

## MICRO-COMPUTER SOFTWARE FOR THE CLASSROOM: SOME SOLUTIONS

Robert H. Collins, Oregon State University, Corvallis

### ABSTRACT

As more and more marketing faculty begin to utilize micro-computers in the classroom, a shortage of suitable and affordable software becomes a problem. This problem is explored and some alternative solutions presented. Specific sources of marketing software are cited, and typical costs presented.

### THE PROBLEM

As business schools acquire substantial numbers of micro-computers for use by both students and faculty, finding suitable software for marketing applications becomes a problem of growing magnitude. The question for the faculty member who wishes to use micro-computer based exercises in the classroom then becomes one of acquiring good quality software at an affordable price.

There are a number of reasons why this problem is more difficult to solve in a specific functional area like marketing, as opposed to the more generalized areas of accounting or statistics. Most marketing problems are met by vertical market software. By their very nature, vertical markets are smaller, more specialized, and develop more slowly. Vertical markets require a much larger installed base of equipment before it becomes economical to develop applications software. As a result, longer developmental lead times are required. This means that vertical market software is generally much more expensive than generic software, and is not available in as great a variety. (Chin 1984). A recent search of a comprehensive software data base found that less than one percent of the 20,000 software packages available specifically covered sale and marketing functions (Sales and Marketing Management 1984).

Other problems can develop which are unique to the academic environment. Most marketing faculty will not choose to use micro-computer exercises in their large section courses, but will reserve them for case courses or senior-level electives. These courses are not normally offered every term, and may only be offered one quarter per year. When an administrator has to make budget allocations for software, the marketing faculty member who will only use a package once a year will generally receive a lower priority than the accounting faculty members who teach multiple sections of a financial accounting course every term.

A further problem is the attitude of foundations towards the use of grant money to purchase software products. Much of the micro-computer equipment being acquired by business schools is being purchased with funds from private sources. Our experience has been that these donors are reluctant to allow grant funds to be used to purchase software. In many cases these funds are restricted to the acquisition of hardware, peripherals, disk operating systems and equipment installation.

For the business user, software costs can easily account for 25 percent of the total cost of a micro-computer system. For the academic user, it can account for a much higher percentage, sometimes as

much as 50 percent. This is due to the fact that the business user typically buys a micro-computer for a single primary task, and one or two secondary tasks. This is the classic case of a "single station, single user" system. The machine may only be used a few hours a day, and then it is used for a single task such as financial analysis or word processing.

In contrast to the business world, the micro-computers in the academic environment are typically used by a large number of individuals and for a wider variety of tasks. The machines are usually housed in some sort of common laboratory situation, with teaching assistants checking out software to students on an individual basis. Micro-computers in this type of environment are in almost constant use. The machine may be used by a student to do an accounting problem, followed by a programming student, and then a student with a statistics problem for a marketing research class. This situation necessarily requires a larger volume and wider variety of software than the typical business application.

### POSSIBLE SOLUTIONS

The purpose of this paper is to present several alternative solutions which can solve this software problem. Some solutions will be inherently more acceptable than others, and some will fit the unique situation at a particular institution better than others. Hopefully, within this array the individual faculty member will discover a solution to the problem of finding suitable micro-computer software for their marketing classes.

### STEAL IT

Software piracy is rampant in today's market. It is generally conceded that from six to ten illegal copies of software are stolen for every legitimate copy of software which is sold. For many educators, "bootleg software" has been an answer to the problem. In fact, it is common knowledge in the market for educational software that most copies of software used in the primary and secondary school systems are pirated. There are several problems with the approach. For one, it is stealing. Ethics aside for the moment, imagine what getting caught and becoming a "landmark" case will do for a career. There are also some very practical problems with stolen software. The most important one is that there is no one to turn to for up-grades, manual revisions, and after-sale support and training. Also, as a result of the manufacturers' experience with the lower grades, many of them are opting not to enter the market for educational software. Continued piracy by users both in and out of the educational community can only result in problems for all users in the end (Oppenheimer 1983).

### DEVELOP IT YOURSELF

A second option to solve the software problem is to develop software yourself, or have a student programmer do the work. Several such efforts by marketing faculty have been published (Kagel, 1983) and (Becker, 1983). In most cases, this software is

not of commercial quality. Typically these programs are written in BASIC and address a very limited problem. While adequate for their intended purposes, they are certainly lacking when compared to the commercial software available on the market.

A few years ago, both the micro-computers and the software were relatively uncomplicated. However, in today's market of the 16-bit, and soon-to-be 32-bit, micro-processors; it is virtually impossible for the amateur programmer to develop a worthwhile product for the classroom on a part-time basis. In this environment, software development is measured in man-years and requires a substantial capital investment. Further, student programmers simply do not have the experience and sophistication to develop the programming required for advanced marketing applications.

The exception to this rule is the creation of templates, or formatted spreadsheets. Templates are simply electronic patterns or models which guide the user through a particular program, usually a spreadsheet (Caruso 1984). The electronic model is used to carry the instructions for written labels, spatial relationships, formulas, and certain values. While template sets are widely available from various software manufacturers and consultants, the skills required for their development are well within the range of many faculty members and student assistants. (Collins and Shane 1984).

#### ACQUIRE IT AT A DISCOUNT

The most practical way to solve the software problem is to obtain a substantial discount from the supplier. There are a number of quite effective ways to go about this process, the most important of which are explored below.

**Manufacturers.** At the present time, most major micro-computer manufacturers are offering educational discounts on their software. As an example, IBM is currently offering the same 25% discount that applies to hardware purchases on all IBM software products. This discount is extended to institutions, individual faculty members, and students. Under this program all merchandise is drop-shipped to the nearest IBM Product Center or ComputerLand and full support service privileges apply. To apply for this discount, simply see the IBM Representative who services your institution, or contact your purchasing agent for details.

**Bundled Software.** In many cases, software can be bundled together with the hardware purchased from restricted grant funds. Bundling hardware with "free software" is an established marketing practice of a number of micro-computer vendors. While this practice is normally associated with certain hardware manufacturers, it is a common practice of retail stores and systems houses. In this case, the dealer charges you full retail price for the hardware, but includes a "free" package of software. The value of this software can be considerable and it is included in lieu of a discount.

**User-Supported Software.** The term user-supported software is a novel approach to the marketing of software pioneered by Andrew Fluegelman of the

Headlands Press and Jim Button of Bellevue, Washington (Clapp 1983). The basic concept is a unique experiment in capitalism whereby the users determine the value of the product. Instead of elaborate copy protection schemes and high marketing costs, the software is put onto the free market for public use. A nominal donation of from \$20 to \$50 is suggested by the author. A variety of software programs are available under this concept, including word processing, data-base management, and communications.

A number of user groups maintain libraries of software products. As an example, the Corvallis PC Computer Club currently offers a library of over 500 programs and utilities at a nominal rate to cover the expense of making copies and supplying diskettes. This group currently sells a double-sided diskette of software for only eight dollars. Programs available in this format range from games and utilities to print spoolers and tax packages.<sup>1</sup> Most users groups located in major metropolitan areas offer similar availability of these programs.

**Software Reviews.** At the present time, there are over 200 computer magazines which are devoted to the IBM-PC and compatible products (Rietmann 1983). Similar publications exist for other brands of micro-computers, as well as a wide variety of more general publications. Each of these publications is seeking qualified authors to review business software. In some cases these reviews are written by programming experts, but there is a growing need for applications experts to review vertical market software. Most publications allow reviewers the courtesy of keeping the software reviewed for their own use. While this option will not provide the large number of copies needed for student use, it may provide the academic with a very useful, and usually expensive, piece of software which can be used for classroom demonstrations.

**Established Software Houses.** While all of the above mentioned options present possibilities for obtaining suitable software, none offers the advantages of a direct approach to software houses. This approach has yielded the highest quality of software at the most reasonable cost.

The educational market represents a sizeable market segment for most software houses, and they are not normally inclined to donate software to educational institutions. This is especially true of the relatively new firms who are typically short on cash and still being managed by venture capital firms. However, business schools have a special advantage over other educational institutions. The business market is the largest segment for software sales, both in terms of units and dollars. It is also typically the most profitable and competitive. Our experience has been that these software houses are anxious to achieve any advantage, no matter how slight, in the business market.

<sup>1</sup> A copy of the software catalog can be obtained by writing to: Corvallis PC Computer Club, Attn: Librarian, P.O. Box 1977, Corvallis, Oregon 97330

The best approach to these vendors has been a straight-forward proposal requesting a discount or out-right grant on the basis that the software will be used by the future decision-makers in the business community. It is the same principle used in sampling and consumer trial. This particular approach works best on the marketing manager, since they are familiar with the basic concepts or are quite receptive to learning about them. Our experience has been that we literally have software vendors begging us to use their product in the classroom. To illustrate the extent and variety of discounts available, some examples are included. At the present time, these are some of the best deals available in the marketplace. Of course, this market is volatile, and new vendors and deals become available almost daily.

One of the oldest and largest software publishers in the micro-computer market is **VisiCorp**. This firm created the first spreadsheet program, and many people credit the VisiCorp with the financial success of the Apple II computer. The firm now offers a relatively full line of software for advanced spreadsheet applications, word processing, graphics, and forecasting. The current discount offered to academic institutions for classroom use is 65 percent off suggested retail price. This is approximately a 50 percent discount off of the regular market price. To obtain a copy of the current price list, terms, and conditions, simply contact the VisiCorp headquarters.<sup>2</sup>

**Peachtree** is another major supplier of micro-computer software for many popular machines. They are a highly reputable vendor who supplies several of the accounting packages marketed by IBM Corporation. This firm offers an even more complete line of software products than VisiCorp. There is an extensive line of office productivity tools for specialized word processing, direct mail, and list management. There is also a line of packages for spreadsheets, project management, and business graphics available. Perhaps the best known products are in the accounting area; where they offer a complete line which includes general ledger, accounts receivable/payable, payroll, inventory control, and sales analysis.

A completely new product offered by Peachtree is PeachText 5000. This software package consists of a word-processor, a Thesaurus, a spelling checker, a list manager, and a spreadsheet program all in a single package. The suggested retail price is \$395, but the package is available to any educational institution for classroom use at a cost of only \$50. Peachtree Software Inc. has extended this \$50 price to any software item in their catalog. This is basically the cost of production and shipping, and includes 180 days of toll-free telephone support. A copy of the complete catalog and further details on this excellent program is available directly from the Peachtree corporate offices.<sup>3</sup>

One of the most functional pieces of software on the market for the IBM-PC is **Lotus 1-2-3**. This software

package is one of the most advanced on the market today, and has proved especially useful for the analysis of complex cases. (Collins and Shane 1983). It is currently the number one selling piece of business software available for 16-bit machines. **Lotus 1-2-3** is one of the new generation of integrated software packages which combines extensive spreadsheet capabilities with color graphics, data-base management, word processing and tele-communications. A particularly useful feature of this software package is a well-developed disk-based tutorial and extensive help menus. This greatly reduces the amount of time that the instructor needs to spend in teaching students how to operate the software.

The suggested retail price of this software is currently \$495. Lotus Development Corporation offers a 90 percent discount off of suggested retail price when this program is used in the classroom. An administrative discount of 50 percent is available if the software is to be used by faculty or staff for administrative use. For further information on this program, contact the Western Regional Office of Lotus Development Corporation.

A common characteristic of all of the educational discount programs investigated is a very strict policy on how the software is to be used. Normally, this policy is spelled out in detail and a special licensing agreement is required. Typically the vendors require a letter from the department chairman or dean detailing exactly how the software will be utilized and by whom, a copy of the course outlines, a list of the models and serial numbers of the machines using the software, and a signed licensing agreement specifying that the software will not be copied, sold or redistributed. Considering the market, all very reasonable conditions of sale. Almost all of the vendors require that students have hands-on access to the software. For example, using a single copy of the software on your personal machine to prepare course outlines or to demonstrate in class will normally not qualify. It must be in a situation where students are using the software as a part of a scheduled course or other educational experience.

#### SUMMARY

In today's academic environment, faculty members are facing new and different problems caused by advanced micro-computer technology. One of these problems is the availability of suitable software for the classroom. At the same time, these faculty members have fewer and fewer resources with which to solve their problem. Given these budgetary constraints, several solutions have been offered. Each solution offers different advantages and disadvantages, which allows the faculty member to tailor one or more programs to fit their individual situation. On balance, however, the use of a powerful integrated program such as **Lotus 1-2-3** and accompanying customized template sets will solve most of the problems involved at a more than reasonable cost.

<sup>2</sup> VisiCorp Personal Software, Attn: Ms. Patricia Geary, Customer Marketing Manager, 2895 Zanker Road, San Jose, CA 95134

<sup>3</sup> Peachtree Software Incorporated, Attn: Genie Rayen, Peachtree Marketing Dept., 3445 Peachtree Road, N.E., 8th Floor, Atlanta, GA 30326.

<sup>4</sup> Lotus Development Corporation, Attn: Paul Salzinger, Western Regional Manager-National Accounts, 1750 Montgomery Street, Francisco Bay Office Park, San Francisco, CA 94111

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A MODEL FOR MICROCOMPUTER INTEGRATION  
FOR A COLLEGE OF BUSINESS

John E. Dillard, Jr., The University of Tulsa  
Cheryl B. Goldberg, The University of Tulsa  
D.L. Bates, California State University

Since 1976 when Apple Computer, Inc. introduced its first machine built around the microprocessor chip, the market for personal computers has grown from zero to over \$6 billion. 1986 sales are expected to more than triple to \$21 billion.<sup>1</sup> The revolution in communications and information processing since that time has elevated the computer from the status of a technician's tool to a basic necessity for acquiring knowledge and solving problems. Forecasters are predicting that in the near future a large majority of our working population will have significant interaction with a computer as part of their daily routine.<sup>2</sup> The process of educating users or as it is more commonly termed "computer literacy", has been implicated by several factors. First, the investment in equipment alone can represent a significant capital outlay. For example, in a ten month period during 1982, The Colgate Darden Graduate Business School of the University of Virginia spent \$250,000 for microcomputers and related software, classroom flat-screen color video projectors, and a new computer suite.<sup>3</sup> A second problem is that the recruitment of a staff of instructors to accomplish computer literacy is hindered by the economic pressure from computer related industries. In short, those with technical skills to instruct are recruited heavily by both business and academia. In practice these problems are synergistic to one another such that a University which hopes to be successful in competitive recruiting, must give serious consideration to progressive planning and state-of-the-art equipment. Thus, a University must invest heavily to attract adequate staff. To put this issue in perspective, the price tag to meet the computer literacy needs of U.S. college students is estimated to be approximately \$1-billion per year.<sup>4</sup> Currently, colleges and universities spend only

\$300-million a year for the utilization of computers in instruction, or less than one-third of what is required. By the end of the 5 year period 1985-90, the estimated capital investment on a per student basis will be at least \$1000 at a liberal arts institution and <sup>5</sup>upwards of \$6000 at a high-technology school.

A significant decision for microcomputer integration revolves around computing capacity. That is, from a planning perspective, how many microcomputers should be purchased. Viewed alternatively, how much of the processing burden should be relieved from the mainframe and how much of the financial burden should the institution shoulder directly? Colleges and Universities around the U.S. have adopted several different approaches which can basically be grouped into 3 classifications.

The University Center Approach - under this approach a college or university establishes a microcomputing center with a significant number of personal computers, a computer service staff, (usually including a center director) and a major investment in software. Duke University, for example, became involved when IBM loaned them 35 PC's. Since then they have purchased 110 PC's and have established 2 major labs of 40 and 36 machines as well as 5 satellite labs of 6-11 PC's each. Most of the stations are stand-alone and not attached to a mainframe. Several additional faculty and a computer service staff have been hired. Duke has a software "stable" of approximately \$100,000, the major acquisition being the University of California at San Diego's "P" system (UCSDP). The cost of this package was approximately \$700 per machine. The main labs are constantly scheduled with classes.

The University of Virginia first purchased 24 microcomputers and a special room was built within the confines of the business school. This room was divided into several modules, each containing 4 or 5 microcomputers, 2 graphics printers, bookshelves, and 3 printing time sharing terminals. Further, they felt it was critical for several classrooms to have the capability to display computer output. They settled on ceiling mounted Novabeams which allow projection from any television or microcomputer. The existence of the Novabeams played a significant role in the successful implementation of the microcomputer facilities. In a capital budgeting class, for instance, a student's disk could be displayed before the whole class and

1

"The Coming Shakeout in Personal Computers," Business Week (November 22, 1982), p. 72.

2

See, for example, A. Luehrmann, "Computer Illiteracy: A National Crisis and a Solution," Byte (July 5, 1980), pp. 98-102, and "AP Computer Science versus APC Computer Competency," Academic Connections (Fall 1983), pp. 3-5.

3

Brandt R. Allen and James R. Freeland, "Experiences in Implementing Microcomputers in a Graduate Business School," paper presented at Midwest Meeting of the American Institute of Decision Sciences, Kansas City, Missouri, April, 1983.

4

Jack Magarrell, "College Students Said to Require \$1-Billion a Year for Computing," Chronicle of Higher Education, (September 1983), p. 1.

5

Ibid., p. 6.

COMPUTER EQUIPMENT REQUIREMENTS

Hardware - Estimation of hardware requirements requires careful analysis of student usage. Table 1 illustrates hypothetical enrollment and usage figures and shows that 20 minicomputers are required for the College of Business example. This assumes 225 students per semester utilizing the computer 4 hours per week. Further, it assumes each computer is available 50 hours per week and is used 90% of the time. Additionally, in order to meet faculty need, one minicomputer will be allocated to each of the five departments in the hypothetical College of Business.

TABLE 1

HARDWARE REQUIREMENTS FOR A  
HYPOTHETICAL COLLEGE OF BUSINESS

Enrolled students per semester . . . . .	225
Computer usage/week/student . . . . .	4 hrs.
Computer utilization factor . . . . .	90%
Number of operating hours available/computer/ week . . . . .	50
Dot Matrix Printers . . . . .	1 for each 4 PC's

Microcomputers Required:

$$\frac{(\text{Number of Students}) (\text{Computer usage/week/student})}{(\text{Computer Utilization Factor})}$$

$$\frac{\text{Number of operating hours available/computer/week}}{\text{Number of operating hours available/computer/week}}$$

Microcomputers Required

$$= \left( \frac{225 \cdot 4}{.9} \right) = 20$$

Supplemental hardware should include dot matrix printers (20 PC's/4).

Software - The student lab should be equipped with a minimum of:

- 1) VisiCalc (Electronic spreadsheet to address 'What-If' applications)
- 2) DBMS (Data base management applications)
- 3) WordStar (Basic procedures for word processing)

Estimated Cost

The estimated cost of a microcomputer laboratory to support classroom applications and faculty research for the hypothetical College of Business would be nearly \$250,000.00.

Recommendations

The assessment of present and future needs leads to an analysis of computer equipment requirements.

The final step in the model is to formulate a set of specific written recommendations. Based on our

hypothetical College of Business we might devise the following:

A. HARDWARE:

1. Student Lab: 20 microcomputers should be provided in a laboratory environment for Basic Computer Fundamentals in Business. It is recommended that a type of Local Area Network (LAN) be utilized so that the computers may access a smaller number of peripherals and reduce the redundancy of software. Networking in practice will serve as a teaching module in itself. It is recommended that the hardware consist of:
  - a. IBM PC Personal Computers with 125K memory and at least 1 floppy disk drive. (20)
  - b. MX-80 or equivalent dot-matrix printers, 1 to every 4 computers. (5)
  - c. At least 10MB's of hard-disc storage. (1)
  - d. Controllers as needed for the specific LAN.
2. Faculty Use: A Minimum of 1 IBM PC for each department of the College of Business should be available for faculty use. These should have at least 128K of internal storage and should be equipped with 2 floppy disc drives. It may be possible for several departments to share one printer.

B. SOFTWARE:

The Student Lab should be equipped with a minimum of the following:

1. VisiCalc or its equivalent.
2. DBII or an equivalent DBMS.
3. WordStar or an equivalent Word Processing program.
4. General Business Accounting software.

C. IMPLEMENTATION:

1. It is essential that the cooperation of the Computer Science personnel be obtained so that there will be no problem with integration with the present system. The technical knowledge of these personnel will be absolutely necessary for implementation and on-going maintenance.
2. It is strongly recommended that on-site visit(s) be made to campuses where this type of program is already a reality.
3. Continuous rapport with the hardware and software vendors is a necessity. The implementation of this program will serve as a show-place for their products.
4. The Lab should serve the needs of Continuing Education of the business community and Executive Development.

## SUMMARY

This paper has addressed the issue of computer literacy and has proffered the dual problems of capital outlay and deficiency of personnel (and thus, knowledge) as reasons for its sluggish dissemination. Where colleges and universities have pressed forward toward a computer literacy goal, three approaches have emerged with respect to how the financial burden should be carried. These are:

1. The University Center Approach
2. The Student Expense Approach
3. The Conservative Approach

Next a hypothetical business school is examined and a model for microcomputer integration is presented. This model stresses present and future needs from three input sources, namely, students, faculty, and college or university goals. Next a systems analysis is performed stressing both hardware and software requirements and a table of estimated costs was prepared. Finally, a written recommendation for hardware, software, and implementation was outlined.

SOME SUGGESTIONS FOR THE USE OF MICROCOMPUTERS  
IN MARKETING EDUCATION

Kent L. Granzin, University of Utah

ABSTRACT

This paper seeks to stimulate thought concerning the use of microcomputers in marketing education. It suggests a variety of specific areas where these applications of micros can be made. In a few cases, the software is already available. In other cases, the programs written for mainframe computers will have to be adapted to micros. In still other applications, the creation of the necessary programs will be difficult, and will require the services of computer specialists.

INTRODUCTION

Marketing education currently falls far short of the needs of the business world in one important area — the use of microcomputers. And it appears to face the prospect of falling even farther behind unless steps are taken to remedy this situation. Recent, rapid changes in technology have brought relatively low cost computational power within the reach of all but the smallest marketing organizations. Microcomputers ("micros") are selling well, largely because of the variety of software available (Sneider 1982), and projections by the microcomputer industry indicate even greater penetration into the business marketplace in the near future. Thus, marketing practitioners will come to consider the devices as a necessity much as calculators are considered essential today (Connell 1982; Business Week 1983a). And their desks will become at least part time computer work stations (Business Week 1983).

Marketing education bears the responsibility for preparing graduates for the business world. Educators thus must perform the task of helping graduates to take their places in a business world where managers rely on micros as a basic tool of their profession. Not only should these workers be ready to operate the hardware (equipment) and make use of appropriate software (programs and other instructions for the computer). They should also be oriented toward thinking about problems in terms of solutions that can be gained using micros. At present, scattered islands of progress excepted (Business Week 1982; PC Magazine 1982; Library Journal 1983), educational institutions are failing to fulfill their educational responsibilities on all counts. A lack of planning, funds, and faculty involvement in relevant curriculum development has created a gap between practice and education that may be difficult to eliminate.

Microcomputers will have to be integrated into the curriculum, much as international marketing has recently been made a part of marketing courses (in this case, as mandated by the AACSB). This new subject may be introduced as a part of all or most of the marketing courses. Alternatively, faculty may choose to create a new course on the subject of micros in marketing. Possibly, the importance of this computer revolution may force both these changes in curriculum for some schools.

The objective of this report is to contribute toward the introduction of microcomputer content into marketing education. To this end, this abridged version of the original paper seeks to communicate the magnitude of

the current deficiency in marketing education, to stimulate thought about the problem and its possible solutions, and to suggest means by which micros can be integrated into marketing curricula.

AN ORGANIZED TAXONOMY OF USES OF MICROCOMPUTERS  
IN MARKETING EDUCATION

The remaining material deals with uses of microcomputers in the marketing curriculum. Although space limitations preclude an exhaustive treatment of possible applications, the following suggestions should stimulate the development of additional uses. Six areas of application seem appropriate for the discussion of these applications: (1) market description and assessment; (2) product management; (3) pricing decisions; (4) promotion decisions; (5) distribution management; and (6) marketing strategy and planning.

Market Description and Assessment. Markets may be portrayed at the aggregate and the individual levels. Aggregate level applications include segmentation models and sales level models. Uses of micros for portraying market segments can begin with descriptions of geographical markets in terms of census figures (PC Disc Magazine 1983). Presentations of the demographic characteristics of increasingly smaller consumer markets can be demonstrated by successive disaggregations of data beginning at the state level and working down to sections of a metropolitan area. Students can see how the composition of markets in terms of such features as sex and marital status changes with the level of aggregation. In the same vein, the structure of industrial markets based on Standard Industry Codes can be shown in the format of a graphical tree diagram to illustrate the principle of specific vs. general delineations of markets.

Varying the level of aggregation of clusters of consumers that were obtained through a hierarchical grouping analysis of psychographics can show how "typical" (i.e., mean measures of) behavioral characteristics change as the groupings obtained with nine clusters, then eight clusters, etc., are portrayed on the screen. Of course, only two salient dimensions can be used as axes on which to plot members of the clusters at one time. Ellipses that contain the majority (e.g., 70 per cent) of the members of each of these clusters will graphically portray the segments. Color graphics will make this presentation quite impressive.

The use of micros for forecasting sales level needs little elaboration. Data representing time series can be plotted graphically. Exponential smoothing techniques can be used with the series for a single variable. Simultaneous plots of the actual series and forecasted series can be juxtaposed to show how the forecasted series follows and moderates the peaks and valleys of the actual series. Students can change the smoothing constant at will and be immediately shown the accompanying change in the smoothed series. Multiple regression using one of the available statistical or forecasting packages can handle the case of multiple explanatory variables. Again, plots of the dependent variable vs. the independent variables, sequentially taken one at a time, can demonstrate the nature of partial regression coefficients. Predetermined changes



in the data base can be used with plots of the observations to show alternative magnitudes of the standard error of the estimate and coefficient of (multiple) determination to visually portray these statistics to the students.

Estimation of market potential by the chain-ratio method can be used to demonstrate to students how changes in components such as population and expenditures on the product category can change the forecasted level of sales (Ackoff 1970; Armstrong, Denniston, and Gordon 1975). An electronic spreadsheet can be used to show how changes in the estimates of the separate components of sales will bring about changes in the final estimate of the aggregate figure.

At the individual level of market analysis, models of the decision process of consumers (Engel and Blackwell 1982) or industrial buyers (Sheth 1973) can be graphically portrayed using the video display screen. Students can be assigned the term project of turning a set of labelled, appropriately placed boxes representing constructs into a completed flowchart for the decision process. The students might be provided with a model of, say, ten constructs (e.g., including demographics, information search patterns, perceived risk, attitudes, and purchase) at the beginning of a course in consumer behavior. Using a vector graphics package (Norton 1983) students can add the arrowed lines connecting the boxes when they have obtained supporting evidence for such a relationship through a library search of reference materials, journals, books on buyer behavior, and other sources.

The Delphi method of obtaining forecasts (Larrece and Montgomery 1977) might be demonstrated through an interactive program that gives direct access to experts (who might be simulated by students playing appropriate roles). The experts would be stationed at interconnected terminals and queried by a computer program. At each successive stage in the Delphi process the computer would assimilate, aggregate, analyze, and present their responses.

Markov chains (The Hendry Corp. 1970) can be rather simply demonstrated to students by means of matrix multiplication routines incorporated into a program written in, say, the BASIC language. The students could use a few commands to create the market share (state) matrix appropriate to the first period, and then pass to successive periods to examine changes in the state matrix as this market evolves over time.

Product Management. One application in product management that is closely allied to the uses in the previous section is the video presentation of the perceptions held by consumers of competing products or brands (Urban 1975). This application would present attributes of the product as the axes for the display. The concept of product positioning would be graphically demonstrated by means of a program that allows students to change the characteristics of a product to improve its competitive position in the two-dimensional market space that is displayed.

The product life cycle (Rink and Swan) can be shown in this visual format, with different shapes and lengths of cycles used to show how these cycles vary for differing types of products. An extended model would tie the shape of the cycle to alternative marketing strategies such as product differentiation, continual product improvement, and introduction of complementary products. The student would change the elements of product strategy and would be shown the product life cycle that might result.

Diffusion models can also be used to show the effect of changing parameters on sales or profits. The market penetration models of Fourt and Woodlock (1960), Bass

(1969), Fisher and Pry (1971), Dodson and Muller (1973), and Horsky and Simon (1983) are but a few of the many models of this type. These models can be used with electronic spreadsheets to provide the answers to "what if?" questions. For example, the latter model shows the effect of varying advertising expenditures on level of sales.

Pricing Decisions. Pricing models may be simply classified as those representing either buyers' or competitors' responses to pricing strategies and tactics. The first category includes the relationships between price and quantity demanded. Simple equations that express this relationship may be graphed on the display screen. Students can change the parameters of the relationship and observe the changes in market response. Then, more complex relationships may be introduced to demonstrate such extensions as break-even analysis (Bui 1982) and the limit concept of Sower, Gabor, and Granger (1971). Similar to its use in the area of product management, the life cycle for products and brands can be portrayed for alternative pricing strategies such as penetration or skimming (Simon 1979).

The concept of competitive pricing response can be shown through models presented in the format of games for students to play. Much in the spirit of popular video games, the students can try to outwit one another when placed in the position of trying to select the most profitable strategy as defined by a response function that is unknown to them. A simple competitive bidding model can be used to demonstrate the nature of the one-time pricing decision. Similarly, more complex models can be used to allow students to respond to a series of moves by their competitor over time, with cumulative sales or profits the criterion for success.

Promotion Decisions. The relationships between market response and promotional efforts can also be modelled using micros. For example, Wittink (1977) and Rao (1978) have presented S-shaped curves that represent the response to advertising expenditures. The underlying functions, either simulated or based on empirical data, can be entered into the computer to allow students to systematically substitute different parameter values. The results can be portrayed by means of video displays. The response to advertising efforts can also be related to such explanatory variables as time since presentation (Bass and Clarke 1972), frequency of purchase (Little 1979), and frequency of exposure (Ogilvy and Mather 1965).

In a normative vein, media selection decisions can be modelled using a linear programming format (Miller and Starr 1960; Engel and Warshaw 1964). One interesting class of models involves iterative processes. For example, the high assay model of Moran (1963) would provide interactive involvement for students, as they would be required to make a series of selections over simulated time.

Market response to personal selling strategies can be similarly used in student exercises. To demonstrate how to find the best way to allocate the salesman's scarce time resource, a model by Lodish (1971) could be used. Students could estimate the result on sales of changing the frequency of sales calls. A model created by Montgomery, Silk, and Zaragoza (1971) could be used to show students how changing the effort devoted to selling various products in the product line will affect sales.

Optimization procedures suitable for use with micros have also been developed in the area of personal selling. Assignment of salesmen to sales territories (Lodish

1975) the allocation of their time (Zoltners, Sinha, and Chong (1979), and the design of sales territories (Richardson 1979) can be handled via mathematical programming models. One large scale model that could be programmed to allow students to interact with the computer is the model of Beswick and Cravens (1977).

Distribution Management. Distribution applications of micros generally fall into the area of physical distribution. Location and site selection models, such as the gravitational (Huff 1964) and least cost models (Smayda, Bowersox, and Hossman 1961) can be used with video presentation of a map to demonstrate how to find the optimal location. More advanced location models that feature heuristics (Ballou 1973) can be programmed for micros using one of the popular languages.

These models lend themselves well to class projects in physical distribution and other marketing courses in that both data collection and computations based on these data can be used in a realistic fashion.

Inventory applications include the computation of optimal order quantities and reorder points (Davis 1983). Micros can also be used to keep records of inventory stock levels, and data base management packages can easily be adapted to this purpose. Linear programs have many applications in the area of distribution. For example, Ballou's (1967) stock placement model is framed in the format of a linear program. At the level of the distribution system, allocation decisions that link plants to warehouses to retail centers can be solved with linear programming tools. In the area of transportation decisions, carrier selection and shortest-path routing models have already been programmed for micros (Erikson and Hall 1983).

Marketing Strategy and Planning. While strategic decision making permeates the applications introduced to this point, several additional uses of micros should be briefly mentioned. Here, financial models and electronic spreadsheets can be used to help select a decision alternative on the basis of profit projections. In this vein, Wind (1981) cites a number of product portfolio models that may be used for strategic decision making. And students can use micros to perform the computations needed to apply the Boston Consulting Group's business portfolio matrix to appropriate case studies. Or, micros can be used to apply the Churchman-Ackoff value measure (Churchman, Ackoff, and Arnoff, 1957) to make strategic decisions in situations where at least some of the decision factors have a qualitative nature.

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MULTINATIONAL MARKETING ISSUES REFLECTED  
IN ACADEMIC AND PROFESSIONAL JOURNALS

Kyung-Il Ghymn, University of Nevada-Reno, Reno, Nevada  
Heiko de B. Wijnholds, Virginia Commonwealth University, Richmond, Virginia

This paper reports a part of the larger research project dealing with overall international business curriculum study. Nine major academic and three professional marketing journals were thoroughly examined to determine to what extent and what subjects of international marketing have been reflected and emphasized. Journals published since 1970 were examined.

One of the ways to determine the extent and topic matters covered was to develop a classification of marketing categories reflected in the journal articles. Twenty-two specific international marketing categories have been identified as seen in Table 1. The category list was developed by analyzing the content, emphasis and aspects of the international marketing subjects appeared in the journal articles studied. These categories, then, were used as a base of comparison between academic journals and professional journals. The point of comparison was to see where academicians stand in terms of their involvement in international marketing education, and also to see the gap, if any, between the academic and professional (practicing) communities in this regard.

TABLE 1

Comparison Between Academic and Professional Journals in Marketing (Int'l Marketing Articles Published)

Year	Academic Journals		Professional Journals	
	% articles	% pages	% articles	% pages
1970	3.35	4.97	6.12	5.17
1971	2.38	1.49	7.38	4.62
1972	3.03	3.41	11.63	6.26
1973	3.46	5.45	13.17	5.96
1974	7.97	7.79	17.02	6.82
1975	8.12	6.98	14.69	9.52
1976	3.69	3.68	13.86	8.49
1977	18.75	9.75	16.42	12.83
1978	3.93	2.63	18.11	13.35
1979	1.42	1.44	8.87	13.50
1980	6.13	1.89	11.21	5.97
1981	3.57	4.70	14.45	7.04
1982	5.51	6.02	3.35	8.72
Overall (avg.)	5.49	4.63	12.41	8.33

TABLE 2

Main Categories of International Marketing Topics Published in Academic Marketing Journals (1970-1982)

Category	No.	%
1. Int'l Advertising	30	18.52
2. Comparative Marketing	26	16.05
3. Foreign Marketing Practices	16	9.88
4. Export/Import Marketing	13	8.02
5. Int'l Marketing Strategy	9	5.56
6. Consumer Analysis	9	5.56
7. Gov't Role/Legal/Political	9	5.56
8. Marketing of Services	8	4.94
9. Technological Aspects	7	4.32

TABLE 2 Continued

Category	No.	%
10. MNC's	7	4.32
11. Consumerism	6	3.70
12. Int'l Trade/Marketing	5	3.09
13. Other	5	3.09
14. Market Segmentation	3	1.85
15. Marketing Channel Strategies	2	1.23
16. Marketing Research	2	1.23
17. Social/Societal Response	2	1.23
18. Franchising/Licensing	2	1.23
19. Analysis of a Specific Foreign Market	1	.62
20. Sales Forecasting	1	.62
21. Economic Development in Int'l Marketing	1	.62
22. Marketing of Agricultural Products	1	.62
23. Int'l Marketing Education	0	0
	100	100

TABLE 3

Comparison of International Marketing Topics Published in Academic & Professional Journals (%)

Category	1970-82	
	Academic	Professional
1	17.21	39.55
2	17.67	4.27
3	8.37	2.02
4	6.98	6.29
5	5.58	3.82
6	6.51	2.02
7	6.98	3.82
8	3.72	.90
9	3.26	.67
10	4.19	.22
11	2.79	.45
12	3.26	5.84
13	5.58	3.37
14	1.40	2.47
15	.93	.45
16	.93	.67
17	.93	.22
18	1.40	.90
19	.47	14.61
20	.47	.90
21	1.86	2.70
22	.47	3.37
23	.93	3.82

This is an abstract version. The entire paper is available upon request.

IS THE SOVIET APPROACH TO MARKETING MANAGEMENT EDUCATION RELEVANT?:  
REFLECTIONS FROM A SABBATICAL RESEARCH

Farrokh Safavi, Western Washington University

Through the provisions of summer research and a sabbatical leave, for a nine-month period ending in March 1983, the author conducted field research in nine universities and management institutes of the Soviet Union involving a trip of 9,000 miles (see the appendix for a list of institutions visited). He also visited a number of marketing institutions in various cities, as well as in rural areas. The research methodology was primarily direct observation of marketing phenomena and interviews with educators, students, and the practitioners of marketing and management functions. A review of pertinent literature, wherever available, was also made.

The belief that the Soviet Union does not have a consumer-oriented economy should not be allowed to suggest that the forces of consumerism do not exist among its 274 million population (1983 estimates), nor that the government is deliberately willing to suppress the satisfaction of material needs for ideological reasons. It was a set of resource constraints and environmental limitation factors which contributed to a depressed consumer market (mostly on the supply side). Major factors can be identified, such as the lack of entrepreneurial initiative, a declining rate of economic growth since 1978, lower labor productivity, rapidly depleting natural resources in the western areas where the major population center and consumer markets exist, aging plant and equipment in certain industries, a decreasing rate of population growth (currently about one-half of that in the mid 60's), and numerous transportation bottlenecks in inter-factory shipment of industrial commodities.

Domestic marketing in the Soviet Union is done by the human resources of the Ministry of Trade. The task usually begins at the shipping platform and terminates when the merchandise reaches final consumers. Demand estimates and production targets for virtually all consumer goods are made by the state planning organization (Gosplan). Prices for consumer goods are set by various branches of the State Committee on Pricing. Responsibility for managing the channel for a product group is assigned to a distribution manager (direktor po skyto) whose function is generally broader than a typical channel captain in American firms, but whose decision-making power is much less. His main responsibility is to provide a smooth flow of merchandise from the factory warehouse to the retail shops under his jurisdiction. The much broader task of mass merchandising is usually handled by business managers (comerchieski direktor). To date, there has been no official title for a marketing manager in the Soviet economic system; however, these tasks are performed by one of the two aforementioned positions.

While the pressure of the external environment calls for a higher efficiency in the management of distributive systems, marketing managers are not trained adequately to meet the challenge of resource constraint marketing. The bulk of the training is done by the Ministry of Trade which provides marketing education at the mid-management level. Courses are usually of short-term duration and the instruction is narrowed to very technical aspects. Recently, cybernetics models were introduced and greater familiarity with computer-based data processing systems is

emphasized. But the kind of capability that marketers are looking for--a generalist approach to the overall functions of marketing management--has not been enhanced. This is partially due to the Ministry's traditional stand on technical specialization as the only factor in efficient operation.

Education at the executive level is supplied by the prestigious Institute of Management of National Economy (Moscow), and several institutes of management, notably the Ordzhonikidze Institute of Management (also in Moscow). A typical course runs for 500 hours over a three-month period of full-time studies. Here again, the emphasis is on quantitative methods, since an effective marketing executive is considered to be the one who can use available information through cybernetic models for the rational allocation of marketing resources.

As it stands today, the relevancy of marketing education in the Soviet Union is marred by two shortcomings: 1) in some institutions the academic and professional programs which are designed to prepare individuals for commercial, management, and economics careers simply lack marketing content, and 2) those programs which offer some marketing education deal almost exclusively with distribution, transportation, warehousing, (and only recently pricing and basic promotion.) The concepts of marketing and marketing orientation as understood and practiced in Western economies have made some inroads in practice but have not penetrated into Soviet management education.

Aside from a number of short-run courses on distribution and physical distribution which are offered by the Ministry of Trade or Management Institutes (and which are increasingly oriented toward information-gathering and problem-solving methods), the bulk of marketing education has to be learned on the job. It usually takes three years to train a specialist and another five years to prepare that specialist for a mid-management position involving distribution and physical distribution functions. In this process the inhibiting factor has been found to be in the experience parameters of the supervisors who have been trained in the traditional approach and at times lack the skill and motivation for experimenting with new approaches to marketing functions.

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The remaining references are in the manuscript.)

## LIFE STYLE SEGMENTATION AND THE ELDERLY MARKET

Rhonda W. Dove, California State College, Stanislaus

### ABSTRACT

Cluster analysis was used to develop and profile five elderly consumer segments based on life style data collected from males 65 years of age and older. Using analysis of variance, these segments were then related to consumption of a number of products.

### INTRODUCTION

One of the most dominant concepts in marketing today is that of segmentation. Numerous markets have been the object of segmentation resulting in a fine tuning, and hopefully more effective and efficient allocation, of market mix efforts. The elderly consumer market, however, has been the object of few segmentation efforts. The neglect of this segment is unwarranted as supported by an increasing amount of demographic information.

According to the U.S. Bureau of the Census (1981), the over 65 age group boasts of over 26.3 million persons in the United States, or 11.4% of the U.S. population; and these numbers are increasing at an increasing rate. While the average income of the elderly is only about three-fifths that of the national income, the group's total household income accounts for an impressive amount of buying power (\$142 billion in 1977) (Allan 1979). The buying power of the elderly is even more positive when the many "hidden assets" (such as retirement funds, mortgage-free homes, Medicare and Medicaid benefits, lack of children in home, special senior citizen discounts, etc...) not typical of their juniors are considered. The decreasing youth market of today is another factor currently adding to the attention of the elderly as a consuming market. In spite of these factors, few marketing studies have addressed the elderly market. Most of those which have referred to the elderly consumer have regarded the over 65 age group as a homogeneous market (Wells and Gubar 1964, Loudon 1976, Anderson 1976).

Gerontologists have produced several important studies identifying differences within the elderly group (Neugarten et al. 1968, Reichard 1962). Personality has been cited as a major factor used in extracting elderly group types in many of these studies. La Forge (1980), following the gerontologists, used personality in an effort to segment the elderly market resulting in limited, but useful, guidelines. While the gerontologists have acclaimed the value of personality for differentiation, its acceptance by marketers has been less exuberant (Kassarjian 1971). Instead, the tendency in recent years is away from personality and toward utilizing psychographics or lifestyle research for rich profiles of consumer markets. The purpose of the study reported in this paper was to attempt a life style segmentation of the elderly market in hopes of identifying heterogeneous segments. These segments should have potential use for marketers in planning their marketing strategies.

### METHOD & RESULTS

The data used in the study was collected from husbands, 65 years of age and older, of members of a national consumer mail panel. The base data was from a 1979 panel (n=143). The annual data collection was via a questionnaire including questions on life style, family influence, product usage, and media usage items. For the purposes of this study, two major variable sets

were used: 1) life style variables and 2) consumption variables. The life style variable set can be categorized, regarding opinions and behaviors, as follows: shopping related, health/nutrition and personal care, convenience, information exposure/usage, activity/social participation, and innovation/optimism. The consumption variables can be categorized into categories of personal care products, health/nutrition type products, and convenience products.

The data analysis included two major steps. First, a hierarchical clustering algorithm was used to identify the elderly segments based on life style data. Once segments were identified, they were described based upon group mean scores on the life style items used to create the clusters. In the second step, one way analysis of variance was performed to examine any relationships between the elderly segments and their consumption patterns. F-ratios were used to test the null hypothesis of no significant difference among segment means for the consumption variables. When significant differences were found, Turkey's A Posteriori Contrast Test was used to compare all possible pairs of group means. A second clustering algorithm was used to gauge the validity of the derived segments. Reliability of the consumption patterns was also assessed using information from later (1981) panel data (While one yearly sample is independent of other years, they are demographically matched.).

Five unique elderly clusters were identified and described based on mean responses to the life style variables. The segments are listed and briefly described as follows.

#### Elderly Segment Profiles

The Model Senior segment (n=33) is one of the two most health and appearance conscious groups. The members of this group are concerned about what they eat/don't eat and the way they dress and look to others. Reflective of their personal interest, the Model Seniors perceive themselves as influential, they like being opinion leaders, and they maintain several areas of outside interest. These consumers are noninnovative in their attitudes toward product usage as well as social issues. They are, however, responsible shoppers, making shopping lists, using savings stamps, buying products advertised on educational television, and exhibiting price consciousness. They do not enjoy shopping. With their somewhat respectful conservatism, the Model Seniors report to be the happiest group of all elderly segments--compared to their previous years of life.

Members of the Uninvolved segment (n=32) are also happier than before. They like parties, games, etc... and report to be more innovative than the other elderly segments. The outlook on shopping of this group, however, is one of disinterest--they do not enjoy shopping and are not involved/responsible shoppers (low price consciousness, nonusers of stamps, low consumer information usage). The lack of involvement of this segment

is reflected by the fact that they do not perceive themselves as influential in their neighborhoods, they have low leadership desires, and they exhibit little concern about their nutrition.

The third segment identified is best described as Satisfied (n=30). While this segment also reports to be happier than ever before, their lifestyle is somewhat complacent. They report more spare time than the other elderly yet appear less interested in filling the time. The health and personal-care consciousness of this segment is lowest of all the elderly. In addition to being noninnovators, they are not involved shoppers (with the exception of price consciousness) nor are they very socially active. Television is their primary form of entertainment.

The Organized Reminiscer (n=33) appears to have a foot in two worlds. While these elderly are happier now than ever before, they are quite reminiscent of the past. This is a segment quite concerned about health/nutrition and personal care. The Organized Reminiscer as a consumer is active, uses Consumer Reports and is an organized shopper (makes detailed lists, shops for specials, uses stamps, etc...). They are also innovators. This is a social group, yet television is still reported as their primary form of entertainment.

The last segment, the Negative (n=25), shows little concern for nutrition or personal appearance. This is the least social group, spending much more time with the television. They are the least innovative group and are quite reminiscent of their past lives. The Negative are not involved shoppers, they have little in the area of outside interest; and they are the only group reporting to not be happier than ever before in their lives.

Several major similarities and differences can be drawn across the elderly segments. The Organized Reminiscer and Model Senior are the two most health conscious groups with the Satisfied tending to be the least health conscious of all. Regarding personal appearance and dress, three groups, the Model Senior, the Uninvolved, and the Organized Reminiscer are cognizant of their dress and appearance to the opposite sex. Most of the elderly, however, do not desire to look different from others in seeking a good personal appearance. The Satisfied tend to be the least concerned of all groups regarding personal appearance.

The Outside interests of the elderly segments are all somewhat low with the Model Senior, followed by the Organized Reminiscer, displaying greatest interests in various activities. Some of the groups are more socially active than others. Overall, media usage of the elderly segments is also low. Television appears to be the primary source, although the Model Senior utilizes magazines to a high degree. In addition, the Organized Reminiscer and the Model Senior report using consumer reports information more than the other segments. A direct measurement of media usage (quantity, scheduling, vehicle), however, was not undertaken for this study so more conclusive behavior in this area cannot be ascertained.

Some of the elderly segments are quite involved with shopping. All but one, the Uninvolved, are price conscious; and all but one, the Negative, report stamp usage. The Model Senior, Organized Reminiscer, and Negative shop for specials; and the Model Senior, Satisfied, and Organized Reminiscer make detailed shopping lists. Only two groups, however, the Uninvolved and Model Senior seem to enjoy shopping. The innovativeness of the elderly segments is mixed. Regarding happiness, all but one segment, the Negative,

report being happier now than ever before in their lives.

The clustering algorithm used as a validity check also produced five natural clusters. Overall, 82.4% of the respondents were commonly grouped into comparable clusters of the two sets produced by the two cluster algorithms. The initial clustering algorithm was used as the base cluster program in computing percentages.

#### Product Consumption Analysis

Consumption of eight personal care products, fifteen health/nutrition products, and fifteen convenience products were analyzed in this study. Oneway analysis of variance was used to determine any significant variation at the .05 level in consumption across elderly segments. Sub-program ONEWAY of the Statistical Package for Social Sciences was used for this purpose. The dependent variable list in the analysis was composed of the product usage lists. The independent variable is the segment, elderly groups one through five.

Using the 1979 data base, only five significantly different patterns were identified by the base clustering algorithm: one personal care product ('hair spray'), three nutritional products ('low sodium salt', 'bran cereal', and 'low fat 2% milk'), and one convenience product ('dry soup mix'). The validity clustering algorithm also identified five products ('bran cereal', 'nutritional cold cereal', 'peanut butter', 'dry soup mix', and 'hair spray').

A posteriori contrasts were used to examine differences across elderly segment product usage. Regarding health/nutrition products, the Organized Reminiscer used significantly more low sodium salt than the Satisfied. The proportions of bran cereal consumed also exhibited significant differences with the Model Senior, Organized Reminiscer and Negative consuming larger amounts than the Satisfied. Mean response scores for low fat 2% milk also significantly differed at the .05 level for the Satisfied and Model Senior with the Model Senior exhibiting the highest consumption mean and the Satisfied the lowest mean. For the convenience food category, the proportions of dry soup mix consumed were significantly different with the Organized Reminiscer consuming significantly more than the Negative. Proportions of hair spray significantly differed with the Organized Reminiscer using the largest amount and the Model Senior using the least of all segments.

The reliability of the elderly segments concerns both the ability to reproduce the segments over time as well as the ability to reproduce the consumption patterns. Each of these is discussed below.

Segment Reproduction. When the clustering algorithm was performed on the 1981 data set, five natural clusters were produced. Three of the 1979 elderly segments, the Model Senior, the Satisfied, and the Uninvolved were constructed fairly accurately. The major characteristics of these profiles, i.e., health and personal care, shopping habits, price consciousness, innovation, leadership, social participation and happiness largely remained stable. The two remaining 1981 segments cannot be clearly matched to those derived from the 1979 data. Two major profile characteristics, happiness and health concern, especially complicate the comparison with the direction of mean scores being reversed from those of the 1979 Organized Reminiscer and Negative profiles. The second 1981 segment, S2 (n=45), is representative of the Model Senior profile, S3 (n=40) is representative of the Satisfied profile, and S4 (n=40) is representative of the Uninvolved profile.

Product Consumption Reproduction. Analysis of variance identified five products with significantly different consumption patterns by the elderly. None of these, however, significantly differed across the 1979 segments. Segment 2 reported using significantly more hair conditioner/cream rinse than Segment 1. Hair tonic usage, another personal care product, significantly differed across the segments with Segment 4, the most frequent user, using significantly more than Segment 1, the least frequent user.

One convenience product exhibited significantly different consumption patterns. Segment 1 elderly were the most frequent users of hot dogs consuming significantly more than Segment 3 the least frequent consumers.

Two health/nutrition products exhibited significantly different patterns of consumption. Segment 2 elderly consumed significantly more decaffeinated ground coffee than Segment 4. For nutritional snack bars, Segment 5 consumed significantly more than Segments 2, 4, 1, and 3 with frequency of consumption in descending order.

### CONCLUSIONS

The findings of the study, although limited are meaningful. The Model Senior reports high consumption of health/nutrition oriented products as would be expected. Although they are concerned with personal appearance, they report least frequent usage of men's hair spray. This possibly is due to their low innovation proneness (although the possibility of balding cannot be ruled out).

The Organized Reminiscer, another group rating health and nutrition high, also reported more frequent usage of health/nutrition oriented products. This group also reported the highest frequency usage of a convenience product, dry soup mix. This usage is possibly a reflection of their innovation willingness or their apparent dislike of lengthy meal preparation as indicated by their life style profile. The Organized Reminiscer's high usage of hair spray may be a reflection of their innovativeness or their concern for personal appearance.

The Satisfied and Uninvolved, in accordance with their low health concern, used significantly less of the health/nutrition products.

The Negative reported the lowest usage of the convenience product, dry soup mix, converse to their dislike of lengthy meal preparation but consistent with their low proneness for innovation.

The 1979 validity segments found the Model Seniors to use hair spray with lowest frequency consistent with the base Model Senior group. The validity segments also found the Organized Reminiscer to use more health/nutrition, convenience, and personal care products. The Satisfied and Uninvolved used less nutritional products. The Negative again presented surprising results with their low use of dry soup mix (consistent with base segment) but more so with their second-highest consumption of two health products, bran cereal and peanut butter. The only explanation possibly derived from the available information would be a possible perception of these products as convenience products.

The results of the 1981 segments' consumption are less consistent. A brief examination of the 1981 reliability segments finds some of the health oriented elderly using more health/nutrition type products. Those with concern for personal appearance use more personal care products like hair conditioner/hair tonic, but with exception.

### Implications

Overall, this study leads to several general implications relevant to market practice. These fall into two areas: the use of life style data to profile elderly segments and the consumption patterns of these elderly segments.

Given the results of the study, life style data is appropriate for profiling elderly consumer segments. Five district segments were identified and their validity substantiated. The only limitation to this conclusion is the problem of reproducing two of the elderly segments within the 1981 data set. This data, by no means, meets requirements for longitudinal analysis; however, the inability to identify these two groups remains an issue.

Although a problem exists in producing reliable product consumption patterns on a product-by-product analysis across years, some categorical consumption patterns do consistently surface from the data. Three main categories can be identified: health/nutrition products, personal care products and convenience products. Some shopping practices also can be noted.

Health and nutrition products, i.e., low sodium salt, bran cereal, low fat 2% milk, nutritional bran cereal, peanut butter, decaffeinated ground coffee, etc... are consumed more frequently by elderly segments such as the Model Senior and Organized Reminiscer. These elderly are in turn concerned about their health, nutrition (what they eat, don't eat, weight, etc...). Market mixes oriented toward health preservation and nutrition might well be targeted to these people.

A second general product category exhibiting differing consumption patterns across groups is that of personal care products with the Organized Reminiscers and Model Seniors being major targets. A number of cosmetic and personal care product companies have recently begun attempts to cater to the elderly market. Information in the form of life style profiles regarding heavy versus light users of these products could enable these firms to target and sell more efficiently.

Convenience products, and innovative products in general, may be better targeted toward the Organized Reminiscer segment. They are more innovative and apparently more accepting of new products than other elderly. The convenience products should, however, not be junk food products given the high health orientation of this group.

Regarding shopping practices, the Model Seniors and Organized Reminiscers appear to be the most involved shoppers also. They utilize Consumer Reports more than other elderly, make shopping lists, and respond more positively to inducements such as stamp redemption. All elderly segments, with the exception of the Uninvolved are price conscious; and all but the Satisfied shop around for specials. Thus price appears to be a vital element of the market mix when targeting the elderly market. One would expect a positive reaction from the majority of the elderly to direct price inducements.

The elderly males in this study report using a low degree of personal communications. Three segments report that television is their primary form of entertainment while only one elderly group reports finding magazines more entertaining than television. In addition, two segments report using Consumer Reports information for product purchase as previously noted.



Product Consumption Reproduction. Analysis of variance identified five products with significantly different consumption patterns by the elderly. None of these, however, significantly differed across the 1979 segments. Segment 2 reported using significantly more hair conditioner/cream rinse than Segment 1. Hair tonic usage, another personal care product, significantly differed across the segments with Segment 4, the most frequent user, using significantly more than Segment 1, the least frequent user.

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selling to the Organized Reminiscer and the Negative. Somewhat different market mixes, however, would need to be applied to each of these groups given the variation in products desired and media utilized by each.

When considering new product introduction to the elderly, two segments should be examined for initial introduction. The Organized Reminiscer and the Uninvolved appear more innovative than other elderly segments. The Organized Reminiscer, with a more extensive social network, may be a more valuable source of information to the seller, however, if word-of-mouth is a valuable source of information. The Uninvolved have less potential of information diffusion to peers due to their low social participation. The lack of personal communication found in this study, however, brings into question the value of word-of-mouth communications.

In communicating to the various elderly segments, their shopping practices should be considered. Another relevant aspect is that of designing programs to educate elderly segments especially lacking in good shopping habits, i.e. planning, price consciousness, information gathering and usage, etc... While some groups do appear to be more efficient and knowledgeable shoppers, the product information of the elderly appears to be low overall from the results of this study implying a need for such educational efforts.

Future research needs to examine specific patterns of information usage by the elderly, males and females, given the low level of usage reported by the males in this study. Sources used, and usage patterns within those sources, would provide valuable information in communicating with the various segments.

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## ABSTRACT

### CONSUMER GEOGRAPHIC MOBILITY IN AN URBAN ENVIRONMENT: IMPACT ON MARKETPLACE BEHAVIOR

John Joseph Gottko, Oregon State University, Corvallis

The rate of U.S. geographic mobility has declined in recent years, to 17% or less, from a once very stable annual level of 20%. This decline is attributed to life-style, economic, and employer policy variables. These contemporary forces are fostering the emergence of three alternate mobility/non-mobility groups, or segments, namely renovators, and inter-urban (or long distance) and intra-urban (or short distance) mobiles. These three (3) emergent groups of homeowning households were studied from a marketing perspective which focused on the contemporary framework of the declining annual geographic mobility rates. Utilizing public records in a metropolitan Ohio area, respondent households were selected and mailed questionnaires which investigated such post-move or post-renovation marketplace activities as actual and planned purchases as well as changes in and retail patronage patterns.

Specifically, a total of sixteen (16) hypotheses, regarding the post-mobility and post-renovation marketplace activities, were formulated and tested against null hypotheses. Four (4) of these involved testing to determine whether differences existed across all three (3) samples in the following types of marketplace activities: one, actual and planned purchases in eight (8) product categories; two, just actual purchases in the same eight (8) categories; three, just planned purchases in the same eight (8) categories; four, retail patronage patterns in fifteen (15) classifications. Additionally, there were three (3) pairwise tests--renovators/intra-urban mobiles, renovators/intra-urban, inter-urban/intra-urban mobiles--for each of the four (4) types of marketplace activities. This resulted in twelve (12) additional hypotheses, and a total of sixteen (16).

The eight (8) product categories were mainly durable goods and six of these had been studied by Andreasen (1964) in an urban study of long distance mobiles. The Andreasen study concluded that these inter-urban

mobiles were a viable market segment which engaged in considerable post-move actual and planned product purchases. Many of the fifteen (15) retail classifications had been researched by J.E. Bell (1969) and McWilliams (1978) in two other marketing studies of inter-urban mobiles. Both of these researchers expanded upon Andreasen's market segment theory by adding "patronage flux" to the inter-urban mobiles' marketplace activities.

The current study provides an update on Andreasen's, J.E. Bell's, and McWilliams' inter-urban mobility research and also an examination of whether similar marketplace behavior results among intra-urban mobiles and renovators. By means of discriminant analyses, eleven (11) of the sixteen (16) null hypotheses were rejected. This indicates that among the sampled homeowning households there are considerable post-decision differences across the three (3) groups, as well as in many of the paired comparisons. Indeed, all four (4) post-decision marketplace activities null hypotheses (actual and planned purchases; just actual purchases; just planned purchases; and retail patronage changes), which were tested across all the samples were rejected.

The current findings indicate that inter-urban mobiles continue to represent a viable market segment for selected product marketers and retailers, just as Andreasen, J. E. Bell, and McWilliams had earlier reported. However, the current findings also illustrate that intra-urban mobiles and renovators might also provide opportunities for marketers. Thus, while for all three (3) groups, contemporary strategic implications are discussed, the current study serves as a means of reminding marketers of the earlier inter-urban mobility implications as well.

(The references are included in the complete paper, a copy of which can be obtained from the author.)

THE EMERGING DISCIPLINE OF DIRECT MARKETING

William A. Cohen, California State University, Los Angeles

Direct marketing as a specific marketing discipline is growing explosively and outstripping other forms of marketing. A recent advertisement for Advertising Age stated: "In contrast to the rest of the economy, direct marketers could double their annual sales in the next five years." Annual sales figures for direct marketing have been quoted as high as \$160 billion for 1983 with growth rates as high as 12-14% per year (Hoke 1983; Cohen 1983). As additional evidence of this growth, the University of Missouri--Kansas City was recently awarded a grant totalling more than a half million dollars by the Direct Marketing Foundation, a division of the Direct Marketing Association, the largest trade association in the industry, to establish the first academic center for direct marketing, to teach both undergraduate and graduate direct marketing courses, to do research in the field, and to perform other activities which encourage the development of direct marketing. Finally, the first two textbooks in direct marketing were published in 1983, both by major textbook publishers: Elements of Direct Marketing by Martin Baier was published by McGraw-Hill while Direct Response Marketing by William A. Cohen was published by John Wiley and Sons.

But though direct marketing is growing, it is a fact that direct marketing experts themselves do not agree on the definition of the term "direct marketing", what it should include, and even whether this is the best description to describe the type of marketing activities that are performed.

Baier, Hoke, and Stone developed the chart in Figure I to explain direct marketing. Their definition is, "an interactive system of marketing which uses one or more advertising media to effect a measurable response and/or transaction at any location." (Baier, Hoke, and Stone 1982).

However, there is not common agreement on this definition. Many practitioners in the field take issue with the model shown in Figure I, and the accompanying definition in that face-to-face selling and in-store retailing are included, while mail order, the original source of the concept of direct marketing seems to have been given reduced emphasis. Meanwhile some academics prefer such terms as "In-House Shopping" (Gillett 1976) or "Direct Response Marketing" (Cohen 1983). This issue is not primarily between practitioners and direct marketing academics (of which there are currently relatively few), but rather between practitioners and practitioners. For example, in a recent article in Direct Marketing in which this issue was aired, "I believe it would be wise for us to follow the advice of Les Wunderman in his sage observation that 'direct marketing is evolving and, therefore, the definition will continue to evolve.'" (De Lay 1983). In the same magazine Baier by implication equated "direct marketing" with marketing in all forms (Baier 1983).

Even older term such as "mail order" seem to have been drawn into this controversy. Mail order has been defined variously as including all items ordered by mail (Cohen 1983), "the sale of products by means of a catalog or direct mail package" (Otis 1979), or as including not only mail but telephone and any interactive medium (Baier, Hoke, and Stone 1982).

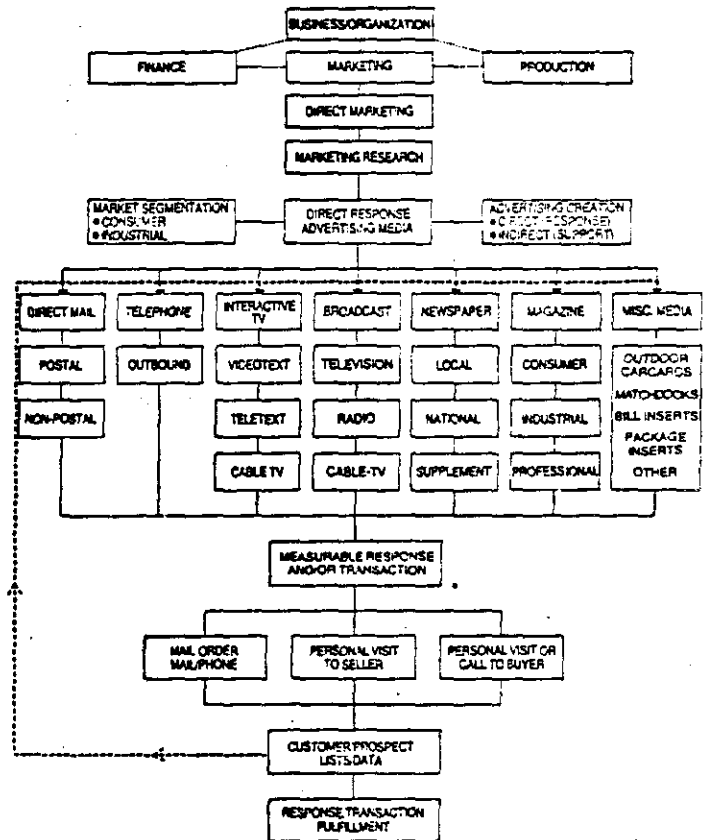
FIGURE I

## Direct Marketing... An Aspect of Total Marketing

Direct Marketing is an interactive system of marketing which uses one or more advertising media to effect a measurable response and/or transaction at any location.

### Direct Marketing Flow Chart

Martin Baier, Henry R. Hoke, Jr., Robert Stone



Direct marketing is a concept, an attitude toward marketing, a sub-set of marketing. It can be embraced by any kind of business supporting one or more methods of selling. Importantly, direct marketing suggests that more than one method of selling can and perhaps should be integrated to achieve maximum sales from the defined market segment(s), geographically, demographically, psychographically.

Fundamental to direct marketing are all of the rules, disciplines and practice of direct mail. In a narrow sense, direct marketing is a media concept, the cornerstone of which is the building, maintaining and enriching the database of customers, former customers and prospects to the exclusion of suspects. Thus direct response techniques are most often injected into the total advertising program.

The existence of database for each company permits analysis, research, precise follow-up by mail and phone, to target specific appeals to different customer segments by source, dollar volume, recency and frequency of purchase.

*Direct Response Advertising in any medium, is that which effects a measurable response and/or transaction at any location.*

*Mail-order is a Method of Selling, which relies on direct response advertising alone, to effect a measurable response and/or transaction by mail, telephone or other interactive medium.*

*Alternative Methods of Selling, encompassed in the definition of Direct Marketing, are those in which, as a result of Direct Response Advertising...*

- ... the buyer personally visits the seller's location (store, market, exhibit, etc.) to effect a transaction
- ... the seller calls at the buyer's location (home, business, organization, etc.) — in person or by telephone — to effect a transaction

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Only in the term "direct mail" and "direct response advertising," does there appear to be agreement. Direct mail is defined as a means of solicitation made through the mail direct to the consumer or industrial buyer regardless of how the order is achieved. Direct response advertising refers to advertising which results in a measurable response in any form including order, inquiring, or questionnaire answer.

#### WHY DIRECT MARKETING IS GROWING

Direct marketing experts have identified numerous theoretical reasons as to the unusual growth of this field.

##### 1. Convenience

An argument for the convenience of direct marketing, or at least in-home direct marketing can be sustained by research. Better Homes and Garden magazine which carries a considerable amount of mail order advertising conducts an annual survey of its readership which includes reasons for purchasing by mail. Convenience was listed as a reason by 49.3% of the respondents in one survey (Cohen 1982). Another study found a positive relationship between in-home buying and ownership of a multiple of convenience items such as credit and charge cards, telephones, automobiles, newspapers and shelter magazines (Gillett 1970). The alternative to purchases through direct marketing are conventional retail outlets with parking problems, crowds and clerks. While clerks would appear to be an asset for conventional retailing, the clerk who does not know his product or does not take the time to explain it to a potential customer must be compared with comprehensive material explaining the product available to the potential customer in his home through direct marketing methods.

##### 2. The Advent of Credit Cards

The availability of credit cards has made direct marketing purchases easier, allowed for an easy method of credit for high ticket items and permitted expedited purchases through telephone order. Also, because cash is not required as prior to credit card availability, the perceived risk of in-home purchase is probably reduced. In addition credit card purchases have reduced the risk of bad checks and credit purchases to the marketer. This has always been a significant factor to the direct marketer who has sometimes allotted 5% of the product price for bad checks in planning his campaign and who may have received on the average only 60% of the total price of a product paid for on an installment plan.

##### 3. Technological Advances

Technological advances have played a significant part in the growth of direct marketing. The development of computer with increased ability to store information such as mailing lists and personalize direct mail with names have decreased the per unit cost of sales. The use of WATS numbers, robots for telephone sales and inquiries and interactive television and computers have increased the media available for making a sale, make responding easier, and reduced costs.

##### 4. Changing Life Styles

With women holding down 50% of the jobs in the United States and more than 50% mothers working outside the home there is much less time for conventional shopping. The energy crisis has also probably played its part in this change. With family or recreational driving down 21

as much as 30% since 1973 and fuel costs up as much 150% since then, there are less opportunities for conventional retail purchases and probably less opportunity for impulse purchase of some items.

##### 5. The Cost of Personal Selling

As the cost of "cold calls" climbs to \$200 or more per call, there is greater interest in reducing the cost of sales through prequalification of sales leads by direct marketing, especially using direct mail methods. One rookie salesperson become top salesperson for a major office copier manufacturer through use of a direct mail campaign followed up by telephone in place of the traditional cold call (Bakota 1981).

#### DIRECT MARKETING STRATEGIC VARIABLES

Different writers in direct marketing have listed different controllable variables. For example, one writer lists only three: media, proposition and copy/layout of the ad (Simon 1981). Another lists four: product, offer, media and creative strategy (Nash 1982). And yet another lists six: product or service, media, offer, format, tests, and analyses (Stone 1979).

In keeping with a concept with which marketing educators are familiar, instead of the "4 P's," the strategic variables in direct marketing can be represented by the "3 M's." These are message, merchandising and media. The message is the creative variable and includes the copy, the graphics and the layout of the advertisement.

Merchandising incorporates the product, the price and how the two are presented to the potential customer or an offer. For example, one can offer:

2 widgets for \$1.00  
1 widget for \$1.00 and the second free  
1 widget for 99¢ and the second 1¢  
or 2 widgets at 50¢ each

While all offers result in the customer receiving two units of product for \$1.00, depending on the product, the target market, the price and the environmental variables of the situation, differences in response have varied depending on the offer by 40% or more (Stone 1979).

The final "M" stands for medium. This refers both to the choice of the type of medium for the advertisement such as magazines, television, or direct mail and the precise medium: a specific magazine list, or television programming spot.

Various experts have expressed opinions as to the relative worth of each element of the direct marketing mix. One says that the relative merit of each should be considered equal until testing, although primary importance is given to the product (Simon 1981). Another tends to place less emphasis on the message and more on another element, particularly the media (Gosden 1979). It is significant that in no case has empirical research confirmed or disconfirmed relative importances of any of the direct marketing strategic variables. In fact, regarding research, the Direct Marketing Foundation has listed the following areas in which it feels direct marketing research is lacking:

Evaluation of Segmentation Techniques  
Direct Marketing Package Testing  
Seasonality--Is it real or created by heavy mailings?

1st vs 3rd Class Deliverability  
 Consumer Profiles--Direct mail respondents vs non-respondents  
 The Effect of Support Advertising on Direct Marketing  
 Mailbox Management--Consumer case studies of behavior/buying habits  
 Lead Generation--How effectively is direct marketing used?  
 The Promotional Value of Direct Marketing  
 Data Bases and Direct Marketing  
 Strategic Planning Methods Technology  
 New Product Development  
 Response Rates--How are they affected by mailing variables?  
 Deliverability by Geographic Location  
 Response Rates by Media and Product Offered  
 The Effect of Image on Direct Marketing  
 A Profile of the Direct Marketing Department (by industry)  
 Mailroom Practices  
 Interactive Cable--Applications  
 The Effect of Direct Marketing on Store Traffic  
 Business/Industrial Direct Marketing  
 Use of Premiums in Direct Marketing  
 Advances/Applications of Printing  
 Fund Raising--Methods to Up Response

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In summary while the direct marketing area of marketing is continuing to experience considerable growth, and academics and students are being attracted to the discipline, there is uncertainty as to several basic definitions and what they should encompass; the relative importance of the direct marketing strategic variables have not been fully explored and much important research is just beginning. Accordingly, significant challenges exist for both the academic educator and researcher in developing this important subset of marketing.

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## EVOLVING RETAIL FORMS: PROFILE OF SWAP MEET SELLERS

Nabil Y. Razzouk, California State College, San Bernardino  
David Gourley, College of Business Administration, Tempe

### ABSTRACT

The economy of stagflation that we have witnessed during the past decade has increased significantly the consumers' interest in patronizing nonconventional retailing institutions such as swap meets, garage sales, used-products outlets and the like. Earlier research has investigated these forms of retailing from the shoppers' perspective. This study, however, focuses on the swap meet sellers, their profile and their reasons for participating in the swap meets.

### INTRODUCTION

The spiraling inflation of the 1970s and the resultant budget squeeze have driven many consumers into a waste minimizing life style and a more utilitarian approach to consumption (Berry, 1979). These trends and related others have been responsible for the emergence and growth of new forms of retailing and distribution channels which cater more specifically to the needs of the growing low-income consumer segment. A recent report (Wall Street Journal, August 1982) estimates that in 1981 alone the Internal Revenue Service has lost around \$26.2 billion in taxes because income from sources such as garage sales, swap meets, flea markets, and exchange clubs was not reported.

These emerging "underground" institutions capitalize on the shoppers' diminishing concern with brand and store loyalty, and their desire to maximize their economic utility (Razzouk and Gourley 1980, 1982). Consumers who may have formerly visited a department store or a discount store in search of household goods, do not hesitate to investigate a garage sale, swap meet or even a used product outlet where such goods are usually sold at bargain prices (Dovel and Healey, 1977, Rieken, Yavas and Bettie, 1978). Similarly, consumers who may have formerly disposed of unwanted products by throwing them away or giving them away to charities, family or friends, now take advantage of the resale opportunities made possible through those non-traditional retail and distribution centers (Conn, 1978, Razzouk and Corbet, 1982).

Consumer creativity and innovations in the market place apparently have not captured the interest and liking of marketing academics. A review of related literature reveals only a hand full of articles and studies dealing with the emerging non-conventional forms of retailing (Dovel and Healy, 1977, Rieken, Yavas and Bettie, 1978, Yavas and Rieken, 1981, Razzouk and Gourley, 1981, 1982, and Razzouk and Corbet, 1982).

Recognizing the academics' pre-occupation with tradition, Kotler (1982), in a keynote address to the National Marketing Educators challenged the group to rid themselves of tradition-myopia and turn some of their attention to the study of the uncommon and the non-conventional. More specifically, he urged that more attention be given to emerging forms of retailing which service the poor and disadvantaged.

The purpose of this study is to further explore the nature of swap meets as retailing institutions for

the low-income consumers; more specifically, the research seeks to develop a profile of swap meet sellers and identify their motives for patronizing this non-conventional retail institution.

### Present Study and Methodology.

The primary purpose of this research was to develop a demographic profile of the sellers and to assess the nature and degree of their involvement in this non-traditional form of retailing.

Data for the study was sought from a sample of 100 sellers at three meets in the Phoenix metropolitan area. The sellers were selected in a systematic random manner, with interviewers calling on every third occupied selling space in each market. The interviewers were instructed to visit each selected lot and conduct a structured interview with the major seller. Of the total 100 selected selling spaces, eleven spaces were unoccupied on the days when the interviews were conducted and twelve sellers refused to participate or could not participate because of the shoppers traffic. Accordingly, seventy-seven interviews were completed and thus were included in the analysis.

### The Findings

A total of 77 sellers were interviewed at the three swap meets and of those, 48 percent were females and 52 percent were male sellers. The large number of female sellers reported may indicate that swap meet selling is not necessarily a male dominant business activity.

Table 1 shows the age distribution for the sample of sellers, and area population as reported in Inside Phoenix 1981. All age categories were represented among the sellers. However, the majority (55 percent) were 50 years and over. This figure is way above the 41.6 percent of the metropolitan Phoenix population who fall into this age category. This obvious over-representation of the 50 and above sellers may well be attributed to established retirement communities in the Phoenix metropolitan area. Such individuals may find in a swap meet an answer to their needs for extra income, fun and socialization.

Sellers represented a variety of ethnic groups. 90.9 percent of the sellers were Caucasian whites, followed by 6.5 percent Hispanics and 2.6 percent black and other minority groups. These figures compared closely with those reported for shoppers by Razzouk and Gourley (1982). However, we should note that Hispanics, blacks, and other minorities were under-represented among both the sellers and the shoppers compared to their relative representativeness in the area population. Somehow, the swap meets are not attracting as many minority shoppers and sellers as one may expect.

Close to 55 percent of the sellers reported annual household income of less than \$10,000, compared to 40 percent of the metropolitan Phoenix population who reported such income.

for the swap meet sellers. The relatively high frequency of low income reported reaffirms the value of swap meets as a source of supplementary income for the sellers.

The education level of the sellers did not differ significantly from the metropolitan population. Over forty-two percent of the sellers have completed at least one year of college and 28.9 percent have graduated from high school. Since poverty is usually associated with low levels of education (Andreasen, 1975), it would be difficult to attach such a label to the sellers on the basis of their level of education.

Seventy-five percent of the sellers were married and the same proportion reported having children. Slightly over one-fourth (25.9 percent) reported having only one child, 29.7 percent indicated having 2 children in the household and the remaining 44.4 percent had 3 or more children. The relatively large size of the seller's household may be responsible at least partially for the budget squeeze experience by the sellers. The size of the household coupled with a relatively low household income may explain the sellers participation in swap meet selling. Also, the fact that 61.8 percent reported living in a house as opposed to an apartment, mobile home or a trailer, would accentuate the financial needs of this population segment. The respondents' occupations may reaffirm the relative financial disadvantages which they face. Close to 32 percent reported being retired, 19.2 percent were in retailing, 17.8 percent were housewives and the remaining reported other occupations such as service, construction, government and students.

#### Selling Patterns

The majority of the respondents (93.5 percent) indicated on the day of the interview that they have sold at a swap meet before. Of these, 58 percent had also sold at one or more of the other local swap meets. In addition, of those who were not first timers, 43 percent had sold at a swap meet six or more times in the past four weeks. These figures indicate the regularity of the sellers participation in swap meet selling as expressed by more than one seller: "We are regulars here . . . almost every weekend."

When asked about the source of their merchandise, the sellers reported a variety of sources. Almost one-fourth (22.4 percent) indicated selling their own personal property, 21.7 percent said their merchandise was either homemade or handmade, and 17.1 percent stated that their merchandise came from other peoples' garage or yard sales. An additional 14.5 percent indicated buying their goods from wholesalers and distributors, and only 3.9 percent claimed their goods came from their own stores. The remaining 21.1 percent reported a variety of other sources. It is difficult to assess the quality or value of stolen merchandise which is sold at these swap meets. As expected, none of the sellers admitted trading with such merchandise.

Further questioning on the condition of the goods sold at swap meets indicates that the bulk of these goods are used or second-hand. When probed further, many sellers reported spending two or three weekdays shopping at garage sales and reviewing the Pennysaver--a local weekly advertising publication--in search of merchandise for sale at the swap meets. In fact, over 55 percent reported reading the Pennysaver every week in search of bargains.

Why do sellers participate in selling at swap meets?

The majority of the respondents, 51.7 percent, selected "extra income" as the main reason for selling at swap meets. Approximately 32 percent participate to have fun, pass time, keep busy, watch people, and less than 10 percent utilize swap meet selling as a means for disposing of unwanted extra items. Only 7.0 percent reported selling at swap meets as a necessity for survival, however, when this figure is combined with the 51.7 percent who seek "extra income," it clearly highlights the economic motives of the sellers. Swap meets appear to be a definite source of needed revenues and socialization. But how much revenues are earned by a typical swap meet seller? When asked about the average daily sales at swap meets, 16.9 percent of the respondents refused to provide this information. Of those who did respond, exactly 50 percent reported daily sales under \$50. This low figure may be attributed to the large proportion of respondents selling used merchandise at relatively low prices or to the seller's concern over possible taxation. Of the remaining respondents, 28.1 cited an amount of \$50--\$99, 12.5 percent make \$100--\$199, and 9.4 percent report earnings over \$200.

And finally, this section concludes with a description of the types of merchandise being sold at swap meets (Table 3). This information was acquired through observation, and therefore, it is based on the interviewer's best judgment. Jewelry, clothes and home furnishings led the way with several other categories represented. In fact, a variety of over 48 different product categories was observed being sold at the three swap meets. This wide assortment of goods was well recognized and appreciated by the shoppers.

#### Summary and Implications

The findings reported in this research show the typical seller in a swap meet as a low-income white male or female who participates in swap meet selling primarily to gain some extra income and have a fun experience.

The high level of unemployment due to retirement, coupled with a large size household, make swap meets viable outdoor business ventures for those who feel the pinch of a budget squeeze.

Swap meets, like their predecessor the trading posts, provide sellers and shoppers an opportunity to maximize their economic utility in a warm and friendly outdoor environment. The fact that many sellers keep coming back in spite of the relatively low level of sales is a good indicator that fun and socialization are also of value to these individuals. Several respondents indicated their satisfaction with the overall selling experience at swap meets even if they were not making any sales. This expressed interest in socialization and having a good time accentuates the value of swap meets as social vents and recreation opportunities which this particular group needed and looked forward to participate in almost on a weekly basis.

Robot Technology and other advances in computer applications to marketing tend to limit the prospects for consumer socialization at work or in the market place. Direct marketing and teleshoppers may further limit the prospects for consumer socialization. Swap meets, and garage sales, however, provide greater opportunities for socialization and recreation while at the same time maximizing economic utilities by selling or shopping at these markets.

Swap meets are not without disadvantages. Law enforcement personnel often link swap meets to increased levels of crime, especially break-ins and robberies.



Individuals selling appliances of any kind in a swap meet are required by law to report the serial numbers of the items they sell. Whether or not all the sellers comply with the law is hard to tell. However, the high percentage of regulars (weekly participants) indicates the established nature of these sellers. It is unlikely that someone selling stolen merchandise would end up renting the same space week after week. The few existing regulations of swap meet selling may shift the trading of hot items to garage sales which face no regulations.

The economics of stagflation, the new demographics, and continued government non-interference would undoubtedly cause swap meets and similar non-traditional retail institutions to gain greater acceptance. As greater portions of the population fall back into poverty, swap meets, garage sales, and used-product outlets will be called on to provide consumer services not available through conventional retail outlets.

In conclusion, the researchers call on marketing professionals and public policy makers to recognize the legitimacy of swap meets and their value as orderly social vents and providers of economic utility. We urge that future discussions of retailing would recognize innovation and adaptability and make an honorable mention of the uncommon. This study was exploratory in nature and scope; future research should further investigate the proposed benefits of swap meets as a social vent and as retail institutions servicing the poor or disadvantaged consumers.

TABLE 1

Age Distribution of Swap Meet Sellers

<u>Age Group</u>	<u>Sellers</u>	<u>Phoenix Population</u>
Under 25	13.5 %	17.4 %
25-34	12.2 %	21.5 %
35-49	17.5 %	19.5 %
50-64	41.9 %	25.4 %
65 and Over	<u>14.9 %</u>	<u>16.2 %</u>
	100.0 %	100.0 %

Source: Inside Phoenix 1982, adjusted to exclude individuals under 18.

TABLE 2  
Annual Household Income of  
Swap Meet Sellers

<u>Income</u>	<u>Sellers</u>	<u>Phoenix Population</u>
Under \$5,000	27.4 %	13.0 %
\$5,000-\$9,999	37.1 %	27.0 %
\$10,000-\$14,999	19.5 %	18.0 %
\$15,000-\$24,999	8.0 %	23.0 %
\$25,000-\$34,999	3.2 %	13.0 %
\$35,000 or more	<u>4.8 %</u>	<u>6.0 %</u>
	100.0 %	100.0 %

Source: Inside Phoenix, 1982.

TABLE 3

Types of Merchandise Sold at Swap Meets

<u>Category</u>	<u>Percentage of Observations</u>
Jewelry	20.6
Clothing	14.9
Arts & Decorations	12.8
Books & Novelties	9.2
Appliances	8.8
Tools	5.8
Auto Parts	4.9
Home Furnishings	4.8
Sports Equipment & Supplies	3.4
Home Repair Supplies	3.2
Plants	2.4
Toys	2.0
Food & Drinks	1.8
Services	1.3
Antiques	<u>.5</u>
Total	100.0

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## ABSTRACT

### SIX MAJOR WAYS IN WHICH FRANCHISING WILL CHANGE BY 1990

Bruce J. Walker, Arizona State University

#### BACKGROUND

In the past twenty years, franchising has grown to become a significant, mature, and well-accepted method by which an entrepreneur can either expand and control a network of businesses or can own and operate one or more units of a business organization. Despite its current magnitude, the course of franchising over the past twenty years has been quite volatile. After rapid growth in the early and mid-1960s, both a shake-out and government regulation ensued.

Given its current magnitude and past volatility, questions naturally arise as to the future of franchising. A survey was designed to forecast the future course of franchising.

#### METHODS

The population for the survey was senior-level executives (not franchisees) within U.S.-based franchise organizations. A total of 1,013 franchise organizations were included in the survey.

The data-collection method involved a "quasi-Delphi" technique. A total of 180 executives supplied usable first-round questionnaires. There were 157 usable responses in the second round of the survey.

#### FINDINGS

Some of the findings pointed to substantial growth in franchising, which is not surprising given franchising's recent history and the composition of the sample. Rather than detailing these growth predictions, the focus in this paper is on six diverse changes in franchising's future scope, structure, and operations that should occur by 1990:

1. Several product areas will become increasingly significant in terms of the proportion of that good or service sold through franchises and/or the proportion of total franchise revenues accounted for by that product. Mentioned most frequently were: 1) computer/electronics stores; 2) services industries (in general); 3) professional services (e.g., law, advertising); 4) health-related services; and 5) specialty fast foods.
2. New franchises will be drawn from somewhat different groups than present franchises were. Franchise executives foresee a marked jump in the proportion of franchises owned solely by women, with this proportion reaching 16% in 1990, and by racial minorities, with the proportion approaching 8% in 1990.
3. The structure of franchising will be different in two diverse respects. Specifically, the proportion of total franchise sales accounted for by the business-format type of franchise

(in contrast to the product and tradename type) is forecast to grow, reaching 32% of total sales in 1990. Furthermore, the concentration of total franchise sales is forecast to decrease by 1990. The executives expected a 4.5% annual decrease in the proportion of franchising companies that collectively account for 50% of total franchise sales.

4. Franchising will be more regulated in 1990. About 80% of the franchise executives pointed to more regulation (via legislation and/or government agencies) in 1990. Furthermore, the executives expect a sizable jump in the number of states with franchise-related laws.
5. Franchise offerings and operations will be more standardized in 1990. According to the executives, reasons for this trend include: standardization has been a key ingredient in numerous franchising successes, and government regulation, especially involving the FDA, is expected to increase.
6. Franchisor-franchisee relationships will be more characterized by formal organizations and procedures. The majority of respondents forecast that there will be more intraorganizational franchisee advisory councils, more independent franchisee associations (representing franchisees in either a single system or multiple systems), and that arbitration will be used to settle franchisor-franchisee disputes more often in 1990.

#### CONCLUSIONS AND RECOMMENDATIONS

The remainder of the 1980's might be characterized as the maturity stage of franchising's life cycle. The numbers of franchises and franchisees in product areas in which franchising has been used probably will continue to grow but at a much slower pace. Higher growth rates and greater risks are likely to characterize product areas in which franchising is comparatively new.

The most significant implications for franchisors are quite similar: If they are operating in an established area of franchising, they must be prepared to compete for a share of a "pie" that is no longer growing rapidly and they may want to look to new areas of franchising if they seek greater growth rates and potentially higher rates of return. If franchisors and franchisees are operating in a new area of franchising, they will have the opportunity to innovate and profit but also must prepare themselves for the shakeout that is likely to occur as the numbers of franchise offerings and units exceed the potential demand in the marketplace.

## UNDERGRADUATE EDUCATION FOR CAREERS IN SALES

Steven D. Thrasher, Ph.D., Pacific Lutheran University, Tacoma, Washington  
David E. McNabb, Ph.D., Pacific Lutheran University, Tacoma, Washington

### ABSTRACT

This paper discusses the rationale for a college business program designed to educate students entering careers in sales. It identifies some of the skills and knowledge that students completing the program should attain. The nature of the sales task has changed to make it increasingly important for students to develop competencies not only in oral/written presentation, but also in time management, sales forecasting, negotiation, listening and financial interpretation. Suggestions are given on how to encourage these skills in the classroom.

### WHAT IS SELLING?

Welch and Lapp (1983) define personal selling as "a process of informing customers and persuading them to purchase products and services they need, can pay for, and/or want through personal interaction in an exchange situation."

Mausser (1977) defines selling as the "process of inducing and assisting a prospective customer to buy goods or services or to act favorably on an idea that has commercial significance for the seller."

Russell, Beach and Buskirk (1974) define selling as "the art of persuading another person (or persons) to do something you want them to do when you do not have, or do not care to exert, the direct power to force them to do it."

The apparent common denominator of such definitions seems to be the act of persuading other human beings to behave in a desired way. To persuade means to prevail on a person to do something, as by advising, urging, etc. Synonyms include: influence, move, entice, impel, induce and convince. The salesperson's responsibility, then, is to help buyers recognize that what they are being offered meets their stated or unstated needs.

### WHY EDUCATION IN SALES?

Courses of undergraduate instruction in marketing are available to students at a great number of colleges and universities. Also, two-year programs in business administration and/or business management are available at most community colleges. However, few of these programs provide a comprehensive educational program whose primary purpose is to help students gain the skills and knowledge necessary for entry-level sales positions. Existing marketing and business programs are usually designed to prepare students to become business managers, not professional salespeople. At most, one or two broad-brush courses are offered, designed to give the prospective business manager a brief familiarity with the sales function, as part of the marketing function.

According to Lacznik and Murphy (1979), the business student is offered a course in sales management at about 69% of undergraduate schools and a course in personal selling at about 44% of these schools.

Seldom are either required courses. Hise (1975) noted slightly lower figures of 59% for sales force management and 39% for personal selling. He also observed a trend for some schools to incorporate personal selling concepts, along with advertising and sales promotion concepts, into a promotional strategy course. It is likely, then, that a considerable portion of undergraduate business majors graduate without much more than a brief nod of acknowledgement to sales concepts and skills. Further, very few programs include work experience, or "hands-on" practice of selling skills.

At the same time that the majority of business programs have given selling skills low priority in their curricula, numerous observers have called for business schools to be more responsive to the need to provide students with these skills. Knight (1978) calls for both certificate and degree programs which combine sales skills and behavioral science concepts to lead to better qualified entry-level sales personnel. Coyle (1975) conducted a study asking both marketing executives and recent marketing graduates to identify the tasks most important to the performance of newly graduated college marketing students. Each group mentioned two selling related tasks as most vital: marketing executives mentioned 1) "skill in consummating a sale" and 2) "overcoming sales objections," as did the recent graduate group but in reverse order. As an outgrowth of his findings, Coyle recommended making salesmanship a mandatory course in the marketing curriculum.

Russell, Beach and Buskirk (1974) note that a speaker at an annual meeting of the American Marketing Association severely criticized marketing educators at most colleges and universities, including community colleges, for not providing their students with the skills most needed for their business careers; these skills were selling skills.

Apparently, some of the nation's business schools are swinging to provide instruction tailored more to fit the experiences of the real world (Business Week 1979). Mandt (1982) comments that business education of this sort encourages specialization and premature career commitments, but he also reports that graduates wish they had become more proficient at communication and human relations. Certainly a more practical approach, including selling skills, offers a chance at correcting these perceived deficiencies in the relatively low-risk setting of the classroom.

### JOB OUTLOOK FOR SALES CAREERS

The 1973-74 edition of the United States Department of Labor's Occupational Outlook Handbook reported that about 5.4 million people were employed in sales occupations in 1972. According to the 1982-83 edition of this same source, that number had grown to 6.8 million by 1980. For example, selected marketing and sales occupations in 1980 included: Retail trade sales worker, 3,347,000; Cashier, 1,592,000; Wholesale trade sales worker, 1,085,000; Store manager, 962,000;

Manufacturer's sales worker, 437,000; Insurance sales agent, 327,000; Wholesaler, 248,000; Securities sales agent, 63,000; Travel agent and accommodation appraiser 52,000; and Automobile parts department manager, 47,000. Sales occupations are expected to increase by another 19 to 28 percent during the decade of the 1980s, to reach as high as 8.8 million in 1990.

As the number of salespersons employed increases, so will the number of sales supervisory jobs, further adding to the number of opportunities for community college and four year degree institution graduates.

Is there a need now for an educational program to educate people for sales careers? One quick glance at a weekend edition of a local newspaper would indicate that there is. For example, the classified section of a Sunday edition of the Seattle Times listed at least 195 specific sales openings. In no other single occupational category did job listings even come close to this number. Further, not all available job opportunities in sales are listed in the metropolitan daily newspaper classified section. Many more positions may be found listed at State employment services, in weekly newspapers and at commercial employment agencies. Still other job openings are not listed anywhere, but are available when a qualified, trained person walks in to apply for work.

Will employers hire graduates of an educational program for salespersons? Most sources indicate that not only will they do so, but will do so on a preferential basis, primarily because trained sales personnel are more productive. Bender (1971) states employers prefer to hire trained salespersonnel because such employees develop more quickly for more responsible positions with less turnover.

While some firms exhibit a preference in hiring "seasoned" sales personnel who have a sales performance track record which may be evaluated, other firms accept skills-trained prospective salespersons with equal enthusiasm.

#### THE CHANGING NATURE OF THE SELLING TASK

There is a continuing trend to demand a higher level of ability and personal productivity of salespersons. There has been an evolution in the nature of selling to take advantage of new technologies and to respond to added customer requirements. The field salesperson, for example, is considered more and more to be an account manager for his or her territory acting to coordinate the firm's multi-level selling efforts by engineering, production, research, marketing and upper management (Business Week 1973).

The computer, telephone and audio visual devices have been embraced as valuable selling tools. The computer makes possible a wealth of information about the salesperson's selling performance compared to territory potential. Computer-generated sales analysis reports provide effective guidelines for targeting selling effort. Minicomputers have even proved useful in answering customer concerns ("what if" questions) in the selling presentation itself.

The telephone, too, has been identified as a way to lower selling costs and increase selling effectiveness. "Telemarketing" encourages the use of the phone to identify leads, confirm appointments, invite timely reorders, cross-sell and maintain a "presence" with customers when face to face contacts cannot be justified (see, for example, the "Chemplex Corporation"

case in Talarzyk 1983). Audio visual equipment, especially as used in trade show or exhibition hall selling, has both helped the salesperson and changed the nature of the selling effort.

#### SELLING SKILLS TO BE DEVELOPED IN A BUSINESS PROGRAM

Any business educational program in sales needs to develop selected skills among its students which will enable them to be productive and confident self-starters. Salespersons must understand the needs and viewpoints of their customers and be poised and at ease with strangers. Other important attributes for selling are energy, self-confidence, imagination, self-discipline, and the ability to communicate. In addition, salespersonnel need initiative and persistence to locate prospective customers and convert them into new business accounts. This overview serves as an introduction to a partial list of the abilities that the entry-level salesperson, especially the field representative, should acquire in a business school program:

First, Time Management. The salesperson's time is both his and his company's investment in the customer. The student needs to learn how to allocate this time in proportion to the likely return offered. Moreover, skillful time managers make productive use of the large amounts of "dead time" they usually encounter. For example, some creative sales personnel arrange to learn new product information via audio cassettes in their automobiles while traveling between sales calls.

Second, Sales Forecasting. Coyle (1975) found that both recent marketing graduates and marketing executives expected an ability to forecast sales from entry-level sales personnel. Only overcoming sales objections and consummating a sale were rated as higher priority competencies. Reasonable territory sales forecasts enable workable quotas to be established and inequities in salesperson assignments to be identified.

Third, The Use of Business Directories and Trade Publications. The beginning field salesperson is usually called to go beyond maintenance selling and to identify potential new accounts. The ability to reference business directories and trade publications has numerous benefits: to identify leads; to qualify prospects by size criteria; and to more properly direct selling efforts within the customer organizations.

Fourth, Negotiation. The new salesperson quickly recognizes his or her position as that of a person in the middle--between the selling company and the customer. The skill to mediate between buyer and seller helps keep in check unreasonable, one-sided expectations and increases the chances of a transaction resulting. Negotiation skills sensitize the salesperson to the need for resolutions where neither party loses so badly that the long-term relationship suffers.

Fifth, Listening. The 1970s and 1980s have produced a proliferation of firms declaring: "We listen." With many customer needs being met only by creative solutions to problems, these problems must first be clearly identified by (heard by) the selling company. The entry-level salesperson must be adept at sounding out customers so that the selling process is in touch with, and makes the most of, the opportunities present. The salesperson needs to be skillful at probing customers and accurately capturing their responses.

Sixth, Oral Presentation and Writing Mechanics. When a new salesperson acts as the conduit for a company's persuasive and informational messages to customers, he or she must do so with a reasonably smooth style. Speaking voice and phrasing, eye contact, gestures, dress, sense of the customer's personal space (or territory) and so on should not put the customer off. Skillful choice of selling location, when possible, provides the salesperson with a way to "stage manage" the selling situation to enhance the chances he will be heard and acted upon. An understanding of small group dynamics becomes important if presentations are frequently made to buying committees. Hands-on experience with audio-visual equipment is vital so that the equipment becomes relatively unobtrusive compared to the content of the sales presentation. Moreover, important cultural variables impact on whether a salesperson is viewed by non-domestic customers as acting in an appropriate or insulting manner, and so the salesperson should have some exposure to presentation variances in different cultural contexts. No less important are business letter writing skills to clearly convey introductions, submit bids and proposals, convey terms of agreement and so forth.

Seventh, Developing Customer Benefit Arguments/Statements. The newly-minted salesperson should be skillful at translating product or service attributes into numerous customer benefits. It is not enough, for example, to identify for the customer that a dry copy processor has a large toner capacity. This added capacity should be conveyed in terms of less frequent refills and/or fewer interruptions to an office's copy demands. The desirable aptitude of developing persuasive arguments around customer benefits becomes increasingly important when several levels of the customer organization need to be sold (e.g., expensive laboratory equipment sold to research users, purchasing personnel and corporate financial officers).

Eighth, Analyzing the Selling Process. As the selling process unfolds, the new salesperson should possess an ability to know the stage he or she is at to avoid overselling or prematurely asking for a commitment from the customer. The dynamic ebb and flow of the selling process must be reasonably well analyzed if the customer is to be led to a purchase decision. Shaw (1981) discusses the use of chartpads showing selling step sequences along with the guidance from an instructor to acquire this skill. Videotaping of selling situations with the instructor stopping the replay to comment on how the sale is developing is valuable to impart a sense of where the sale is won or lost.

Last, Financial Interpretation and Translation. Proficiencies in understanding financial data and transforming the numbers into meaningful selling arguments are further strengths of a new field representative. From the customer's standpoint, there are always options in buying a firm's services (even if to do nothing). In many instances, especially in industrial sales situations, the salesperson has to prove that the purchase of his firm's products is the economically sensible option. Put another way, "You can't afford not to buy our product." The salesperson must be reasonably competent with financial concepts such as present value, return on investment and total product costs so as to be able to offer rationaly persuasive arguments. In many instances, a sale is made only because "the numbers make sense."

This paper does not propose a proliferation of personal selling and sales force management courses at community colleges and four year institutions. Reviewing the desired selling skills from the previous section, it becomes obvious that other curriculum offerings may provide essential support for the student interested in a sales career: marketing, marketing research, public speaking (and perhaps selected theater arts courses) and finance are helpful courses commonly available. Other courses which should prove useful include: purchasing, public relations, advertising, business communication, retailing (or merchandising) and selected behavioral science and computer science courses. Without benefit of specific course content at a given school, this paper must stop short of making more specific recommendations. The marketing faculty at each school is best able to spot the supportive elective courses for sales-oriented students.

Curriculum recommendations are best left generalized for yet another reason. Since the selling field has relatively few barriers to entry, several target groups exist for a program in sales: younger students seeking an entry level position early in their career; older students who wish retraining to change to a new career; and older students who plan to start a career or re-enter the market after a prolonged absence, (such as married mothers of grown children, widows or divorced women). All these students are not well served by a single rigid curriculum recommendation.

The building of appropriate skills for salespersons can begin within the one or two sales courses offered at most schools. A "hands-on" approach using at least some of the available technological selling tools can enrichen the content of these courses. For example, some of the following suggestions could be adopted:

First: use actual company sales reports whenever possible. Local businesses are frequently able to provide computer print-outs of territory and/or divisional performance (possibly disguised by date or identity). Exposure to such reports gives the student a "feel" for how specific performance is measured and tracked. From such sources students can be asked to develop a call frequency plan for a given area and time period.

Second: identify cooperative education and internship positions available in selling jobs. The opportunity for students to have actual selling experience while in school is invaluable.

Third: allow class time for role playing of selling situations. The process of negotiating the terms of sale under various conditions of bargaining power between buyer and seller lends itself to role playing. Videotaping of such sessions gives the participants an observer's view of their selling/negotiation skills. Videotapes can also reveal poor listening skills that cause problems because the salesperson or sales team is not responding to the buyer's signals. Videotaping over time can show the student how his or her selling skills have developed.

Fourth: use business people (especially sales and marketing executives) to evaluate sales presentations by individuals or teams. Students invest considerably more time and effort in presentations that are aimed

at an outsider "jury" rather than other students. The presentations are more "for real." The guests can often serve as a buying committee (or other customer-prospect group) to which the student team directs its selling efforts. Videotapes, again, are useful for both rehearsal and review of the final presentation. When appropriate, the use of audiovisual equipment in the sales presentation should be encouraged.

Fifth: collaborate with an instructor of finance to create a selling situation within which a complex financial alternative is offered to a customer (e.g., a lease/purchase decision or a payback evaluation of a new equipment commitment). Financial skills would be required for both the selling team (sales students) and the customer's proposal evaluation team (finance students).

Sixth: develop in-basket exercises to challenge the student's ability to establish daily, weekly and monthly sales call priorities. Various degrees of urgency can be cast into memos, letters, telephone messages and sales reports which the student must sort through and assess as to their claim for attention.

Last: assign exercises to estimate the potential and/or likely demand for a given product in a designated sales territory or region. This exercise has the dual benefit of exposing students to both business reference sources and forecasting approaches.

#### CONCLUSION

Selling skills are valuable in a free enterprise economy. Employment opportunities for students with an aptitude for selling are excellent. Opinions of both marketing executives and recent business school graduates hold that selling skills are among the most valuable to learn in order to meet employer expectations. The nature of the selling task is changing because of new technological selling tools. Despite these conditions, however, most business programs place sales courses only in the elective category. Business programs need to respond to ensure that their graduates are able to become capable territorial account managers with skills in: time management, sales forecasting, business directory use, negotiation, listening, oral/written presentation and financial interpretation. Selected classroom exercises are able to build the level of selling skills for both younger and more mature students. These exercises include: working with real company sales data, role playing, presenting to a jury of community business people, making financial-based proposals, prioritizing from in-basket data and estimating demand.

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## THE PEDAGOGY OF DEVELOPING FORMAL SALES PROPOSALS

Robert J. Zimmer, California State University, Fullerton  
Fabius P. O'Brien, Western Illinois University

### ABSTRACT

Marketing students need to learn the art of writing sales proposals which is an area typically excluded from the marketing curriculum. This paper attempts to discuss the key components of a formal sales proposal and it suggests different approaches for teaching this important topic.

### INTRODUCTION

As organizational complexity increases and more organizations expand into the international arena, the communication demands placed on professional marketers at all levels will continue to increase dramatically. Strong written and oral communication skills are absolutely requisite for succeeding in any type of marketing role. This is particularly true for professional salespeople who interface with people throughout the buying hierarchy of client organizations.

In the process of selling these clients, most salespeople depend heavily on presenting written sales proposals to key influencers in the buying organizations. The typical field salesperson for Xerox Corporation presents an average of one-hundred sales proposals per month for cultivating prospects and clients. While the number of proposals prepared by salespeople varies substantially across companies and industries, written sales proposals are a way of life for salespeople selling technologically complex products and systems, capital purchases, and professional services.

The education of marketing students involves teaching them the discipline's most critical concepts, theories and models plus helping them develop a set of practical marketing skills. However, few marketing students are taught the art of developing tight, powerful sales proposals. One apparent reason for this educational void is that the topic is not covered in industrial marketing texts, selling texts, or reading books (Larlaca and St. John 1983). Consequently, there are no legitimate academic references available to marketing educators which provide pedagogic guidelines for teaching this topic.

The purpose of this paper is to proffer a pedagogic approach to teaching marketing students the art of developing professional sales proposals. Specifically, the paper will attempt to:

1. explain the key components of a formal sales proposal and to prescribe a framework for organizing them;
2. discuss alternative teaching techniques for presenting this material in the classroom.

Although this paper addresses only the art of preparing "fullblown" formal sales proposals, written proposals of lesser complexity and detail are used regularly by salespeople. The simplest proposal consists of a one or two-page letter highlighting the complete

terms of the product offering. The length and depth of a proposal is immaterial. Instead, its effectiveness is a function of how well the proposal is designed to meet a buyer's needs, priorities and preferences and how well the salesperson communicates the proposal's key points in light of those needs.

### Major Components of a Formal Sales Proposal

A sales proposal is a written communication from a salesperson's company to a client which describes the benefits, terms, and price of a product offering and the concomitant responsibilities of each party. Sales proposals are used to supplement a salesperson's oral, persuasive influence tactics. By providing a written commitment from the selling company, buyers receive firm assurances from the salesperson. Also, there is less chance for any misunderstanding of the agreed upon terms.

After meeting with the key buying influencers on one or more occasions, salespeople return to their companies to begin compiling the proposals. Combined with previously prepared or standardized materials, the information obtained in these meetings is used to "customize" each sales proposal in light of the client's needs, wants and personal preferences.

While the customizing of sales proposals lends uniqueness to each one, basic elements are common to all proposals. These elements include an analysis of the client's needs/problems, benefits of the product offering, costs, suggested order size and ancillary services and follow up. To embellish the presentation of these basic elements, a formal sales proposal should contain the following eight components:

1. title page
2. cover letter
3. table of contents
4. list of illustrations, tables and diagrams
5. body of the proposal
6. summary
7. contract
8. supplementary information

### Title Page and Cover Letter

The title page of a sales proposal is analogous to the labeling on a packaged good. As such, it has the power to make a strong first impression on anyone looking at it. The title page should identify that the proposal is being submitted by the salesperson's company to the prospective firm for a specific product offering. Also, the date the proposal is to be presented to the client should be shown. Overall, the title page should have a clean, uncluttered and professional appearance.



The first item in the proposal is the cover letter or letter of transmittal which should be addressed to the individual or committee members with authorization to make the buying decision. The letter should be businesslike and brief, and it should not exceed one page. Essential items covered in the letter include:

1. an expression of appreciation for the opportunity to submit the proposal.
2. recognition and thanks to the client's staff (specific names) for their cooperation in providing data.
3. a statement to the effect that the proposal is based upon information supplied by the client.
4. a concise description of the product offering and its most important benefits for satisfying/solving the client's needs/problems.
5. a request for the order or some level of commitment from the client.

The letter must be signed by the salesperson and possibly by the district sales manager.

#### Table of Contents and List of Exhibits

The second item is the table of contents which specifies the various sections of the proposal. The title of each section is listed accompanied by its respective page numbers.

The list of exhibits includes illustrations, diagrams, charts and tables. Each exhibit should have a descriptive title, and some form of simple numbering system.

#### Body of the Proposal

The body is the heart and soul of the proposal. It contains the vital information required by the client to make a rational decision on the product offering. This information can be organized into four subsections:

1. present and proposed systems
2. benefits and features of proposed system
3. cost justification
4. investment

#### Present and Proposed Systems

The purpose of this section is to suggest the apparent shortcomings of the current product or equipment used by the client based on the information gathered in earlier meetings with personnel of the client firm. A clear, concise statement of the problem accompanied by a listing of the client's objectives or performance requirements for evaluating a new system should be presented. The proposal should suggest possible alternative systems which are capable of satisfying the client's objectives. This will provide the firm with a range of choices from which to select.

#### Features and Benefits of the Proposed System

The feature/benefit section presents the features of the equipment which deliver real significant benefits to the client. It is not designed to list every feature and its connected benefit(s). Instead, this section attempts to highlight the major benefits of the proposed system in relation to the objectives/requirements of the client. Additional features of the pro-

duct can be described by including a technical description or specification sheet in the supplementary information section.

An efficient way of organizing this section is to use a ledger format with the major features listed on the left side of the page and the accompanying benefit(s) related to each feature shown on the right-hand side. The benefits must be stated concisely. Each benefit statement must convey the clear, favorable result that the client will realize when using each feature of the product.

#### Cost Justification

This section provides the client with specific projections of the financial benefits of purchasing the product. All major assumptions should be stated, and the calculations leading to the financial benefits should be displayed using formats similar to those employed in accounting. Because the financial analysis is based on expected events, the profit or sales increases, the time/dollar savings, etc., must be stated as estimates, such as "estimated gross savings."

#### Investment

The investment section shows the purchase price plus the complete financial terms of the sales agreement. Alternative plans for financing the purchase are reviewed including different monthly payment schedules. If the company is offering various discounts or allowances, these are presented in this section. For high-ticket items, lease terms are discussed as viable options.

If there is considerable lead time required in designing and installing a system into a client's business, a realistic implementation schedule with projected time frames for each phase should be included as the fifth section in the body of the proposal. In addition to helping the client plan the operationalizing of the system, providing the schedule may give the company another competitive advantage.

#### Summary

The summary should encapsulate the major benefits presented in the proposal. It should leave the client with powerful reasons for buying. To achieve this, the section should highlight the competitive differential advantages which are tied directly to the client's problem(s), objectives and performance requirements. The summary should conclude with a request for the order.

#### Contract and Supplementary Information

Because the ultimate purpose of a proposal is to consummate the sale, a sales agreement form should be included. This contract may have the recommended order written in already or it may be left blank for the client to complete. In either case, it is ready for the client's signature.

The last section of the proposal provides additional information for the client's perusal. Product literature such as brochures, specification sheets, and any other related materials should be included in order to assist the client in evaluating the product offering.

#### Instructional Methods for Teaching Sales Proposal Writing

In teaching a practical topic such as this, instructors should concentrate on both the knowledge acquisition and skill enhancement of their students, with heavier emphasis on the latter. Initially, students need to learn a fundamental body of knowledge about proposals. They should be able to answer questions such as: What is a sales proposal? Why is it used? When should a formal sales proposal be used and when should briefer variations be presented? How is a proposal compiled? What are the key components of a sales proposal?

To communicate this knowledge, several different teaching approaches are suitable. Straight lecture is probably the least exciting of the alternatives from both the students' and instructors' perspectives. An overhead presentation and a handout outlining the eight components and subsections of a proposal is somewhat effective. Copies of sample proposals can be distributed as part of the lecture discussion. Another approach is the assigning of a field project which requires students to procure two or three proposals from field salespeople. Students are asked to analyze them and to write up a report on their analysis with the proposals attached.

The most challenging approach for teaching this topic is to show and to analyze several complete proposals on an overhead screen. After a brief lecture on the what, why, and when of sales proposals, a full spectrum of proposals is presented, ranging from a very simple one or two-page letter to a detailed formal sales proposal. After discussing four or five proposals with regard to each proposal's purpose, format, content and effectiveness, students are asked to construct a normative framework for a formal sales proposal. The outline of the components generated by the students is based on their perceptions of the most important elements found common to the proposals discussed in the overhead presentation. Active discussion by most of the students should produce a reasonably good framework within fifteen minutes. After this time, an overhead is shown with the prescribed framework for a sales proposal versus what the students suggested.

Acquiring knowledge about sales proposals is important, but marketing students need to develop the skills to write creative, customized sales proposals for diverse clients. To realize this objective, the best approach is to assign the writing of a formal sales proposal to each student as a six to eight-week project. Students are asked to generate four or five product categories from which to select one firm's product within that category as the basis for their proposals. Once a consensus on the categories is reached, a sign-up sheet is circulated. If the demand is not distributed relatively equally among the product categories, students are reassigned a different product. Popular product categories are small business computers, security systems, high-tech medical equipment, financial investment services, teleconfer-

encing systems, and private jets. Students are reminded that their proposals are being developed for professional buyers of industrial goods.

Toward the end of the 75-minute class, students have a number of unanswered questions such as: How long should the proposal be? Does it need to be typed? Where do I get specific product information to write the proposal? Answers to these questions are generally something like: "However long your buyer wants it," "If your buyer prefers it typed but either way make certain it looks professional," "Specific product information is procured in the usual way -- research." Students are told that no additional lectures or materials are forthcoming, but that they are free to visit during office hours to review the proposals. Upon leaving the class after my sixty to seventy-five minute overhead presentation on sales proposals, students have a high level of anxiety because of the unstructured nature of the assignment. Any kind of task uncertainty or ambiguity throws students into a frenzy. Somehow students muddle through this morass of confusion, and they turn in very professional sales proposals overall.

#### Conclusion

Students with marketing degrees in hand are entering a highly competitive marketplace which demands strong oral and written communication skills of all applicants. This is especially critical for professional salespeople who sell complex products to highly educated, knowledgeable and demanding buyers or buying committees. To achieve success in a professional sales career, students should be taught the art of writing customized, buyer-oriented sales proposals. This should be taught at the undergraduate and graduate levels in such courses as sales force management, industrial marketing, principles of selling or industrial salesmanship.

The purpose of this paper was to proffer a normative framework which outlines the key components of a formal sales proposal. In addition, the paper attempted to suggest different approaches for teaching this topic to marketing students. It is hoped that both objectives were achieved reasonably well, and that marketing instructors have gained some additional insights and guidelines for introducing sales proposal development into their courses.

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EXPERIMENTAL TECHNIQUES FOR IMPROVING BUSINESS  
STUDENTS' WRITING SKILLS - AT LITTLE COST  
TO DEPARTMENTS AND FACULTY

James L. Brock, Montana State University, Bozeman  
Cheryl Senecal Roller, Montana State University, Bozeman

Many business school faculty recognize writing as the perpetual "weak link" in students' preparedness for career-entry positions or graduate education. It is a critical link, for the ability to express oneself clearly and convincingly is essential for effective job performance and career success. Faculty have long shared this concern for students' weak writing skills, but have felt that the solution is out of their realm: English departments and public school systems have failed to teach these students to write, and certainly business school faculty and their departments as well have far too many more urgent demands to take on this added responsibility. Or do they? A closer look at the problem suggests there may be ways to strengthen this weak link significantly, at little, if any, net cost to faculty or course content.

Research affirms a close tie between writing skills and thinking skills (Griffin 1982). The connection works in two directions: In the process of organizing and articulating ideas, students learn a subject more readily than do counterparts whose experience does not include a writing component (Taylor 1982, Fulwiler 1982). And in the process of learning to think clearly about a subject, students find clear, successful writing easier to achieve (Pittendrigh and Jobes 1982). Briefly, it can be said that good writing reflects good thinking and that poor writing suggests poor thinking. Thus, we can no longer blame exclusively high schools, junior highs, elementary schools and English departments for students' weak writing skills. Any success they have in teaching students mechanical writing skills does not guarantee "good" writing, that is, writing that develops ideas clearly and convincingly. Nor are students always able to apply their command of style or even their knowledge of mechanical correctness when they are struggling with the development of ideas in their papers. Thus, our role of teaching students to think about the content of our courses should include as well the teaching of how to express that thinking.

With this broadened concept of writing instruction, we must now look at where in most curricula that instruction takes place. Few people would disagree that the sooner in students' coursework writing skills are developed, the better. Yet, in practice, writing in business courses is emphasized primarily in senior level classes with the writing of case analyses and term papers, providing too little writing assistance too late. We need to be able to offer students continual instruction throughout their courses of study.

Is it realistic, though, to suggest that business school faculty take on responsibility for their students' writing skills? Certainly there are some significant constraints to consider:

1. Faculty are not likely to be willing to change the design of courses that have proven successful.
2. Faculty are going to be reluctant to sacrifice precious class time for writing instruction when large quantities of material need to be covered in a course.
3. With the need to pursue research and other commitments that are highly valued in their institutions, faculty are not likely to have the time to read and comment copiously on students' writing.
4. In the face of new emphasis computer skills and research design courses, and concurrent budget cutbacks, departments are hard-pressed to direct resources toward writing instruction by, for example, adding to courses or funding graduate readers.
5. In connection with these limitations, class sizes are increasing, and methods must be sought to maintain quality of students' education in larger classes.

It is the intent of this paper to demonstrate that these constraints need not be obstacles to the successful incorporation of writing instruction in business courses. The strategies presented are based on several important premises, some of which may be surprising to many faculty, but all of which have sound pedagogical bases.

1. In order to "teach writing" an instructor need not, indeed cannot, teach "everything." Piaget's developmental theory underscores the fact that no instructor can "teach" writing in a single course. Rather, students' abilities to write will develop slowly along with their general intellectual growth (Bean 1981). Thus, we have a convincing case for incorporating at least some clearly-directed writing tasks in every course. These should be writing tasks that advance specific thinking skills, such as moving from specific through various levels of generalizations.
2. Writing assignments need not take the form of formal term papers. In fact, composition research tells us that frequent, shorter, more directed and focused assignments are better (Pittendrigh and Kirkpatrick 1982).
3. Writing assignments can be designed to complement already-existing course content as the examples discussed below demonstrate.
4. Writing is ideally taught in conjunction with, rather than separate from, a content course. Students need to have guidance in their thinking about the material for their papers; an excellent setting for such guidance is in a course already designed to teach students to do such thinking.
5. To be of value, writing instruction need not focus on mechanical correctness and style. Indeed, teachers often comment on such matters prematurely, at points in the writing process that really require discussions

of concepts, principles, and logic. Often stylistic problems disappear when students have a firm grasp of the ideas they are trying to convey (Pittendrigh and Jones 1982).

6. Students are able to evaluate the success of their own writing if they are given clear models of successful versions of the assignments (Pittendrigh and Kirkpatrick 1982).

7. Students need many opportunities to write, but not all writing efforts need be graded or even read by a teacher. This dispels what is perhaps the most pervasive myth about student writing assignments, the belief that the instructor (or a grader, graduate assistant or SOMEONE) must read every word of every paper in order for students to benefit from the writing experience. Faculty assign less written work than they should largely because they feel they "cheat" as educators if they fail to honor this "necessary" condition of reading every word diligently. Or, in other cases, faculty feel guilty for turning the reading chore over to graduate students. The truth is that students can benefit largely, even primarily, from the writing process itself, and only peripherally from the professor's evaluation. Just as an aspiring pianist needs to practice, without the instructor continually peering over her shoulder, so the student who hopes to become an effective business communicator needs repeated practice composing concise and clearly articulated prose. Students need opportunities to write speculatively about a subject in order to relate to it personally (Fulwiler 1982). Obviously, to continue the piano student analogy, there must be periodic recitals, formal presentations of written work subject to thorough critique, for the writer must develop a sense of audience. The writer can also benefit from practice sessions supervised by the instructor, sessions free from the weight of an impending grade and open to discussion for ways to improve.

Once the instructor crosses this conceptual threshold, that not every written word written by every student need be read for the experience to be meaningful, then a number of practical alternatives to traditional writing assignments are available. Following are summaries of techniques currently or recently used by business and other faculty at our institution to address the writing problem. For each, the basic structure of the assignment is described, followed by a brief discussion of the benefits of the techniques.

1. Ungraded Journals: This is really a variation on the theme of "open notes during exams." The students summarize class notes, readings and even the text efficiently into a journal they are allowed to use during exams. They may also be asked to write short answers to key questions which the teacher has provided or which they have learned to discover for themselves. Students who haven't bothered to organize and write concisely in their journals are at a distinct disadvantage during exams which are designed to demonstrate their ability to synthesize concepts and information from the entire course. Thus, without the "threat" of a journal evaluation, students are motivated to write well and maintain comprehensive journals.

One variation of this technique is the guided journal, in which the instructor suggests quite specifically how the journal entries should be structured, via annotated sample entries or lecture. Such direction prevents students' vague wandering by outlining specific thinking patterns which students can then practice frequently in their journals.

The primary benefits of journal writing include the facts that, because the instructor need not evaluate each journal, the technique is fairly painless to put

into effect and that students are given opportunities for regular writing practice and provided guidance with their thinking about the course material.

2. Microthemes (Bean, Drenk, Lee 1982): These are, as their name implies, very short essays, usually on fairly narrow subjects. One instructor at our institution limits them to 250 words, another to a single, double-spaced typed page, and still another to what can be crammed onto one side of a 4" x 6" card. These themes can be done relatively quickly out of class or even spontaneously in class. The instructor provides the appropriate structure (e.g., "One sentence to describe the problem, then a transition statement, then one sentence for each of the three sub-issues, then a proposition statement," etc.) so that students are free to focus on composition and the particular issues at hand. The instructor can, but need not every time, collect the microthemes and grade all of them or just a sample. When they are returned, students may be asked to compare their efforts against some "model microtheme" prepared by the instructor or selected from better student pieces and shared with the class on an overhead transparency.

In a statistics and a physics course at our institution, microtheme assignments have required students to articulate, in writing, solutions to otherwise purely quantitative problems, including an explanation of the sequence of steps leading to the solutions. Forcing students to construct explanations for quantitative problems has led to improvements in examination performance on "traditional" quantitative problems (Taylor 1982).

One benefit of microtheme writing is that microthemes offer students frequent opportunities to practice developing one main point in a manageable format, giving students a firm grasp of workable structure and what it means to focus and develop their ideas. Students generally find the brief papers easy to write, once they "get the hang of it." This ease translates into improved writing confidence, which in turn becomes evident in greater fluency and coherence in their writing. Moreover, instructors can take advantage of the microtheme technique by assigning microtheme questions that clarify or reinforce important concepts in the course content. They can also build on the fact that students who prepare microthemes can better contribute to class discussions. And, if they choose, instructors can read and respond quickly to individual microthemes as a means of further helping students learn.

3. Group Writing: Informal groups of three or six students (opinions vary regarding the optimum number) respond collectively to an assigned writing task. Good group assignments may vary considerably but should not be of the sort that have a single right answer; the answer should benefit from the pooling of ideas and information from all group members, such as with short case analyses. After discussing the members' ideas about how the question should be answered, the group sets out to put their ideas into sentences in the form of a well-written paragraph. This effort often results in considerable discussion about content, wording, emphasis, sentence construction--all matters that often go neglected in the novice writer's process. A spokesperson for the group may be called upon to read the group's answer to the class, which the instructor can use to illustrate a point or accomplish some other objective.

The benefits of group writing are surprisingly many and significant. One primary benefit lies in the interaction that results. Many student writers suffer from the "early closure syndrome"; that is, they tend to be satisfied with the first ideas that occur to them, the first wording that happens to hit the paper, the first

organization that evolves. The need to reach consensus on one version for all group members prevents such early closure: Group members will have differing ideas. The process of considering all those ideas is often an eye-opener for many students.

Another benefit is the reduced grading load. Some instructors use such group writing as a "final product" and assign a grade to each group member. Other instructors choose to avoid the controversy of the same grade going to all group member regardless of the amount of effort exerted by each individual; these teachers may provide considerable commentary but simply a pass/fail grade. In either case, instructors read only one-third to one-sixth the number of papers they would have read had each individual student completed the task. In addition, the group discussions that follow the evaluation of a group effort can be as productive as the writing task itself. Some instructors provide an example of a "good" group effort and ask each group evaluate their own or another group's paper. Both settings take advantage of the fact that many students make similar mistakes or otherwise merit similar feedback, providing high efficiency on the reader's part with little or no net loss of feedback to the students, compared to individually written assignments. In still other situations, the group writing tasks serve mainly as springboards to class discussion, or perhaps as interim activities between parts of a lecture.

Another obvious benefit of group writing is that business school graduates enter an organizational environment geared toward group efforts, including reports, proposals, and other written work. For example, many business school and other university faculty find that co-authorships can boost their overall productivity tremendously. Group writing assignments are in this respect good practice for the kind of problem solving and writing our graduates will be expected to do.

A final advantage of group writing can be found in most collaborative learning activities: Students are compelled to become involved with the topic and, thereby, in the course. Facing a deadline, usually quite imminent, the group must get right to work and must demand contributions from all members. Even groups of six are not so large that recalcitrant students can slide through without involvement. Furthermore, students feel less risk speaking out in a small group of peers than in a classroom of sixty. The result is a spontaneously active classroom.

4. Models Feedback: The three strategies presented above all suggest models feedback as one method of helping students understand what they did and did not do well, without the instructor having to comment on individual papers. Models feedback is an explanation by the instructor of why one paper deserves a high grade; students then assess their own efforts in light of this explanation. One of the most valuable consequences of preparing such feedback is that the instructor must articulate specific criteria for a successful paper. These criteria provide students with the information they need to improve their writing performance.

#### Discussion

All of the strategies presented call for clear, well-defined assignments. Some instructors are concerned that such specific guidelines might insult the intelligence of their students. However, most students welcome the specific criteria, and although the guidelines might be viewed as a "crutch" for weaker students, it is the role of good teachers to provide such help to the students who need it. Those students who do not need the "crutch" can benefit from the specific assign-

ment criteria because of the intellectual exercise involved in meeting the requirements; certainly many of their "real world writing" tasks will designate formats.

Students will benefit from the techniques presented here because they all make explicit the thinking skills and patterns used by people who successfully complete the assignments, making good performance accessible to even those students who do not discover the "mental tricks" on their own. By assisting students in learning how to think systematically, we are helping those students learn to write effectively; at the same time we can provide some of the frequent writing practice students need. As we accomplish these important objectives, we will not have sacrificed coverage of course content, existing course design, professional development time, or department budgets.

These techniques are practical. Good writing instruction is highly feasible in our current course structure. However, something beyond the viability of these and other techniques is necessary to move faculty "off dead center," away from complacency. We have noticed at our institution, for example, that colleagues have not raced to experiment with these and similar techniques. Diffusion of ideas takes time and requires, at the start, a few bold individuals who are willing to try something new. Those willing to try need to realize that they are not alone, and that there is an impressive and growing body of knowledge from which all can draw. As more instructors experiment with and improve upon these techniques, and as their effectiveness is demonstrated in longitudinal studies, momentum will build, encouraging more faculty to get involved with solving students' problem of poor writing skills.

Certainly, faculty recognize that students need to be better writers, but it is tempting to continue placing responsibility elsewhere. The positive correlations between the development of writing skills and thinking skills should help us overcome that temptation. And having accepted some of the responsibility for students' writing skills, we can, with little difficulty, place significantly greater emphasis on writing in our courses.

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THE EFFECTS OF APPLYING SUCCESSFUL DIRECT  
MAIL MARKETING TECHNIQUES TO THE MAIL SURVEY

Curt J. Dommeyer, California State University, Northridge

ABSTRACT

Introduction

Although mail researchers have paid considerable attention to the monetary incentive, they have neglected to investigate aspects of it that have been shown to be productive by direct mail marketers. Direct mail marketers have stated that prepaid checks, sweepstakes, and early-bird incentives are effective at encouraging responses to direct mail offerings. Moreover, "peek-a-boo" techniques, i.e., techniques which allow the potential respondent to view a reward through the window of an envelope can enhance the effectiveness of a monetary incentive. The purpose of the present study was to examine the effectiveness of these techniques in a mail survey. With the exception of the sweepstakes approach, none of these techniques praised by direct mail marketers has been reported on in the mail survey literature.

Method

A systematic random sampling procedure was used to select 600 subjects from the current telephone directories of two large U.S. cities. The subjects were randomly assigned to one of six treatments. Except for the control group, each treatment offered the potential respondent a form of the monetary incentive. The following monetary incentives were used: 25¢ coin (prepaid), 25¢ personal check (prepaid), 25¢ money order (prepaid), early-bird incentive (postpaid), and a \$25 sweepstakes (postpaid). Each of the incentives was described in the postscript of the initial cover letter. The amount of money allocated to each incentive appeal was constant - \$25.

All of the cover letters and questionnaires were mailed in a windowed envelope. All of the incentives, only the money order incentive was visible through the windowed envelope. Recipients of this incentive were able to see "TO THE ORDER OF" printed to the left of their name and address.

Results

The treatment groups were compared on six dependent variables: response rate, response speed, response quantity, number of item omissions, group answer bias, and cost per usable questionnaire. Significant differences among the variables, namely response rate and cost per usable return. A modified least-significant difference test revealed that the 25¢ coin incentive produced a higher response rate than did the sweepstakes approach (50% vs. 30%,  $p < .10$ ). None of the incentive appeals, however, yielded a significantly higher response rate than the control appeal (37%). In terms of cost per usable questionnaire, it was observed that the control appeal and the 25¢ coin incentive were the most cost effective while the early-bird and sweepstakes incentives were the least cost effective.

Conclusions

This study indicates that, for a mail survey, prepaid cash is the best form of the monetary incentive. The other forms of incentive examined in this study did not produce a higher or quicker response rate, and they were less cost effective. Moreover, the other forms were more difficult and time consuming to administer.

## THE EFFECTS OF QUESTION WORDING ON DATA QUALITY: SOME EMPIRICAL FINDINGS

Grady D. Bruce, California State University, Fullerton  
Robert A. Peterson, The University of Texas at Austin

### ABSTRACT

Responses to a question worded subjectively and objectively and included in mail and telephone surveys are examined. Question wording produced no significant differences in responses, while mode of administration did. Several interpretations of these findings are discussed, as well as their implications for marketing research.

### INTRODUCTION

Marketing researchers have been concerned for some time with the quality of data obtained from consumer surveys (e.g., see Peterson and Kerin 1981). The wording of questions in such surveys has long been a major suspected source of data-quality problems; but, as Hitlin recently noted, "comparatively little empirical work has been published to document many suspected wording effects" (1976, p. 39). One particular effect-- that caused by subjective versus objective (personal versus impersonal) question wording--was studied in the 1940s and 1950s, but virtually ignored since that time (Blankenship 1940 and Hubbard 1950). Early writers (e.g., Droba 1931) believed that the subjective question form (i.e., inclusion of the word "you" in the question) produced more accurate responses than the impersonal form. A major test of this hypothesis, however, failed to support it: the objective form produced more valid and reliable responses (Blankenship 1940). Another test, however, concluded that the subjective form was more reliable (Hubbard 1950). Such conflicting findings--and the paucity of research on the effects of subjective versus objective wording--stimulated the authors to conduct this investigation. The lack of empirical work on this and other issues in question wording is actually quite surprising, given the likely impact of question wording on the quality of data collected and, ultimately, on marketing decisions made utilizing such data. It is the purpose of this investigation to examine empirically the effects of objective versus subjective question wording on the results achieved in survey research.

### METHOD

Using the split-ballot technique, a question worded both subjectively and objectively was included in two proprietary investigations of financial attitudes and behavior conducted in the early 1970s (at the onset of the "energy crisis"). The alternative question wordings were:

- (Subjective)            In your opinion, is the energy crisis real or artificial? Is it...
- (Objective)             Is the energy crisis real or artificial? Is it...

Both questions were posed in a closed-end (categorical) format employing the following response categories:

- very real
- somewhat real
- somewhat artificial
- very artificial, or are you
- uncertain

The two investigations which served as study vehicles employed different modes of data collection--telephone interviews and a mail survey. This was done so that the effect of the alternative question forms could be evaluated when they were administered (and experienced by respondents) both personally and impersonally. As a result, it was possible to assess the effect of data collection mode on data quality, as well as the effect of the interaction of question form and mode. Accordingly, both forms of the question were included in each of the two investigations within the framework of an experimental design.

Both the mail survey and telephone interviews were conducted using standard research practices. The same population was sampled in both studies (the population of a southwestern SMSA). For the mail survey the sampling frame consisted of a current metropolitan phone directory. Potential questionnaire recipients were selected by means of a systematic probability sampling technique, the equivalent of simple random sampling given the alphabetical ordering of the directory. A sample of 3,840 respondents was selected. For the telephone survey telephone numbers were selected using a variant of random digit dialing. Interviews with 1,170 respondents were utilized in this study.

One important difference between the studies was in their timing. The telephone interviews were conducted at three different times with three-month intervals separating them. The mail survey was conducted in the middle of this time span. This introduced the potential confounding effect of a real change in attitudes which could mistakenly be attributed to the method of administration as a result of the combining process. To evaluate this risk, the response distributions for the three telephone surveys were checked for stability before the samples were combined. No substantive differences were found, so the samples were combined and compared as one with the result of the mail survey.

Another difference between the two studies--a clear limitation of this investigation--was differences in response rates. The response rate for the telephone interviews averaged 80 percent of the working numbers contacted; for the mail survey, the response rate was 27 percent. It is not possible to evaluate the effect of this difference on the findings presented below.



FINDINGS

Responses were cast in a three-way cross-classification for analysis; frequencies and percentages are reported in Table 1. Rather than assuming interval data

TABLE 1  
RESPONSES TO GASOLINE SHORTAGE QUESTION

	Telephone			
	Is		In Your	
	No.	%	No.	%
Very Real	115	20	120	21
Somewhat Real	152	26	160	27
Somewhat Artificial	132	23	135	23
Very Artificial	96	16	112	19
Uncertain	90	15	58	10
TOTALS	585	100%	585	100%

	Mail			
	Is		In Your	
	No.	%	No.	%
Very Real	91	18	92	18
Somewhat Real	117	23	130	26
Somewhat Artificial	153	30	140	28
Very Artificial	112	22	112	22
Uncertain	33	7	29	6
TOTALS	506	100%	503	100%

and utilizing a standard ANOVA approach, the investigators used a chi-square decomposition technique to assess the statistical significance of the difference. Chi-square was computed first for variations due to the two basic sources (question wording and mode of administration) and for the total table; the residual was assigned to the interaction effect. Results of the analysis are reported in Table 2. As can be seen from this table, the difference in data collection modes was statistically significant, while question wording and interaction effects were not.

TABLE 2  
RESULTS OF CHI-SQUARE ANALYSIS

Source	X <sup>2</sup>	df	P
Question	7.8	4	.10
Collection mode	39.4	4	<.001
Question- Collection Mode	4.2	4	>.30
TOTALS	51.4	12	<.001

The nature of this mode effect can be seen most easily if the effects of question wording are removed and if similar attitudinal positions are combined; this is done in Table 3. As the table shows, a substantially higher percentage of respondents in the mail survey expressed the opinion that the energy crisis was artificial than did those in the telephone interviews.

TABLE 3  
COLLAPSED FINDINGS

	Telephone Percent	Mail Percent
Real	46.8	42.6
Artificial	40.6	51.2
Uncertain	12.6	6.1
	100.0	100.0

Substantially lower proportions of responses appeared in the "real" and "uncertain" categories. Past research supports several interpretations of this finding.

First, the finding may be due to the fact that respondents in the mail survey responded anonymously and thus were willing to express less socially desirable opinions (in this case, mistrust of established companies and the free-enterprise system). Wildman recently noted, "Respondents who can be identified may give more 'socially desirable' responses than those who remain anonymous" (1977, p. 75).

Another interpretation, one also based on social desirability, is rooted in the extent to which there is personal contact between researcher and respondent. In this context, the comparison is usually made between self-administered questionnaires and face-to-face interviews. Sudman and Bradburn say, "Because self-administered questionnaires are more private and do not require a direct revelation of self to another person who is physically present, we would expect that they would be less subject to problems of self-presentation than would face-to-face interviews" (1974, p. 40). They go on to position telephone interviews between these other two collection modes on the dimension of privacy and cite a number of studies supporting the general hypothesis that the more personal the interviewing situation, the more respondents exhibit socially desirable (conforming) behavior in their responses. In support of this contention, Nuckols (1964), for example, reported that respondents were much more willing to report unfavorable experiences with insurance agents in a mail survey than in a personal interview. Therefore, under the assumption that the social norms at the time of the present study emphasized trust of our dominant economic and political institutions in general, the findings are consistent with those of previous investigators.

A third interpretation relates more directly to how the "uncertain" category is treated. Up to this point it has been treated as scale dependent—the midpoint of a scale involving difficult discriminations. A response in this category may, however, reflect something other than a difficult discrimination (Coombs and Coombs 1976; Kalton, Collins, and Brook 1978; Schuman and Presser 1981). If the uncertain response is regarded as a "don't know" response, then a host of additional concerns emerges. Bogart states that a "don't know" response to a survey question often means "don't want to know" or "I don't want to get involved" (1967, p. 344). This may be due to the sensitivity of the question and the respondent's unwillingness to reveal how (s)he feels, or to conflicts the question induces in the respondent between incompatible values (Coombs and Coombs 1976). Several prior studies have investigated the relationship between respondent characteristics and mode of data collection on don't know responses. The question raised by the current findings, in light of the various explanations which have been offered for don't know responses, is whether the increased personal involvement in a telephone survey dealing with controversial or sensitive questions will heighten respondent uncertainty relative to a mail survey. Alternatively stated, does the lack of personal contact in a mail interview attenuate respondent uncertainty? This position is in direct contradiction with that taken by Francis and Busch: "mail questionnaires may, qua instrument, evoke a higher NSP (non-substantive response) than do other data-gathering forms" (1975, p. 208).

A final interpretation of the findings--one which also involves the treatment of uncertain responses as independent of the measurement scale--is based on the opportunity which mail surveys afford the respondent to formulate a position where one has not existed prior to the survey. Cahalan cites this--the opportunity to "prepare considered answers"--as an advantage of mail surveys over personal interviews (1951, p. 578). According to this logic, mail surveys may be expected to produce fewer uncertain responses on topical issues (which the "energy crisis" was at the time of data collection), on attitudes about which public opinion has yet to crystallize. The present findings may also be interpreted as supporting this contention.

#### CONCLUSIONS AND IMPLICATIONS

Prior tests of the effects of objective and subjective question wording on data quality may attribute more power to these wording options than they in fact possess. In this study no statistically significant differences were found between responses to questions worded in the two ways. Mode of administration, however, produced significant (and instructive) differences in survey results. Several interpretations of these differences were discussed. In general, the findings add to the stream of literature which expresses concern over interviewer "presence" and interviewer-interviewee interaction on data quality. And they stand in contrast to studies reporting no differences due to mode of administration (e.g., Hochstim 1967).

The apparent capacity of the mail survey to free respondents to express deviant attitudes or responses which may not be pleasing or agreeable has several implications. First, in studies of consumer satisfaction/dissatisfaction and disconfirmed expectations, mail surveys may produce more accurate responses than either telephone surveys or face-to-face interviews, especially in situations where consumer dissatisfaction is high. Second, and closely related, since respondents tend to be less willing to express negative or socially undesirable attitudes in face-to-face (or telephone) interviews, acquiescence (agreeing-response) bias may be greater in these modes than in mail surveys whenever Likert-type, agree-disagree scales are used.

Third, studies of the consumption rates of products (or activities) that are highly sensitive to social norms and values (for example, consumption of alcoholic beverages or church attendance) may achieve more accurate results when administered through mail surveys. And finally, for products subject to high reference group influence, it seems reasonable to suggest that respondents may be less likely to express approval of radically new product concepts (perceived as deviant ideas) when such concepts are presented in personal or telephone interviews compared with mail surveys.

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INTEGRATING THE CONCEPTS OF DECISION RISK AND DECISION UNCERTAINTY WITH THE CONCEPTS OF DECISION TREES, BAYESIAN ANALYSIS, AND THE EXPECTED VALUE CRITERION

Richard A. Werbel, San Jose State University

ABSTRACT

It is argued that students' understanding of the concepts of decision risk and decision uncertainty can be improved substantially through exposure to the quantitative measurement of these concepts. This understanding is needed when assessing the value of a proposed marketing research study. Measures of both decision risk and decision uncertainty are described.

INTRODUCTION

If the amount of coverage devoted to a topic in marketing research textbooks is used as an indication of a topic's importance, assessing the value of research is an important topic. For example, Boyd, Westfall, and Stasch (1981), Churchill (1983), and Kinnear and Taylor (1983) devote 20 pages, 19 pages, and 10 pages respectively to this topic.

This topic is discussed in three different ways. Some books, such as Churchill's, stress the calculational process using decision trees, Bayesian analysis, and the expected value criterion. On the other hand, Aaker and Day (1983) identify and discuss the factors, such as decision uncertainty, which influence the value of research but barely discuss the calculational process. Still other books, such as Boyd, Westfall, and Stasch's, discuss both the factors that influence the value of research and the calculational process. However, none of the texts reviewed in preparing this paper integrate a conceptual discussion of two of the factors that influence the value of research into a discussion of the calculational process. These two factors are decision risk and decision uncertainty.<sup>1</sup> This general failure to integrate these concepts with the calculational process results in at least three specific problems. First, no text indicates that the value of perfect information is a function of the degree of risk involved in making a decision. Second, no text discusses how to measure decision risk. Without knowing how to measure risk, students might mistakenly conclude that risk can exist only when some payoffs are negative. Third, no text describes how to measure the degree of decision uncertainty. This omission makes it difficult for students to determine the degree of decision uncertainty and even difficult for them to fully understand the concept of decision uncertainty.

The main objective of this paper is to provide a more thorough understanding of the concepts of decision risk and uncertainty. This is accomplished by using concepts related to the calculational process to describe how to measure both decision uncertainty and risk.

<sup>1</sup>In addition to these two factors, the perceived accuracy of the research results compared to the perceived accuracy of the prior probabilities affects the value of research. This factor is not discussed in this paper because textbooks generally have integrated this concept into the calculational process.

DEGREE OF DECISION UNCERTAINTY

Conceptually, a high degree of decision uncertainty exists if the decision is a "close call." Using decision tree terminology, a decision will be a close call when there is a small difference between expected values, using prior probabilities, of two or more decision alternatives. (The degree of uncertainty about states of nature also could be viewed as a determinant of decision uncertainty. However, the view adopted in this paper is that the effect of the degree of uncertainty about states of nature upon the value of research can be determined more conveniently when evaluating the confidence in the results of a proposed research study compared to the confidence in the prior probabilities than when examining decision uncertainty.)

The measure of decision uncertainty used in this paper is based upon the extent that the prior probabilities need to be revised to change the decision. This measure is directly related to the difference in expected values. As the difference between expected values decreases, the extent that prior probabilities need to be revised to change the decision decreases. In addition, this measure relates directly to the role that research can play in causing a revision of prior probabilities. With this measure, a unique algebraic solution exists for any pair of decision alternatives. This algebraic solution is first explained below in a situation in which only two alternatives and two states of nature exist. Then, the solution used when three or more alternatives and two states of nature exist is presented, followed by a discussion of the solution with two or more alternatives and three or more states of nature.

Two Alternatives and Two States of Nature

The basic idea in this situation is to find probabilities for each state of nature with which the expected value of the first alternative equals the expected value of the second alternative, with knowledge that the two probabilities must sum to 1.0. One of these probabilities is then subtracted from the corresponding prior probability. The degree to which the prior probabilities need to be revised to change the decision must be greater than this difference. This approach is presented in equation form below:

$$p_1^* + p_2^* = 1.0 \tag{1}$$

$$V_{11}p_1^* + V_{12}p_2^* = V_{21}p_1^* + V_{22}p_2^* \tag{2}$$

$$\text{Degree of Decision Uncertainty} > |p_1 - p_1^*| \tag{3}$$

An example is given below to demonstrate this procedure:

Payoff Table			
	$S_1$	$S_2$	$p(S_1) = .6$
$A_1$	100	-100	$p(S_2) = .4$
$A_2$	500	-500	
	$100 p_1^* - 100(1-p_1^*) = 500 p_1^* - 500(1-p_1^*)$		
	$p_1^* = .5$		
	Degree of Decision Uncertainty >	.6 - .5	
	Degree of Decision Uncertainty >	.1	

In this situation,  $A_2$  would be selected using the expected value criterion and the prior probabilities. By increasing the probability of  $S_2$  (where  $A_1$  has a more favorable payoff) to .5 (a .1 change from .4) and decreasing the probability of  $S_1$  (where  $A_1$  has a less favorable payoff) to .5, the expected value of  $A_1$  increases and the expected value of  $A_2$  decreases just enough that the decision maker would be indifferent between  $A_1$  and  $A_2$  using the expected value criterion. Thus, any increase in the probability of  $S_2 > .1$  would result in the decision maker changing the decision from  $A_2$  to  $A_1$ .

It should be noted that in the example given,  $A_2$  has a more favorable payoff than  $A_1$  if  $S_1$  occurs while  $A_1$  has a more favorable payoff if  $S_2$  occurs. With the measure used, decision uncertainty can exist only if such a "tradeoff" exists. Also, it should be noted that a unique solution exists only because the probability of  $S_1$  in combination with  $A_1$  is the same as it is with  $A_2$ . The validity of this assumption of the probability of a state of nature being independent of the decision alternative involved depends upon the particular states of nature selected. Thus, it is important to use this measure of decision uncertainty only when relevant states of nature can be selected whose probabilities are not influenced by the decision alternatives involved.

#### Three or More Decision Alternatives and Two States of Nature

The set of equations used in this situation is the same as used in the previous situation. Separate probabilities need to be calculated for each relevant pair of decision alternatives. To be relevant, each pair must include the alternative with the most favorable expected value based on the prior probabilities along with one of the other decision alternatives.

#### Two or More Decision Alternatives and Three or More States of Nature

In order to arrive at a unique algebraic solution in this situation, the probabilities of only two of the states of nature should be revised with each pair of decision alternatives. It is recommended that a systematic procedure be used to select these two states of nature with each pair of decision alternatives. The procedure used here, which is not the only procedure that could be used, involves selecting (1) the state of nature with which the first alternative has the greatest differential advantage, and (2) the state of nature with which the second alternative has the greatest differential advantage. This procedure results in the smallest possible revision in probabilities needed to achieve equal expected values with each decision alternative.

Equations (1) and (2) need to be modified slightly in this situation as shown below. Equation (3) should be used without modification.

$$p_i^* + p_j^* = p_i + p_j \quad (4)$$

$$\sum_{i=1}^2 v_{1i} p_i^* + \sum_{j=1}^n v_{1j} p_j = \sum_{i=1}^2 v_{2i} p_i^* + \sum_{j=1}^n v_{2j} p_j \quad (5)$$

The payoffs and prior probabilities below are used to demonstrate this procedure with one pair of decision alternatives.

	$S_1$	$S_2$	$S_3$	$S_4$	
$A_1$	500	300	-300	-500	$p(S_1) = .2$
$A_2$	-200	-100	100	200	$p(S_2) = .2$
					$p(S_3) = .4$
					$p(S_4) = .2$

$$p_1^* + p_4^* = p_1 + p_4 = .4$$

$$500 p_1^* - 500 (.4 - p_1^*) + 300(.2) - 300(.4) =$$

$$-200 p_1^* + 200 (.4 - p_1^*) - 100(.2) + 100(.4)$$

$$p_1^* = .257$$

$$\text{Degree of Uncertainty} > |.200 - .257| > .057$$

In this situation with  $S_1$  and  $S_2$ ,  $A_1$  has differential advantages of \$700 and \$400 respectively. With  $S_3$  and  $S_4$ ,  $A_2$  has differential advantages of \$400 and \$700 respectively. Thus,  $S_1$  and  $S_4$  are the states of nature selected for revision in the probabilities since  $A_1$  has the greatest differential advantage with  $S_1$  and  $A_2$  has the greatest differential advantage with  $S_4$ .

#### DECISION RISK

The particular decision risk involved when assessing the value of research is that of making a marketing mix decision without conducting research. This type of decision risk is a function of the consequences of selecting the marketing mix decision alternative that would be selected if the proposed research project is not conducted. Consequences will exist when a state of nature occurs with which the alternative selected without research does not have the most favorable payoff. The magnitude of the consequence, which also could be termed the opportunity loss of making the wrong decision, is equal to the difference between the most favorable payoff with a particular state of nature and the payoff, with the same state of nature, for the alternative that would be selected without the research.

Using the above view of decision risk, it should be measured by:

1. using prior probabilities to calculate expected values for each marketing mix decision alternative;
2. identifying the decision alternative which has the most favorable expected value; (This is the alternative that would be selected if the proposed research is not conducted.)
3. separately, for each state of nature, subtracting the payoff for the decision alternative identified in (2) above from the most favorable payoff for the state of nature; (This measures the magnitude of the consequence or opportunity loss of making a decision without research with each state of nature. Note that for those states of nature with which the alternative selected has the most favorable payoff, the difference will equal zero.)

4. weighting each difference by the relevant prior probability for each state of nature;
5. summing the weighted differences.

The payoffs and prior probabilities below are used to demonstrate this procedure:

	$S_1 = .6$	$S_2 = .3$	$S_3 = .1$
$A_1$	\$100	\$50	-\$50
$A_2$	\$50	\$100	-\$25
$A_3$	-\$50	\$0	\$80

- 1-2.  $A_1$  has the most favorable expected value (\$70 compared to \$57.50 for  $A_2$  and -\$22 for  $A_3$ )

$$\begin{array}{r}
 3. \qquad \qquad \qquad S_1 \\
 \frac{\$100 \text{ (most favorable payoff under } S_1)}{-\$100 \text{ (payoff for } A_1 \text{ under } S_1)}}{0} \\
 \qquad \qquad \qquad S_2 \\
 \frac{\$100 \text{ (most favorable payoff under } S_2)}{-\$50 \text{ (payoff for } A_1 \text{ under } S_2)}}{\$50} \\
 \qquad \qquad \qquad S_3 \\
 \frac{\$80 \text{ (most favorable payoff under } S_3)}{-(-\$50) \text{ (payoff for } A_1 \text{ under } S_3)}}{\$130}
 \end{array}$$

4-5.  $\$0(.6) + \$50(.3) + \$130(.1) = \$28$

Although the above procedure is different than that used in most textbooks to determine the value of perfect information, the value calculated with this procedure always will equal the value of perfect information. Since the measured value of decision risk always equals the value of perfect information, both variables are measuring the same underlying concept. Thus, it makes little sense to talk about the two variables as separate concepts. In this author's opinion, the term "decision risk" more accurately describes the underlying concept than the term "value of perfect information." If the value of perfect information is a function of decision risk, it is appropriate to label the concept decision risk.

#### SUMMARY AND CONCLUSIONS

This paper has stressed the importance of discussing how to measure the concepts of decision uncertainty and decision risk as part of a more general discussion of the assessment of the value of research. None of the textbooks reviewed discuss the measurement of these two topics. Thus, unless or until these suggestions are incorporated into marketing research textbooks, the material presented in this paper needs to be discussed in the classroom. A recommended sequence and format to use in presenting this material in the classroom is provided below:

1. Describe the calculational process and basic terminology used (e.g., states of nature, expected value, conditional probabilities, Bayes Theorem). Students need to understand these concepts in order to grasp the ideas discussed in this paper.
2. After demonstrating the calculational process using a specific example, change the payoffs in such a way that the calculated value of research

increases because the degree of decision risk increases. Care should be taken to insure that the modification increases risk without, at the same time, increasing decision uncertainty. If the prior probabilities for each state of nature are equal, then interchanging payoffs for an alternative will increase risk without increasing uncertainty. For example, in the payoff table below, interchanging the payoffs of  $A_1S_2$  and  $A_1S_3$  will increase risk without increasing uncertainty.

	$S_1 = .333$	$S_2 = .333$	$S_3 = .333$
$A_1$	100	-50	50
$A_2$	50	-50	100

3. Ask students why the above change in payoffs increased the value of research. This gives students the opportunity to intuitively understand the concept of decision risk through self-insight
4. Discuss the manner in which decision risk should be measured.
5. Change the payoffs in an example of the calculational process in such a way that both the calculated value of research and decision uncertainty increase. Note that an increase in decision uncertainty will not always change the calculated value of research. It may not do so when a decision alternative, which has the most favorable payoff if a particular state of nature occurs, does not have the most favorable expected value, using the initial payoffs and conditional probabilities, even when the research result occurs that is most consistent with this state of nature. Using Churchill's example in Chapter two to demonstrate this idea, note that with the initial payoffs, the penetration pricing alternative ( $A_3$ ) does not even have the most favorable expected value with research result  $Z_3$ , which is the research result most consistent with the state of nature with which penetration pricing has the most favorable payoff ( $S_3$ ). An increase in the payoff of  $A_3$  when  $S_2$  occurs from 0 to \$90 increases decision uncertainty but not the value of research.

Since many changes in payoffs which increase decision uncertainty also increase decision risk, care must be taken to change payoffs here so that decision uncertainty is increased without changing decision risk. Again using Churchill's example, changing the payoff of  $A_3S_1$  from \$-50 to \$0 and changing the payoff of  $A_3S_2$  from \$0 to \$90 would increase both decision uncertainty and the value of research without changing decision risk. However, changing the payoff of  $A_3S_3$  from \$80 to \$180 would increase decision uncertainty and the value of research but also increase decision risk.

6. Ask students why the above change in payoffs increases the value of research. This gives students the opportunity to intuitively understand the concept of decision uncertainty through self-insight.
7. Discuss how decision uncertainty should be measured.

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## THE CLASSROOM ROLE OF THE CASE INSTRUCTOR

Stuart U. Rich, University of Oregon, Eugene, Oregon

### ABSTRACT

A case may be used as a springboard or frame of reference for a lecture, or for a non-directed, unstructured class discussion. This paper discusses the middle ground between these two extremes, and within this context addresses the following questions: What is the case method? What are the elements of successful case teaching? What do the students expect of the case instructor? and What is the role of the instructor in classroom discussion?

### INTRODUCTION

Any discussion about the case method of instruction is unlikely to produce worthwhile results unless some attempt is made at the outset to define the terms used. In their article "Casing Casemethod Methods," Dooley and Skinner stated, "Most discussions of the case method are largely meaningless. The phrase 'case method' embraces such an array of pedagogic practices that the term itself has no precise connotation. There are as many varieties of the case method as there are practitioners. The only common denominator in the method is the use of a case study. But the purposes to which the case is put, and the actual events that occur in class, vary almost without limit" (Dooley and Skinner 1977, p. 277).

These authors went on to describe a number of alternative scenarios of case method classes. At one extreme was a class which took the form of a lecture by the instructor, using the assigned case as a springboard and frame of reference. He "walked the students through" the important aspects of the case, did almost all the talking, and answered only those student questions which he deemed relevant to the case. At the other end of the spectrum was the class which the instructor started by simply raising the question, "If you were the president of the company (described in the case), what would you do?" The instructor called only on volunteers, and gave them almost complete latitude as to whether they addressed themselves to the remarks of prior speakers, or spoke to some new aspects of the case, or merely expressed opinions not particularly relevant to the case problems at hand. Occasionally the instructor would jot a point on the board, or suggest moving on to another issue in the case, but generally the students discussed what they wanted to discuss, and in the way they wanted to discuss it.

In this paper I would like to deal with the case method as falling on some middle ground between these two extremes. It is on this "middle ground" that I believe most case instructors operate, or at least try to operate, depending on the nature of the cases they are dealing with, the objectives of the courses being taught, the background and abilities of their students, and the overall case or non-case orientation of their school. Within this context, I shall try to answer the questions, What is the case method? and What are the elements of successful case teaching? Then I'll consider what the students expect of the case instructor. (After all, as members of the marketing profession, we should give some consideration to what our customers or clients want.) Finally, I'll describe the role of the case instructor in classroom discussion.

### WHAT IS THE CASE METHOD?

Let me first give a simple definition of a case, and then go on to describe the basic pedagogical elements of successful case instruction. A case is a record of a business issue, or issues, which have actually been faced by business executives, together with the facts and opinions upon which executive decisions had to depend. In other words, cases are descriptions of real business situations in which executives take action and are responsible for the results. Notice that this definition excludes "armchair" cases, or make-believe situations written up by the instructor to illustrate a particular point in a lecture. Likewise, "vest-pocket" cases, or very short caselets lacking adequate data upon which to make a decision, are also excluded.

There are at least five basic pedagogical elements underlying success in case instruction. They are: the primacy of situational analysis; the imperative of relating analysis and action; the necessity of student involvement; a non-traditional instructor role; and an administrative point of view (Christensen 1981, p. 8-13). Let's look briefly at each of these.

First, the primacy of situational analysis means analyzing a specific situation "as it is," not "as it might be." The student must deal with the problems and frustrations of a real-world situation, where there is likely to be an absence of needed information, a conflict of company objectives and of company personalities, and an imbalance between needs and resources.

Second, the imperative of relating analysis and action means that the class considers action along with analysis whenever possible. The case discussion should include how to translate a logical plan into the committed behavior of a group of managers.

Thirdly, the necessity of student involvement refers to the active intellectual and emotional involvement required of the student. If the student clearly takes a position in his own mind on the issues of the case, then he (or she) will be quite personally involved in the discussion - and intensely interested. On the other hand, if the student reads a case and remains neutral about it, then he (or she) is unlikely to be affected and thus will not learn a great deal from the case session.

Fourthly, a non-traditional instructor role means that the teacher accustomed to the traditional lecture method may be uncomfortable on first encountering the case method. This reminds me of a short rhyme on educational philosophy:

"When many sit in relaxation while  
one dispenses information,  
We call the process education"  
(Bronthius, Davis, and Druskel 1957).

The case instructor, in other words, is not a dispenser of information, and his job is not so much to teach students as to encourage learning.

The fifth element of successful case teaching is the development of an administrative point of view. Although hard to define precisely, this term refers to

a composite pattern of acquired skills essential for the successful manager. These skills include, first, a focus on the specific situation within the context of the total situation. For example, a manager must deal with all factors, both technical and human, within the context of the whole company, as well as external competitive pressures. A related skill is a sensitivity to interrelationships, or the ability to see how action taken to resolve, say, a sales problem may affect manufacturing and inventory control. A third skill is approaching problems as one responsible for the achievements of the organization. In describing this skill, one author noted, "We academics live in the world of commentators and critics. But in the management world, the successful individuals must not only see what needs to be done but take responsibility for getting the problem solved" (Christensen 1981, p. 13). Related to this skill is the fourth one, an action orientation, or the desire of a manager to help his organization move ahead to deal with its problems and exploit its opportunities.

#### WHAT THE STUDENTS EXPECT OF THE INSTRUCTOR

What do the students expect of the instructor? First of all, they expect him (or her) to be knowledgeable in the field in which he is teaching - in marketing, for example, to have a good grasp of fundamental concepts such as product life cycle and market segmentation. The objectives of the course and the objectives of each case should be clear to the instructor and he should have absolute mastery of the essential details of each case.

Secondly, the instructor is expected to provide the students with cases (and back-up reading materials) which will make it possible for them to think purposefully. The instructor, in choosing cases to use, should be aware that the "climate" of the case method class deserves careful planning. If the instructor expects to play "conductor" and the class to play the "orchestra," then the case is the "score" (Reynolds 1977, p. 133). Surveys have been done of both students and faculty as to what awakens student interest in a case and what characteristics are shared by successful cases (Bennett and Chakravarthy 1978, pp. 12, 13) (McNair 1971). Conclusions can be summarized as follows:

1. A good case tells a story. It has a time structure, an expository structure, and a plot structure.
2. A good case focuses on an interest-arousing issue or problem.
3. A good case is set in the past five years.
4. A good case permits empathy with central characters.
5. A good case includes quotations from company sources. These may be spoken or written, and add realism and allow the student to interpret such quotes in the light of what he knows of those with whom the quotes originated.
6. A good case requires appraisal of decisions already made. In other words, the case provides not only issues of its own, but data to evaluate past management decisions, since decisions in real life are guided by precedents and prior commitments.
7. A good case requires solution of management problems.
8. A good case teaches a management skill.

Thirdly, what about the actual classroom discussions - what do the students expect here? Students' expectations can be summarized as follows (Christensen 1981, p. 31), (Frey 1983), (Erskine, Leenders, and Muffette-Leenders 1981, pp. 133-179):

1. Confidence that the instructor knows where the discussion is going, and that what may seem like disjointed odds and ends will really lead them to some discovery.
2. An assurance that the instructor will not humiliate them when they attempt to contribute and make an error. Mistakes are real learning opportunities.
3. An insistence by the instructor that students state their positions or conclusions. Students do not want to nail each other down.
4. A clear statement of rules of class attendance, and the importance of class participation in the final course grade.
5. Encouragement of wide participation in class discussion.
6. Direct or indirect signals from the professor that student analysis is moving in the right direction.
7. Asking students to list major topics for discussion and writing them on the blackboard. This is useful for the first ten minutes. Thereafter, the instructor should help ensure their coverage.
8. A clear statement by the instructor of the objectives of the course, and a show of enthusiasm for those objectives.

#### ROLE OF THE INSTRUCTOR IN CLASSROOM DISCUSSION

In assessing the role of the instructor in case discussions we should first review how students learn by the case method. As suggested in our earlier description of the pedagogical elements of successful case instruction, they learn through inductive rather than deductive reasoning. As in other professional fields such as law and medicine, management education is based on situational analysis and prescription. The reasoning is inductive; it proceeds from the particular to the general. By comparison, deductive learning proceeds from the teaching of a set of principles or theories which the aspiring managers then seek to apply to the treatment of specific situations. "In management, however, problems do not yield to sets of laws, theorems, or principles unless perhaps the problems are reduced to artificially simple forms" (Corey, Lovelock, and Ward 1981, p. 6).

Essentially, through case study, students learn by discovery, that is, interpreting and finding meaning in the information provided in the case. They learn by the development of their analytical abilities through skillful probing by the instructor. They learn by continual practice - through rigorous analysis of a large number of cases. Finally, they learn by contrast and comparison, identifying common elements among different cases, and understanding why what might work in one situation will not work in another (Corey, Lovelock, and Ward 1981, p. 6-8).

Given, then, the elements of successful case teaching, what the students expect of the case instructor, and how students learn by the case method, what should be the role of the instructor in classroom discussion? A good summary of the role is provided by Abell and Hammond (Abell and Hammond 1979, p. 9):

The discussion leader's role is to encourage and to facilitate, to ask questions; to rephrase; and to summarize. He or she does not tell the group what to think, but encourages members to think for themselves, examine their positions, to explore fully various facets, and perhaps leads them to consider areas they may have missed. The purpose is not to reach a consensus but to air various approaches and the arguments for and against them.



The soundness of the process of analysis is far more important than the conclusion, since there are many good solutions to most managerial problems.

#### SUMMARY

We have seen that there is a wide divergence of views on what constitute case teaching. At one extreme, a case may be used simply as a springboard for a lecture; at the other extreme, it may be used as a backdrop for an unstructured student "rap session." In the middle ground between these two extremes, cases are used to train students to become future managers by teaching them to make decisions, and by inculcating in them an administrative point of view. Thus the cases used are based on actual situations facing executives. They are decision-oriented, and call for taking action. The learning process involved is inductive rather than deductive.

Within this context, there are a number of factors the case instructor must consider before determining his (or her) appropriate classroom role. First, the mission of the school, the objectives of the courses being taught, and the backgrounds and abilities of the instructor and of the students must all be examined. For example, if the mission of the school (explicit or implicit) is to turn out scholarly observers of the business scene rather than practicing business administrators, then the traditional lecture method may be more appropriate than the case method.

Next, the case instructor must consider the basic pedagogical elements of case teaching - in other words, what the instructor expects of his students. As noted earlier, these expectations include the ability of the students to do situational analysis, to relate analysis to action, to identify and take a position on the issues of the case, and to develop an administrative point of view.

Finally, the case instructor must be aware of what the students expect of him (or her). Among other things, they expect the instructor to be knowledgeable in his field, to make clear the objectives of the course and the cases, and to have a mastery of the essential details of each case. The cases used should make it possible for the students to think purposefully. They should, for example, contain interest-arousing issues, permit empathy with central characters, teach management skills, and require solution of management problems. During the classroom discussion of the cases, the students want to be confident that the instructor knows where the discussion is going, and, while insisting that they state their positions or conclusions, will not humiliate students if they make errors. Other expectations include encouragement of wide classroom participation, and signals from the instructor that the analysis is moving in the right direction.

Having addressed all of the above issues, the case instructor may decide that his role should be that of a facilitator, a coach, or an orchestra conductor, or perhaps a combination of all three. Under any of these roles, he does not tell the class what to think, but encourages members to think for themselves, to examine their positions, to reach meaningful conclusions on the case issues, and to show a willingness to take responsibility for the implementation of their recommended courses of action.

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## CASE ANALYSIS: STUDENT AND FACULTY PERCEPTIONS

C. Patrick Fleenor, Seattle University, Seattle, Wa.

This paper reports a study of faculty and student perceptions of the value of case analysis. The survey sample included faculty members and graduate and undergraduate students at two universities. Significant differences were evident between the three groups in the perceptions of the case method in comparison with other teaching approaches. A five step scale (very satisfied - quite satisfied - satisfied, no more or no less - somewhat dissatisfied - very dissatisfied) was used.

Overall satisfaction with case analysis was highest among faculty members and lowest among undergraduate students - 80% of the faculty members expressed high or very high satisfaction, while the tally was 64% for MBA students and 55.9% for undergraduates. High or moderate dissatisfaction was registered by 15.3% of the undergraduates and 4.1% of the MBA students, while no faculty member expressed dissatisfaction.

In comparison with other methods, the case approach did not compare favorably. In comparing case analysis with traditional lecture, 90% of the faculty sample was somewhat or very satisfied, while only 47.6% of MBAs and 32.3% of the undergraduates felt similarly. No faculty members were dissatisfied with case as compared to lecture, but 21.4% of MBA students and 25.8% of undergraduates were.

Comparing case with lecture-text elicited 80% somewhat or very satisfied responses from the faculty, 46.6% from MBA students and 37.1% from undergraduates. None of the faculty sample indicated dissatisfaction, while 19.4% of MBAs and 22.6% of undergraduates did so.

The final comparison was with group projects. Sixty percent of the faculty members were somewhat or very satisfied with the case method in this comparison and none were dissatisfied. Of the MBA sample, 46.6% were somewhat or very satisfied and 13.6% were somewhat or very dissatisfied. Corresponding figures for the undergraduates were 37.1% and 17.7%.

The subjects were also asked their opinions about the relevance of case analysis to the program of study, and the quality of realism evident in case analysis. Faculty members were much more satisfied with relevance (90%) than were the MBA students (56.3%) and the undergraduates (54.3%). Interestingly, MBA students were more satisfied with the realism of cases (52.5%) than either faculty members (50%) or undergraduate students (43.6%).

Clearly, faculty members have a higher regard for the case approach than do students. There may be several explanations for the difference: the experienced case teacher may find the case course more "interesting", in the sense that group dynamics play such an integral role. The professor may achieve ego gratification through skillfully guiding class discussion, in a sense "orchestrating" the outcome. And, the professor may believe that the case approach results in better learning.

The remaining questions focused upon skills developed through case analysis. Undergraduate students were more satisfied with progress in that area (56.5%) than were MBA students (55.4%). Only 50% of the faculty members were somewhat or very satisfied with student improvement in that area. Sixty percent of faculty respondents were somewhat or very satisfied with student ability to identify major problem areas, while 62.2% of the MBAs and 66.2% of the undergraduates were similarly satisfied.

Thirty percent of the faculty members were somewhat or very satisfied with student ability to identify major strategy facts. Corresponding figures for MBAs was 50.5% and for undergraduates 40.3%. Undergraduates were marginally more satisfied (56.5%) with their ability to identify viable alternatives than were MBA students (56.3%). Only 30% of the faculty sample was as satisfied with student ability.

The more worrisome differences are those related to perceived ability. Faculty were less satisfied than students in analytic skill improvement, as well as ability to identify major problem areas, and ability to identify major strategy facts and ability to identify viable alternatives. Assuming the faculty perspective to be more accurate, we are inundating the world with graduates who greatly overestimate their ability to deal with business situations - a view shared by many employers.

STUDENT SATISFACTION: EXPLORING THE DISCONFIRMATION FRAMEWORK IN A HIGHER EDUCATION CONTEXT

Jacqueline J. Johnson, University of North Dakota  
Jeffrey S. Conant, Arizona State University  
Michael P. Mokwa, Arizona State University

Declining enrollments, decreased funding, and increased demands have compelled most institutions of higher education to consider marketing practices and research more seriously. However, most market research in higher education has focused on the prospective student and recruitment activities. Evaluation of student satisfaction has been a relatively neglected topic. Our study explored student expectations and satisfaction. The disconfirmation framework of consumer satisfaction was tested as an appropriate approach for studying satisfaction in higher education. The degree chosen for review was the Masters in Business Administration. Early models of consumer behavior established the importance of consumer satisfaction proposing that it resulted from a consumer's subjective comparison of "expected" and "received" product attributes. This original perspective was significantly altered by including a disconfirmation construct. The new perspective suggested that a consumer's expectations of a product's attributes or performance can be either confirmed or disconfirmed through product usage. As a result of this experience, a consumer develops a situation specific feeling of satisfaction or dissatisfaction. Disconfirmation serves as an intervening variable. Although it has been demonstrated that the disconfirmation experience can be a more important force than expectations in consumer satisfaction, the need to include the disconfirmation construct as an intervening variable has not been supported in all cases. There is a need to continue investigation of the disconfirmation framework across different products and contexts. Higher education is a complex "service" product and an interesting consumption context in which to explore the disconfirmation perspective. Stated in alternative form, our hypotheses were:

- H1: Disconfirmations will have greater impact on student satisfaction than expectations will.
- H2: The level of student satisfaction will be directly correlated with the direction and magnitude of encountered disconfirmations.
- H3: Students with low expectations who experienced positive disconfirmations will have significantly higher levels of satisfaction than students who had high expectations and experienced confirmations or negative disconfirmations.

Our study was conducted at a large public university during a recent spring semester. Samples of prospective (n=91) and currently enrolled (n=171) students were included. In the development of our questionnaire, a list of potentially important program elements was generated and pretested. Six elements proved most relevant: quality of instruction; coursework/degree requirements; class size; graduate advising services; career opportunities; and career services. These were included on the final questionnaires. Student expectations and disconfirmations were measured through self-administration of the questionnaires.

As in previous studies, Likert scales were used to assess expectation components for the program elements. A certainty of expectations measure was included to help determine how strongly an expectation was held. Disconfirmation as a subjective comparison of actual outcomes to expected probabilities was operationalized on a "better-and-worse-than-expected scale." The satisfaction construct was measured using a multi-item

semantic differential scale. Satisfaction was assessed for: the choice to pursue an MBA degree; the MBA program itself; and the university. Reliability scores for satisfaction were calculated. Hypothesis (H1) stated that disconfirmations would have greater impact on satisfaction than expectations. Multiple regression was used to analyze how expectations, certainty of expectations, and disconfirmations influenced satisfaction. For overall satisfaction with the university, H1 was clearly supported. For all program elements, disconfirmation made a greater contribution to satisfaction than expectations. Certainty of expectations was also positively correlated with university satisfaction for all variables. Results for the dimension, choice to pursue the degree, also indicated that disconfirmations contribute more to satisfaction than expectations. However three of the independent variables did not make a significant contribution. Only certainty about the quality of instruction and degree requirements contributed significantly. Certainty about advice was negatively related. For satisfaction with the program, only two of the program elements produced a significant relationship: quality of instruction and coursework/degree requirements.

Hypothesis (H2) tested whether students' satisfaction was directly correlated with disconfirmations. Pearson correlation coefficients were calculated and supported this with no significant exceptions. Regression analysis was conducted to confirm the direction and relative impact of each element on satisfaction. Beta coefficients for all disconfirmation variables were positive as hypothesized, but the level of significance varied. The highest proportion of significant relationships occurred with the program satisfaction dimension.

Analysis of covariance was used to test H3 which hypothesized that satisfaction would be greater for students who had low expectations and then experienced positive disconfirmations. This hypothesis was supported when controlling for positive disconfirmation only for the quality of instruction and degree requirements/coursework elements.

Overall results were consistent with prior research. Expectations and disconfirmations directly influenced students' satisfaction. Expectations had less impact than disconfirmations, and satisfaction was directly correlated with the disconfirmations encountered. For variables that were important, satisfaction was found to be greater for students with low expectations who experienced positive disconfirmations.

In this study, an elementary operationalization of the disconfirmation framework was enacted. Results suggest that more comprehensive designs and more sophisticated analytical techniques are appropriate in future studies in educational contexts. Moreover, the theoretical perspective and general methods explored in this study could be adapted to design and conduct practical evaluative research studies or to establish an evaluation process in which students' expectations and relative satisfaction levels could be assessed and monitored across programs, services and time. The theoretical bases of the disconfirmation perspective can offer interesting insights guiding strategic analysis, resource allocations and marketing action in higher education contexts.

WHY INTEREST GROUPS ATTACK ADVERTISING:  
A SOCIAL-PSYCHOLOGICAL INTERPRETATION

Terrence H. Witkowski, California State University, Long Beach

ABSTRACT

A number of interest groups seem to thrive on attacking advertising, especially when their attacks might culminate in more stringent advertising regulations. Following a brief introduction to interest groups, this paper describes the formation of two kinds of attitudes -- attitudes toward advertising content and attitudes toward advertising effects -- that seem to underlie much advertising criticism.

AN INTRODUCTION TO INTEREST GROUPS

In his seminal work, The Governmental Process, David Truman (1951) defines an interest group as:

. . . a shared-attitude group that makes certain claims upon other groups in the society. If and when it makes its claims through or upon any of the institutions of government, it becomes a political interest group. (p. 37)

Another name for a political interest group is simply a "pressure group." (Bone and Ranney 1976, p. 101)

A few things should be noted about the terms "shared-attitude" and "group." Shared attitudes, a mutual orientation toward the group's interest, provide group members with frames of reference for interpreting and evaluating events. Feminist groups, for example, share attitudes about inequalities in women's status and, accordingly, interpret many diverse events from this frame of reference. Similarly, interest groups devoted to combating alcohol abuse will see drinking behavior differently than those less concerned about this social problem. The term "group" does not necessarily imply a small group where interaction is based upon face-to-face contacts. Interest groups can be much broader collectivities that interact primarily via mass communications. As Truman (1951) puts it, "the existence of neither the group nor the interest is dependent upon formal organization, although that feature has significance, particularly in the context of politics." (p. 36)

It follows that some interest groups are better organized than others. Some groups have a well defined membership, committed rank-and-file members, efficient means of communication, and a well funded political program. Other groups, in contrast, are more loosely defined, less committed, communicate irregularly, and have little or no social or political program. Furthermore, almost every interest group has an active minority of members. "Even a superficial look at an organized group reveals that its decisions and affairs are in the hands of a small number of activists. The larger the group the smaller is the percentage in charge." (Bone and Ranney 1976, p. 103) This active minority is likely to be comprised of one or more crusading reformers, those moral entrepreneurs who have either formed or joined the interest group to further their own "career." (Becker 1963) These activists often spearhead advertising criticism.

Interest groups can be classified according to the kinds of social problems they seek to ameliorate.

For instance, some groups have relatively narrow agendas that focus upon issues in advertising and the mass media. A group in this category would be Action for Children's Television (ACT), one of whose ultimate goals appears to be the elimination of all broadcast commercials directed toward young children. Another group in this category is the Rev. Donald Wildmon's Coalition for Better Television (CBTV). This group seeks to eliminate sex, profanity, and violence from television programming and advertising, and even monitors both media forms for their sexual content (Pendleton 1981).

Other groups have a much broader agenda that inexorably expands to include advertising perceived as germane to the group's major interest. For example, the public health interests that worried about the relationship between smoking and health in the 1950s, became opposed to cigarette advertising in the 1960s (Fritschler 1975). Similarly, feminist groups organized in the 1960s quickly came to attack the portrayal of women in advertising (Grant 1970). Unfortunately, this simple categorization is a bit untidy. After all, the concerns of CBTV can be seen as an extension of the lengthy social and political agenda of the Moral Majority. Also, some public health interest groups, such as John Banzhaf's Action on Smoking and Health (ASH), were formed to deal mainly with the relatively narrow issue of cigarette advertising.

Finally, interest groups that attack advertising differ markedly in their philosophies and tactics. Organizations such as ACT, ASH, and most feminist groups have relatively progressive programs and, presumably, attract a liberal constituency. CBTV, on the other hand, promotes very conservative values and draws its constituency from fundamentalist Christians. Moreover, the liberal groups seem apt to support their attacks with social science research, a veritable cottage industry in academia, while CBTV argues from a strictly moral, Biblical point of view. Lastly, the liberal groups often depend upon sympathetic government agencies, especially the Federal Trade Commission, to advance their cause. CBTV, in contrast, has gone directly to the networks and sponsors with its demands, brandishing the threat of a boycott as its weapon (Cohen 1981).

ATTITUDES TOWARD ADVERTISING CONTENT

There are always some activists within an interest group who take the group's interest very seriously. In the feminist movement many women, and some men, believe that the status of women has been and still remains a social problem of enormous magnitude. A few of these people, perhaps having personally experienced sexual abuse or job discrimination, openly call themselves feminists and use this label to organize much of their self-image. Similarly, in the alcohol problems field, many individuals, some of whom are recovering alcoholics themselves, deal directly with abusers on a day-to-day basis and, consequently, cannot help but observe just how damaging the drug can be. In extreme cases, work in the alcohol problems field and beliefs about the severity of alcohol abuse and alcoholism become central to a person's life and

world view.

Now, consider those women who are quite serious about the feminist movement. They might agree that people should not be treated as sex objects, that woman's role is not necessarily limited to homemaking, and that all too many women are raped or otherwise physically abused. While watching television or reading a magazine, what might these women observe? For one, they notice many ads that, at least in their minds, treat women as sex objects. They also see countless ads for household products where the central character appears to be a traditional, somewhat insecure, housewife. To make matters worse, they even spot a few lingerie ads that intimate female bondage and other forms of physical violence. In short, their view of reality is being contradicted by advertising content and their sensibilities are bound to be offended.

Imagine another scenario: the experiences of therapists who work in veteran's hospitals or halfway houses rehabilitating alcoholics. Suppose that while driving home after a long and often frustrating day, they hear several catchy, happy radio jingles for beer and spot several gigantic billboards for whiskey, all of which feature beautiful, healthy, seductive models. Later in the evening, they might turn on their television sets and see half a dozen commercials starring rugged outdoorsmen, famous athletes, and other celebrities extolling the virtues of sundry beer and wine brands. If they decide to silence the television and page through their favorite newswEEKlies, they will probably find ad after ad telling them how this or that brand of liquor facilitates almost every social occasion and, in so doing, enhances their social standing. By bedtime the therapists must feel as if the world is inundated with alcohol advertisements, most of which seem to fly in the face of their working experiences with the human consequences of alcohol abuse and alcoholism. Indeed, their concern about alcohol problems might even make them more attentive to such ads than the average person and, hence, even more likely to be offended.

These groups of hypothetical interest group members are likely to be critical of, respectively, the portrayal of women in advertising and alcohol advertising. Furthermore, after reading a feminist or an alcoholism publication, or after having a discussion with someone who shares their attitudes and experiences, they might discover that they are not the only ones critical of advertising. They may even learn of new criticisms, as well as variations on their existing ones. The result of such interactions is that emerging beliefs are validated and become more firmly rooted and better articulated. As these individual experiences multiply, as critical attitudes spread amongst the activists and then to the rank-and-file, advertising becomes part of the interest group's agenda and a controversial issue in its own right.

Let us generalize from these hypothetical examples. One reason an interest group expands its agenda to include advertising, is because some ads challenge the group's shared attitudes. That is, the portrayal of women in advertising often illustrates the very social conditions that feminists find objectionable, while alcohol advertising usually ignores the social problems of alcohol abuse and alcoholism. As scholars have noted (Levy 1959, Myers 1971), advertising is replete with symbolic content. At the same time, the process of social problem definition, an important interest group activity, usually entails the manipulation of, as well as clashes over, various symbols (Blumer 1971). Thus, it is not surprising that an interest group concerned about a social problem comes to

criticize advertising. To group members advertising symbolizes an alternative, competing definition of the social problem. Stated differently, advertising content annoys, irritates, and is criticized because it suggests a world view that an interest group refuses to accept.

#### ATTITUDES TOWARD ADVERTISING EFFECTS

Although this line of reasoning might explain why an interest group criticizes the content of advertising, it does not explain why so many people also believe that advertising has negative effects or, in other words, contributes to a social problem. Clearly, one explanation should be eliminated at the outset. There is almost no reliable, empirical evidence proving that advertising was or is a causal factor behind alcohol problems, sexuality, profanity, cigarette smoking, or the status of women. Some content analyses do support the critics' claims, but advertising content does not necessarily imply advertising effects. Only in the areas of children's advertising and, to a lesser extent, the portrayal of women in advertising, has there been much research to serve as a basis for interest group attacks (see, e.g., Walstedt, Geis and Brown 1980). Therefore, attitudes toward advertising effects seem to be founded largely on speculation, and not on facts.

This suggests that a better explanation can be found by analyzing the psychology of the critics. For example, a belief about the deleterious effects of advertising may actually serve as a rationale for taking offense to its content. When the critic is asked why he or she dislikes a particular kind of advertising, saying that the ads aggravate a social problem provides a reasonable, socially acceptable justification. However, in most advertising controversies, beliefs about the negative effects of advertising are voiced too frequently to be merely a convenient excuse for being offended.

Perhaps, instead, advertising is used as a scapegoat, blamed in lieu of more important, but less visible causal factors. Morris Chafetz (1975), a former director of the National Institute on Alcohol Abuse and Alcoholism (NIAAA), has commented: "Because advertising has prominence, perceived wealth, and is ubiquitous, it is a 'safe' scapegoat for some who are as concerned as I over our growing national problem of alcohol abuse and alcoholism." (p. 15) Explanations of this sort appear more promising, but need to be more thoroughly explicated.

There seems to exist a deep-seated human need to explain the world around us, to give meaning to our environment. For instance, we constantly attempt to explain our own actions and the actions of others. We try to assign blame when things go wrong and find reasons for success. At a more sophisticated level, jurors in courts of law and scientists in the midst of their research are also engaged in a process of explanation. This motivational assumption about human nature is the foundation for all theories of attribution (Shaver 1975) and, if researchers in this field are correct, people apparently spend a lot of time and mental effort in order to make attributions and, thereby, construct plausible explanations.

If people have a need to explain their world, then it seems reasonable to expect that interest group members try to explain the social problems that constitute their shared interest. Evidence for this phenomenon is ample. There is a great deal of research on the determinants of alcohol abuse, cigarette smoking, and

the status of women. Needless to say, this research represents the social scientist's curiosity about the causes of social problems. Yet, researchers are not the only people so motivated. Mass media commentators frequently offer their own explanations, as do politicians and bureaucrats responsible for establishing salutary programs. Even the man on the street, during conversations or while engaged in idle thought, might speculate about social problems.

However, the type of person most likely to need some explanation for a social problem is the interest group activist who takes the problem very seriously. For this person, a social problem is an intrinsically harmful condition and any knowledge about its causes might be useful in dealing with it. For example, a staunch feminist should be very curious about the determinants of women's status since this knowledge might help in improving conditions for women. Similarly, a professional therapist who cares a great deal about alcohol abuse and alcoholism should be especially eager to understand the reasons behind alcohol problems. Such understanding might be helpful in treating and rehabilitating problem drinkers or in formulating public policies to prevent new abusers. Generally speaking, the more important and immediate a social problem appears to someone, the greater should be the motivation to explain it.

The concerned individual will soon discover that there are a number of plausible explanations for the social problem, one of which is advertising. But unlike many of the competing explanations, which are often supported by voluminous research findings, the effects of advertising upon the social problem have rarely been subjected to empirical verification and so remain a glib hypothesis. Why is this untested hypothesis often so popular with interest group members? The reason is because advertising possesses several characteristics that facilitate its role as causal villain or scapegoat and, in the process, satisfy deep-seated needs to explain the social problem.

First, since the effects of advertising upon social problems have rarely been, and cannot easily be, subjected to empirical test, they also cannot be proven false and eliminated from any future consideration. As a result, hypothesized negative effects remain a tantalizing possibility beyond the reach of quantitative, social science methodologies.

Second, many people have long maintained a strong belief in the power of advertising to persuade and manipulate (Schramm 1973), even though there is much routine evidence to the contrary. Indeed, despite repeated denials from academics and practitioners alike, there is even a widespread belief in the use and efficacy of subliminal advertising (Zanot, Pincus and Lamp 1983). If advertising is already presumed to be the main reason for, say, alcohol brand choice, then, by extension, one might also believe that it is the force behind the decision to drink and even drink to excess. Beliefs in the persuasive powers of advertising, like beliefs in the occult, may be due to people's natural fascination with powers beyond their individual control.

Third, advertising perceived as germane to a social problem constantly confronts the person who worries about the social problem. This seeming ubiquity, particularly when combined with a tendency to dislike all advertising, might lead to an overestimation of its saliency as a causal force. Competing determinants, in contrast, might be relatively "invisible" or abstract. For instance, parent-child conflicts over toy purchases could be caused by the influence of both toy

advertising and peer example. Toy advertising, however, should be more evident to the beleaguered parent than the relatively unseen interactions between one child and another.

Finally, advertising satisfies a person's need to explain because it is a comparatively tractable variable. Although a person might believe that male chauvinism is the major factor behind the low status of women, there is usually not too much that can be done about it. The portrayal of women in advertising, on the other hand, might be more amenable to some remedial action. This consideration seems to be the reason why cigarette advertising, rather than cigarette production or distribution, became the major issue for the anti-smoking forces of the 1960s (Sobel 1978).

With these important need-satisfying properties, beliefs about the negative effects of advertising are bound to spread amongst those who fret over a social problem. Furthermore, several types of social influence usually accelerate this process of belief diffusion. For example, incipient beliefs might be reinforced and elaborated during conversations with someone else who cares about the social problem and holds advertising responsible. Also, a person might learn to associate advertising with the social problem while reading a newspaper or magazine article or while watching a television documentary. Finally, interest group activists, likely to be most critical of the effects of advertising, might disseminate their views to the rank-and-file via newsletters, pamphlets, and other publications.

#### DISCUSSION AND CONCLUSIONS

The process of interest group attitude formation is a phenomenon with important implications. Interest group attitudes can influence the opinions of the public at large which, in turn, may affect the policies of the various industry, media, and governmental regulatory bodies that control advertising. More important, these attitudes can lead to direct political pressures on the regulatory bodies in the form of petitions, lawsuits, or, if allies are present, Congressional action. Thus, what interest groups think about advertising could eventually be translated into what private and public policy-makers do about advertising.

The leap from attitudes critical of the content and effects of advertising to outright political action may entail the formation of an intermediate attitude category: attitudes toward advertising regulation. If an interest group member dislikes the content of a particular kind of advertising, then this person should naturally desire to see some changes made. If, in addition, this person believes that the advertising contributes to a social problem, then the desire for corrective action should be all the greater. As before, the diffusion of these regulatory attitudes is facilitated by person-to-person contacts and by mass media publicity. However, this relationship might not necessarily hold for all people. No matter how much they dislike or question a certain kind of advertising, some individuals may not believe in advertising regulation as a means to ameliorate a social problem. Other values, such as a belief in the freedom of speech, could suppress this relationship. Nevertheless, when surveying the opinions of an entire interest group, the three categories of critical attitudes should be intercorrelated.

In conclusion, this paper has defined interest groups and has shown how they vary in terms of their organization and social-political agendas. It has also dis-

discussed the formation of attitudes toward advertising content and advertising effects. Criticism of advertising content appears to arise when ads portray a social problem in a way that challenges interest group definition or perceptions of the problem. Advertising is accused of contributing to the social problem because interest group members need an explanation and advertising, as much or more than other factors, can satisfy this need. Criticism should be greatest amongst those activists who truly care about the problem, but personal interactions and mass media publicity help to diffuse critical attitudes to even the least concerned of the rank-and-file.

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ADVERTISING SELF REGULATION  
A COMPARATIVE ANALYSIS OF THE AMERICAN AND BRITISH SYSTEMS

Taylor W. Meloan, University of Southern California, Los Angeles

The United States has been a world leader in the regulation of advertising by governmental agencies and through self regulatory mechanisms. American regulatory goals have focused largely on consumer protection from deceptive or false advertising, as well as guarding advertisers from such practices by their competitors. There has been a pronounced erosion recently in the role of government as the principal guardian of consumer interests, and as the watchdog of the business community. This provides new opportunities for self regulation by the industry. The thrust of this report is to contrast the operations of the principal mechanism for self regulation of advertising in the United States, the National Advertising Division of the Council of Better Business Bureaus, with that of the United Kingdom, the Advertising Standards Authority. This study provides the basis for recommendations to augment and improve American self regulatory policies and mechanisms.

The principal vehicle for self regulation of national advertising in the United States is the NAD (National Advertising Division)/NARB (National Advertising Review Board) mechanism. The NAD is the first tier of the self regulation process, while the NARB is positioned as the second tier or appeals level. The NAD functions through a professional staff in New York. In evaluating a questionable advertising claim, the NAD staff requests undigested data from an advertiser in order that it may replicate the reasoning process by which the advertiser concluded that its claims were truthful. The NAD relies primarily on the rule of reason and common sense in determining whether to make a challenge and in evaluating substantiating evidence. If the NAD determines that questioned advertising claims are adequately substantiated, the case is closed. If not, a need arises for the advertiser and the NAD to reach agreement on corrective action--to withdraw or modify the challenged claims. Failing agreement, the NAD and the advertiser have recourse to the second tier, the NARB. For each case heard by the NARB, a panel of five members is appointed consisting of three advertiser members, one agency representative, and one public member. The NAD and the NARB make public disclosure of challenged cases which have been substantiated, modified or discontinued. This system is financed through funds allocated by the Council of Better Business Bureaus plus monies provided by advertisers and agencies.

By contrast, the counterpart system in Great Britain, the Advertising Standards Authority, is financed by a surcharge of 0.1 per cent of all display advertising. The ASA engages also in a continuing monitoring program of print media in order to check conformity with the Code of Advertising Practice, a 72 page booklet containing 462 rules and guidelines of sound advertising practice. Radio and television commercials fall under separate statutory regulations and organizations that govern them.

In Great Britain, extensive advertising to the general public has increased awareness of the ASA. A recent headline said, "If you find an advertisement unacceptable, don't turn the page, turn to us." To enhance visibility in the United States, a pilot public awareness advertising campaign is recommended along with more widespread dissemination of published codes of acceptable advertising practice. Increased public representation on NARB boards would also be highly desirable. This is another feature of the British system.



MARKETING AND GRADUATE EDUCATION  
IN PUBLIC AFFAIRS/PUBLIC ADMINISTRATION

Wayne A. Roberts, Jr., University of Alaska, Juneau

ABSTRACT

Despite the belief among marketers that marketing is applicable to the public sector an examination of top MPA programs revealed a dearth of marketing courses. Various reasons for this situation are suggested, including a lack of understanding of marketing among MPA faculty, and preliminary suggestions are made to remedy the situation.

INTRODUCTION

The idea that marketing is applicable to public and nonprofit organizations is no longer questioned within marketing circles. Its acceptance, in fact, by marketing academicians was quite swift. Kotler and Levy first made the case that marketing is applicable to public and nonprofit organizations in 1969, and a study by Nichols just a few years later indicated that 95% of surveyed marketing educators felt that marketing should be broadened to include nonbusiness organizations (Kotler and Levy 1969; Nichols 1974). Hunt's three-dichotomies model, undoubtedly the most common classification scheme concerning the scope and nature of marketing, explicitly incorporates the nonprofit sector (1976).

In 1978 Lovelock and Weinberg examined the influence of the broadened concept of marketing on the marketing discipline, on management practices in select nonprofit fields, and on practitioner oriented journals and concluded that nonbusiness marketing is "taken seriously in academia, is having a growing impact on management practice in a diverse range of applications, and is contributing to general advancement of the field of marketing," and that "public and nonprofit marketing has come of age." (1978, p. 13).

If marketing is as applicable to public sector organizations as marketing educators seem to believe, then marketing, or at least aspects of the discipline, should be an important area of study for future professional managers of public organizations. The purpose of this paper is to examine the extent to which marketing, as marketing, has been adopted by schools which offer master's degrees in public affairs/public administration. Further, some suggestions will be offered as to how marketing educators might begin to more actively market the subject of marketing to public sector educators.

GRADUATE PROGRAMS IN PUBLIC AFFAIRS/  
PUBLIC ADMINISTRATION

Similar in concept to the MBA degree, the Master's of Public Administration or Public Affairs (MPA) degrees are designed to prepare individuals for professional managerial careers in the public sector. The programs vary from one to two years in length, and are offered through political science departments, separate professional schools or departments, and through professional schools or departments which offer other degrees as well. The National Association of Schools of Public Affairs and Administration (NASPAA) is the primary professional organization, and acts in the capacity of an accrediting agency for master's programs.

Accreditation Standards

The current standards for master's degree programs in public affairs and administration call for common curriculum components which "provide each student with a basic understanding of the environment of public policy and the ability to deal with:

- political and legal institutions and processes
- economic and social institutions and processes
- organization and management concepts, including human resource administration
- concepts and techniques of financial administration
- techniques of analysis, including quantitative, economic, and statistical methods." (National Association of Schools of Public Affairs and Administration 1981, p. 2).

Note that marketing is rather conspicuous in its absence.

Graduate Program Courses

Information from microfiche copies of catalogs and bulletins concerning MPA program courses was collected for 29 of the top 39 programs in the U.S. based on reputation as reported by Morgan, et al. (1981, p. 669). The criterion for inclusion in the sample was simply the availability of the relevant information. The oldest catalogs/bulletins were for academic years 1980-1981 (Ohio State) and 1980-1982 (University of Minnesota). A number of catalogs/bulletins were for the 1983-84 academic year. A course was considered to be a marketing-type course if the title or the description implied that the course was concerned with marketing, either in the generic sense or with traditional marketing considerations (e.g., marketing research, one of the four Ps, etc.). Public Policy courses were not considered marketing courses. Further, while most programs permit students to take courses in other departments, only those courses which were offered in the department issuing the degree and whose course titles and/or descriptions would clearly be seen and considered by MPA students, and those courses which were offered by other departments and explicitly listed as courses available to MPA students, were considered. In other words, the attempt was to consider only those courses MPA students would consider in the absence of special counseling or interests.

The results of the survey are presented in Table 1. Absolutely no schools required a course which explicitly covered marketing (with the possible exception of Cornell), and the number of marketing-type elective courses was pathetically small.

DISCUSSION

There are a number of possible reasons for the scarcity of marketing courses for MPA students. Among the most likely are the following: 1) Marketing may be covered within the context of other courses, 2) the paucity of material available may not warrant the organization of a full course, 3) there may not be enough qualified instructors available, or 4) marketing may not be perceived to be of sufficient importance to public sector managers by MPA program decision-makers. While these are not necessarily independent, each will be discussed separately.

TABLE 1  
Marketing and Marketing-Type Courses  
Offered MPA Students at Various Schools

School Rank	School	Required Marketing Courses	Title of Elective Marketing Courses
1	Syracuse	0	None
2	Harvard	0	None
3	U. of Southern California	N/A <sup>a</sup>	Public Relations Marketing in Health
6	Texas, Austin	0	None
7	Princeton	0	None
8	Pittsburgh	0	Information Policies
9	Michigan, Ann Arbor	0	None
10	Georgia University	0	None
11	Carnegie-Mellon	0	Demand Analysis
12	Minnesota	0	None
13	Ohio State	0	None
14	American	0	None
15	North Carolina, Chapel Hill	0	None
16	Florida State	0	None
17	Kansas	0	None
18	George Washington	0	None
20	SUNY-Albany	0	None
21	Columbia	0	None
27	Cornell	1 <sup>b</sup>	None
28.5	Cal. State - Long Beach	0	Seminar in Transportation
28.5	U. of Washington	0	None
30.5	U. of Cal. - Irvine	0	Public Sector Marketing Marketing Research
30.5	N. Illinois University	0	None
32	California State, Hayward	0	None
33	U. Maryland, College Park	0	Seminar in Public Opinion
34	Penn State	0	None
35	Arizona State University	0	Survey Research in the Public Sector
38	The New School	0	Advanced Seminar in Managing Nonprofit Organizations
39	U. of Oklahoma	0	None

<sup>a</sup>Not Available

<sup>b</sup>On page 6 of Cornell's 1982-83 Graduate School of Business and Public Administration bulletin marketing is listed as a required course for MPA students. However, on page 30 it is not listed as a requirement for students other than MBA students.

With respect to the first potential reason, it is possible that marketing, as marketing, is covered at least in an introductory fashion in other courses. It is questionable, however, whether the discussions are any greater than management concept discussions are, say, in finance, accounting, and economic courses in MBA programs. While this is a question which must be resolved by a more empirical analysis, an examination of the few MPA programs that share a common core with the MBA programs indicate that this is probably the case. For example, at the University of California at Irvine MPA and MBA students take 10 common courses. The core courses cover management, organizational analysis, economics and quantitative analysis, while marketing, as marketing, appears as a separate required course for MBA students. There is no MPA counterpart.

With respect to the potential problem of insufficient material to warrant the development of a full course, there is clearly much less public sector marketing material than private sector or even nonbusiness marketing material. There are, as yet, no marketing texts which focus on the public sector, with the possible exception of one (see Mokwa and Permut 1981). Such a limitation certainly would make the development of a public sector marketing course more difficult, but it is hard to believe that the material available is not sufficient for at least shorter courses. Business schools are adding nonprofit marketing courses to their curriculum, and it would seem that such courses could be easily modified for public sector marketing. Perhaps the '3 credit' mode of course offerings, as well as the lack of an accepted text, is acting as a barrier to entry for public sector marketing courses.

The third potential problem, the lack of qualified instructors, may be a real problem for some schools, including those schools which have administrative hurdles with respect to sharing faculty among admini- 59

strative units. However, as pointed out in the previous paragraph, a number of business schools have generated nonprofit marketing courses, and so it would seem that by itself this potentiality cannot account for the dearth of marketing courses in MPA programs.

The fourth potential reason, that MPA program faculty may not perceive marketing as important enough to public sector management to warrant formal coursework, is more serious than the others to the extent it holds. Marketing courses, particularly required marketing courses, will not become part of the curriculum until MPA program decision-makers are convinced that marketing is something worth teaching to future public sector managers.

MPA programs evolved out of political science departments. Indeed, in 1974 approximately 36% of the MPA programs were offered through political science departments, compared to less than 17% which were associated with generic administrative schools or business departments (Mackelprang and Fritschler 1975, p. 184). This, combined with the fact that marketers began to consider the public sector only approximately 15 years ago, makes it likely that faculty of MPA programs have had limited exposure to marketing. It is further likely that their exposure has been mostly limited to publications and presentations by marketing academicians targeted towards public sector academicians. If little has been done in this regard then very few MPA faculty may have a clear understanding about the nature, scope, and potential of marketing. In examining the extent of nonbusiness marketing publications, Lovelock and Weinberg examined material that was either targeted towards marketing academicians (e.g., AMA and AIDS Conference Proceedings), or towards practitioners. It is unlikely that either type of publication, or nonbusiness marketing books for that matter, would get attention from people who are not familiar with marketing.

In order to gauge the amount of exposure public affairs/public administration academicians are getting with respect to marketing an attempt was made to locate marketing articles in academic public affairs/public administration journals. Morgan, et al. listed 10 journals which they used to measure the productivity of faculty associated with graduate programs in public affairs/public administration (p. 668, 1981). Five of these are indexed in the Public Affairs Information Service (P.A.I.S.) bulletins. Hence, P.A.I.S. bulletins covering the period from October 1972 through June 1983 (volumes 59-69) were examined for relevant listings under the following categories:

Advertising	Public Administration
Marketing Research	Public Opinion
Market Share	Public Policy
Marketing	Public Relations
Policy Sciences	

The results of the search were as follows: There were absolutely no marketing-type articles in any of the journals which were listed in Morgan, et al. and indexed in P.A.I.S. In fact, only one article was found which was concerned with marketing and which was not in a business oriented journal (see Kotler and Kotler 1981). Further, while P.A.I.S. indexed the Journal of Marketing in 1973 (volume 59), it discontinued doing so after that date (however, it does index the Journal of Retailing, the Journal of Advertising, and the Journal of Consumer Affairs, among others). Hence, almost coinciding with the acceptance of the broadened concept of marketing the primary literature indexing service for public administration and public affairs stopped indexing the premier marketing journal.

Thus, it appears that marketing academicians have been largely discussing public sector marketing with others interested in marketing, and not with MPA faculty.

#### THE MARKETING OF MARKETING TO PUBLIC SECTOR GRADUATE PROGRAMS

If public sector marketing is going to be accepted as a legitimate, worthwhile area of study for future public sector managers then marketing academicians should begin to seriously and systematically consider the marketing of marketing. We either do not have a product which as of yet adequately meets the needs of MPA programs, or we have a promotional problem, or both. While the charting of a marketing strategy deserves considerable thought, some preliminary suggestions are offered below.

To begin with, professional marketing organizations can take an active role by forming ad hoc committees or task forces to 1) more closely examine the state of marketing in MPA programs, 2) look for and organize around opportunities for marketing the discipline to public sector educational programs, and 3) develop appropriate strategies and tactics. Perhaps some joint working sessions or 'educational workshops' done in conjunction with NASPAA might be worth sponsoring. Such meetings would facilitate needed learning on the part of public administration educators and marketing educators. Another possibility would be the development of special workshops targeted towards MPA educators.

Other things professional marketing organizations might consider include 1) the granting of special cost-free memberships to influential individuals, 2) the granting of free subscriptions to the organization's journal(s) for a limited time for influential members, 3) inviting public administration educators to professional marketing association meetings, and 4) the sponsorship of some marketing educators in professional public administration organizations.

Individuals can do a number of obvious things to promote marketing. They can, of course, join different professional public administration organizations and attend meetings, make presentations, and possibly get administratively involved. Second, they can invite public administration faculty to seminars and class sessions which deal with public sector marketing, and reciprocate by offering to attend relevant class sessions in the MPA program. Third, conceptual articles concerning marketing and public sector management can be written and targeted towards journals which are actively subscribed to by public sector educators. Finally, basic and applied research undertaken within a public sector framework can help bridge the two areas.

#### CONCLUSIONS

None of the MPA programs examined in this study require marketing as a course of study, and surprisingly few have marketing-type elective courses. This could be due to a number of reasons, including a lack of material, a lack of qualified instructors, or a widely held belief among MPA faculty that separate marketing courses are not necessary because a) marketing is already adequately covered in existing courses or b) marketing is not important enough to warrant the addition of courses. To the extent that the last reason is a reflection of the views of MPA faculty, and to the extent that this is due to ignorance with respect to the scope, nature and methods of marketing, then positive steps will need to be taken if marketing courses are

to be integrated into MPA programs.

Since public sector marketing is fairly new, and since MPA programs grew out of political science, it is likely that unless marketing academicians have made an effort at educating MPA faculty they may not be familiar with marketing. Given that no marketing articles were found in academic public sector journals when P.A.I.S. bulletins representing over a decade of publications were examined, it appears that this is the case.

Until and unless MPA program decision-makers are convinced that marketing is relevant to the public sector, marketing will not be a part of MPA programs. Further, until the appearance of public sector marketing texts or until sufficient marketing materials concerning the public sector are collected, such courses will be fewer than otherwise would be the case.

Some progress has certainly been made in nonbusiness marketing since Lovelock and Weinberg's paper (1978). In particular Praeger Publishers now has a series of four books in public and nonprofit sector marketing, and Kotler's nonprofit marketing text is now in its second edition (1982). However, it seems clear that much more could be done. Both professional groups and individuals can and should participate in the marketing of marketing. Professional associations can be used to devise and implement strategies, and individuals can join public sector associations and generate publications for academic public sector journals.

Public sector education can become a significant factor in marketing beyond 1984 if marketing academicians actively pursue this possibility. To the extent that the study of marketing can make public sector managers more effective and efficient marketing academicians have a responsibility to attempt to educate the relevant decision-makers. Further, the discipline of marketing will undoubtedly benefit through the interaction of marketing scholars with public administration scholars. The time has come to extend discussions of public sector marketing to include public sector educators.

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Note that marketing is rather conspicuous in its absence.

Graduate Program Courses

Information from microfiche copies of catalogs and bulletins concerning MPA program courses was collected for 29 of the top 39 programs in the U.S. based on reputation as reported by Morgan, et al. (1981, p. 669). The criterion for inclusion in the sample was simply the availability of the relevant information. The oldest catalogs/bulletins were for academic years 1980-1981 (Ohio State) and 1980-1982 (University of Minnesota). A number of catalogs/bulletins were for the 1983-84 academic year. A course was considered to be a marketing-type course if the title or the description implied that the course was concerned with marketing, either in the generic sense or with traditional marketing considerations (e.g., marketing research, one of the four Ps, etc.). Public Policy courses were not considered marketing courses. Further, while most programs permit students to take courses in other departments, only those courses which were offered in the department issuing the degree and whose course titles and/or descriptions would clearly be seen and considered by MPA students, and those courses which were offered by other departments and explicitly listed as courses available to MPA students, were considered. In other words, the attempt was to consider only those courses MPA students would consider in the absence of special counseling or interests.

The results of the survey are presented in Table 1. Absolutely no schools required a course which explicitly covered marketing (with the possible exception of Cornell), and the number of marketing-type elective courses was pathetically small.

DISCUSSION

There are a number of possible reasons for the scarcity of marketing courses for MPA students. Among the most likely are the following: 1) Marketing may be covered within the context of other courses, 2) the paucity of material available may not warrant the organization of a full course, 3) there may not be enough qualified instructors available, or 4) marketing may not be perceived to be of sufficient importance to public sector managers by MPA program decision-makers. While these are not necessarily independent, each will be discussed separately.

TABLE 1  
Marketing and Marketing-Type Courses  
Offered MPA Students at Various Schools

School Rank	School	Required Marketing Courses	Title of Elective Marketing Courses
1	Syracuse	0	None
2	Harvard	0	None
3	U. of Southern California	N/A <sup>a</sup>	Public Relations Marketing in Health
6	Texas, Austin	0	None
7	Princeton	0	None
8	Pittsburgh	0	Information Policies
9	Michigan, Ann Arbor	0	None
10	Georgia University	0	None
11	Carnegie-Mellon	0	Demand Analysis
12	Minnesota	0	None
13	Ohio State	0	None
14	American	0	None
15	North Carolina, Chapel Hill	0	None
16	Florida State	0	None
17	Kansas	0	None
18	George Washington	0	None
20	SUNY-Albany	0	None
21	Columbia	0	None
27	Cornell	1 <sup>b</sup>	None
28.5	Cal. State - Long Beach	0	Seminar in Transportation
28.5	U. of Washington	0	None
30.5	U. of Cal. - Irvine	0	Public Sector Marketing Marketing Research
30.5	N. Illinois University	0	None
32	California State, Hayward	0	None
33	U. Maryland, College Park	0	Seminar in Public Opinion
34	Penn State	0	None
35	Arizona State University	0	Survey Research in the Public Sector
38	The New School	0	Advanced Seminar in Managing Nonprofit Organizations
39	U. of Oklahoma	0	None

<sup>a</sup>Not Available

<sup>b</sup>On page 6 of Cornell's 1982-83 Graduate School of Business and Public Administration bulletin marketing is listed as a required course for MPA students. However, on page 30 it is not listed as a requirement for students other than MBA students.

With respect to the first potential reason, it is possible that marketing, as marketing, is covered at least in an introductory fashion in other courses. It is questionable, however, whether the discussions are any greater than management concept discussions are, say, in finance, accounting, and economic courses in MBA programs. While this is a question which must be resolved by a more empirical analysis, an examination of the few MPA programs that share a common core with the MBA programs indicate that this is probably the case. For example, at the University of California at Irvine MPA and MBA students take 10 common courses. The core courses cover management, organizational analysis, economics and quantitative analysis, while marketing, as marketing, appears as a separate required course for MBA students. There is no MPA counterpart.

With respect to the potential problem of insufficient material to warrant the development of a full course, there is clearly much less public sector marketing material than private sector or even nonbusiness marketing material. There are, as yet, no marketing texts which focus on the public sector, with the possible exception of one (see Mokwa and Permut 1981). Such a limitation certainly would make the development of a public sector marketing course more difficult, but it is hard to believe that the material available is not sufficient for at least shorter courses. Business schools are adding nonprofit marketing courses to their curriculum, and it would seem that such courses could be easily modified for public sector marketing. Perhaps the '3 credit' mode of course offerings, as well as the lack of an accepted text, is acting as a barrier to entry for public sector marketing courses.

The third potential problem, the lack of qualified instructors, may be a real problem for some schools, including those schools which have administrative hurdles with respect to sharing faculty among admini- 59

strative units. However, as pointed out in the previous paragraph, a number of business schools have generated nonprofit marketing courses, and so it would seem that by itself this potentiality cannot account for the dearth of marketing courses in MPA programs.

The fourth potential reason, that MPA program faculty may not perceive marketing as important enough to public sector management to warrant formal coursework, is more serious than the others to the extent it holds. Marketing courses, particularly required marketing courses, will not become part of the curriculum until MPA program decision-makers are convinced that marketing is something worth teaching to future public sector managers.

MPA programs evolved out of political science departments. Indeed, in 1974 approximately 36% of the MPA programs were offered through political science departments, compared to less than 17% which were associated with generic administrative schools or business departments (Mackelprang and Fritschler 1975, p. 184). This, combined with the fact that marketers began to consider the public sector only approximately 15 years ago, makes it likely that faculty of MPA programs have had limited exposure to marketing. It is further likely that their exposure has been mostly limited to publications and presentations by marketing academicians targeted towards public sector academicians. If little has been done in this regard then very few MPA faculty may have a clear understanding about the nature, scope, and potential of marketing. In examining the extent of nonbusiness marketing publications, Lovelock and Weinberg examined material that was either targeted towards marketing academicians (e.g., AMA and AIDS Conference Proceedings), or towards practitioners. It is unlikely that either type of publication, or nonbusiness marketing books for that matter, would get attention from people who are not familiar with marketing.

In order to gauge the amount of exposure public affairs/public administration academicians are getting with respect to marketing an attempt was made to locate marketing articles in academic public affairs/public administration journals. Morgan, et al. listed 10 journals which they used to measure the productivity of faculty associated with graduate programs in public affairs/public administration (p. 668, 1981). Five of these are indexed in the Public Affairs Information Service (P.A.I.S.) bulletins. Hence, P.A.I.S. bulletins covering the period from October 1972 through June 1983 (volumes 59-69) were examined for relevant listings under the following categories:

Advertising	Public Administration
Marketing Research	Public Opinion
Market Share	Public Policy
Marketing	Public Relations
Policy Sciences	

The results of the search were as follows: There were absolutely no marketing-type articles in any of the journals which were listed in Morgan, et al. and indexed in P.A.I.S. In fact, only one article was found which was concerned with marketing and which was not in a business oriented journal (see Kotler and Kotler 1981). Further, while P.A.I.S. indexed the Journal of Marketing in 1973 (volume 59), it discontinued doing so after that date (however, it does index the Journal of Retailing, the Journal of Advertising, and the Journal of Consumer Affairs, among others). Hence, almost coinciding with the acceptance of the broadened concept of marketing the primary literature indexing service for public administration and public affairs stopped indexing the premier marketing journal.

Thus, it appears that marketing academicians have been largely discussing public sector marketing with others interested in marketing, and not with MPA faculty.

#### THE MARKETING OF MARKETING TO PUBLIC SECTOR GRADUATE PROGRAMS

If public sector marketing is going to be accepted as a legitimate, worthwhile area of study for future public sector managers then marketing academicians should begin to seriously and systematically consider the marketing of marketing. We either do not have a product which as of yet adequately meets the needs of MPA programs, or we have a promotional problem, or both. While the charting of a marketing strategy deserves considerable thought, some preliminary suggestions are offered below.

To begin with, professional marketing organizations can take an active role by forming ad hoc committees or task forces to 1) more closely examine the state of marketing in MPA programs, 2) look for and organize around opportunities for marketing the discipline to public sector educational programs, and 3) develop appropriate strategies and tactics. Perhaps some joint working sessions or 'educational workshops' done in conjunction with NASPAA might be worth sponsoring. Such meetings would facilitate needed learning on the part of public administration educators and marketing educators. Another possibility would be the development of special workshops targeted towards MPA educators.

Other things professional marketing organizations might consider include 1) the granting of special cost-free memberships to influential individuals, 2) the granting of free subscriptions to the organization's journal(s) for a limited time for influential members, 3) inviting public administration educators to professional marketing association meetings, and 4) the sponsorship of some marketing educators in professional public administration organizations.

Individuals can do a number of obvious things to promote marketing. They can, of course, join different professional public administration organizations and attend meetings, make presentations, and possibly get administratively involved. Second, they can invite public administration faculty to seminars and class sessions which deal with public sector marketing, and reciprocate by offering to attend relevant class sessions in the MPA program. Third, conceptual articles concerning marketing and public sector management can be written and targeted towards journals which are actively subscribed to by public sector educators. Finally, basic and applied research undertaken within a public sector framework can help bridge the two areas.

#### CONCLUSIONS

None of the MPA programs examined in this study require marketing as a course of study, and surprisingly few have marketing-type elective courses. This could be due to a number of reasons, including a lack of material, a lack of qualified instructors, or a widely held belief among MPA faculty that separate marketing courses are not necessary because a) marketing is already adequately covered in existing courses or b) marketing is not important enough to warrant the addition of courses. To the extent that the last reason is a reflection of the views of MPA faculty, and to the extent that this is due to ignorance with respect to the scope, nature and methods of marketing, then positive steps will need to be taken if marketing courses are

to be integrated into MPA programs.

Since public sector marketing is fairly new, and since MPA programs grew out of political science, it is likely that unless marketing academicians have made an effort at educating MPA faculty they may not be familiar with marketing. Given that no marketing articles were found in academic public sector journals when P.A.I.S. bulletins representing over a decade of publications were examined, it appears that this is the case.

Until and unless MPA program decision-makers are convinced that marketing is relevant to the public sector, marketing will not be a part of MPA programs. Further, until the appearance of public sector marketing texts or until sufficient marketing materials concerning the public sector are collected, such courses will be fewer than otherwise would be the case.

Some progress has certainly been made in nonbusiness marketing since Lovelock and Weinberg's paper (1978). In particular Praeger Publishers now has a series of four books in public and nonprofit sector marketing, and Kotler's nonprofit marketing text is now in its second edition (1982). However, it seems clear that much more could be done. Both professional groups and individuals can and should participate in the marketing of marketing. Professional associations can be used to devise and implement strategies, and individuals can join public sector associations and generate publications for academic public sector journals.

Public sector education can become a significant factor in marketing beyond 1984 if marketing academicians actively pursue this possibility. To the extent that the study of marketing can make public sector managers more effective and efficient marketing academicians have a responsibility to attempt to educate the relevant decision-makers. Further, the discipline of marketing will undoubtedly benefit through the interaction of marketing scholars with public administration scholars. The time has come to extend discussions of public sector marketing to include public sector educators.

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EXPERT SYSTEMS: A CHALLENGE TO MARKETING EDUCATORS  
Robert E. Good, Portland State University

ABSTRACT

The coming of computerized expert systems means that much of the knowledge which once "belonged" to the marketing professor can be encoded in hundreds of if-then rules. Expert systems pose a significant challenge for how we might teach our classes in the short run and how the role of the professor may change in the long run.

INTRODUCTION

As a society, we are just beginning to sense that the microcomputer will likely affect us as much as the introduction of the automobile has over the last half century. The microcomputer will affect higher education very deeply, but not in the ways most people anticipate. The use of the computer to drill on skills or practice tests, for example, will grow but the effects will not be very significant. The more significant impacts will ultimately be in the ways students, faculty, administration, and library communicate with each other and, more importantly, how we as educators structure, access, package, and deliver expertise in our respective fields.

What Is an Expert System?

The Fifth Generation, by Edward A. Feigenbaum and Pamela McCorduck (Addison-Wesley 1983), tells how the Japanese are attempting to become the future knowledge brokers of the world with a new generation of computer technology and a branch of artificial intelligence known as expert systems. An expert system is essentially a set of computerized if-then rules which capture expertise or experience in an applicable form.

An example of an expert system was described in Info-world (October 1983, Vol. 5, No. 40, pp. 18-99). General Electric had a master mechanic for diesel electric locomotives. With his retirement, the company would lose 40 years of experience. A computer system was developed that captured a good deal of his expertise and made it available via an interactive computer program to other, less experienced mechanics.

The system starts off with a menu of possible symptoms. It then systematically and efficiently proceeds to pinpoint the diagnosis with a series of followup questions like: "Is the fuel filter clean?," or "Are you able to set fuel pressure to 40 pounds per square inch?". Where appropriate, drawings can be called up on the screen. Eventually, they will add "movies" of actual component replacement steps which will be called up by the computer system from an attached videodisc player. Expert systems have also been developed in areas of medical diagnosis and the prescription of antibiotics.

Types of Expert Systems in Marketing

We have bits and pieces of expert systems in the field of marketing. Many of these can and do run on microcomputers, so they are definitely feasible. We don't 62

have to wait for the Japanese fifth generation of new hardware and software. Three types of expert systems in marketing can be identified: 1) information retrieval systems, 2) analytical and simulation models, and 3) heuristic if-then action recommending rules.

Examples of the first type, information retrieval systems, include electronic bibliographic search systems, and more specialized data bases like census information. The average marketing professor probably "knows" a number of good references in a particular specialty area and may be familiar with some recent census information and demographic trends, but the electronic data bases "know" more.

A second type of expert system is a computerized analytical or simulation model. Models, of course, often embody a great deal of expertise. Variables of importance are identified, and the relationships between them (often based on marketing research) are explicitly specified. They embody concepts in operational form. Models may sometimes be incomplete or not very good (just like human experts).

Computer models have been developed in every area of the marketing mix from pricing to sales force management. They are not popular with some marketing faculty because the expertise on which they are based is usually both complex and poorly explained, because some computer skills are needed to operate them, and because they have not been designed with the "mass market" in mind (i.e., they are usually not very user-friendly). As a result, most faculty find it difficult to teach either the operation or the logic (i.e., expertise) of these models.

Easy-to-use models can be developed, however. The real significance of lowcost computers is that it allows us to package knowledge in new and more useful ways, often as various kinds of models. For example, the expertise needed to compute a required sample size for a survey can be packaged in a textbook or in a computer program which asks the user a series of questions (like desired confidence level) and then computes the required sample size. The program represents a more useful form of knowledge (more operational, less ambiguous, less prone to errors, usable by persons with less training, etc.).

A third type of marketing expert system is an electronic advisor in the form of an if-then decision rule recommendation generator or question answerer. These kinds of systems normally have some kind of dialogue going on between the user and the computer that leads to a computer-generated answer or recommendation. For example, in the sample size model mentioned earlier part of the man-machine dialogue is as follows:

COMPUTER: "Can you estimate the standard deviation?" (Yes/No)

USER: "No."

COMPUTER: "In that case, we'll have to use the formula for proportions with p set at .5".

## The Challenge of Expert Systems

The challenge of expert systems to the individual marketing professor might be worded as follows:

IF YOU HAVE NOT ORGANIZED YOUR CLASS MATERIAL IN SUCH A WAY THAT IT COULD BE IMPLEMENTED AS A COMPUTERIZED EXPERT SYSTEM(S), PERHAPS YOU DON'T REALLY QUALIFY AS AN EXPERT IN YOUR ROLE AS A TEACHER.

This challenge may be threatening more because most of us probably don't meet it very well, than because we don't believe it. It's going to be more convenient to attack the yardstick than to try to measure up.

There's a "Catch-22" to the above proposition which may be stated as follows:

IF YOU HAVE ORGANIZED YOUR CLASS MATERIAL IN SUCH A WAY THAT IT COULD BE IMPLEMENTED AS A COMPUTERIZED EXPERT SYSTEM(S), THEN YOU CAN BE REPLACED (AT LEAST TO A CONSIDERABLE DEGREE) BY A COMPUTERIZED EXPERT SYSTEM, AND SOONER OR LATER PROBABLY WILL BE.

Maybe "marketing myopia" is alive and well in the university and maybe we fail to see that a particular product (like a teacher) is only a temporary solution to a more fundamental need (learning). If we are courageous, perhaps it's time to think about new careers as knowledge engineers for expert systems, just as buggy whip makers had to think about new careers.

Whether the coming of expert systems is good depends on whether or not you want the public higher education system to become more efficient and to be able to teach more students more effectively with fewer, but higher-paid, faculty.

It also depends on whether you can see yourself spending more time building computerized decision tools and systems that teach students and less of your time teaching students directly. If this discussion seems improbable, perhaps we should recall that a few short years ago, electronic tellers, industrial robots, and chess-playing microcomputers also seemed improbable. It may be that the next generation of "principles of marketing" textbooks will incorporate more of the "if-then" form of the computerized expert systems.

### Expert Systems and the Way You Teach Next Term

It is not clear what our response to expert systems ought to be, but it seems pretty obvious that an electronic expert is a potential competitor to a human expert. An expert system is also a potential partner with a human expert. In the short run, our response might be to allow the existence of expert systems to add something of their logical rigor to our organization and presentation of knowledge in the classroom. In the long run, many of us may want to participate in the building of expert systems in the field of marketing.

Most of us do not have backgrounds in computer science or knowledge engineering, but we can begin to respond to the challenge of expert systems immediately in the way we teach our classes. Each of the types of expert systems in marketing (retrieval, modeling, if-then decision rules) carries with it a potential response 63

as a teacher. Some possible actions in each category are as follows:

### Retrieval Systems

1. Identify the kinds of information (relevant to the class) that exist.
2. Identify any computerized data bases of such information that exist.
3. Teach efficient strategies and methods for finding and retrieving data from manual and electronic systems.
4. Develop your own specialized data bases that students can access (example: your own selected and annotated bibliography on a micro or mainframe that students can access).

### Models

1. Have, as a departmental goal, the development of an in-house inventory of models and sufficient supporting documentation to make it possible for any instructor to both run the model and to explain the logic of the model (the concepts and principles as well as computations that it employs).

### Decision Rules for Applying Knowledge

1. For every concept taught, begin to develop if-then rules for the circumstances under which the concept is highly, moderately, or not relevant.
2. For every concept taught, begin to develop if-then rules for its application to problems or decisions.

Such decision rule development is consistent with the "situational theories" that have been developed in business.

### Some Modest Examples

Next term, in a graduate forecasting and modeling class, students will develop a computerized annotated bibliography on forecasting and modeling as one course assignment. A commercial data base package may be used or, if there is interest, a student term project may be to write a program to do the job. We'll use the IBM PC's which are part of our Microcomputing Center in the School of Business. The data will be kept on floppy diskettes.

I have developed a computerized pricing case and model that runs on the IBM-PC which ties together computing channel markups, a derived demand curve, and production cost-volume relationships. It is user-friendly, and the case is presented on-screen. This will be made available to instructors teaching principles of marketing. It will be "stocked" in floppy diskette form both in the department (with instructor notes) and in the Microcomputing Center for use by students. An advertising simulation model has also been developed. It is used by students as an aid to a case problem which requires recommending an advertising budget.

The efforts of the graduate modeling course will be directed toward developing additional cases and accom-

panying models and analytical tools on microcomputers that will provide some of the material for a new case course under development: "Computer-Based Marketing Management."

The last area of effort is to try to develop improved application guidelines for the theories, concepts, and research findings that we discuss in the classroom. This means trying to answer the "so what" question with respect to any material covered. The consumer behavior area is in need of organized sets of if-then rules to help make sense of the vast array of concepts, theories, and studies. For example, Bourne did a classic study on reference groups, the conclusions of which could be stated as the following if-then rules:

IF YOU ARE MAKING DECISIONS ON ADVERTISING CONTENT, THEN REFERENCE GROUPS MAY BE RELEVANT TO THE TYPE OF CONTENT CHOSEN.

IF YOUR PRODUCT IS NOT HIGHLY VISIBLE, THEN REFERENCE GROUPS PROBABLY DO NOT PLAY A VERY IMPORTANT ROLE IN THE PURCHASE DECISION.

IF YOUR PRODUCT IS HIGHLY VISIBLE, THEN REFERENCE GROUPS PROBABLY PLAY AN IMPORTANT ROLE IN THE PURCHASE DECISION.

IF REFERENCE GROUPS PLAY AN IMPORTANT ROLE IN THE PURCHASE DECISION, THEN ADVERTISING SHOULD EMPHASIZE THE SOCIAL SETTING OF THE PRODUCT.

IF REFERENCE GROUPS DO NOT PLAY AN IMPORTANT ROLE IN THE PURCHASE DECISION, THEN ADVERTISING SHOULD STRESS THE FUNCTIONAL FEATURES OF THE PRODUCT.

As marketing experts and teachers, we can develop our abilities to organize our knowledge in this actionable form. Development of fragments of expert systems can provide challenging graduate term projects and can actually be implemented on microcomputers by those with programming skills.

#### Social Problems of Expert Systems

In the past, it has been primarily blue-collar workers that have been the targets of automation. From now on, professionals and white-collar workers will no longer be exempt. While the social problems of dislocation may become severe, the productivity gains can be very good for society as a whole. More work will be accomplished with fewer people. As we improve our ability to produce goods and services, the debate on how to allocate wealth among the population will become more intense.

Legal liability of expert systems will probably surface rapidly, perhaps for the first time when an electronic "bum steer" is acted upon with dire consequences to the client.

The dignity and worth of a human being will be called into question by expert systems. When the capability of an expert system greatly exceeds that of any single human being, how will we feel? I can report from first-hand experience that it is not very good for one's ego to be beaten decisively by a microcomputer chess program, and that was just a game!

#### CONCLUSION

While computers can function as tireless accounting machines or calculators, they can also function in a very different way as knowledge processors. Many people do not fully realize the extent to which computer systems can organize and manipulate the kinds of concepts, facts, and expertise which now "belongs" to the marketing professor! I hope the challenge of expert systems makes us all better teachers in the short run, and better knowledge engineers in the long run.

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MARKETING AND THE IMAGES OF 1984: REFLECTIONS ON  
THE NEGLECT OF VALUE ISSUES IN MARKETING EDUCATION

Thaddeus H. Spratlen, University of Washington, Seattle

The novel, 1984, by George Orwell (1949) is used as the focal point for discussing the neglect of value issues and relationships in marketing education. Emphasis is placed on the adverse effects of neglect on the content and practice of marketing. Based on the limitations discussed it is concluded that the process of resolving value dilemmas should be given more attention in rethinking marketing education beyond 1984.

The year 1984 is an especially appropriate time to reflect on the images of the novel, 1984. But timeliness is not just the coincidence of calendar and title. The dramatic impact of the symbols and messages of 1984 are likely to receive more attention in the middle years of the 1980's than at any time since the chilling controversy surrounding its first reading in the 1950's. Thus, we have an opportune time to reflect on the meaning of 1984 for our times and for our discipline.

With respect to value issues in 1984, personal and social values are not just neglected, they are virtually nonexistent. One exception is the ruling oligarchy's ultimately perverse purpose of having power for the sake of power. There is, in the novel, no redeeming moral justification or human basis for social behavior and action. In that fictional world, such a condition accomplishes its scary and dramatic aims of showing life in its most inhumane forms. People are reduced to being less than pawns to be manipulated and coerced into thinking and acting like robots in human form.

In the real world of marketing and the domain of marketing education, value issues are, of course, not abandoned. But they are seriously neglected. Their neglect diminishes the moral consciousness and social concern regarding the consequences of marketing preferences, priorities and decisions. Social relationships are negatively affected because of the neglect of value issues. This necessarily includes the very market exchange relationships that marketing education is supposed to be all about. Because real people are involved in the outcomes of market transactions, the harm of neglecting value issues is real and often substantial. By exploring some of the images of the novel and comparing them with their actual or symbolic extensions in the real world of marketing, it should be possible to provide a perspective on the place of value issues and relationships in marketing education and practice.

IMAGES AND CHALLENGES OF 1984

"Negative utopia" is used to characterize the world of 1984. It offers some provocative images and important challenges regarding marketing and society relationships. Some comparative perspectives on the images are outlined in Exhibit 1. The point to be made in the comparisons is that in marketing practice, if not in what is taught, methods, messages and influences in the marketplace do parallel the images presented in 1984. The most vivid illustrations are likely to be associated with the criticisms of advertising and promotional aspects of marketing in the form of sexual imagery and subliminal seduction (Key 1973, 1976); Labeling clutter, and distorted product claims (Schrank 1977).

Exhibit 1  
Perspectives of 1984 and Contrasts  
in the U.S. Marketing System

<u>Elements/ Characteristics</u>	<u>Perspectives and Contrasts</u>
VALUES	<u>1984</u> Autocratic, oligarchic, sadistic
	Marketing System Democratic, pluralistic, hedonistic
DOMINANT PROCESS	<u>1984</u> Power for the sake of power
	USMS Consumption for the sake of satisfaction
NATURE OF THE SYSTEM	<u>1984</u> Centralized, bureaucratic, despotic, virtually closed
	USMS Decentralized, diverse, dynamic, relatively open
MECHANISMS OF CONTROL	<u>1984</u> Coercion through pain, terror and intimidation; exploitation of people's interest in avoiding pain; in surviving
	USMS Seduction through pleasure and the promise of satisfaction; exploitation of people's desires and interest in experiencing variety, ego-satisfaction, etc.
ILLUSTRATIVE USES OF TECHNOLOGY	<u>1984</u> Telescreen, speakwrite, and pneumatic tubes for message transfer
	USMS Television monitors; personal computers with voice synthesizers; portable videotex systems; home and telephone robots
ILLUSTRATIVE USES OF COMMUNICATIONS	<u>1984</u> Government propaganda, including explicit contradictions and absurd beliefs; denial of objective reality
	USMS Commercial propaganda (advertising) puffery and pressure selling; distortion of objective reality through imagery, weasel words
SOCIAL RELATIONSHIPS	<u>1984</u> Dehumanized existence; virtual absence of privacy, trust, friendships and love
	USMS Intrusions on privacy through TV monitoring; conformity in responses to mass merchandising

Fundamentally, the context and intended effects of the images of 1984 and the marketing system are diametrically opposed. For example, desire is celebrated in our marketing system. It is officially banished in 1984. Desire (not lust) is thoughtcrime, 65 to use Newspeak--the language of 1984. There, sex is

nothing but a physical act. By contrast, much of advertising as a part of marketing, uses sex extensively as part of messages and visual presentations to make products more attractive and marketable.

There are also several product comparisons that can be made:

In 1984	In Contemporary Marketing
"rubbish newspapers containing sport, crime, and astrology"	"sensational checkout stand papers and magazines"
"sensational five-cent novelettes"	"generic romance novels"
"films oozing with sex-- <u>Pornosec</u> " (in <u>Newspeak</u> )"	"X Rated films and adult video"
"sentimental songs composed by computer"	"computerized music"

Lest it be inferred that only frivolous examples exist, there are also issues related to product hazards, environmental pollution and other damaging results from market action guided on short-run, micro-oriented policies that neglect social costs and societal consequences of marketing. Such topics are given serious attention in the literature of macro- and ecological marketing as well as consumerism.

Consider, for example, that about 28,000 Americans are killed each year in consumer-product related accidents. Another three million are injured. About 125,000 children are injured each year in accidents associated with toys. (USA Today, 11/21/83, p. 11A; Nielsen 1979, p. 128). Even at minimal figures for the economic and social losses involved, the amounts are substantial.

Damage from various forms of pollution are also well known and need not be described here. Also relevant are contemporary uses and abuses of information technology; the power to influence and manipulate aspects of behavior through propaganda; and other uses of marketing technology which have undesirable effects on consumers and society as a whole. To neglect the value issues and dilemmas posed by such results of applications of marketing technology clearly reflects a diminished moral consciousness and disregard for externalities involved in marketing and consumption-related activities. Unfortunately, very little is offered in the way of marketing education to confront value issues and dilemmas which often are inherent in marketing decisions. Little opportunity is provided even for the few students who might elect to take advantage of such study.

#### IDENTIFYING VALUE ORIENTATIONS IN MARKETING

The extent of neglect of value orientations in marketing education is further reflected in the fact that there is no generally accepted framework for even classifying value issues and relationships. Except for social responsibility questions, value issues seem to be avoided, even in many discussions of the future directions for marketing (Fisk, Arndt and Grønhaug 1978; Greyser 1980; Lindgren, Berry and Kehoe 1982; and Wilson and Darley 1982).

A framework for identifying the broad outlines of value orientations is summarized in Exhibit 2.

It should be recognized that value orientations are likely to be implicitly expressed in the borrowing that is done from the various disciplines that provide the main conceptual foundations of marketing. Given the applied nature of the subject, there is a strong pragmatic flavor to most of the content of marketing.

Exhibit 2  
Outline of Dominant Value Orientations in Marketing

	Explicit Value Content	Methods and Themes of Analysis	Theoretical Orientation	Topics and Areas of Specialization
POSITIVISTS & PRAGMATISTS	Low; explicitly value-free	Information technology for management and competitive efficiency; dominance of short-run financial results	Micro-analytic, descriptive and normative decision rules	Resource allocation and management strategy; most educators in the managerial and modeling tradition
BEHAVIORALISTS & FUNCTIONALISTS	General acceptance of the value-free tradition	Behavioral and management science technology for guiding competitive behavior	Micro-analytic, descriptive, heuristic and varied decision rules	Consumer behavior, marketing mix policies and decisions; academic mainstream of marketing
INSTITUTIONALISTS & ENVIRONMENTALISTS	Highly varied with strong public policy or prescriptive bias	Adaptation of methods from the policy sciences; search for regulatory and control mechanisms	Combines micro- and macro-analytic approaches; prescriptive decision rules	Marketing channels, public policy; industry policy applications of marketing
HUMANISTS & MORALISTS	High; explicitly value-focused; strong influence of situation ethics	Ethics, social responsibility, equity, social efficiency and environmental impact	Macro-analytic, descriptive/prescriptive decision rules	Marketing and society relationships; ecological marketing; social marketing

A prevailing view is that much like economics (the original science of markets), marketing is also largely value free. But virtually all of the frameworks except the one embraced by humanists and moralists lean towards an avoidance of value issues and relationships as integral parts of marketing analysis. Thus, direct consideration of value issues and relationships is left largely to priests, philosophers and professors outside the managerial and behavioral mainstream of marketing.

#### FURTHER REFLECTIONS ON THE NEGLECT OF VALUE ISSUES IN MARKETING

In examining the content and purposes of marketing there are several logical and practical limitations that result from the neglect of value issues and relationships. The following are illustrative.

1. There are fallacies in the notion of value-free marketing.
2. Social concerns are neglected in the microanalytic bias of marketing.

3. Preoccupation with techniques and measurement overshadows concern for value issues and relationships.
4. Irresponsibility in the use of marketing technology or other sources of power is less likely to be admonished or even confronted on a systematic basis.
5. Externalities are generally excluded from consideration in marketing decisions and activities.
6. Neglect of value issues detracts from efforts to professionalize marketing.

Each statement is discussed briefly.

The proposition that it is fallacious to regard marketing as a value-free discipline stems from its basic operational purpose--preference implementation in the market system. That is, tastes, preferences, perceptions, feelings and the innermost workings of the mind are the targets of marketing knowledge and technology. The fact that people may be cajoled, badgered and induced through fear and anxiety (as well as through less controversial means) to consume in certain ways unavoidably places marketing in a value-focused posture as a psychosocial process. Persuasion and commercial propaganda often outweigh information as factual presentations of what is offered in the marketplace. Even choice and satisfaction are likely to be narrowly conceived as short-term pleasure rather than as long-term well-being. Hence, for reasons of intellect and in the consumer interest, value issues deserve to be an integral part of marketing education.

The microanalytic bias of marketing stems in large part from its evolution as the ideas, tools and techniques for managing aspects of supply and demand. Yet the social context and consequences of their application are often disregarded. Because the micro aspects are more easily measured and managed, they are given a higher order of importance. But in the absence of a fully recognized macro dimension, we have an incomplete account of the effects of marketing activities beyond the level of the individual consumer or the firm and the market(s) that it serves. Marketing education generally has not kept up with the emergence of value dilemmas associated with materials recycling, conservation and the rate of usage of exhaustible resources.

As implied in the preceding statement there is a decided imbalance in the attention given to micro and macro aspects of the discipline. Such imbalance carries with it risks, costs and other consequences associated with sustaining direction and outcomes that are not guided by evaluations and knowledge of how well marketing education is serving long-term societal well-being.

Judgments as to what are responsible and irresponsible uses of marketing power require some set of social values. To the extent that resolving value dilemmas is considered to be unimportant or is neglected for other reasons, the basis on which responsibilities are assessed and whether they are met are likely to remain neglected as well. Through default and neglect, irresponsibility in the uses of market power becomes mainly the concern of those outside of marketing (e.g., regulators, critics, etc.). In such a situation marketing as a discipline is being defined as lacking a sound and systematic basis of determining and following its own desired level of social concern and responsibility.

Another major limitation of the several propositions noted on the neglect of value issues is expressed in the notion that externalities (all social

costs and second-order effects from marketplace decisions and activities) can be properly excluded from any really influential place in marketing analysis and education. Such concerns properly fall within macro-marketing. But this aspect of the discipline is still in its formative stages. Their exclusion leaves out a host of issues regarding ecological influences, health outcomes as well as long-term societal impacts of marketing. As a result marketing analysis and education are left without well-developed foundations and frameworks for the long-term guidance of the marketing system (or even sustainable and long-term system maintenance)! Thus, when either miracles or monsters are introduced into the marketplace, marketing education currently has little to offer regarding efforts and means to minimize their unintended consequences. Through neglect, then, marketing education is perpetuating the exposure of the economy and society to sometimes costly and possibly avoidable risks and hazards. This is not a condition that an aspiring applied social science discipline can proudly uphold.

Since all professions and professional disciplines give some formal attention and academic importance to value issues (as in ethics of practice, legal obligations to clients, etc.), their neglect in marketing education detracts from efforts to professionalize marketing. While codes of practice in marketing research and advertising are sometimes mentioned in teaching marketing as a discipline, omission or inattention are far more common responses. Thus, to elevate value issues and relationships to a place of greater importance could be part of a move to really elevate the discipline as part of professional management studies. Unless and until this occurs, with greater force and frequency, marketing educators (as mentors and masters of the discipline) can be cast in the roles of advocates and apologists for much that is undesirable and unprofessional in marketing.

#### CLARIFYING AND RESOLVING VALUE ISSUES

In developing an approach to clarifying and resolving value issues, the process that is used for the tasks should be the focal point of analysis. As marketing educators our role is to assist students in acquiring the skills to undertake and apply such a process. A framework for approaching the task is presented in Exhibit 3. The basic elements of the framework are based primarily on the work of Tymchuk (1982).

#### Exhibit 3 Decision Criteria and a Process for Clarifying/Resolving Value Issues

##### Decision Criteria

- . COSTS and BENEFITS
- . RISKS and GAINS
- . TIME/EFFORT and RESULTS
- . DIRECT/INDIRECT EFFECTS
- . INTENDED/UNINTENDED CONSEQUENCES
- . SHORT-TERM/LONG-TERM EFFECTS
- . OTHER WHAT-IF CONSIDERATIONS

##### Steps in the Process

1. Identify important parameters of the situation.
2. Determine the most influential issues involved.
3. Describe the major constraints and the manner in which they will affect likely outcomes.
4. Specify ideal or optimum outcomes (and accompanying decision rules).
5. Describe feasible alternatives or options.
6. Weight the probability of outcomes (consider uncertainty, unknowns).
7. Enumerate the consequences of outcomes.
8. Provide some manner of review and follow-up.

## THE PRODUCT LIABILITY OF WHOLESALERS

Fred W. Morgan, Wayne State University, Detroit  
William H. Volz, Wayne State University, Detroit

### ABSTRACT

Wholesalers, even though they do not come in contact with final consumers, may still be held liable if a consumer is injured by a faulty product. In this paper the wholesaler's role in product liability litigation is discussed, and advice is offered regarding how wholesalers can reduce their vulnerability.

### INTRODUCTION

Wholesalers are generally described as those channel intermediaries whose activities link manufacturers with other resellers of products. Operating in such a position within the channel, the wholesaler does not deal directly with the final consumers or users of products. Instead, the wholesaler merely passes the product along, perhaps never removing it from its shipping carton. In some instances the wholesaler may arrange the transfer of the product from manufacturers to retailers without ever taking possession of the product.

Such a channel intermediary would seem to be quite insulated from liability for injuries suffered by users of faulty products or items unaccompanied by adequate warnings or instructions. Unfortunately for the wholesaler, it may well be found liable along with others in the distribution chain in the preceding situations in product liability suits. The primary reason for such liability is the widespread acceptance of the doctrine of strict liability in tort, though other legal theories have also been used to hold wholesalers liable.

The purpose of this paper is first to discuss the legal theories which have been applied to wholesalers in product liability litigation. Then the types of plaintiffs who might sue the wholesaler are briefly described. Last, suggestions are offered to wholesalers regarding how they might minimize their product liability exposure.

### THEORIES OF PRODUCT LIABILITY AFFECTING WHOLESALERS

Wholesalers can be liable for product related injuries under several legal theories. The most frequently used theories, strict liability and negligence, are based on the law of torts. Plaintiffs have also recovered under express and implied warranties found in the law of contracts.

#### Strict Liability

The widespread adoption of strict liability against product sellers within the past 20 years has dramatically changed the liability exposure of wholesalers. Strict liability for product-related injuries assumes that the manufacturer, the wholesaler, and the retailer are in better positions to bear the risk and cost of the injury than is the injured party. This reasoning was articulated in the landmark strict liability case, Greenman v. Yuba (1963).

Courts emphasize that strict liability focuses on compensating those injured and not on punishing those in the distribution channel (Prosser 1966). So strict

liability does not imply that the seller was careless or "at fault." Instead, strict liability is a statement about the product itself. Something about the product was technically defective (Weinstein, Twerski, Pihler, and Donaher 1978, p. 5).

The most commonly adopted source for the law of strict liability is the Restatement (Second) of Torts (1965, §402A):

(1) One who sells any product in a defective condition unreasonably dangerous to the user or consumer or to his property is subject to liability for physical harm thereby caused to the ultimate user or consumer, or to his property, if

- (a) the seller is engaged in the business of selling such a product, and
- (b) it is expected to and does reach the user or consumer without substantial change in the condition in which it is sold.

(2) The rule stated in Subsection (1) applies although

- (a) the seller has exercised all possible care in the preparation and sale of his product, and
- (b) the user and consumer has not bought the product from or entered into any contractual relation with the seller.

This section sets out three central requirements for liability:

1. The product is in a defective condition;
2. The product is unreasonably dangerous; and
3. The defect existed at the time the product left the defendant's hands (Traynor 1965).

Generally, a product which has in fact caused an injury is deemed to satisfy the "unreasonably dangerous" requirement of §402A (Glass v. Ford 1973). Several courts have explicitly rejected the unreasonably dangerous requirement as unnecessary and unwise and call only for proof of a "defect" (Cronin v. J.B.E. Olson 1972; Rheingold 1971).

The purpose of the third requirement, that the defect existed at the time the product left the hands of the party being sued, is to prevent liability from being imposed upon those at the start of the distribution channel where the defect was introduced by someone, including the plaintiff, later in the channel. This requirement would not, however, shield a wholesaler if someone later in the channel, such as a retailer, merely fails to detect and correct the originally existing defect (Dunham v. Vaughn & Bushnell 1969). Nor would this "existing defect" requirement protect a wholesaler where the product is perfect when made, but is known to become defective later, as when a product decomposes or cannot withstand repeated stresses (Dunn v. Ralston Purina 1954; Rheingold 1974).

Courts have not settled upon a standard definition of defect, but two general types of defective products have been recognized (Weinstein et al. 1978, p. 28-32):

1. Products defectively produced--those products which do not meet the manufacturer's own production standards

but which somehow slip through the quality control system.

2. Products defectively designed, labeled, or tested--those products which are made according to plan but which have a potential for harm inherent in the way they are made.

There are very few decided cases dealing with products that are defectively produced. Liability is so clear when, for example, there is glass in the hot dog or crystalized metal in the tie rod, that the insurers of the sellers consistently settle these cases before trial.

The real battle is being fought where a product is said to be defectively designed, labeled, or tested. Examples of products which are defective because of their design would be a punch press with controls that are difficult to operate, a hedge trimmer without a safety feature, or perhaps dynamite with an excessively short fuse (Ilnicki v. Montgomery Ward 1967; Crane v. Sears 1963).

Products which are defective because of their labeling generally fail to present the adequate or proper warning necessary for safe use. Strict liability could be imposed on a wholesaler of a machine delivered without proper installation directions or on a can of highly flammable cement with no warning to keep the product away from ignition sources (Canifax v. Hercules 1965; Anderson v. Klix 1970). Increasingly, courts have employed a "consumer expectation" test: Did the product perform as a reasonable consumer would have expected (Rheingold 1967)? If the product fails to meet this standard, it is defective.

Courts will also find a product defective when the seller could reasonably foresee a danger associated with the normal use of the product but failed to warn against it (Bohnest v. Kendall 1978). A wholesaler can be relieved from liability only when the warning is sufficiently specific to render the product safe for consumers (Morgan and Avrunin 1982, p. 49).

Strict liability means trouble for wholesalers. U.S. courts have found wholesalers liable for product-related injuries when the wholesaler had neither control of a defective product's development nor a realistic opportunity to discover its dangerousness. The wholesaler's liability rests simply on its distribution of the injury-causing defective product (Leete 1980).

In California, a wholesaler was found liable even though it never had possession of the product that caused the injury (Canifax v. Hercules 1965). A jobber, Dynamite Supply Company, ordered a dynamite fuse from a wholesaler, Hercules Powder Company. Hercules sent the order to the manufacturer, Coast Manufacturing, who shipped the fuse directly to Dynamite Supply. Hercules never possessed the fuse, but did pay the manufacturer's invoice and bill the jobber. The dynamite exploded prematurely killing nearby workers. Citing §402A of the Restatement (1965), the court allowed recovery against the wholesaler.

In Dunham v. Vaughn & Bushnell (1969), plaintiff was striking a piece of metal with a hammer when a chip from the hammer blinded his eye. The hammer was manufactured by Vaughn and shipped directly to the wholesaler, who never removed it from the box in which it was packaged, but simply shipped the box to the retailer. The Illinois Supreme Court upheld a \$50,000 jury verdict against the manufacturer, the wholesaler, and the retailer. The wholesaler was included through the application of §402A (Restatement 1965), even though the hammer was never unpacked during its stay with the wholesaler.

## Negligence

In the past courts often ruled that the buyer was required to make his own inspection, rely on his own judgment, and assume the risk of any defect in goods he had purchased. The rule was caveat emptor--let the buyer beware. Modern courts have shifted much of this burden to the seller. Sellers of goods must exercise the care of a reasonable person of ordinary prudence in protecting others from the harm that could foreseeably be caused by their products. Wholesalers, as other sellers, have the duty to use reasonable care to protect others from unreasonable risks of harm (Prosser 1971, p. 145).

Today, when negligent design is alleged, juries have weighed whether reasonable care has been exercised by considering the following (Rheingold 1974, p. 536):

- a. Whether an omitted safety feature would have prevented the accident;
- b. Whether there was a better, safer way to make the product;
- c. Whether the design had an unnecessary risk of injury; and
- d. Whether there was a dangerous feature which could have been omitted without affecting the product's function.

Defendants often complain that plaintiffs are employing hindsight to evaluate the product's design. Plaintiff's engineers initially examine the product to determine what could have been done to prevent the injury. These experts later testify that these alterations in the design should have been made.

Increasingly, product liability cases are becoming battles of the experts. The plaintiff's engineers may testify that a part costing a few pennies or a safety device routinely employed by the defendant's competitors would have prevented the accident. In rebuttal, the defendant's engineers will testify that product cost, function, and the competition can dramatically narrow the feasible design alternatives. The defendant's experts continually emphasize the designer's difficult task of balancing an omitted feature's safety characteristics against the increased costs or hampered performance that could destroy the product's profitability or marketability. Defendant sellers sense that they are required, not simply to exercise due care, but to sell products that are foolproof (Rheingold 1974, p. 537).

The law of negligence also requires sellers to use "due care" both in giving reasonable warnings about the risks associated with a product's use and in giving directions as to how to avoid injury when using the product. Courts appear to have expanded the duty of the supplier to give a "full" warning as compared to a "reasonable" one (Weber v. Fidelity 1970; DePree v. Nutone 1970; Keeton 1970).

In Post v. American (1968) a label on a floor sander stated that the machine should be used on 115 volts AC or DC. The plaintiff was injured when he connected the machine to a 220 DC outlet and the machine exploded. The court allowed the case to go to the jury because there was sufficient evidence that the manufacturer knew the machine would be used in an industrial setting and the label did not explain the risk involved in deviating from 115 volt current.

In Murray v. Wilson (1973) a contact cement container warned about the risk of explosion and the need to extinguish all fires. When the plaintiff was injured in an explosion he claimed that the warning was inadequate as the cement was not labeled "extremely inflammable" and did not state the true degree of risk. The appellate court spoke of a complete and accurate warning and



stated that the trial judge erred when he withheld this evidence from the jury.

In every case it is up to the jury to decide whether or not the defendant's conduct was careless. What has really changed is that many courts allow in proofs to show the omission of a complete warning of every risk involved in using the product. In addition, these courts allow juries to hear proofs that the product user was not informed of the consequences of not following the warnings. Further, it now appears that as the likelihood and gravity of injury increase, the specificity of the warnings and directions must also increase (Rheingold 1974, p. 533).

Thus, any warning given by a seller will be subjected to a very detailed examination before the jury. Courts are increasingly adopting the position that a warning is simply a cheap alternative to making a safer product. For a warning to shield today's product seller from liability, it must fully warn the user of the risks that will be encountered.

#### Other Theories of Liability

The Uniform Commercial Code's implied warranties of "merchantability" (1977, §2-314)--that the goods are fit for their usual purpose--and "fitness for a particular purpose" (1977, §2-315)--that the goods are fit for a known, but unusual purpose--have largely been replaced by strict liability. However, the contract action based upon a breach of an express warranty retains much of its vitality and, at times, is the plaintiff's best route to recovery. The essential elements of an express warranty are an affirmation of fact about a product and the user's reliance upon that affirmation. A characteristic example of an express warranty action is a suit arising out of an allergic reaction to a cosmetic that was labeled as "nonallergenic" or "safe." Importantly, not every factual statement about a product will be considered an express warranty. Puffing or sales talk upon which a reasonable person would not rely cannot create an express warranty (Royal v. Lorraine 1980).

The common law theories of fraud and misrepresentation are seldom used in modern product liability litigation. But wholesalers should be cautioned that they have been supplemented with a strict liability version of fraud in the Restatement (1965, §402B). Section 402B places liability upon the supplier where injury follows a user's reliance upon misrepresentations about a material fact pertaining to the character or quality of the product. The supplier can be liable even though the misrepresentations were not made negligently or fraudulently and even though there was no contractual relationship between the user and the supplier. Section 402B amounts to "no fault" fraud. Using this theory, a plaintiff successfully sued for injuries resulting from an attempt to use a tractor for a job that was mechanically beyond its ability. Even though the misrepresentation was entirely innocent, the seller was found liable for simply saying that the tractor was capable of doing something when it was not (Ford v. Lonon 1966).

#### WHO CAN SUE THE WHOLESALER?

An expanding group of plaintiffs have successfully sued wholesalers and all other sellers in the distribution channel. Purchasers suffering product-related injuries are not the only group that have recovered (Dunham v. Vaughn & Bushnell 1969). Users such as employees or those receiving a gift are specifically protected by the Restatement (1965, §402A(2)(b)).

A wholesaler was found strictly liable to a pallbearer at a funeral. The pallbearer was injured when a handle on the side of the casket broke causing it to fall and injure the pallbearer. The court held that the pallbearer was an intended user of the handle of the casket and that the wholesaler was liable even though it had not made a contract with the plaintiff (Cotton v. McGuire 1970).

Bystanders (Embs v. Pepsi-Cola 1975) have recovered, as have rescuers drawn into danger by a defective product (Guarino v. Mine 1969). Spouses who have been deprived of the services of mates injured by defective products can also recover (Prosser 1971, p. 888).

Some state legislatures have limited the group that can sue under the contract theories of express and implied warranty to purchasers, their households, and their guests (UCC 1977, §2-318, alternative A). But even under the contract theories, many states allow recovery by anyone "who may reasonably be expected to use, consume, or be affected by the goods" (UCC 1977, §2-318, alternative C). Generally, the tort theories of strict liability and negligence allow recovery by any plaintiff whose injury could reasonably have been foreseen (Codling v. Paglia 1973).

#### MINIMIZING THE WHOLESALER'S LIABILITY

Persons who buy a product, receive it as a gift, use it at work, or foreseeably come in contact with it while others are using it can successfully sue the wholesaler. These persons may invoke some combination of several theories of recovery, primarily strict liability and negligence.

The wholesaler must therefore be diligent in its efforts to minimize its product liability exposure. The most prudent step would be for the wholesaler to inspect every product it passes along from a manufacturer to another channel member. Clearly this would be an expensive and time-consuming step, perhaps negating the usefulness of the wholesaler from the perspectives of manufacturers or retailers. In addition, wholesalers not legally taking title to goods may encounter difficulty obtaining manufacturers' permission to open cartons to inspect products. For those wholesalers not actually taking possession of products, the question of inspection becomes moot.

Even with timely inspections, wholesalers may be unable to detect faulty products. For example, if a drum of chemicals is accidentally contaminated during manufacture, how could the wholesaler, without conducting an exhaustive analysis of the drum's contents, detect the presence of the befouling substance? The wholesaler may be an expert regarding timely delivery and safe storage of products, but such expertise hardly extends to the manufacture and operation of every product the wholesaler handles.

Another avenue available to wholesalers is to operate only in those jurisdictions which seem to sympathize with their inability to detect product defects on a timely, economical basis. Some states allow strict liability actions to proceed against non-manufacturers such as wholesalers only if manufacturers are not amenable to suit there. Other states have excepted non-manufacturers from liability unless they have been negligent. Such selectivity on the part of a wholesaler would not, however, reflect the locations of either its markets or its suppliers.

71 Wholesalers could add their own warnings to products they regard as being particularly insidious. These

warnings could be affixed to the products or passed along verbally or in writing to retailers. Once again, problems arise regarding the wholesaler's effectiveness in limiting its liability, this time by providing warnings. Manufacturers may balk at additional warnings being attached to their products because they fear decreased sales. Warnings conveyed to retailers may not be given to consumers or may be downplayed to keep sales from dropping. As a non-manufacturer not dealing with the final users, the wholesaler is in a very weak position to provide adequate warnings.

The suggestions so far indicate the need for the wholesaler to maintain regular contact with both suppliers and customers about potentially faulty products. By doing so, the wholesaler will be informed regarding the latest product liability developments facing cohorts within the distribution channel. Further, should the wholesaler uncover any product defects, it will be able to warn other channel members to take corrective action.

Intrachannel communications, therefore, seem vital for the wholesaler interested in minimizing its product liability exposure. Even if the wholesaler is successful via an indemnity suit in shifting a judgment to the manufacturer of an injury-causing product, legal costs can still be burdensome because of insurance premiums and fees associated with defending a lawsuit and the indemnification action. Minimizing the likelihood of a product liability suit is going to be less expensive for the wholesaler and clearly better for final consumers.

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EXTENDING THE UNDERSTANDING OF CONSUMER PRODUCT WARRANTY  
THEORIES VIA BRAND SPECIFIC TESTING

Craig A. Kelley, Arizona State University<sup>1</sup>

ABSTRACT

This paper discusses two competing theories from economics that attempt to explain the function of a consumer product warranty. Two methodologies illustrate how these theories might be tested. The managerial and public policy implications of these theories are then presented.

INTRODUCTION

Marketing practitioners utilize consumer product warranties for a variety of purposes. On the one hand, these warranties have been used as legal documents designed to relieve the manufacturer of the responsibility for product service in the event that the product is defective or happens to malfunction (Feldman 1976). Alternatively, it is not uncommon for the advertisements of some products to emphasize a superior warranty, in terms of coverage and duration, in an effort to promote the product and develop a competitive advantage.

Despite the frequency of warranty usage by marketers, the literature contains only a few attempts to advance and test competing theories of the consumer product warranty (Gerner and Bryant 1981; Priest 1981; Spence 1977). Furthermore, relatively few attempts at theory development and justification have been conducted by marketing scholars.

Economists have advanced two theories to explain alternative marketing uses for the consumer product warranty. The first theory has been termed the Exploitation Theory because it postulates that manufacturers use warranties as a means of unilaterally limiting their legal obligations; thus, exploiting the consumer's position of ignorance (Priest 1981). The second theory, referred to as the Market Signal Theory, proposes the function of a product warranty to be a cue that relates information about the product's reliability to the consumer (Gerner and Bryant 1981; Priest 1981; Spence 1977).

Both theories have been empirically tested in recent years (Gerner and Bryant 1981; Priest 1981), but it is uncertain whether the existing research provides an adequate test of these theories. This skepticism arises because the prior studies have used aggregate industry data rather than individual brand information. Industry concentration ratios were used as a surrogate for brand share figures to test the Exploitation Theory in the Priest (1981) study, and no measure of brand reliability was used to test the Market Signal Theory in either the Priest (1981) or Gerner and Bryant (1981) studies. This paper contributes to the growing body of warranty research by introducing the Exploitation and Market Signal Theories and illustrating how each might be tested with appropriate brand-specific data. In offering this perspective, the present paper provides an interdisciplinary theory perspective by taking theoretical contributions from economics and examining them

in a more specific and relevant marketing context.

The paper is organized into four sections. The first two sections of this paper discuss the theoretical rationale behind the Exploitation and Market Signal Theories. The next section illustrates how these theories might be tested. Finally, the concluding section discusses the managerial and public policy implications of these theories.

THE EXPLOITATION THEORY

A warranty is a contract between a buyer and seller that specifies certain legal obligations that the seller must perform in the event that his product malfunctions during a predetermined period of time. Contracts are normally negotiated, but over time most industries have standardized their warranties such that they are not negotiated when an exchange is consummated (Bogert and Fink 1930). The Exploitation Theory, as first suggested by Kessler (1943), is built on this lack of negotiation and postulates that product marketers unilaterally draft warranty terms that are more favorable to them because they possess greater bargaining power relative to that of individual consumers. In general, the theory predicts that an inverse relationship exists between a firm's market power and the terms of its warranty. Based on this theory, the standardization of warranty terms in concentrated industries is the result of a single firm's market power. In less concentrated industries, a trade association may be the vehicle used to achieve standardization (Bogert and Fink 1930). Regardless of the manifestation of the market power, the effect is that the consumer does not possess a choice of warranty terms.

A major criticism of the Exploitation Theory is that it does not specify the relationship between decisions regarding warranty terms and other production and marketing decisions. However, Priest (1981) counters this point by stating that with or without a theory, these relationships have not been explored thoroughly in either the economic or legal literature. The Exploitation Theory received some support until the early 1970s, when a competing theory that implicitly considers such relationships was advanced.

THE MARKET SIGNAL THEORY

The Market Signal Theory as conceptualized by Akerlof (1970) views a consumer product warranty as a source of product information. Spence (1977) formalized the theory as a relationship between the probability of a product failure (i.e., reliability), and the manufacturer's liability to the consumer in the event that the product did fail. According to Spence, the consumer observes only two product attributes that are related to reliability at the time of purchase: the product's price and the manufacturer's liability. The consumer cannot observe reliability directly, but may attempt to infer it from the price and/or the manufacturer's liability. Many cues may be used by the consumer in determining manufacturer liability such as brandname or materials used in production. Spence's Market Signal

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Theory implies that only the manufacturer's warranty reflects the manufacturer's liability. The failure to consider these other cues is a criticism of this theory.

The theory makes one key assumption, that the cost of servicing a longer, more comprehensive warranty is inversely related to the product's reliability (Gerner and Bryant 1981). The cost of servicing reliable products would be small, since these products do not require frequent repairs. Thus, the manufacturer of a reliable product can afford to offer extended warranty coverage. Conversely, manufacturers of less reliable products cannot afford to extend favorable warranty terms because of the frequency of repair needed. In sum, reliable products should have more comprehensive warranty terms than less reliable products.

Priest (1981) argues that the Market Signal Theory can also be used to predict what the terms of a warranty will be. The first of these predictions is that the warranties of similar product classes will be very similar in the coverage that they offer. The rationale behind this prediction is that since a consumer only occasionally purchases a particular durable good, s/he would be more likely to acquire warranty information common to a large set of consumer goods rather than acquire warranty information specific to any particular branded good. Thus, different products' warranties would be similar to take advantage of the consumer's acquisition of general rather than a brand-specific signals. In order to draw some conclusions regarding this prediction, the present author examined the warranties of some related household appliances. Thirty-five warranties of built-in dishwashers, clothes dryers, and refrigerators were compared, and it was found that all had the same minimum warranty; one year on parts and labor (Consumer Reports 1983; 1982; 1980). It appears that there may be some support for the rationale behind this prediction, but since only three product classes were examined, only an anecdotal inference can be drawn at this time.

Second, the Market Signal Theory predicts that if some firm warranties differ from the terms offered in most manufacturer warranties, generally, the deviate warranties will offer better terms. According to the first prediction, the consumer would expect a certain level of reliability of the product class as signalled by a standard warranty. If a seller offers less generous warranty terms than this standard warranty, consumers would clamor for warranty service even though the warranty did not extend the standard coverage. In not satisfying these consumers, added administrative expenses and the loss of goodwill would be imposed on the seller. To the extent that the costs of customer dissatisfaction are greater than the costs of improving the warranty, a seller would have the incentive to offer warranty terms more in line with the more frequently found warranty terms. Upon examination of the warranties of ten brands of built-in dishwashers, some support was found for this prediction. Five of the ten brands of dishwashers examined offered essentially the same warranty terms. The other five brands offered more favorable warranty terms of varying degrees.

The third prediction of the Market Signal Theory is that all secondary clauses in a warranty, those clauses that contain exclusions and disclaimers, will be more restrictive than the basic terms of the warranty. This prediction is based on the probability of consumer search. The prediction assumes consumers usually only search for and understand the basic terms of the warranty, but do not look at secondary clauses because too much effort is required. To the extent that this is true, this prediction somewhat resembles the Exploitation Theory. The warranty data included in Consumer

Reports did not provide the opportunity to read the entire warranty and, therefore, the validity of this prediction could not be determined. However, if it is assumed that secondary clauses usually deal with specific product parts or use situations (e.g., misuse of the product by the consumer), the secondary clauses might very well be perceived as more restrictive.

#### AN ILLUSTRATION OF THE EXPLOITATION AND MARKET SIGNAL THEORIES

This section of the paper illustrates how the Exploitation and Market Share Theories might be tested. These illustrations are also included in the paper to determine if there might be some preliminary support for either of the two theories.

##### The Exploitation Theory

The Exploitation Theory hypothesizes that an inverse relationship exists between a firm's market power and the quality of its warranty. A measure of market power is needed to test this theory. Since the economic definition of market power (i.e., the ability to control price), is rather elusive and difficult to operationalize, an appropriate surrogate measure would be a firm's market share.

Warranty quality is another concept that is difficult to operationalize. Shimp and Bearden (1982) operationalized warranty quality as the length of coverage, the extent of the coverage, and whether the warranty was full or limited. This operationalization was modified for the present paper. The warranties of many consumer durables seem to be composed of some minimum warranty, in terms of basic coverage and duration, plus an optional extension of coverage on certain parts. Combining the optional component with Shimp and Bearden's definition, warranty quality was operationalized in this paper as the sum of these components.

Based on the above discussion, the following functional relationships were used to operationalize and illustrate the Exploitation Theory.

$$\text{Market Power} = f(\text{market share})$$

$$\text{Warranty Quality} = f(\text{warranty duration, warranty coverage, extra warranty})$$

where:

Warranty Duration = the period of time that minimum warranty coverage is extended

Warranty Coverage = a full or limited warranty for the minimum warranty period

Extra Warranty = coverage of certain parts and labor that goes beyond the duration of the minimum warranty

and

Warranty Quality is negatively correlated to market power

A Spearman Rank Correlation test was used to illustrate how this theory might be tested. Built-in dishwashers were selected as the sample because they represent a typical consumer durable good (Consumer Reports 1980). The market shares of ten dishwasher brands were ranked from highest to lowest. Warranty Quality was then computed for each brand and ranked from highest to lowest. The Spearman Rank Correlation Coefficient for this sample was 0.6013 which was statistically significant at the 0.05 level. Although no broad generalizations can be drawn from this illustration because of the small sample size, the illustration does not provide support for the Exploitation Theory. It appears that the brands with larger market shares might offer more favorable warranties than brands with smaller market shares.

## The Market Signal Theory

Spence (1977) hypothesized the following functional relationship in his discussion of the Market Signal Theory.

$$s = f(m)$$

where:

- s = the probability of product failure
- m = the manufacturer's liability

The probability of product failure and manufacturer liability were recast as the product's reliability and warranty terms, respectively. Priest (1981) used average produce life as a measure of reliability. However, this measure is not brand-specific. A possible source of brand-specific data can be found in Consumer Reports. Periodically Consumer Reports publishes a report on different consumer durable goods which includes each evaluated brand's warranty terms and its frequency of repair. The latter was used to operationalize reliability. In examining the former, it was found that the warranty terms of consumer durable goods usually have two components; a minimum warranty that is standard for the industry and an extra warranty that is brand specific. Using these two bits of information, the following regression function was used to operationalize the Market Signal Theory.

$$\text{Reliability} = f(\text{Warranty Index, Extra Warranty})$$

where:

- Warranty Index = the duration of the minimum warranty
- Extra Warranty = a 0,1 indicator variable which represents coverage on parts and labor that goes beyond the duration of the minimum warranty period

The same report on built-in dishwashers was also found to contain the necessary information needed to illustrate how one might test the Market Signal Theory (Consumer Reports 1980). Acknowledging that a sample size of ten is not enough to adequately test this theory, a regression model with the independent variables of Warranty Index and Extra Warranty was run to predict reliability. Reliability was operationalized on a five point scale using each brand's frequency of repair. Brands that were rated the best were assigned a five while those that were rated the worst were assigned a one. Warranty Index and Extra Warranty were quantified according to the operationalizations discussed above. The regression model was not significant ( $F = 0.95$ ;  $p = 0.456$ ;  $df = 1,10$ ). This illustration does not provide support for the Market Signal Theory. It appears that warranty terms might not be a signal of a product's reliability.

### MANAGERIAL AND PUBLIC POLICY IMPLICATIONS OF THE EXPLOITATION AND MARKET SIGNAL THEORIES

Attention is now directed toward the managerial and public policy implications of these two theories. To simplify the discussion, the Exploitation and Market Signal Theories can be viewed as offering opposing explanations of the purpose of a consumer product warranty. To illustrate the opposing concepts embodied in the two theories, first assume that the Exploitation Theory provides an adequate explanation and the Market Signal Theory does not. What effect would this assumption have for marketing managers and policymakers? One possible conclusion would be that the marketer need not be so concerned with conferring benefits to the consumer through the warranty because of the marketer's superior bargaining position. This would mean that there would be no incentive for the marketer to offer

warranty terms beyond a limited warranty of some industry-determined minimum duration. Offering a superior warranty would not be worth the added cost, since the marketer does not need to cue the consumer's purchase. For policymakers, the above assumption would mean that it was necessary to pass the Magnuson-Moss Act, as the Act attempts to prevent the exploitation of the consumer's ignorance and lack of bargaining power.

Now assume that the Market Signal Theory provides an adequate explanation of the purpose of a consumer product warranty and the Exploitation Theory does not. There would not have been the need for policymakers to pass the Magnuson-Moss Act since it would have been rational for the marketers of reliable products to disclose their warranty terms in order to cue and guide the consumer's purchase. The consumer would infer that those marketers who did not disclose their warranty terms offer inferior products. In addition, assuming that the consumer knows the difference between a full and limited warranty, the appropriate managerial decision would be to offer a full warranty of somewhat lengthy duration because the consumer would perceive the warranty to be a signal of a very reliable product. It would not be rational for the marketer to try to exploit the consumer's ignorance because the warranty cue is being used as a marketing tool to inform the consumer.

### CONCLUSION

Most of the marketing literature investigating warranties lacks a theoretical perspective. Those studies that have included some theory have focused on the consumer's perception of warranties. The present paper differs from previous research by advancing two competing theories from economics that, either in their present form or through some modification, provide a different theoretical perspective. Both the Exploitation and Market Signal Theories could hold important implications for marketing managers and public policymakers. Future research needs to pursue a more rigorous test of these theories in order to aid marketing's understanding of the purpose of the consumer product warranty.

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AN EMPIRICAL ANALYSIS OF MALE AND  
FEMALE SHOPLIFTING BEHAVIOR

Joseph H. Miller, Southeastern Louisiana University, Hammond  
Michael Budden, Southeastern Louisiana University, Hammond  
Martha Kirk, D.H. Holmes, Baton Rouge, Louisiana

ABSTRACT

The purpose of this research paper is to investigate the shoplifting behavior of males and females. A total of 249 shoplifting cases were examined in this research project. A chi-square analysis was used to determine if there are significant differences between the shoplifting behavior of males and females. Significant differences were found on three of the five null hypotheses that were examined.

INTRODUCTION

Estimates of the cost of goods stolen from retail stores vary considerably, but most observers agree that shoplifting is definitely on the increase. The FBI asserts that three times as many consumers were arrested for shoplifting in 1976 as in 1970 (Nation's Business 1978). It has been estimated that store losses from shoplifting are approximately four percent of store sales and that about \$31 billion worth of goods are stolen annually (Nation's Business 1978).

Some retailers are using elaborate detection systems such as sensors and electronic scanning to halt shoplifting. Valuable merchandise, like expensive watches and fine jewelry, is often displayed in locked cases. Self-service operations have attempted to discourage through the use of one-way mirrors, dressing rooms with attendants, highly visible television cameras, and store detectives. In order to encourage store personnel to be more aware of shoplifters, some stores have even employed "stealing squads"--people whose job it is to shoplift merchandise and then inform management on how to prevent such thefts (Lowry 1983).

Very little academic research has been done in the area of shoplifting. Some of the research to date has attempted to study the economic effects of shoplifting on the economy and on business (Faria 1977 and Bush 1974.) Other research has examined the use of parental influence to prevent juvenile shoplifting (Fugate 1980), different methods used to combat shoplifting (Faria 1977 and Menkus 1979), and case history analysis to determine when and where shoplifting occurs (Budden, Miller, and Yeagain 1983). In reviewing the literature, we found there to be a shortage of data concerning the demographic characteristics of shoplifters.

Objectives

The purpose of this research study is to investigate the shoplifting behavior of males and females. In this paper the following null hypotheses are examined:

H<sub>1</sub> There are no significant differences between the shoplifting behavior of males and females when comparisons are made on the basis of race.

H<sub>2</sub> There are no significant differences between the shoplifting behavior of males and females when comparisons are made based on age.

H<sub>3</sub> There are no significant differences between the shoplifting behavior of males and females when

comparisons are made based on the time of day in which the shoplifting occurred.

H<sub>4</sub> There are no significant differences between the shoplifting behavior of males and females when comparisons are made based on the cost of the merchandise stolen.

H<sub>5</sub> There are no significant differences between the shoplifting behavior of males and females when comparisons are made on the day of the week on which the shoplifting occurred.

Methodology

Sample. A total of 249 shoplifting cases were examined in this research project. The data were collected from a medium-priced regional department store located in Baton Rouge, Louisiana. The sample consisted of all shoplifting cases that occurred over a four-year period: 1979-1982.

A chi-square analysis was used to determine if there are significant differences between the shoplifting behavior of males and females. This nonparametric statistic was calculated using the Statistical Package for the Social Sciences computer program. The .05 level of significance was used as a basis for rejecting the null hypothesis.

Data Collection Instrument. The data collection instrument consisted of 18 questions. These questions consisted of demographic classification questions, open-ended questions and multiple choice questions. The answers to these questions were taken from the shoplifting case reports that were filled out by the department store's security personnel immediately after the individual was arrested for shoplifting.

Limitations of the Study

This research study has certain limitations which should be considered in the total evaluation of this project. First, the data were collected from only one department store located in one mid-size southern city. One should therefore exercise caution before attempting universal generalizations. A second limitation centers on the subjects used in this research project--only those who were apprehended for shoplifting. The data may be biased toward the amateur shoplifter since they are more likely to be caught than are the "professional" shoplifters.

Findings

The chi-square test of significance indicates that the null hypothesis, H<sub>1</sub>, should be rejected (p=.0007). Table I indicates that there are significant differences between the shoplifting behavior of males and females when comparisons are made on the basis of race. It also appears that black males are more likely to shoplift than are white males, and that white females are more likely to shoplift than are white males.

TABLE 1

Race Comparisons of Males and Females Who Were Apprehended for Shoplifting

	Males	Females
White	17	75
Black	63	94

$p = .0007$

Research hypothesis  $H_2$  should also be rejected ( $p = .0001$ ). The data illustrate that there is a significant difference between the shoplifting behavior of males and females when comparisons were made based on age. Young males (12-17) are more likely to shoplift than are young females. The incidence of shoplifting committed by females is very high in the 18-34 age range.

TABLE 2

Age Comparisons of Males and Females Who Were Apprehended for Shoplifting

	Males	Females
12-17	44	38
18-34	32	101
35-64	4	30

$p = .0001$

The chi-square test performed on the data contained in Table 3 indicates that research hypothesis number three ( $H_3$ ) should not be rejected. There appears to be no significant differences between the shoplifting behavior of males and females when comparisons were based on the time of day in which the shoplifting occurred.

TABLE 3

Time of Day Comparisons of Males and Females Who Were Apprehended for Shoplifting

	Males	Females
9:00 A.M.- 12:59 P.M.	18	28
1:00 P.M.- 4:56 P.M.	47	98
5:00 P.M.- 9:00 P.M.	15	43

$p = .3527$

Research hypothesis  $H_4$ --"There are no significant differences between the shoplifting behavior of males and females when comparisons are made based on the cost of the merchandise stolen"-- should be rejected. The data contained in Table 4 indicate that the cost of items stolen by males is less than the cost of items stolen by females.

TABLE 4

Cost of Goods Stolen as Compared with the Sex of the Shoplifter

	Males	Females
\$1-20	31	17
\$21-51	22	56
\$51-100	13	42
\$101-200	7	33
\$200+	7	21

$p = .0001$

When research hypothesis  $H_5$  was examined, there appeared to be no significant differences between males and females with regard to the day of the week on which the shoplifting event occurred. Both males and females did most of their shoplifting on Saturday, the best day for getting "lost in the crowd" regardless of one's sex.

TABLE 5

Day of the Week in Which the Shoplifting Event Occurred as Compared with the Sex of the Shoplifter

	Males	Females
Monday	14	22
Tuesday	13	16
Wednesday	13	33
Thursday	10	23
Friday	8	30
Saturday	22	45

$p = .3670$

### Conclusions

This research study indicates that from a consumer behavior point of view there are a number of significant differences between the shoplifting behavior of males and females:

Black males are more likely to commit acts of shoplifting than are white males.

White females are more likely to shoplift than are white males.

Young males (12-17 years of age) are more likely to shoplift than are young females the same age.

Females between the ages of 18-34 and 35-64 are more likely to shoplift than are males the same age.

The cost of the items stolen by males is less than the cost of the items stolen by females.



This study also has strong implications from a retail management point of view. It provides a profile of the consumers who are most likely to commit acts of shoplifting. This profile could be used by store security personnel as a means of determining which consumers to track when they enter a store.

The results of this research do not provide unequivocal answers to the questions regarding the similarities and differences of male and female shoplifters. It is the hope of the authors that this paper will stimulate additional research in the area of consumer shoplifting behavior.

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