeau. The historic preservation questions received the highest ratings of importance. Thirty-seven percent of respondents rated "maintaining the distinctive architecture from the past" as "essential," followed closely by an "essential" rating for the "preservation of historic buildings" by 36% of the respondents. "Adding more fixtures and décor which build on the historic identity of downtown" was rated as "essential" by 22% of the survey participants. The combined ratings of the top two importance levels (essential and very important) yielded the following percentages of responses across all respondents: preservation of historic buildings = 81%; maintaining the distinctive architecture from the past = 82%; and adding more fixtures and décor which build on the historic identity of downtown = 70%.

Table 1 Historic Preservation Assessment				
	Essential	Very Important	Somewhat Important	Not Important
Maintaining the distinctive architecture from the past	36.5%	45.8%	14.8%	2.9%
Preservation of historic buildings	35.5%	45.5%	14.8%	4.2%
Adding more fixtures and décor which build on the historic identity of downtown	21.6%	48.4%	25.5%	4.5%
Base = 310 respondents				

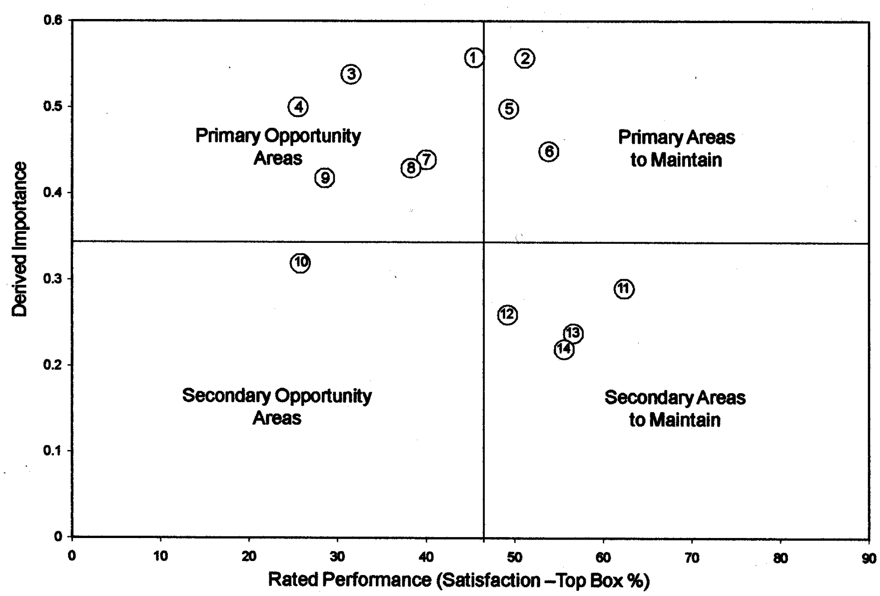
A chi-square test for determining whether a significant relationship existed between any of the demographic variables and any of the historic preservation concepts was applied. A significant relationship (95% level) was found between the age of respondents and importance of maintenance of distinctive architecture from the past. Greater percentages of the age categories of 65 and above (96.7%) and 45-64 (92.6%) believed historical architecture is important (combination of "essential" and "very important" as compared to the younger age categories: 18-24 (78.6%) and 25-44 (75%). Another significant relationship (95% level) was found between respondents having children at home or not and the importance of the preservation of historic buildings. A greater percentage of those with children at home (87.8%) believed the preservation of historic buildings to be important (combination of "essential" and "very important") as compared to those without children in the home (78.2%).

Beyond insight into the viewpoints toward historic preservation in the downtown area, a comparative analysis was used to determine how well the Downtown area met key customer satisfaction ratings relative to the other two major shopping districts in the community, a strip center and a regional mall. Respondents were asked to rate each shopping district on a variety of attributes as well as an overall satisfaction measure for each center, using the rating scale of one being "very dissatisfied" and five as "very satisfied." In addition to providing a multi-item measurement with scale properties, the data was used for the derived importance-performance analysis.

Derived importance relies on an assessment of how each attribute relates to overall satisfaction. According to Oliver (1997), the preferred technique is to regress the overall satisfaction score on each attribute rating. This estimate can be either the correlation of attribute performance with overall satisfaction or the multiple regression weight. In this analysis the derived importance estimate was calculated by correlating the satisfaction rating for each attribute with an overall satisfaction rating. This series of bivariate correlations identifies which attributes have the greatest impact on overall satisfaction. Stated importance does not always work because respondents have a tendency to elevate the importance of all items, they may not consciously know the importance of each attribute or may fall victim to social acceptability desires (Thomson Marketing Resources, 1998). Oliver (1997) notes that performance ratings implicitly incorporate importance, thus the use of derived importance with stated performance ratings (satisfaction ratings) for each attribute is preferred.

A two-by-two derived importance-performance grid is depicted in Figure 1. The derived importance measures for each attribute are plotted on one axis while the level of satisfaction is plotted on the opposite axis. Level of performance was measured by using the "top box" ratings—combination of "somewhat satisfied" and "very satisfied" percentages. Because customer satisfaction data is often highly skewed, the use of top box percentages is more reliable than the use of means for each rating. This diagnostic tool provides downtown leaders with specific directions for improvement while understanding priority (importance) levels of customers. They can also understand areas of strengths and weaknesses at a quick glance.

FIGURE 1
Derived Importance – Performance Analysis
Downtown Cape Girardeau, Missouri



1	Quality of products and services	8	Safety of parking & shopping areas
2	Shopping atmosphere	9	Shopping hours
3	Up-to-date merchandise	10	Parking convenience
4	Variety of stores	11	Variety of food/dining choices
5	Cleanliness & maintenance of area	12	Types of entertainment choices
6	Attractiveness of window displays	13	Special events and activities
7	Value for the money spent	14	Customer service

Primary Areas to Maintain: (Consumers have expressed high levels of satisfaction and high importance for each of these areas. These are areas Downtown is doing well relative to expectations and should continue to maintain.). These areas include shopping atmosphere (including capitalizing on the River and Historical dimensions); cleanliness and maintenance; and window displays.

Secondary Areas to Maintain: (Consumers have expressed high levels of satisfaction and low importance for each of these areas. Downtown is sufficiently addressing these areas to meet expectations and should continue to maintain, but perhaps place secondary importance on these areas in their strategies.). These areas involve customer service; dining (variety of food choices); types of entertainment choices; and special events and activities.

Secondary Opportunity Areas: (Respondent consumers have expressed lower satisfaction levels and lower importance associated with these areas. Attributes within this category represent areas in which Downtown is not performing well, and which are also lower in priority for improvement strategies.). Only one area was specified and it was parking convenience.

Primary Opportunity Areas: (These are attributes which are highly important to customers yet satisfaction with these attributes is lower. The Downtown area should concentrate on these areas to improve performance in order to increase overall satisfaction.). These areas include variety of stores; shopping hours; quality of products and services; value for money spent; safety of area; and up-to-date merchandise.

Table 2
The Downtown Shopping District vs. Competition

	Inferior	At Parity	Superior
Very Important	Shopping Hours	Window Displays	
	Value for Money Spent		
	Up-to-date Merchandise		
	Quality of Products		
	Variety of Stores		
	Shopping Atmosphere		
	Safety		
	Cleanliness & Maintenance		
Less Important	Parking Convenience	Customer Service	Entertainment choices
			Special events
			Dining choices

Another use of the derived importance measures was for purposes of a competitive satisfaction assessment matrix. Table 2 illustrates this analysis. The results of this comparison revealed that Downtown had higher ratings (using a comparison of both mean ratings and "top box" ratings—combination of "somewhat satisfied" and "very satisfied") than the other two shopping districts on the features of "variety of food/dining choices," "special events and activities," and "types of entertainment." "Customer service" of Downtown received a slightly higher mean rating than the other two areas, but the top box rating was lower than that of the mall. Downtown was rated higher than the strip center in the areas of "attractiveness of window displays" and "shopping atmosphere," but lower than the mall. Downtown had lower satisfaction ratings than the strip center and the mall in the following areas: variety of stores; parking convenience; shopping hours; up-to-date merchandise; quality of products and services; safety of parking and shopping areas; and value for money spent.

This competitive analysis matrix provides further direction for improvement. The areas which are considered of paramount importance to customers are not being met by downtown. Downtown businesses are superior in the social and excitement dimensions of shopping but these are of lesser importance to consumers.

CONCLUSIONS

The results support the notion that the preservation of historic buildings in a downtown area is an effective economic development strategy but not sufficient to attract shoppers in and of itself. The results also support the concept of the downtown area as an experience to be consumed. The consumption experience of a downtown should be focused on its uniqueness, rather than the replication of a mall environment. Customers in this study enjoyed the historic atmosphere of the downtown area and its natural environment since it was adjacent to the Mississippi River. The desirability of shopping, dining, sightseeing and socializing in the atmosphere of the downtown area were found to be appealing to respondents. However, this study also reinforces areas for improvement that are typical of downtown centers: safety; variety of stores; parking convenience; more convenient shopping hours; and image of the product offerings (quality and latest styles).

The derived importance-performance analysis provides a framework for maintaining and improving this downtown area and can serve as an illustration to guide other Main Street communities or downtown revitalization efforts. It is important to effectively and systematically assess customer attitudes. Construction of the survey instrument should include a series of relevant attributes, an overall assessment of satisfaction and a comparison of these factors with competing shopping districts. Without the derived importance measure, planners may not truly understand necessary strategic priorities. Strategies for improvement can be highly focused with such an analysis. Furthermore, a competitive analysis using derived importance provides additional strategic direction by exploring areas of superiority and inferiority with competitors.

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