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THE ASSOCIATION OF COLLEGIATE
MARKETING EDUCATORS

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March 12-13, 2015

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EDITORIAL PREFACE

This year, we are including 30 papers from worldwide and we are pleased to see diversity in both research topics and authorship.

We would like to thank everyone who participated in, helped with, and arranged 2015 Association of Collegiate Marketing Educators Proceedings. We want to acknowledge all track chairs for their masterful handling of the reviewing process in the given time, and would also like to thank all the reviewers for their expert critiques.

We would like to thank all authors for their timely submissions and adherence to our Proceedings standards. Without your efforts, our task would have been next to impossible.

Last, but not least, I wish to acknowledge the assistance of ACME Program Chair Vivek Natarajan in helping me with finalizing these Proceedings, especially during the final stages of the process.

Qiang Fei, Ph.D.
2014-2015 ACME Proceedings Editor
Prairie View A&M University
Prairie View, Texas
MESSAGE FROM THE PRESIDENT

Dear Association Members and Guests:

Welcome to Houston, Texas! It gives me great pleasure to welcome all the participants to the The Association of Collegiate Marketing Educators’ 42nd Annual Conference as part of the Federation of Business Disciplines. It is your involvement that makes our Association and annual meeting possible. Vivek Natarajan, ACME Program Chair, has really done a tremendous job in multitasking. He has served in various capacities for the organization and has put a wonderful program together this year. Thanks Vivek for all of your hard work and contributions. This conference would not have been successful had it not been due to the tireless work of Vivek. He established a wonderful and hardworking team of track chairs. Please thank them for the great job that they have done in soliciting papers and presenters. The Proceedings Editor, Qiang Fei, has done a tremendous job in organizing all the papers that were sent for publication. There are many other individuals who were involved in making this conference as successful as possible.

Congratulations to our many award winners recognized at this year’s conference. I would like to thank Dr. Kenneth Evans, Dr. Lou Pelton, and Mr. Noel Gould for organizing the Plenary Session. Thanks also to Dr. Joe Hair, Dr. Maxwell Hsu, and Dr. Madhav Pappu for organizing the special sessions and workshops.

I would also like to complement the efforts of Renée Gravois, 2016 ACME Program Chair, for getting started early for the next conference. Please contact her to see how you can get more involved. Remember, next year’s conference is going to be held in beautiful Oklahoma City! I sincerely hope that all the members will have a wonderful time at this conference and enjoy their stay in Houston. I thank you for your participation, and I encourage each of you to continue to deepen your involvement with the Association of Collegiate Marketing Educators.

Warm wishes,

Prashant Srivastava
Drexel University
2014-2015 ACME President
MESSAGE FROM THE PROGRAM CHAIR

Dear ACME Colleagues:

Hello, Howdy and a warm Texas-sized welcome. It gives me great pleasure to welcome all the participants to the 2015 Association of Collegiate Marketing Educators (ACME) Conference being held in Houston, Texas. I would also like to welcome you not only on behalf of the ACME but also the Federation of Business Disciplines (FBD) of which ACME is a small but significant part.

You and all the participants have helped in making the conference a wonderful place of learning marketing related issues by way of sharing your knowledge and experience with participants with diverse backgrounds. This conference would not have been such a success if it were not for the wonderful and hardworking team of track chairs. They are the ones who played an active role in the solicitation of quality papers and having the papers reviewed in a timely manner.

We are also fortunate to have some outstanding workshop sessions. I can confidently state that these sessions will go a long way in enhancing the skills of current and future marketing educators. This year, we are also excited to have Dr. Kenneth Evans, President of Lamar University, and Dr. Noel Gould from Virtual Trade Mission Foundation as speakers for our Plenary Session. We hope to learn some valuable insights about the changing face of higher education from them. We are also thankful to Dr. Joe Hair for doing the PLS Workshop. We also have a “Meet the Editors” Panel that features editors from renowned marketing and business journals.

The ACME is also fortunate to have Qiang Fei as the Proceedings Editor of this year’s conference proceedings. His patience and generosity in extending the submission deadline to several participants helped them get a publication which no doubt will be of value in their professional careers. His tireless work in coming out with a high quality Proceedings speaks for itself. Another group of individuals who played a key role in the success of the conference are the officers of the ACME — Prashant, Pat, Renée and Irfan. They all have played a key role in helping me in the organizing process of the conference sessions as well as in recruiting several key experts in the field of marketing. I am particularly thankful to Dr. Lou Pelton, a long-time champion for ACME, who has been a great resource to give advice as to help me connect with key people. I am also thankful to Ann Wilson, Marshall Horton and Michelle McEacharn from FBD for their support. In a nutshell, there are several people such as the participants, track chairs, and officers who really deserve the credit for making this a successful conference. I look forward to interacting with you all during this as well as future ACME and FBD conferences.

Thank you everyone for a job well done!

Vivek Shankar Natarajan, Ph.D.
Program Chair, ACME 2015 Houston
Lamar University
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Marketing Strategy and Entrepreneurship
The Effect of Reshoring on Purchase Behavior
Ulrike Maronde, University of Applied Sciences Trier
Jeff Stambaugh, Midwestern State University
Laura Martin, Midwestern State University
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Consumer Behavior and Customer Relationship Management
Determinants of Consumers’ Brand Switching Behavior
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Cristelle Msaed, Lebanese American University
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CONSUMER BEHAVIOR AND CONSUMER RELATIONSHIP MANAGEMENT

NEW GENERATION CONSUMERS’ PREFERENCES ON ADVERTISING THOROUGH DIGITAL MEDIA IN MEXICO: AN EXPLORATORY STUDY

Diana Dávila Ruiz, Universidad de Monterrey
Kishwar Joonas, Prairie View A&M University

ABSTRACT

Extant research points to a changing characteristics as well as digital media behaviors and preferences of new generation consumers in relation to advertising. Our exploratory study among 402 new generation consumers in Mexico comprised both qualitative and quantitative research. We examined the effect of belonging to a particular segment, on ad skepticism among such consumers. In addition, we investigated the impact of gender, segment, and skepticism on consumers’ preference for Transformational and Informational ads. We present our findings, discuss limitations, and describe some implications for research and practice.

INTRODUCTION

In recent years, there has been renewed interest in understanding the consumer perception of advertisements, and more credible ways to get their attention. There are numerous possible reasons why traditional advertising has lost consumer interest. One explanation is that the attraction of traditional media is eroded due to the number of hours that consumers spent in front of television sets and computers. Advertising must engage more with the new lifestyle of the consumer. Undoubtedly, the increasing role of technology in advertising is related to skepticism toward advertising. The result is a new variant of advertising strategy with a sharp focus on consumers in the new digital era. The increase in online advertising investments is a global trend. Digital investments are up in markets like the U.S., the U.K. and Brazil, due in large part to increased confidence in the Internet as a platform for advertising. However, there is scant research attention on digital advertising in Mexico, and its importance to marketers and researchers. As an example, in 2012, approximately US$492 million (6.4 billion Mexican pesos) were invested in online advertising in Mexico, a 38%
increase from the year before. The industries that most increased their budgets for online advertising in 2012 are Drinks (61%), Beauty and Hygiene (38%), and Transportation, Travel and Tourism (31%) (Herrera, 2013).

There is a need to investigate new generation consumers’ preferences on advertising through digital media in Mexico. It would be important to determine these consumers’ credibility in advertising messages, what types of ads do new generation consumers prefer, and the relationship with the level of skepticism toward advertising and preference of the type of ad. In this research, we explore the relationship between segment of the new generation of customers in Mexico, and the level of ad skepticism. We also investigate the preference for type of ad preferred (Transformational or Informational), and its association with gender, segment, and the level of ad skepticism.

THEORETICAL FRAMEWORK

In this section, we discuss the theoretical bases of this research, including the generational cohort theory (Inglehart 1977), skepticism toward advertising (Obermiller and Spangerberg 1998), and two types of ad messages, Transformational and Informational (Puto and Wells 1984, Wells 1980).

The Theory of Generations:

Inglehart’s (1977) generational cohort theory, holds that new generational cohorts result from changes in social order and values brought about by historical events having national impact. Socio-economic conditions experienced as a part of growing up are mirrored in values of adults; however, change in socio-economic conditions do not impact the relative importance of values. This is the first assumption, or socialization hypothesis. In addition, if cohorts faced a shortage of supply of socioeconomic resources in their growing years, such resources gain the highest subjective value within the cohort. This is the scarcity hypothesis. Successive cohorts exhibit the biggest changes in values, attitudes, and lifestyles among nations that faced the greatest economic growth (Abramson and Inglehart 1995). With Mexico facing rapid economic growth in recent decades, particularly from regional economic groupings, both these hypotheses appear to be relevant, and literature supports the unique characteristics of generational cohorts “X” and “Y” as discussed below.

Generation X: Born between 1966-1976, they are in 35 to 47 Gen X is often characterized by high levels of Ad Skepticism, “what’s in it for me” attitudes and a reputation for some of the worst music to ever gain popularity. Now, moving into adulthood Howe and Strauss (1992) cited the childhood divorce of many Gen Xers as “one of the most decisive experiences influencing how Gen Xers will shape their own families”. Gen Xers are arguably the best educated generation with 29% obtaining a bachelor’s degree or higher (6% higher than the previous cohort). And, with that education and a growing maturity they are starting to form families with a higher level of caution and pragmatism than their parents demonstrated. Concerns run high over avoiding broken homes, kids growing up without a parent around, and financial planning.

Generation Y: Born in the mid-1980's and later, Generation Y are in their 30’s. They are recent entrants into the workforce, comprising about 26.8% of the total population in Mexico, (INEGI 2012). Marketers cannot ignore the needs, desires and attitudes of this significantly large consumer segment. For marketers, the Generation Y represent a challenge,
beyond their demographic diversity, marketers need to recognize distinct behaviors, preferences, attitudes, and values that set this group apart from the rest. They are known as incredibly sophisticated, technology wise, immune to most traditional marketing. They have been accustomed to using computers from an early age and therefore make intensive use of electronic media, they seek diverse communities online and offline, are idealistic and socially conscious, and they use the Internet, as part of the purchase decision process reason why they are much more segmented as an audience aided by the rapid expansion in Cable TV channels, satellite radio, the Internet Generation Y is a generation where “creativity” is part of its days; friendship groups are defined by it; this is a generation who has found new avenues for self-expression (Noble, Haytko, and Phillips 2009), making and sharing their own photos, films, music, websites and blogs. Brands become the set of symbols available for consumers to use in constructing and communicating notions of self (Schau and Gilly 2003).

Advertising is changing among this group since they interact through brand communities. A brand community is "a specialized, non-geographically bound community, based on a structured set of social relationships among admirers of a brand" (Muniz and O’Guinn 2001). Marketers need to let consumers come up with their own ideas and product designs as well as ways to make them happen and bring the product to life in the market place. Brand communities are the avenue that allow young people involve themselves much earlier in the innovation and marketing process and keeps them involved for much longer with the brand. Gen Y are less brand loyal and the speed of the Internet has led the cohort to be similarly flexible and changing in its fashion, style consciousness and where and how it is communicated with.

The primary function of advertising is to persuade people to buy something. Consequently, understanding how advertising influences people is an exercise in understanding how persuasion techniques are used in advertising to trigger buying decisions. Persuasion techniques can be either rational, irrational or a combination of both.

Ad Skepticism

Obermiller and Spangerberg (1998) defined Ad Skepticism as the tendency toward disbelief in advertising claims. These researchers developed a nine-item Likert-type scale to measure consumers’ Ad Skepticism. Literature supports the prevalence of a high level of Ad Skepticism, which is positively related to having a more mature understanding of advertising tactics (Boush, Friestad, and Rose 1994). Further, research suggests that consumers with a higher level of Ad Skepticism are not only persuaded by informational ads than are consumers with lower level of Ad Skepticism; but they are also less persuaded by informational ads than they are by emotional ads (Obermiller, Spangenberg, and McLachlan, 2005).

This research will contribute toward understanding the influence of type of messages (transformational and informational) toward Ad Skepticism amongst adolescents and mature target audiences who have more sophisticated lifestyles in the digital era. The study focus is specifically on Internet as a medium of advertising, which supports a strong motivation to purchase, and which at the same time faces the challenge of consumer Ad Skepticism toward media ads. The digital medium of advertising thus provides an appropriate environment for the study.

Types of Ad Messages- Transformational and Informational
Previous researches have defined information and transformation as two descriptive constructs for classifying advertisements according to the way in which they affect consumers' perception of their content (Swaminathan, Zinkhan, and Reddy 1996). A transformational appeal elaborates on a non-product-related benefit or image. It might depict what kind of person uses a brand or what kind of experience results from the brand. Transformational appeals often attempt to stir up emotions that will motivate purchase. On the other hand, an informational appeal elaborates on product or service attributes or benefits (Aaker and Norris 1982). Examples in advertising are problem-solution ads, product demonstration ads, product comparison ads and testimonials from unknown or celebrity endorsers. Informational appeals assume very rational processing of the communication on the part of the consumer. Wells (1980) proposed that some media (e.g., radio and television) are more suitable for transformational advertising than others (e.g., print). Puto and Wells (1984) suggest that television commercials are capable of functioning as a transformational medium.

Based on the above, we state our research propositions:
Proposition 1: What is the effect of segment on Ad Skepticism among the new generation of consumers in Mexico?
Proposition 2: What is the effect of gender, skepticism, and segment on the preference of type of ad- Transformational or Informational?

METHODODOLOGY

The research approach was mixed, as it needed to perform a qualitative research, followed by quantitative research. As already stated, the profiles that were studied correspond to the classification generated by Merca 2.0 which covers men and women from 15 to 40 years old, which included those aged from 15 to 24 who are new to the process of buying and those aged from 25 to 40, possibly having completed professional studies and already integrated into the workforce, this segment is making commitments that lead them to decision making of purchasing items that require more involvement and which involve spending large amounts of money and possibly the creation of long-term commitments. In the following section, we will discuss the characteristics of those consumers.

Mexican Consumer’s Profile: According to Irigoyen and Garcia (2012) the modern consumer is multifunctional, who, while taking a look to email, is simultaneously talking on a smartphone, or checking social networks, as a result paying less attention to the ads. It is more difficult to get a message through to such a consumer, which underlines the need to segment the market and approach each consumer in an appropriate manner.

For the present research we used secondary data from the 2012 edition of the “Merca2.0”, a local magazine which made collated various studies and evaluated different ways to segment the Mexican market. They obtained five segments that are grouped by specific characteristics; of these, we picked three that had a greater exposure to digital advertising, which is the point of interest of this study, as described below.

Youth: Eight out of ten are students, and 85% are dependent on digital theme. All of them possess a mobile, of which 90% considered important to have a smartphone while only 82% have one. They are between 15 and 24 years old, 50% live with their parents or relatives. They spend about $ 1,500 pesos monthly in clothes and 10% have an employment. Their income varies between $ 500 and $ 1,000 pesos no work experience, and between $5,000 and $ 8,000 with work experience. Ninety-nine percent of them have a Facebook account.
Preferred brands include Apple, Axe, Ben and Jerry’s, Beetle (Volkswagen), Carl’s Junior, Levis, Converse, Coca-Cola Zero, Monster, MTV, Nike, Pantene, Pepe Jeans, Puma, Quaker, Ray Ban, Red Bull, Rexona, Gatorade, Pull and Bear, Snickers, Saba, Swatch Starbucks, Zara.

**Modern Woman**: This woman is characterized by the purchase designer clothes and liking to be well groomed. Her monthly average expenditure on clothes’ purchase between is three thousand pesos and five thousand in shoes, and she is used to buying monthly plans or rebates. The Modern Woman has between 25 and 35 years old, 90% of them have a mobile (80% of these are smartphones); 80% use Facebook and 85% use Twitter. Her monthly income varies between 10,000 to 60,000 pesos. Preferred brands include Apple (Iphone), Body Shop, Carolina Herrera, Christian Dior, Ciel, Coach, DKNY, Esteé Lauder, Fuller, Guess, Lancome, L’oreal, Mango, Mac (maquillaje), Mazda, Mossimo Dutti, Nine West, Oysho, Pantene, Revlon, Soho, Special K (Kellogg’s), Toyota (Yaris), Uterque, Womens’ Secret.

**Modern Man**: Five out of ten have a completed bachelor degree, 4% have a graduate degree. They spend $ 1,200 pesos monthly in a gym. Three out of ten are currently in a relationship. They are between 25 and 40 years old, they have a monthly income between 15,000-100,000 pesos; 70% have smartphone, 93% have a Facebook account and 39% use Twitter. Preferred brands include Audi, Bvlgari, Calvin Klein, Ego (shampoo), Emporio Armani, Eucerin Men, Givenchi, Grupo Modelo, Hugo Boss, Johnnie Walker, Lacoste, Mini Cooper, Moschino, Nautica, Nespresso, Paco Rabanne, Ralph Lauren, Rolex, Samsung, Seat, Sony, and Springfield.

Qualitative research was used in order to explore preferences towards digital advertising, identify the platforms to which consumers are exposed, and the type of messages that is more credible for the consumer, specifically we used the focus group technique. Three segments were identified- "Youth", "Modern Woman", and "Modern Man" respectively.

The participation in the focus groups was limited to the fulfillment of three conditions: the first was to have age within the range corresponding to the segment participating in the focus group, the second to have a smartphone and the last condition was that have used at least three brands as established as representative of each segment.

Focus group sessions were chaired by a facilitator, who began by introducing the form and explaining the reasons for our study. We usually began discussion by asking participants to give their initial impressions of advertising.

The participants were asked which digital media they are using more frequently, giving the number "1" to the most used and a "5" to the one they use the least. Later on ten different ads were shown, asking participants for comments or any points regarding credibility or Ad Skepticism using different Internet media such as personal email, mobile, search engines and social networks. These discussions were very detailed, focusing on precise wordings and possible meanings of questions, explanations and guidance.

For each Internet medium two ads were presented, one using Informational message and the other using Transformational message. In order control brand references or existing brand associations, we used hypothetical brands. For each ad, the participants had to rate how skeptical they feel about the advertisements they were presented. We used a range from "1" to
"5", considering that the number "1" is non-skeptical, while closer to the "5" is considered very skeptical to the advertising displayed.

The third focus group presentation was modified, placing ten ads for men and ten for women with their respective iconic brands, trying to find out if the brands have an effect in the level of Ad Skepticism. For each ad the participant rate had to rate how skeptical they were to the advertisements that were displayed, using the same methodology as in the previous focus groups. As a result of qualitative research insights were obtained and they were used a source of quantitative research.

For quantitative research the sample comprised 402 participants, with 134 participants in each of the three segments, "Youth", "Modern Woman" and "Modern Man". To be considered as subjects for the study was necessary that they met three characteristics, similar to the ones that qualified participants in the focus groups: belonging the age range for the segment, using at least three of the brands that identifies each segment, having a mobile device with Internet access (i.e., a Smartphone), and self-reported proficiency in English being above 60%.

Data were collected at several metropolitan locations populated by affluent consumers belonging to the three different segments of interest. Once again, to ensure an appropriate respondent profile, questionnaires had three filters (age, Smartphone ownership, and the use of brands mentioned earlier). The survey instrument included a nine-item, 7-point Likert-type scale of Ad Skepticism where 1 represents "strongly disagree" (high Ad Skepticism) while 7 represents "strongly agree" (low Ad Skepticism). Further, four questions were presented to assess preference for the two types of messages. They were shown two different ads, prepared for each segment, with Transformational (Ad A) and Informational (Ad B) messages for their evaluation on credibility, preference, convincing power, and purchase intention. In order to ensure that the message displayed effectively corresponded to the type of message, a pilot test was performed using the Puto and Wells (1984) scale, which consists of 23 items to identify whether the messages are Transformational or Informational. The items were measured a 7 points Likert-type scale, where 1 represents "strongly disagree", while the seven represents "strongly agree". Once verified, the ads corresponding to each type of message were used for the survey. General and demographic information was also included.

Data were processed with SPSS 22. The nine-item modified Ad Skepticism scale (Obermiller and Spangenberg 1998) was examined for reliability and unidimensionality. Descriptive statistics and Chi-square analysis were used.

**RESULTS**

**Description of the Sample:**

The total sample of 402 was distributed equally over the three segments under study, with 134 respondents each from the Youth segment, the Modern Man segment, and the Modern Woman segment. The sample included 198 males and 203 females, each being about 50% of the sample. Overall, Ad Skepticism was found to be neutral (mean= 3.7, standard deviation= 1.05). (Table 1).
The average of nine items on the Ad Skepticism scale was the lowest for Youth (Mean=3.81, SD=1.04), followed by Modern Man (mean=3.67, SD=1.08), and highest for Modern Woman segment (mean=3.52, standard deviation=1.04).

**Table 1: Descriptive Statistics**

<table>
<thead>
<tr>
<th>Variable</th>
<th>Category</th>
<th>Number</th>
<th>%</th>
<th>Mean/Mode</th>
<th>Std. Deviation</th>
<th>Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>Segment</td>
<td>Total</td>
<td>402</td>
<td>100.0</td>
<td>1</td>
<td></td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Youth</td>
<td>134</td>
<td>33.3</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Modern Woman</td>
<td>134</td>
<td>33.3</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Modern Man</td>
<td>134</td>
<td>33.3</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ad Skepticism</td>
<td>Total</td>
<td>402</td>
<td>100.0</td>
<td>3.66</td>
<td>1.06</td>
<td>5.78</td>
</tr>
<tr>
<td></td>
<td>High skepticism</td>
<td>193</td>
<td>48.0</td>
<td></td>
<td></td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Low skepticism</td>
<td>209</td>
<td>52.0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Type of ad-Credibility</td>
<td>Total</td>
<td>402</td>
<td>100.0</td>
<td>Ad B</td>
<td></td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Ad A</td>
<td>126</td>
<td>31.3</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Ad B</td>
<td>276</td>
<td>68.7</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Type of ad-Product Preference</td>
<td>Total</td>
<td>402</td>
<td>100.0</td>
<td>Ad B</td>
<td></td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Ad A</td>
<td>159</td>
<td>39.6</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>Ad B</td>
<td>243</td>
<td>60.4</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Type of ad-Conviction</td>
<td>Total</td>
<td>402</td>
<td>100.0</td>
<td>Ad B</td>
<td></td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Ad A</td>
<td>154</td>
<td>38.3</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Ad B</td>
<td>248</td>
<td>61.7</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Type of ad-Purchase intent</td>
<td>Total</td>
<td>402</td>
<td>100.0</td>
<td>Ad B</td>
<td></td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Ad A</td>
<td>173</td>
<td>43.0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Ad B</td>
<td>229</td>
<td>57.0</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Discriminant Validity**

Validity was measured through correlations among variables. Preference for type of ad (Transformational or Informational) based on credibility, conviction, and purchase intent was found to be related to Segment (Table 2). Further, gender was related to preference for type of ad (Transformational or Informational) based on credibility, conviction, and purchase intent. Based on the above, it was concluded that discriminant validity exists, and that the variables measure different constructs. However, as expected, preference for the type of ad based on four characteristics (i.e., credibility, preference, conviction, and purchase intent) was found to be correlated among each other. Further, gender was highly correlated with segment; this is because of some overlap in classification.
Table 2: Correlations among Study Variables

<table>
<thead>
<tr>
<th>Variable</th>
<th>Gender</th>
<th>Segment</th>
<th>Average skepticism</th>
<th>Type of ad - Credibility</th>
<th>Type of ad - Preference</th>
<th>Type of ad - Conviction</th>
<th>Type of ad - Purchase intent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td>Pearson Correlation</td>
<td>- .420**</td>
<td>- .061</td>
<td>.168**</td>
<td>.145**</td>
<td>.110*</td>
<td>.104*</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td>.219</td>
<td>.001</td>
<td>.003</td>
<td>.027</td>
<td>.037</td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>402</td>
<td>402</td>
<td>402</td>
<td>402</td>
<td>402</td>
<td>402</td>
<td>402</td>
</tr>
<tr>
<td>Segment</td>
<td>Pearson Correlation</td>
<td>- .420**</td>
<td>1</td>
<td>- .190**</td>
<td>- .081</td>
<td>.110*</td>
<td>.104*</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td>.284</td>
<td>.000</td>
<td>.105</td>
<td>.027</td>
<td>.037</td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>402</td>
<td>402</td>
<td>402</td>
<td>402</td>
<td>402</td>
<td>402</td>
<td>402</td>
</tr>
<tr>
<td>Average ad skepticism</td>
<td>Pearson Correlation</td>
<td>- .061</td>
<td>- .054</td>
<td>- .039</td>
<td>- .038</td>
<td>.021</td>
<td>.003</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.219</td>
<td>.284</td>
<td>.439</td>
<td>.450</td>
<td>.673</td>
<td>.948</td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>402</td>
<td>402</td>
<td>402</td>
<td>402</td>
<td>402</td>
<td>402</td>
<td>402</td>
</tr>
<tr>
<td>Type of ad - Credibility</td>
<td>Pearson Correlation</td>
<td>.168**</td>
<td>- .190**</td>
<td>- .039</td>
<td>1</td>
<td>.539**</td>
<td>.560**</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.001</td>
<td>.000</td>
<td>.439</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
</tr>
<tr>
<td>N</td>
<td>402</td>
<td>402</td>
<td>402</td>
<td>402</td>
<td>402</td>
<td>402</td>
<td>402</td>
</tr>
<tr>
<td>Type of ad - Preference</td>
<td>Pearson Correlation</td>
<td>.145**</td>
<td>-.081</td>
<td>-.038</td>
<td>.539**</td>
<td>1</td>
<td>.566**</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.003</td>
<td>.105</td>
<td>.450</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
</tr>
<tr>
<td>N</td>
<td>402</td>
<td>402</td>
<td>402</td>
<td>402</td>
<td>402</td>
<td>402</td>
<td>402</td>
</tr>
<tr>
<td>Type of ad - Conviction</td>
<td>Pearson Correlation</td>
<td>.110*</td>
<td>-.125*</td>
<td>.021</td>
<td>.560**</td>
<td>.566**</td>
<td>1</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.027</td>
<td>.012</td>
<td>.673</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
</tr>
<tr>
<td>N</td>
<td>402</td>
<td>402</td>
<td>402</td>
<td>402</td>
<td>402</td>
<td>402</td>
<td>402</td>
</tr>
<tr>
<td>Type of ad - Purchase intent</td>
<td>Pearson Correlation</td>
<td>.104*</td>
<td>.012</td>
<td>.003</td>
<td>.452**</td>
<td>.612**</td>
<td>.555**</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.037</td>
<td>.806</td>
<td>.948</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
</tr>
<tr>
<td>N</td>
<td>402</td>
<td>402</td>
<td>402</td>
<td>402</td>
<td>402</td>
<td>402</td>
<td>402</td>
</tr>
</tbody>
</table>

** Correlation is significant at the 0.01 level (2-tailed).
* Correlation is significant at the 0.05 level (2-tailed).
Ad Skepticism Scale Properties

As shown in Table 3 below, the nine-tem Ad Skepticism was found to be highly reliable (Cronbach’s α= .894, n=9, N=402), with scale mean= 32.97, SD= 9.5, and grand mean= 3.66 (F=77.08, df= 8, p=.000).

Table 3: Skepticism Scale Item Statistics

<table>
<thead>
<tr>
<th>Item</th>
<th>Mean</th>
<th>SD</th>
<th>N</th>
</tr>
</thead>
<tbody>
<tr>
<td>We can depend on getting the truth in most advertising</td>
<td>3.62</td>
<td>1.436</td>
<td>402</td>
</tr>
<tr>
<td>Advertising’s aim is to inform the consumer</td>
<td>4.31</td>
<td>1.778</td>
<td>402</td>
</tr>
<tr>
<td>I believe advertising is informative</td>
<td>4.25</td>
<td>1.491</td>
<td>402</td>
</tr>
<tr>
<td>Advertising is generally truthful</td>
<td>3.50</td>
<td>1.337</td>
<td>402</td>
</tr>
<tr>
<td>Advertising is a reliable source of information about the quality and performance of products</td>
<td>3.32</td>
<td>1.361</td>
<td>402</td>
</tr>
<tr>
<td>Advertising is truth well told</td>
<td>2.93</td>
<td>1.362</td>
<td>402</td>
</tr>
<tr>
<td>In general advertising presents a true picture of the product being advertised</td>
<td>3.51</td>
<td>1.331</td>
<td>402</td>
</tr>
<tr>
<td>I feel I’ve been accurately informed after viewing most advertisements</td>
<td>3.51</td>
<td>1.260</td>
<td>402</td>
</tr>
<tr>
<td>Most advertising provides consumers with essential information</td>
<td>4.03</td>
<td>1.502</td>
<td>402</td>
</tr>
</tbody>
</table>

In addition, factor analysis conducted with PCA extraction (see Table 4), yielded a scale unidimensionality through a single rotated solution (KMO measure of sampling adequacy= .900, Bartlett’s test of sphericity= 1823.63, df= 36, p=.000).

Table 4: Component Matrix\(^a\)

<table>
<thead>
<tr>
<th>Item</th>
<th>Component 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>We can depend on getting the truth in most advertising</td>
<td>.714</td>
</tr>
<tr>
<td>Advertising’s aim is to inform the consumer</td>
<td>.652</td>
</tr>
<tr>
<td>I believe advertising is informative</td>
<td>.672</td>
</tr>
<tr>
<td>Advertising is generally truthful</td>
<td>.737</td>
</tr>
<tr>
<td>Advertising is a reliable source of information about the quality and performance of products</td>
<td>.794</td>
</tr>
<tr>
<td>Advertising is truth well told</td>
<td>.759</td>
</tr>
<tr>
<td>In general advertising presents a true picture of the product being advertised</td>
<td>.807</td>
</tr>
<tr>
<td>I feel I’ve been accurately informed after viewing most advertisements</td>
<td>.811</td>
</tr>
<tr>
<td>Most advertising provides consumers with essential information</td>
<td>.730</td>
</tr>
</tbody>
</table>

Extraction Method: Principal Component Analysis.\(^a\)

\(^a\) 1 components extracted.
Ad Skepticism among Segments

We examined means, and conducted Chi-square tests for Proposition 1. Ad Skepticism was found to be the highest among Modern Woman (Mean= 3.52), followed by Modern Man (mean=3.67). It was the lowest among Youth (mean=3.81). A significant difference was found in Ad Skepticism among segments ($\chi^2=6.239$, df=2, $p = .044$) (Table 5). As can be seen in Table 5, based on a mean-split sample, the levels of Ad skepticism in Modern Woman is significantly higher than in other segments (also see Figure 1).

Table 5: Ad Skepticism by Segment

<table>
<thead>
<tr>
<th>Segment</th>
<th>Youth</th>
<th>Modern Woman</th>
<th>Modern Man</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>High</td>
<td>Count</td>
<td>57</td>
<td>76</td>
<td>60</td>
</tr>
<tr>
<td></td>
<td>Expected Count</td>
<td>64.3</td>
<td>64.3</td>
<td>64.3</td>
</tr>
<tr>
<td></td>
<td>% within Skepticism</td>
<td>29.5%</td>
<td>39.4%</td>
<td>31.1%</td>
</tr>
<tr>
<td></td>
<td>% within Segment</td>
<td>42.5%</td>
<td>56.7%</td>
<td>44.8%</td>
</tr>
<tr>
<td>Low</td>
<td>Count</td>
<td>77</td>
<td>58</td>
<td>74</td>
</tr>
<tr>
<td></td>
<td>Expected Count</td>
<td>69.7</td>
<td>69.7</td>
<td>69.7</td>
</tr>
<tr>
<td></td>
<td>% within Skepticism</td>
<td>36.8%</td>
<td>27.8%</td>
<td>35.4%</td>
</tr>
<tr>
<td></td>
<td>% within Segment</td>
<td>57.5%</td>
<td>43.3%</td>
<td>55.2%</td>
</tr>
<tr>
<td>Total</td>
<td>Count</td>
<td>134</td>
<td>134</td>
<td>134</td>
</tr>
<tr>
<td></td>
<td>Expected Count</td>
<td>134.0</td>
<td>134.0</td>
<td>134.0</td>
</tr>
<tr>
<td></td>
<td>% within Skepticism</td>
<td>33.3%</td>
<td>33.3%</td>
<td>33.3%</td>
</tr>
<tr>
<td></td>
<td>% within Segment</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Value</th>
<th>df</th>
<th>Asymp. Sig. (2-sided)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Chi-Square N of Valid Cases</td>
<td>6.239</td>
<td>402</td>
</tr>
</tbody>
</table>

*Significant at $p \leq .05$
Figure 1: Skepticism by Segments

Table 6: Effect of Gender, Segment and Skepticism on Type of Ad Preferred

<table>
<thead>
<tr>
<th>Demographic</th>
<th>Measure</th>
<th>( \chi^2 )</th>
<th>df</th>
<th>Asymptotic Significance (2-sided)</th>
<th>N</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td>Preferred Ad- Credibility</td>
<td>11.293</td>
<td>1</td>
<td>.001*</td>
<td>402</td>
</tr>
<tr>
<td></td>
<td>Preferred Ad- Preference</td>
<td>8.501</td>
<td>1</td>
<td>.004*</td>
<td>402</td>
</tr>
<tr>
<td></td>
<td>Preferred Ad- Conviction</td>
<td>4.881</td>
<td>1</td>
<td>.027*</td>
<td>402</td>
</tr>
<tr>
<td></td>
<td>Preferred Ad- Purchase Intent</td>
<td>4.357</td>
<td>1</td>
<td>.037*</td>
<td>402</td>
</tr>
<tr>
<td>Segment</td>
<td>Preferred Ad- Credibility</td>
<td>18.796</td>
<td>2</td>
<td>.000*</td>
<td>402</td>
</tr>
<tr>
<td></td>
<td>Preferred Ad- Preference</td>
<td>3.808</td>
<td>2</td>
<td>.149</td>
<td>402</td>
</tr>
<tr>
<td></td>
<td>Preferred Ad- Conviction</td>
<td>6.842</td>
<td>2</td>
<td>.033*</td>
<td>402</td>
</tr>
<tr>
<td></td>
<td>Preferred Ad- Purchase Intent</td>
<td>.142</td>
<td>2</td>
<td>.931</td>
<td>402</td>
</tr>
<tr>
<td>Skepticism</td>
<td>Preferred Ad- Credibility</td>
<td>1.397</td>
<td>2</td>
<td>.237</td>
<td>402</td>
</tr>
<tr>
<td></td>
<td>Preferred Ad- Preference</td>
<td>.464</td>
<td>2</td>
<td>.496</td>
<td>402</td>
</tr>
<tr>
<td></td>
<td>Preferred Ad- Conviction</td>
<td>.000</td>
<td>2</td>
<td>.989</td>
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</tr>
<tr>
<td></td>
<td>Preferred Ad- Purchase Intent</td>
<td>.045</td>
<td>2</td>
<td>.831</td>
<td>402</td>
</tr>
</tbody>
</table>

* Significant at p≤.05

Effect of Gender, Skepticism, and Segment on Type of Ad Preferred

For Proposition 2, we conducted Chi-square tests. A high proportion (68.7%) of total respondents felt that Informational ads are more credible than Transformational ads. Compared
to males, females showed a significantly higher preference for the Informational ad, based on all four ad characteristics—credibility, product preference, conviction, and purchase intent (Table 6). Between segments, significant differences were observed in the type of ad preferred owing to credibility, and conviction. For Ad Skepticism, there were no significant differences in the type of ad preferred, stemming from ad characteristics.

**DISCUSSION AND CONCLUSIONS**

In the present research, we have drawn on several streams relating to the new generation of consumers, and the digital media that can be marshalled to reach them. The use of scales from the literature, as well as a large sample size, ensures validity and reliability of findings. Several research questions have been formulated and addressed.

Several of our findings have implications for research and practice. The preference for Informational ads over Transformational ads is significantly higher in the overall sample. Further, regardless of the level of ad skepticism, the preference for Informational ads was significantly higher. Moreover, while there is a preference for Informational ads across both genders, this preference is significantly higher among females. In addition, among Youth, there is a significantly higher preference for Informational ads.

However, many successful brands rely on highly emotional-oriented advertising. Moreover, advertising may be based on a dual strategy, and may make “combination” or “mixed” appeals, that are partly emotional, and partly information-based. This effect can be achieved through differential emphasis of ad elements (such as copy, visuals, color, and music), towards an overall brand image (Clow and Baack 2010). Consumers might be not sensitive to, or even be consciously aware of, this subtle mix of appeals. A limitation of this research might be social desirability bias (Crowne and Marlow 1960). Respondents might believe that it is more socially desirable to appear “rational” rather than “emotional”. As an example, advertising may include sensual, sexual, and other hedonistic appeals, that a respondent might not feel comfortable with, while participating in a focus group or survey. A pattern of biased responses results in masking individual differences in research. Further, the present research is exploratory in nature, and a more detailed analysis might yield more meaningful results. If marketers want to grow the profitability of their business they can communicate appropriate messages to the new generation of consumers in Mexico, towards building brand equity.

**REFERENCES**


DETERMINANTS OF CONSUMERS’ BRAND SWITCHING BEHAVIOR

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ABSTRACT

A new model has been built to investigate the consumer switching intentions of Apple and Samsung users. Data were collected from the general population in Lebanon to test the model empirically. The results confirm the expectation that perceived product usefulness and perceived ease of use are the major factors driving the intention of users to switch, subjective norms has also limited impact. The financial cost of switching is the main barrier to consumers’ decision to switch to a new product. Although the literature reports considerable research on the intentions of consumers to switch, this study explores the lack of understanding about this behavior in the Middle-East region, in particular Lebanon.

INTRODUCTION

The literature demonstrates that the long-term success of firms depends on their maintaining consumer satisfaction, because a satisfied customer repurchases from the same firm (Heide and Weiss 1995). Retaining customer satisfaction, however, requires that firms continually develop their product capabilities to reflect changing consumers’ preferences, especially in the high-technology field where consumers prefer to have advanced technology to sustain a competitive position. This research investigates consumer switching behavior in the smartphone industry, which is characterized by (1) rapid pace of technological changes that require intensive market research to evaluate consumer preferences; (2) rapid rate of integrating new features with the new product version, leading to intensive market competition; (3) substantial levels of technology heterogeneity between major players (or lacking a standard design); and (4) significant differentiation of products through integrated technology. These characteristics reveal the fact that these products are information intensive and impose a high uncertainty during the consumer purchasing process (Weiss and Heide 1993), pushing consumers to engage in extensive search efforts to find the optimal product that fits their needs. Moreover, the mobile industry is reaching saturation, which means that the annual growth in this sector is relatively small. However, with smartphone users replacing their devices faster than ever, there is a big potential for growth by encouraging customer switching from other
firms. In this industry, therefore, exploring the factors that influence the intention to switch becomes a challenging task for firms as they strive to sustain their customer base and encourage others to switch.

Big smartphone markets such as Apple and Samsung are aggressively competing to win larger market share and eventually win the battle. This intensive competition has led to an increase in brand switching, with many consumers deciding to abandon the brand of smartphones they own and purchase a rival brand instead. As a result, understanding the dynamics behind brand switching has become a growing concern for smartphone marketers. This research study examines the factors that can play a significant role in shaping consumer choices of moving between smartphone marketers and their intentions to switch. In contrast to previous studies, we are proposing a model that is guided by the “Theory of Planned Behavior”, the “Technology Acceptance Model”, and the “Consumer Acceptance of Technology Model”. This model reflects consumer behavioral psychology during the switching behavior, and accounts for the characteristics of high technological devices.

**LITERATURE REVIEW**

It is important to consider consumer switching behavior because it reveals that consumers’ needs are not satisfied by products that do not meet their expectations (Pae and Hyun 2006; Burnham et al. 2003). Hence, these unsatisfied consumers start looking for alternatives they believe could better satisfy their unmet needs. From the negative side, switching might cause a reduced market share, a diminishing reputation, and an unpredictable consumer mix (Levesque and McDougall 1996). It also causes a decrease in sales volume, requiring intensifying marketing activities to acquire new customers (Zins 2001). The relative cost of acquiring new customers is significantly higher than the cost of retention, and therefore switching leads to profit erosion (Fornell and Wernerfelt 1987). Statistics have shown that over a period of five years, many US firms loose half of their customers to their competitors, causing enormous performance meltdowns (Reichheld 1996).

Firms recognize that restraining consumer switching behavior is one of the most significant factors in customer retention and the long-term company’s viability (Reichheld and Teal 2001). It is highly important for them to identify factors that shape switching behavior. Once these factors are pinpointed, companies can develop strategies that promote long-term relationships with consumers and subsequently decrease consumer switching (Anderson and Sullivan 1993). Alternatively, they can develop appropriate strategies to increase market share by attracting prospective switchers from other firms (Colgate and Lang 2001). Consumer switching behavior, conceptualized as ending the relationship with the present marketer and moving to a new marketer, has been extensively studied in the marketing literature (Bansal et al. 2005; Pae and Hyun 2006). After the first purchase of a product, consumer switching behavior could take place in three different circumstances. The first one is when the customer is unsatisfied with the product’s performance (Heide and Weiss 1995). The second is when he or she does not foresee improvement in the existing product’s performance in the foreseeable
future (Bansal et al. 2005). The third is when he or she believes that there is a chance to move to a more satisfying product (Weiss and Heide 1993). Most of the consumer switching literature is focused on different competitive markets and examines switching behavior of frequently purchased consumer products such as software programs, auto repairs and hairstyling, financial services, on-line services, and retailing. This study combines a whole range of factors under one model that aims at explaining consumer brand switching behavior for smartphones. We propose that smartphone switching, or the adoption of a new proposed smartphone from another brand, is influenced by psychological, social and technological motivations, and barriers to switching.

THEORETICAL FRAMEWORK AND RESEARCH MODEL

Understanding brand-switching behavior of smartphone users requires a firm understanding of the precedent factors that may lead to such behavior. Fishbein and Azjen (1975) argued that consumers act in a rational way by systematically using all available information when making the decision to engage in a given behavior. In order to predict an individual’s behavior, they developed the “Theory of Reasoned Action (TRA),” which suggests that the consumer’s intention to make a specific action is the immediate determinant of behavior. Intention is in turn affected by subjective norms and attitudes towards the behavior. The TRA has certain limitations since the pursuance of behavior is to some degree influenced by non-motivational variables such as the availability of resources including money, time, and skills (Azjen 1991). To address these limitations, Azjen (1985) proposed the Theory of Planned Behavior (TPB), which includes perceived behavioral control.

The TPB provided a useful framework and proved to be helpful for marketers in predicting consumer behavior (Bansal and Taylor 1999; Fortin 2000). However, switching behaviors differ among different industries and products. Since smartphones are high-tech and high-involvement products, we need to account for technological variables that may play a role in switching intentions. Hence, we will deploy TPB and add the Consumer Acceptance of Technology Model (CAT), an extension of the Technology Acceptance Model (TAM). The TAM model was developed by Davis (1989) for forecasting and explaining users’ acceptance of information systems in business environments (Davis et al. 1989). This model is widely used and appears to be the most replicated and empirically cited in the area of technology acceptance (Lin et al. 2007). It provides a tangible structure to explain a user’s adoption process for an innovative information product, a useful theoretical framework to explain a user’s behavior, and a way for tracing back the effect of external variables on internal intentions, attitudes, and beliefs (Qi et al. 2009). Numerous scholarly studies have proven the model’s global validity, acceptability, and reliability (Hong et al. 2006; Fang et al. 2005).

The CAM model was proposed by Kulviwat et al. (2007), which combines the TAM model with a wide variety of effective reactions. In this model, it is assumed that consumers may switch to another technology brand not only to take advantage of its additional useful benefits but also to enjoy the new experience it offers. Since consumer switching reveals that
no one unique model was used as a predictor of switching behavior across different products and industries, our theoretical model is a combination of relevant theories that consider the unique aspect of the smartphone industry. Figure 1 shows our study model, where the Theory of Planned Behavior (TPB) is used to explain the behavior of consumer switching, and the Consumer Acceptance of Technology model (CAT) is used to account for the characteristics of high-technological devices.

REFERENCES


CONSTRUCTING IDENTITY THROUGH THE CONSUMPTION OF LUXURY GOODS

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ABSTRACT

In Mexico 26.8% of the population is made up of young people 15-29 years of age (INEGI 2012), where young people who are starting to exercise their purchasing decision power are included. This population is widely exposed to products that serve as facilitators to form their identity, shaping their lifestyle, and belonging to groups. A challenge for luxury brands today, is how to create connections and touch emotions that connect brands with consumers. This study seeks to understand the differences between feelings and deeper emotions that encourage the purchase of luxury brands of clothing and accessories for young men and women in Mexico. The ZMET technique for making maps of the hierarchy of values was used. The results show that luxury brands represent constructs of satisfaction, security, self-esteem and happiness. The results show that the feelings they provoke in women are to maintain appearances and fit into a social group, while men want to feel powerful and masculine. There are also slight differences between geographical areas but they eventually intersect within the constructs of happiness.

Keywords: Luxury brands, gender, young consumers

INTRODUCTION

Luxury as a social phenomenon has existed throughout history, but in recent decades luxury consumption has registered tremendous growth. This has led to the topic of luxury brands regaining relevance. Young people are turning to brands for the emotional components that they provide and as facilitators of acceptance and belonging in social groups. Some research has shown that brands can help consumers connect, increase feelings of exclusiveness and strengthen belonging in social groups (Dommer, Swaminathan & Ahluwalia 2013). But there is little literature on the emotions and feelings they evoke in the consumer by gender. This study aims to determine the differences and similarities between feelings and deep emotions of young women and men in Mexico. This paper contributes to marketing literature answering questions about how and in what aspects do emotions affect consumer decisions and...
how are they triggered; which is one of the main priorities highlighted by MSI 2014-2016 (Marketing Science Institute) in marketing research.

THEORETICAL FRAMEWORK

Luxury brands are related to various features such as: exclusiveness, originality, quality, scarcity, aesthetics and premium prices (Fuchs, 2013).

According to the author Torchiaro (2010), the desire to own luxury items, has been synonymous with royalty and dynasty. Simply to consume or gain access to these goods, gives a clear notion of belonging and social status. Other authors agree that luxury is associated with the purest differentiation within different social strata (Gil, Kwon, Good & Johnson, 2012). Brands know well this function of the human mind and know that for the consumer, luxury brands are a motivation to purchase for young people, because they are facilitators to being part of a social group they admire or aspire to belong.

This social motivation and materialism are important factors at the moment of making the purchasing decision. Many authors reinforce the thesis that when dressing, people portray their own personality, the mental image of what they are and what they wear is a reflection of what they want to communicate (Horn and Gurel, LM 1981; Piscitelli, A., 2005). Young consumers are questioning how they want to see themselves and how they should dress to be included in these groups (Gil, Kwon, Good & Johnson, 2012).

Furthermore, authors like Phau and Prendergast (2000) have conducted studies that prove that luxury brands evoke exclusiveness, and have excellent perceived quality associations. Torchiaro (2010), argues that luxury brands contain a large emotional component, which leads to pleasure and comfort, providing the feeling of being unique and out of the ordinary. Other authors have studied the implications of consumer budgets in the category of luxury brands concluding that, they are also conscientious of protecting the family income (Aytman & Calla, 2014)

Given the above, consumers now attach great value to luxury brands. The brands become an experience for the consumer. Little literature has been investigated in relation to the different buying motivators for men and women in the acquisition of luxury brands. In Western culture studies have shown that, women have a more positive attitude towards brand, and a higher purchase intention than men. Also, for female consumers, luxury brands provide more uniqueness, status and hedonistic value than non-luxury brands (Stockburger-Sauer and Teichmann, 2013). There is no study that has investigated in depth the differences between emotions by gender from luxury goods. Thus, the results of this study suggest theoretical implications for luxury brand management in terms of deep emotions in the purchase process by gender. In fact, other authors that have studied luxury brands, suggest that it would be more meaningful to analyze male versus female samples and to compare the ways in which they differ (Song, Hur and Kim, 2012).
RESEARCH OBJECTIVE

To determine the differences and similarities between feelings and deep emotions in women and men in Mexico that encourages the purchase of luxury goods like clothing and accessories.

METHODOLOGY

The qualitative method Zaltman Metaphor Elicitation Technique (ZMET) was used for this investigation. This method seeks to enter on the unconscious mind to discover what really motivates consumers to make a purchase and know what role a product occupies in their lives. For which first a mental model of consensus regarding feelings and deep emotions encouraging the purchase of luxury goods like clothing and accessories, was elaborated, afterwards the differences and similarities between the feelings and emotions of women and men were determined.

The concrete steps were:

1. Each interviewee was given several magazines on various topics and asked to select from 8-10 images, not repeated and not showing the explicit product.
2. The interviewees selected three images from step 1 and explained the meaning and associations they found in them; this was done in order to find the reason for their selection.
3. They were asked to specify whether there was an image that they had not found and would have liked to find.
4. The chosen images were analyzed and those that represented the same idea or feeling were discarded.
5. After making an initial analysis of the images, common concepts were created based on the information provided by the interviewee, minimum 3 per person.
6. The interviewee made a deeper reflection on groups of images and developed deep metaphors. These metaphors influence on what each individual interprets, says and does; they start their development from childhood and although they go through some adaptations to the social and cultural environment, they remain unspoiled and shared socially.

For the application of the technique a group of 48 people (24 men and 24 women) from Monterrey and the metropolitan area of Mexico City was selected, among the ages of 18-25, levels A / B, C+. The application took about two hours per individual.
RESULTS

In relation to the mental model that encourages the purchase of \textit{luxury clothing and accessories}, we can conclude that: to possess, use, and have clothing and accessories of known brands provide young consumers with happiness and the satisfaction of attracting the attention and admiration of others.

In both genders money generated guilt and concern for having spent money on high-cost items. For those who cannot afford them, it generates frustration and anxiety. Women feel guiltier about buying something so expensive and frustrated when they cannot buy it.

Women tend to be more frivolous than men; they are interested in maintaining appearances and fitting into a social group thereby strengthening their security. Men instead are looking to feel powerful and masculine reinforcing their self-esteem.

FINAL CONCLUSIONS

The common denominator between men and women is that luxury accessories and clothing caused a feeling of happiness. For México and Monterrey there are slight differences but eventually both intersect within the constructs of happiness This leads luxury brands to look for smarter marketing strategies that connect with the security and self-esteem of young people evoking scenes and moments of happiness; this way companies can increase their chances of success with this target market.

This study reinforces what other authors say about brands being symbols of social status, because they makes them feel satisfied to attract attention and be admired by the group they want to belong.

A new variable that has not been discussed in other studies is the sense of guilt when purchasing and the sense of frustration when one cannot purchase, confirming on the one hand what authors Phau and Prendergast (2000) claim of the exclusiveness of brands, however this opens a new line of research to study the degree of frustration generated by not being able to possess them.

On the other hand, the fact of not being able to buy luxury goods, causes more frustration in women than in men, perhaps is an indication that women are more likely to buy luxury brands than men; future studies can be performed to verify this.

This paper may have implications for both academics and managers. As for the academic aspect, this research highlight in depth the differences between emotions by gender from luxury goods; concerning the managerial aspect, this study suggests that marketers use brand experience strategies where the sense of belonging is the axis of communication for women and for men to emphasize messages of power and masculinity.
REFERENCES


GLOBAL MARKETING

INDIVIDUALISM, COLLECTIVISM, CITIZENSHIP AND GROUP WORK LEARNING PREFERENCES OF UNIVERSITY STUDENTS

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EXTENDED ABSTRACT

At many universities, the proportion of international students is growing rapidly. To best serve students, professors need to consider the differing needs, if any, of their international and American students. Marketing classes often use group projects as a part of their course requirements. Student reactions to group work are mixed, with some liking and others disliking group projects. With increasing classroom diversity based on nationality, it is important to discover how people with different nationalities react to their assigned group work. This study is an extension of work reported in Mosley and Amponsah (2005), and examines student reactions in the form of five different group outcome variables: personal benefits of group work (MyBenefits), good group process (GoodGroup), prefer working alone (SoloWork), quality of my group work (MyQuality), and the fairness of grading all group members the same (FairGrade). Three of these five outcome variables were measured using scales specifically modified for this study. These outcome variables were then related to each other, and to individualism (IND), collectivism (COL), citizenship, and other demographic variables. This study improves on the earlier study because it:

1. compares two more internally homogeneous groups than the previous study (which simply compared American and non-American students),
2. introduces additional explanatory variables—specifically collectivism and individualism, and
3. improved the three scales measuring students’ group work outcome variables mentioned above.

Relationships were found among many of the above listed variables. Of particular note was the difference between American and Vietnamese students when using stepwise regression to predict their MyBenefits results. Vietnamese students’ scores for MyBenefits could be predicted using only their COL and IND scores with an adjusted $r^2$ of .569. For American
students, the significant predictor variables were COL, MyQuality, and SoloWork (-), with an adjusted $r^2$ of only .165.

Suggestions are made to improve the overall student acceptance of their required group work based on improving various input variables. Most of the actions suggested for improving these input variables involve empowering students in grading and proving the involvement, concern, and supervision of the group work by the instructor. These suggestions are supported by a review of the relevant literature.

REFERENCES


NATIONAL CULTURE, EDUCATION, AND ANTECEDENT VALUES
OF CORPORATE SOCIAL RESPONSIBILITY

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EXTENDED ABSTRACT

While scholars have investigated firms’ social concerns for decades it is only recently that the focus on this important issue has become so widespread (Serenko & Bontis, 2009; Wagner, Lutz, & Weiz, 2009). While the majority of the scholarly research on corporate social responsibility (CSR) has focused on macro level of analysis, micro level literature where the individual is used as the unit of analysis is lacking (Aguinis & Glavas, 2012).

The primary purpose of this research is to fill this gap by investigating if differences in societal level cultural values influence antecedent values of CSR. The two countries Sweden and Taiwan are selected as surrogates to represent opposite societal level cultural values. Concern for environment and trust in social institutions will be used as antecedent values of CSR. Considering that the values individuals hold are likely to change through learning (e.g., antecedent values of CSR can change over time), this study will also focus on the influence that education has on societal level cultural values in bringing about change in the antecedent values of CSR or orientations of CSR in individuals.

The specific research questions to be investigated are as follows:

Research Question 1: Antecedent values of CSR will be higher for individuals from Sweden compared to individuals from Taiwan.

Research Question 2: The level of education will influence antecedent values of CSR.

Research Question 3: The influence that level of education has on antecedent values of CSR will be higher for individuals from Taiwan compared to individuals from Sweden.

Data for the study came from the 4th wave of World Value Surveys (WVS) conducted in 2005. The WVS is a global research project that explores people’s values and beliefs, how they change over time, and what social and political impact they have. The SPSS data analysis software selected a random sample of all the observations between the two countries Sweden and Taiwan.
The variables investigated that related to environmental issues were: (1) perceived seriousness of global warming or greenhouse effects, (2) perceived seriousness of loss of plant or animal species or biodiversity, and (3) perceived seriousness of pollution of rivers, lakes and oceans. There was also one other variable that focused on environment and economic growth. The variable requested that respondents decide if economic development and the creation of jobs or the protection of the environment was more important to them personally. The variables relating to trust or confidence in institutions related to confidence in the: (1) press, (2) major companies, (3) environmental organizations, (4) women’s organizations, and (5) charitable or humanitarian organizations. These 9 variables operationalized the antecedent values of CSR. The level of education consisted of 3 groups where the first group included individuals with no education or up to primary education, the second group included individuals who had completed primary education but may or may not have completed secondary education, and the third group included individuals who had some college, completed college, or a professional certification. Two MANCOA and Chi-square Test of provided supported for the 3 research questions. Results show that antecedent values of CSR differ between Sweden and Taiwan, two countries that are opposite in terms of Hofstede’s cultural values. Education influenced the perceived seriousness of environmental issues for individuals from Taiwan. While more individuals at low levels of education from Taiwan claimed economic development and job creation were more important than protecting the environment, at high levels of education both samples claimed that protecting the environment was more important value than economic development. For the sample from Sweden, education had no significant influence on antecedents of CSR values. While value differences due to national culture were identified, the role that education plays with regards to concerns people have about socially responsible issues was an interesting finding. In terms of trust in social institutions, clear differences were identified between the two samples where Taiwanese had less confidence in the press, major companies, environmental organizations, and charitable or humanitarian organizations. Education had a positive influence in increasing the level of confidence in women’s organizations and charitable or humanitarian organizations in Taiwan. While the results were mixed, initial indications still seem to suggest that education plays a significant role with regards to confidence that individuals have in social institutions as well.

REFERENCES


IS TOURISM-LED-GROWTH (TLG) HYPOTHESES VALID IN CHINA?

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EXTENDED ABSTRACT

The tourism-led-growth (TLG) hypothesis investigates the impact of tourism on an economy’s economic growth. A number of research studies support the TLG hypothesis across a variety of countries/regions while a small number of studies find no evidence to support to the TLG hypothesis. Studies that have found support for a unidirectional relationship from tourism to economic growth include Turkey (Gunduz & Hatemi, 2005; Kaplan & Celik, 2008), Mexico (Sanchez Carrera, Brida, & Risso, 2008), South Africa (Akinboade & Braimoh, 2010), Tunisia (Belloumi, 2010), Singapore (Katircioglu, 2011), Greece (Eeckels et al., 2012), Lebanon (Tang & Abosedra, 2014), and Pakistan (Hye, Muhammad, & Khan, 2013). However, a bidirectional relationship between tourism development and economic growth has also been observed in countries like Greece (Dritsakis, 2004), Turkey (Demiroz & Ongan, 2005), Taiwan (Kim, Chen, & Jang, 2006; Lee & Chien, 2008), Malta (Katircioglu, 2009a), Croatia (Payne & Mervar, 2010), Spain (Cortes-Jimenez & Pulina, 2010), and Italy (Massidda & Mattana, 2013). In addition, a few empirical findings came to the conclusion that the TLG hypothesis should be rejected in countries like South Korea (Oh, 2005), Turkey (Zortuk, 2009; Katircioglu, 2009b), Brazil (Brida et al., 2011), Unite States (Tang & Jang, 2009), Tunisia (Cortes-Jimenez et al., 2011), and the Sichuan province in China (He & Zheng, 2011).

As such, it appears that there is no consensus in the literature regarding whether tourism actually leads to economic growth or whether economic growth contributes to tourism instead. The underlying problems are (1) most of the countries/economies being studied are popular international tourism destinations with many cultural/natural endowments and a well-developed tourism industry, such as Spain, Greece and Turkey, and (2) relatively small in terms of size and economies (e.g. Spain, Greece, Turkey, Cyprus, Pakistan, Malaysia, Singapore, South Korea, Taiwan, Hong Kong). To shed further light on the lack of empirical studies in large economies, we revisit the literature with a focus on the Group of Twenty (G20).

Our literature survey reveals that few studies investigate the relationship between tourism development and economic growth in large economies (e.g., China, India, and USA), where tourism accounts for a relatively small portion of these nations’ GDP. Moreover, most studies fail to control for the well-documented impact of exports on growth (i.e., the so called export-led-growth, ELG, hypothesis) when investigating the TLG hypothesis. To address these...
two main issues, the present study empirically examines the relationship between tourism and economic growth in the context of China, in which tourism industry has been growing, and plays an increasingly important role in attracting more international tourists. Furthermore, the present study incorporates exports as an auxiliary variable to mitigate misspecification bias due to the likely omission of exports as a key variable. We use quarterly time-series data, including GDP, exports, and both international tourism receipts (denoted as ITR) and domestic tourism receipts (denoted as DTR). The data were collected over the period of 1993-2013 from China’s Statistical Yearbook. We utilize a trivariate vector error correction model to examine the TLG and ELG hypotheses. It is hoped that empirical findings from this study could answer an unverified question of the tourism-led-growth hypothesis in China.

REFERENCES


EASTBOUND: KEY TAKE-AWAYS FROM A CHINA STUDY ABROAD PROGRAM

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ABSTRACT

Study abroad programs are becoming increasingly popular. This study explores the motivations and goals of the students who wish to study abroad. The context for the study is a study abroad program in a regional southern university. The program has been successfully conducted for two years. The study focusses on the students’ essays and letters that they wrote to be accepted into the program. Key issues and implications are discussed.
BRANDING AND BRAND MANAGEMENT

HOW TO MAKE BRAND MANAGEMENT IN AN INDUSTRY WITH LEGAL LIMITATIONS IN BRANDING

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ABSTRACT

This paper has been prepared to brief successful brand management implementations of pharmaceutical professionals in Turkey indicating the consistency with contemporary management issues like global compact, corporate social responsibility, reputation management etc. Pharmacy industry is known with the limitations in marketing. The companies have to find ways to reach to the target customers. Global Compact is another force to be ethic for companies which requires responsibility. Pharmaceutical industry is a very particular industry. Ordinary marketing and sales principles sometimes hazardous for this sector. A research analyst at the university worked as a brand manager in a pharmaceutical company and saw the brand management as an opportunity to enlighten the society and to serve to society. As the result he achieved to the targets, he helped lots of people, contributed to the decisionmaker, has welldone a job of local administration. Every shareholder including the patients benefit from this process. This is another indicator of benefit of the brand management for the society and worth to be analysed as a best practice. Another pharmaceutical company has a mission about increasing awareness to the public about the disease they treat. They use social media to create awareness with project management. Study will be linked with brand management, global compact, marketing management topics which is in integrity.

Method: Interview, observation.
Keywords: global compact, corporate governance, brand management, health pharmacy marketing, employee brand, corporate communication.
INTRODUCTION

This paper has been prepared to brief a successful brand manager’s implementation in Turkey in Pharmaceuticals industry is known with the limitations in marketing. This is an ethical method. Fair and beneficial to all concerned. Truth and build goodwill and better trust. Study will be linked to global compact, corporate governance, brand management, health-pharmacy marketing, employee brand, corporate communication.

LITERATURE REVIEW

There are many developments in recent years which may have global, strategic impacts. They all effect companies towards the similar way but good way.

United Nation’s Global Compact

Related Global Compact Principals are as follows [UN, 2013]:

First Principle related to Human rights
1. Businesses should support and respect the protection of internationally proclaimed human rights; and
2. make sure that they are not complicit in human rights abuses.

Third, Fourth, Fifth and Sixth Principles related to Labour

Seventh, Eighth and Ninth Principles related to as Environment

Tenth Principle related to Anti-corruption
10. Businesses should work against corruption in all its forms, including extortion and bribery.

Principles of Global Compact are sources for good reputation management and corporate governance.

Corporate Governance Principles

Discussions of corporate governance tend to refer to principles raised in three documents released since 1990: The Cadbury Report (UK, 1992), the Principles of Corporate Governance (OECD, 1998 and 2004), the Sarbanes-Oxley Act of 2002 (US, 2002). The Cadbury and OECD reports present general principles around which businesses are expected to operate to assure proper governance. The Sarbanes-Oxley Act, informally referred to as Sarbox or Sox, is an attempt by the federal government in the United States to legislate several of the principles recommended in the Cadbury and OECD reports.

Some of the Corporate Governance principles are changed the marketing approach of the companies. Concept of stakeholders such as employees, suppliers, NGO’s, customers forced companies to think about the groups other than investors. Increasing importance of ethical management effected pharma industry also.
• Interests of other stakeholders: Organizations should recognize that they have legal, contractual, social, and market driven obligations to non-shareholder stakeholders, including employees, investors, creditors, suppliers, local communities, customers, and policy makers.

• Integrity and ethical behavior: Integrity should be a fundamental requirement in choosing corporate officers and board members. Organizations should develop a code of conduct for their directors and executives that promotes ethical and responsible decision making.

• Disclosure and transparency: Organizations should clarify and make publicly known the roles and responsibilities of board and management to provide stakeholders with a level of accountability. They should also implement procedures to independently verify and safeguard the integrity of the company's financial reporting. Disclosure of material matters concerning the organization should be timely and balanced to ensure that all investors have access to clear, factual information.

Corporate governance ratings (OECD, 2004) is a mechanism to rate the companies performance on good management. With all these developments good management turned to be responsibility of managers for all shareholders including the society, government, small investors, employee etc.

**Reputation Management**

Reputation is known as overall estimation of the character or quality of a person generally held by those who know him or her.

Reputation management is the understanding or influencing of an individual’s or business’s reputation. It was known as a public relations, but advancement in computing, the internet and social media made it primarily an issue of search results. The Harris-Fombrun Reputation QuotientSM (RQ) was developed by Harris Interactive, Charles Fombrun and Cees van Riel. The questionnaire they use to measure reputation consists of 20 items divided into six “pillars”(Fombrun 2001):

1. Emotional Appeal (Have a good feeling about the company. Admire and respect the company. Trust the company a great deal.)
2. Products & Services (Stands behind its products and services. Develops innovative products and services. Offers high quality products and services. Offers products and services that are a good value for the money.)
3. Financial Performance (Has a strong record of profitability. Looks like a low risk investment. Looks like a company with strong prospects for future growth. Tends to outperform its competitors.)
4. Vision & Leadership (Has excellent leadership. Has a clear vision for its future. Recognizes and takes advantage of market opportunities.)

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5. Workplace Environment (Is well-managed. Looks like a good company to work for. Looks like a company that would have good employees.)
6. Social Responsibility (Supports good causes. Is an environmentally responsible company. Maintains high standards in the way it treats people.)

A comprehensive desk research done by shows that existing reputation measurement tools are based on the following categories, which can be described as first- or second order formed attributes (Rossiter 2002):

- Quality of employees
- Quality of management
- Financial performance
- Quality of products and services
- Market leadership
- Customer orientation
- Attractiveness
- Social responsibility
- Ethical Behavior
- Reliability

Corporate Social Responsibility opened an excellent channel to pharma marketing also. In an industry with limitations in advertisement, Corporate Social Responsibility projects gave the chance to effect society including end users.

**METHOD AND CONCEPTUAL DEVELOPMENT**

Method of this study is interview and the analysis of the accumulated information gained in years in executive search business including pharmaceutical industry also for more than 15 years in business life. This is an introductory study and expected to give an aspect for further and much more quantitative searches about pharmaceutical marketing. The topics mentioned in literature review are independent but the aim of the researcher is to show the strategic direction of all this topics towards the same destination.

Global compact, is a contemporary topic of management. Impact area is wide. From human resources to finance, from supply chain to public relations UN Global compact, effects a large area which are very related to the company reputation and marketing strategies. These topics raised parallel with each other. Beside the publications of OECD in 1998, 2004, Global Compact has been signed. That means the change. Change in perceptions, expectations, behaviors, ratings and criterion.

Importance of the reputation of the companies is known. Social responsibility, ethical behavior, reliability, quality of management (Rossiter, 2002) vision and leadership, workplace environment (Fombrun 2001)
These dimensions of reputation are related with UN Global compact in respect to human rights, labor rights, and equality of people. Corporate governance ratings are a criterion, at least a source of information about the financial solidity of the companies. Corporate governance has similar dimensions with reputation management such as workplace environment, quality of management, ethical behaviors.

Marketing efforts of pharmaceutical companies strictly limited with the rules of Ministry of Health. Any wrong implementation is a subject to penalty. There are many competitors in the market. These conditions demand high level of creativity and project management skills from the Product Manager of the product brand.

ANALYSIS OF A BRAND MANAGEMENT

First of all, interviewed Brand Manager was a Research Assistant at the university in first years of his career. He has the research and analysis mind. He has the ability to understand the minds of Medical Professors. Educating and public health were missions of these professors. Approaching to the professors in respectful and contributive way was the key in the brand management. There has to be a project to develop brand awareness for both the company and the product. On the other hand, brands of the company and the product should be in backstage, almost invisible because of the strict limitation of the marketing publicity limitations in the pharma industry.

For one of the project, the Brand Manager prepared a project plan. Product was a mental disease treatment product. As an expected performance from a brand manager in Pharmaceutical industry, the Brand manager learned the disease very well from main literature including the newest information also. It was expected that approximately a percentage of the society has this disease. Some of them are unknown because of the hidden symptoms and they live without treatment as a risk factor for the society and also themselves. This is sometimes a hidden threat for the society, sometimes just a loss of efficient human resource benefit. There are proven diagnostic methods of the disease for the patience came to the medical doctors.

As it is seen there were stakeholders of the project.
1. One stakeholder was the Medical Faculty Professors/medical doctors who have the responsibility to treat these patients.
2. Another one was public administration responsible from the safety and welfare of the society.
3. Other one was the patients and the family of the patient who is responsible from keeping health for themselves individually and as a part of public health.
4. Pharma Company as responsible from serving the medicine to the public.

Brand Manager managed the project as:
A prominent Medical Faculty Professors prepared the diagnostic questionnaire. Public Administration asked the questionnaire to the public as a social responsibility project. Answers have been examined by the Medical Faculty. The answers containing disease risk has been classified for further examination. Further examination completed by the Medical Faculty. These people have been treated with the medicine of the pharmaceutical company. The percentage of the disease in a society was consistent with the prior research. The patience’s in this region started to the treatment with the project manager’s medicine brand. It was an action to capture the patient at the beginning with the diagnose in accordance with the limited rules. Medical Faculty reached to the patients. Public Administration served to the public for their health. Pharmacy personnel learned the brand from prescriptions. All of the stakeholders of the project reached to their aims. This is an example of a good brand management project which is beneficiary for the all, in consistency with the rules and limitations.

Another brand management project was about a newly identified disease. It was a neurological disease and seen as a symptom of other diseases. Symptoms were similar to headache. First of all the medical doctors should be informed about the disease with the new approach to this symptom similar to headache or disease. Because of the limitations in pharma marketing a project was necessary for this mission. The Brand Manager as a Research Assistant before, planned a project for an international scientific congress about the disease. Invited resource speakers and prominent medical faculty members were medical doctors. Press coverage and the scientific conference informed the medical doctors who will prescribe the product. Target group percepted the disease connected with the brand and the pharma company. All literature, opinion leaders, scientific information sourced from this conference and the Brand Manager. This is another prosperous brand management project to cover the market at the beginning. At this project, stakeholders were:

1. Medical Doctors to gain information about the disease
2. Patience to be diagnosed with care
3. Pharma Company to serve for treatment with the medicine.

All stakeholders benefit from the project. An international scientific congress started and repeated yearly for Vertigo disease. A scientific magazine started to be published for Vertigo.

In addition to these examples Sanofi Aventis Pharma giant of France is a good example in using social media. They are one of the biggest insulin producer. They announced a project to the university students for facilitating life of diabetic patients as a Social Responsibility Project on Social Media. It was a competition of innovations with a prize. Many students from medical, engineering, pharmacy etc. different faculties and different sciences joined to the project with different innovation projects. There was a jury including distinguished diabetics professors expert on diabetics, families of diabetic’s patients, NGO’s interested in diabetics and people who live as diabetics patients.
After selection between number of nominee projects 10 of them from different cities of Turkey has been welcomed with a ceremony in a luxury hotel. Project owner students joined with their families with pride and winners have been announced. This project attracted attention of public, universities, young generation and others in diabetic world, served for the shareholders in accordance with corporate governance. As a targeted result of social responsibility projects, Sanofi Aventis is known as a very important entity for diabetic people as it is. Trustable and preferred choice of diabetic patients in the market. Insulin produced in appropriate conditions is a vital product for diabetics as very well known.

LIMITATIONS OF THE STUDY

This paper is only an introductory and analysis study to create the linkages between some important strategic topics launched and raised in recent years with pharmaceuticals industry. Researcher hopes to make much more empirical studies after this introductory analysis paper.

On the other hand all these independent topics are interest areas of the researcher and she took the advantage of her chance to see the development in Corporate Governance, Global Compact, brand management in Pharma industry and Reputation Management. Executive Search business give the opportunity to read life’s of working people like real life story books.

There may be other results about the details of the paper also. Social media, corporate communications and project management could be analyzed more. They may be reviewed in further studies to predict marketing in the future.

CONCLUSION

Under the light of all these developments in economy, culture and market demands, it is not difficult to estimate that the reputation of the companies who do not care human rights, environmental issues, reducing poverty, keeping the environment clean and healthy, behave employee well, avoiding bribe, responsible employment, transparency in finance etc. will be less reputable in the eye of public who are a part of the customers. On the other hand good implementations of Corporate Governance, Global Compact, Capital Markets Board Law are expected to affect Corporate Reputation in a positive way.

Normal or ordinary implementation of marketing and brand management in Pharma must be in accordance with these developments and rules. But sometimes it was not. Sometimes it was just to send Medical Professors and Medical Doctors to vacation with their large families, hiring opinion leaders, investing academicians in their academic career as holding them as an advocate of the brand or pharma company, implementing incentive system for the prescription of the product. Laws are to limit these kind of unethical or wrong implementations. It is good to see the similar directive laws appear for the clean management.
Pharmaceutical industry is very powerful in the world. Many people works in Health companies. Health issues are critical for the society. Any wrong implementation in Health industry cost life’s of people. It is expected that the Health related people be most ethical, constructive, careful, responsible people of the society. Working in a company shapes both career and personality of people. On the other hand if we consider human as a resource, to grow as that sort of Brand Manager is very beneficiary for the society. Keeping the academicians and medical doctors is vital for the integrity of the souls of people. This may contribute to the psychological health of the society.

Corporate governance, corporate social responsibility, ethical management and strict regulations changed the marketing methods in pharma industry from gifts, congress tourism and performance targets to serving to the other stakeholders with creating positive attitude towards companies.

Because of the vitality of the Pharmaceutical Industry, these kinds of efforts in Brand Management are more than important.

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MARKETING EDUCATION AND EXPERIENTIAL AND SERVICE LEARNING

MYSTERY SHOPPING EXERCISE IN A MARKETING RESEARCH COURSE

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ABSTRACT

Mystery Shopping is a research method that requires the mystery shopper to become a secret shopper and observe the performance of the service providers. There are over 1.5 million mystery shoppers in the United States. Mystery shopping is done for Intrinsic or Extrinsic reasons. A mystery shopping exercise is presented in a marketing research course as an extra credit assignment. The pros and cons of the exercise will be discussed.

INTRODUCTION

Mystery Shopping is a research method that requiring the researcher (i.e., the mystery shopper) to become an active concealed participant observer to measure the performance of the service providers (Becker, 1958). The observer (secret shopper) poses as a customer or guest, deceiving the service provider as to the purpose of the visit (Wilson, 1998; Wilson, 2001). The performance of the activity is referred to as a “mystery shop” or “shop”. Tools used for mystery shopping assessment range from observation forms and questionnaires to complete audio and video recordings. The final evaluation is submitted in the form of a “report”.

LITERATURE REVIEW

Mystery shopping, which has been in use since the 1940s’, is currently used in a multitude of industries, including travel and tourism (Beck and Miao, 2003; Felertag, 2007), retail (Finn, 2001), banking and financial services (Reed and Miles, 1995), pharmaceuticals

(Norris, 2004), academia (Czepiec, 1983), government agencies (Wilson and Gutmann, 1998), and housing (McDonough, 2004). The primary purpose of mystery shopping is quality assurance (Beck and Miao, 2003), training (Erstad, 1998), market research (Czepiec, 1983), and competitive analysis (Dawson and Hillier, 1995). The Independent Mystery Shoppers’ Coalition reports there are 1.5 million mystery shoppers in the United States alone. Typical compensation in the US is $5 to $20 per evaluation (http://www.intelli-shop.com)

The persons performing the mystery shopping does it for several reasons (purpose). Their motivations can be broadly divided into two types: (1) *Intrinsic motivations* stem from a feeling of inherent satisfaction (i.e., enjoyment, client benefit, learning opportunity, personal development), with the performance of the activity being the primary reward (Allison, 2009; Gerstein et al., 2004; Ryan and Deci, 2000); (2) *Extrinsic motivations* refer to performing activities for the purpose of attaining rewards (i.e., monetary compensation) (Gerstein et al., 2004; Ryan and Deci, 2000).

Academia began to study and report on mystery shopping, as a viable research tool, only thirty years ago (Czepiec, 1983). Most academic researchers’ position mystery shopping as an exploratory (qualitative) research methodology whose primary purpose is to develop conceptual theoretical frameworks for any future descriptive or causal (quantitative) research studies (Beck and Miao, 2003). In fact, the methodology itself has been criticized extensively. Ethicists believe that the deception, inherent in mystery shopping, makes it an unviable research methodology (Dawson and Hillier, 1995; Ng Kwet Shing and Spence, 2002; Wilson, 2001). Since the technique requires subjective interpretation of the observation, researchers question the validity and reliability of the results obtained through mystery shopping (Morrison et. al., 1997).

Mystery Shopping Providers Association (MSPS) is the largest global organization with over 300 mystery shopping firms, marketing research and merchandising companies, training organizations, private investigation firms and other companies. One of its members is Intelli Shop (see http://www.intelli-shop.com). They provide mystery shopping for a large number of industries, including: Advertising and Marketing, Apartments and Multi-unit Housing, Attractions and Theme Parks, Automotive, Banking and Financial, Business-to-business, Commercial Real Estate Management, Computers and Electronics, Concessionaires, Convenience Stores, Delivery Services, Education, Entertainment and Venues, Fitness, Gift Stores, Government Agencies, Grocery Stores, Healthcare, Home Builders, Home Goods, In-store Demonstration, In-store Experience Providers, Insurance, Luxury Goods Manufacturing and Retail, Market Research, Mobile and Wireless Communication, Mortgage Brokers, Museums, Online Stores, Parking Venues and Parking Management, Private Equity Firms, Restaurants, Research, Retail, Seasonal Retail, Security, Self-storage, Shopping Malls, Software, Sports Teams and Venues, Staffing Companies, Technology Manufacturers, Timeshare Management, Travel Agencies, and Web-based retailers.
ASSIGNMENT

Since Mystery Shopping is covered in most Marketing Research textbooks and taught in most Marketing Research courses across the country, having Marketing Research students do an actual “shop” can be of tremendous benefits (i.e., both intrinsic and extrinsic). The mystery shop exercise I give in my class can be divided into several parts:

1. **PayPal**: in order to get paid for the shop, each student has to open a PayPal account ([http://www.PayPal.com](http://www.PayPal.com)). PayPal currency can be spent on thousands of ecommerce websites (e.g., Ebay). It may take a month before the student actually gets paid for the shop.

2. **Shopper Sign-up**: each student must go to the IntelliShop website ([http://www.intelli-shop.com](http://www.intelli-shop.com)) and create (i.e., sign-up) for an account. This requires every student to agree to certain terms and conditions and provide some relevant information. Each student needs to complete several sections including: an independent contract agreement, basic account information, payment information, demographic information, etc.

3. **Shop**: this requires each student to sign up (get assigned or self-assign) for a mystery shop that best suites the student. A student can do it in any industry, location, date (before the assignment due date), time, etc. To sign-up for a shop, a student will have to go to Job Board.

4. **Preparation**: prior to conducting the mystery shop, each student must view all relevant videos, read instructions, and glance over the requirements of the final report.

5. **Shop Report**: after completing the shop, each student will have to log into their IntelliShop account and complete and submit the shop report (a student may receive some feedback and/or request for clarification). The student must save the completed shop report as a pdf and upload onto Blackboard (for a grade). In addition, a student must upload the shop log after the report has been accepted and money has been authorized into your PayPal account (a supervisor assigns a 1-10 grade for each shop submitted).

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TRUST, VALUE, AND LOYALTY: AN INVESTIGATION OF UNDERGRADUATE AND GRADUATE INTERNATIONAL STUDENTS

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EXTENDED ABSTRACT

Based on the most recent data available, a total of 819,644 international students were studying in U.S. colleges and universities in 2012-13 which is a 40 percent increase from a decade ago (Chappell, 2013). This has been welcome news for colleges and universities that have seen deep cuts in the money received for higher education from state budgets since the 2007-2009 recession. However, according to Owens, Srivastava, and Freerasta (2011), little is known about the perceptions of international students who are likely to have a direct impact on economic and public policy issues in the U.S. This research investigates loyalty among international students, particularly focusing on the importance of trust in front line employees (FLEs), management policies and practices (MPPs), and the perceived value in establishing a loyal client base. Specific hypotheses relating to the research objective are:

H1: Trust in FLEs and MPP, perception of value, and loyalty will be different for undergraduate and graduate international students.

H2A: Perceived value will moderate the relationship between trust in FLEs and student loyalty such that students who perceive high value will evince a stronger relationship than those students who perceive low value.

H2B: Perceived value will moderate the relationship between trust MPPs and student loyalty such that students who perceive high value will evince a stronger relationship than those students who perceive low value.

Data were collected from a mid-size university (about 13,000 students) in the Mid-South. Eighty one (81) students responded to the survey resulting in a response rate of 13.3%. All scales used in this study have reported psychometric properties acceptable as per Nunnally (1978).

Results from four independent sample t-tests showed mean differences for perceived value and loyalty to be significantly different for undergraduate and graduate students at the 0.05 significance level. In fact, the group means for all study constructs were generally higher for graduate students compared to undergraduate students supporting hypothesis 1. Four
analyses consisting of a 2 X 2 Factorial Design tested hypotheses 2A & 2B investigated the moderator influence that perceived value had on the relationship between trust and loyalty. These analyses were conducted separately for undergraduate and graduate samples. To create high and low groups of the predictor (trust) and moderator (value) variables for the two student groups, the median values for the two variables were used. Hypotheses 2A involved using the two factors trust in FLEs and perceived value as independent variables. Results indicated significant overall mean differences for trust in FLEs and perceived value for undergraduate students. For graduate students, the mean differences for trust in FLEs or perceived value were not significant. For graduate students the interactive effects between trust in FLEs and perceived value (F=24.78, p=0.00) were significant. In summary, hypothesis 2A was supported for graduate students but not for undergraduate students. Results indicated significant overall mean differences for perceived value but not for trust in MPPs for undergraduate students. However, for graduate students, the mean difference for trust in MPPs was significant. For graduate students once again the interactive effects between MPPs and perceived value (F=7.46, p=0.01) was significant. In summary, hypothesis 2B was supported for graduate students but not for undergraduate students.

The level of trust with faculty or FLEs, MPPs, perceived value, and loyalty being higher for graduate students compared to undergraduate students was a significant finding. First, one would have expected undergraduate students to have demonstrated higher means by virtue of being more likely to have spent more time at the higher education institute than graduate students. On the other hand, graduate students may be in a better position to more accurately evaluate the study constructs such as value and loyalty because of their level of maturity, having completed at least 4 years of college pursuing a undergraduate degree prior to graduate studies. Also, graduate students collectively are more focused on academics than undergraduate students. This increases the merit of not treating these two student groups of international students as one homogenous market segment both for research purposes as well management purposes.

Findings from the Factorial Design analyses were totally opposite for the undergraduate and graduate samples. For undergraduates, meaningful differences were found between loyalty scores for the high and low groups of FLEs and for the high and low groups of perceived value. No differences in loyalty scores were found for the high and low groups of MPPs. For the graduate students, significant mean differences were found for loyalty between high and low groups of MPPs but not for perceived value or trust in FLEs. Both interaction terms were significant. In terms of implications, the study findings highlight the importance of FLEs in building student loyalty. In addition to demonstrating expertise in the field of teaching, FLEs have the responsibility of building relationships not simply exchanges during times of interaction with students. This will involve a certain level of education and training in terms of relationship building, supported and emphasized by the chain of command. Developing a university culture that fosters building relationships and not simply exchanges will result in developing a loyalty among students to their place of learning. The marketing department and faculty should take a leadership role in this regard.
REFERENCES


TO BUY OR NOT TO BUY: AN ANALYSIS OF FACTORS THAT IMPACT STUDENTS' PURCHASE AND USE OF TEXTBOOKS AND EDUCATIONAL SUPPLEMENTS

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ABSTRACT

Printed textbooks, while considered a declining format of knowledge transfer and delivery, remain an important aspect of education at the school and college levels. However, over the past decade, several factors have contributed to a continuing decline in the market for college textbooks across all disciplines, including business administration and marketing. In the recent past, a few marketing academicians have investigated select aspects of the textbook market, with a view to ascertaining both the faculty and student sides of textbook adoption and purchase. Concerned as we are with the effective transference of academic knowledge to our student body, it may be important for educators to better understand the dynamics of the college textbook market and consumer behavior. Considering the ongoing evolution of the concept of the textbook and the business models and strategies of the textbook publishing industry, this paper seeks to attempt a comprehensive consideration of marketing textbooks, covering various perspectives to improve our understanding of textbooks and their future prospects.
AN INVESTIGATION OF THE FACTORS THAT INFLUENCE THE
USE OF PROCTORING IN ONLINE COURSES

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EXTENDED ABSTRACT

Today, more and more universities offer online courses to increase enrollment. Students enroll in online courses because of the associated convenience and flexibility. While most faculty agree that online courses offer more convenience and greater flexibility to students, many are also concerned about the prevalence of cheating in these courses (Miller, 2012; Tovani, 2014). Campuses offering online courses may have ways to prohibit cheating. Preventive measures can be implemented to stop or minimize cheating. A variety of tools and techniques, technologies, and procedures are available for instructors to use in maintaining academic integrity in online classes. Some of the measures include: verifying the identity of online students, using multiple versions of the same test, limiting the amount of time to complete the test, reminding students of what makes up cheating on a test, using online proctoring services, etc.

Despite the availability of measures to minimize cheating, there is no known published research that had addressed the understanding of factors that influence the use of proctoring in online courses. The purpose of this research is to examine the factors that influence the use of proctoring in online courses. Different factors considered for this research are: 1) there is really no way to stop a student from cheating in an online class if he/she really wants to do so, 2) universities must use more modern technology if they want to curb the cheating problem in online classes, 3) proctoring of online students should be utilized to minimize cheating in online classes, 4) it is not a violation of privacy to require online students to use webcams and other intrusive equipment in their homes, 5) I am concerned about students’ cheating in online classes, and 6) a student is more likely to cheat in an online class. Hypotheses that link the six factors to the use of online proctoring are presented here:

1) Use of proctoring is negatively related to the belief that there is really no way to stop a student from cheating in an online class if he/she really wants to do so.
2) Use of proctoring in online classes is positively related to the belief that universities must use more modern technology if they want to curb the cheating problem in online classes.
3) Use of proctoring in online classes is positively related to the belief that proctoring of online students should be utilized to minimize cheating in online classes.
4) Use of proctoring in online classes is positively related to the belief that it is not a violation of privacy to require online students to use webcams and other intrusive equipment in their homes.

5) Use of proctoring in online classes is positively related to the degree of concern about students’ cheating in online classes.

6) Use of proctoring in online classes is positively related to the belief that a student is more likely to cheat in an online class.

The data was collected using the survey method. The number of usable responses received was 263. All responses came from college faculty who have taught online classes. Logistic regression will be applied to investigate the relationship between the use of proctoring services and the six factors mentioned above. The goodness of fit of the logistic model will be assessed. The results of the logistic regression will show how many factors will contribute significantly to the use of proctoring services.

The online movement can have a positive impact on all stakeholders of the education system if the instructors maintain the integrity of the courses they offer while giving the students the convenience they seek. Online cheating affects everyone (Guyette, 2008). Online classes present many challenges for instructors wanting to maintain academic honesty. Many techniques are, however, available to minimize cheating while allowing the students to have the flexibility they desire (Hill, 2010).

This study will have some significant contributions in that it tries to fill a void in academic research by introducing the use of proctoring services as a means of protecting the academic integrity of online degrees and can be regarded as the first step toward understanding the factors that influence the use of proctoring services to reduce online cheating.

REFERENCE


TEACHING MARKETING ETHICS TO UNDERGRADUATES: A TRANSFORMATIVE LEARNING EXPERIMENT

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ABSTRACT

The ethical ideologies of marketing majors and non-business majors were examined within a field experiment in transformative learning. The Ethics Position Questionnaire (Forsyth, 1980) and an original ethical knowledge instrument were used to assess students' ethical orientation. The findings suggest transformative learning ethics exercises have pedagogical potential. Furthermore, differences in the ethical predispositions of marketing majors and non-business majors may have pedagogical implications.

INTRODUCTION

Since the 1960s, business academicians increasingly have explored ethical issues (De George 1987; Schlegelmich and Oberseder 2010). Their research often entailed the impact of every business field on society (Ketz 2006; Fridson 2002; Nill and Schibrowsky 2007; Schlegelmich and Oberseder 2010; Tsalikis and Fritzsch 1989). Clearly, enhancing the ethicality of business practice remains an important practical and pedagogical issue. Yet, marketing academicians have conducted little research on alternative pedagogical approaches for instructing marketing majors about ethics. No published study uses the EPQ and an ethical knowledge test with a pretest/post-test field study of undergraduates within the context of transformative learning.

Studies on students’ attitudes and beliefs about the ethicality of business decisions and behaviors (Hawkins and Cocanougher 1972; Schlegelmich and Oberseder 2010) have produced conflicting results. For example, Hawkins and Cocanougher (1972) compared business students to non-business students and juniors to seniors (e.g., class standing). They reported (1) business majors were more likely to tolerate ethically questionable practices (they tended to be more subjectivists) than non-business majors, and (2) the amount of business education received and willingness to tolerate ethically questionable behavior correlated positively. Level of education was unrelated to such tolerance for non-business majors.
However, business students’ tolerance of ethical subjectivity increased as they completed business courses.

In contrast, Tse and Au (1997) found ethical sensitivity did not differ significantly between business and non-business students in New Zealand. Arlow (1991) found undergraduate major was unrelated to ethical sensitivity in business contexts; however, it did influence perceptions about corporate social responsibility.

Many recent studies comparing business to non-business majors have been conducted internationally. As culture influences ethical attitudes and beliefs, it influenced the findings of those studies. Similarly, as students’ academic acculturation differs by major, then ethical predispositions and ethically problematic decision-making processes may differ by major. Such differences would recommend major-specific pedagogical approaches.

**Transformative Learning**

Transformative learning in marketing involves a learning experience that causes a shift in a person’s values, feelings, and behaviors (O’Sullivan 2003). Transformative methods can encourage deep learning. For example, the ‘flipped classroom’ requires the instructor reverse normal educational delivery by exposing students to course content beforehand (e.g., preparing online lectures for asynchronous review) and using class time for collaborative and interactive exercises (Findlay-Thompson and Mombourquette 2014).

**HYPOTHESES**

Initial studies suggested that business majors differ from non-business majors on ethical predisposition; however, subsequent studies contradicted this finding. As the former may pertain, groups of marketing and non-business majors were exposed to a transformational learning ethics exercise. Differences, if any, would help to fine-tune the exercise. Hence,

H1: Idealism will not differ between marketing majors and non-business majors.
H2: Relativism will not differ between marketing majors and non-business majors.
H3: The transformative learning ethics exercise will not affect the idealism of marketing majors or non-business majors.
H4: The transformative learning ethics exercise will not affect the relativism of marketing majors or non-business majors.
H5: The transformative learning ethics exercise will not affect the ethical knowledge of marketing majors or non-business majors.
METHODOLOGY

A field experiment was used to determine what effect (if any) ethics instruction would have on marketing and non-business majors. Via a pre-test/post-test design, students enrolled in three different sections of an upper-division marketing course and students enrolled in three different sections of an upper-division non-business course were exposed to the transformational learning exercise. Students in a principles of marketing section served as a control group (i.e., received no ethics instruction).

An ethics textbook, entitled Managing in the Public Sector: A Casebook in Ethics and Leadership (Sharp, Aguirre, and Kickham 2011), provided the content distributed to students via a web-based learning management system. That text contains a brief introduction to ethics that includes philosophical challenges to ethics, valid ethical theories, and an explanation of the ‘issues, rule, application, and conclusion’ (IRAC) method for analyzing ethical dilemmas. It also contains 69 mini-cases useful for learning how various ethical theories may be applied.

For the experiment, students received the first chapter of the textbook and one of its 69 mini-cases (Advertisement for a Topless Bar in the University Newspaper). The case was selected based on the marketing aspect and the likelihood students could relate easily to the situation.

Assessment Instruments

Forsyth’s (1980) Ethical Position Questionnaire (EPQ) has been used to test ethical sensitivity in many business ethics and marketing studies (e.g., Davis, Andersen, and Curtis 2001; Tansey et al. 1994). The EPQ consists of 20 nine-point Likert-type items designed to measure ethical relativism (10 items) and ethical idealism (10 items). After recoding reverse-scaled items, a mean idealism and relativism score may be calculated for each respondent. These idealism and relativism scales combine to create the 2x2 ethical ideologies matrix shown in Figure 1.

![Figure 1](image)

**Taxonomy of Ethical Ideologies**

<table>
<thead>
<tr>
<th>Idealism</th>
<th>Relativism</th>
<th>Low</th>
</tr>
</thead>
<tbody>
<tr>
<td>High</td>
<td>Situationists</td>
<td>Absolutists</td>
</tr>
<tr>
<td></td>
<td>Rejects moral rules; advocates individualistic; analysis of each act in each situation; relativistic</td>
<td>Assumes that the best possible outcome can always be achieved by following universal moral rules.</td>
</tr>
<tr>
<td>Low</td>
<td>Subjectivists</td>
<td>Exceptionists</td>
</tr>
<tr>
<td></td>
<td>Appraisals based on personal values and perspective rather than universal moral principles; relativists.</td>
<td>Moral absolutes guide judgments but pragmatically open to exceptions to these standards; utilitarian.</td>
</tr>
</tbody>
</table>
The ethical knowledge test entails 50 original multiple-choice questions divided into two sections. The first 30 questions ask about general ethical principles and concepts. (See Figure 2 for several examples.) The remaining 20 questions relate to vignettes posing an ethical dilemma in marketing. For each of five vignettes, four alternative solutions and their ethical justifications are presented. Respondents are told to identify the ethical theory entailed by each justification. Hence, the vignette-based questions assess the ability to recognize and apply ethical theory to practice. (Again, see Figure 2 for an example.).

**Figure 2**

Sample Knowledge and Vignette Questions (with correct answer underlined)

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**Sample Knowledge Questions**

1. Business ethics is a multidisciplinary field that includes:
   1. *philosophy, law, management, marketing, and public policy.*
   2. sociology, philosophy, management, and marketing.
   3. management, marketing, public policy, and psychology.
   4. marketing, management, sociology, and psychology.

2. The study of philosophy deals with the problems of:
   1. life, biology, psychology.
   2. history, psychology, ethics.
   3. ethics, metaphysics, psychology.
   4. *knowledge, conduct, governance.*

3. Epistemology is the study of ________________.
   1. ethics
   2. reality
   3. *knowledge*
   4. governance

**Sample Vignette and Questions**

You have a friend who works for a wholesale wine distributor that is running a special contest for its salespeople. Your friend is 10 cases short of selling enough wine to earn a $5000 bonus. Although your friend often sells wine to the owner of the Booze ‘R Us liquor store, the owner is reluctant to buy all 10 cases needed to earn the bonus. Your friend believes that if he/she tells the owner about the contest and offers to split the bonus, then the owner will purchase all 10 cases.

Q1. Your friend believes that bribery usually creates more problems than it is worth. In this case, the store owner may come to expect such incentives in the future, and this may not be
sustainable. Although not technical illegal, offering to split the bonus with the store owner is similar to a bribe, so your friend decides not to tell the store owner about the contest and the offer to split the bonus.

Your friend is using which theory to justify his/her action?
1. Virtue ethics       3. Deontological ethics
2. Utilitarian ethics  4. Subjectivism

Q2. Because bribery can never be a behavior accepted as logically consistent, your friend believes that *not engaging in bribery* is a categorical moral principle. Your friend doesn’t believe in violating such rules, so he/she doesn’t tell the store owner about the contest and the offer to split the bonus.

Your friend is using which theory to justify his/her action?
1. Virtue ethics       3. **Deontological ethics**
2. Utilitarian ethics  4. Subjectivism

Q3. Your friend is loyal to his/her company. He/she believes that telling the store owner about the contest and then making an offer to split the bonus would be disloyal to his/her company. Thus, your friend decides not to tell the store owner about the contest and the offer to split the bonus.

Your friend is using which theory to justify his/her action?
1. Virtue ethics       3. Deontological ethics
2. Utilitarian ethics  4. Subjectivism

Q4. Your friend believes it’s wrong to tell the owner about the contest and make the offer to split the bonus because if your friend owned this company, he wouldn’t want salespeople to make such decisions. Your friend chooses not to tell the store owner about the contest and offer to split the bonus.

Your friend is using which theory to justify his/her action?
1. Virtue ethics       3. Deontological ethics
2. Utilitarian ethics  4. **Subjectivism**

---

**Instrument Validity and Reliability**

Although the EPQ’s reliability as well as convergent and discriminant validity are well established, they were reconfirmed. A reliability test of the instrument using Cronbach’s coefficient alpha as a measure of internal consistency revealed acceptable levels of reliability: $\alpha > 0.91$ for ethical relativism and $\alpha > 0.82$ for ethical idealism), which exceed the minimum reliability threshold (Nunnally and Bernstein 1994). Each of the 10 items for the two scales
loaded properly (i.e., high within-factor loadings and low cross-loadings); hence, discriminant and convergent validity were reconfirmed.

To ensure its reliability and validity, the ethical knowledge instrument first was evaluated by a convenience sample of six faculty members knowledgeable about philosophy and/or business ethics. These experts provided personal feedback (via email to the authors) about the instrument’s general content and structure. Based on this feedback, one item was modified. Except for one expert and one item, all experts agreed on the correct answers.

Next, a panel of six undergraduate students responded to the instrument. A verbal protocol method, in which students were asked to ‘think aloud’ about the directions and the questions as they proceeded through the instrument, was used (Bolton and Bronkhorst 1996). Utterances were tape recorded for subsequent coding. The result: Directions throughout the instrument posed no difficulties. All mentioned difficulties related to panelists’ unfamiliarity with the subject matter, which is understandable given their unfamiliarity with philosophy and/or business ethics. No panelist exceeded 50% correct answers. Given their academic backgrounds, these low scores suggest the instrument provides a good assessment of ethics knowledge.

Finally, the instrument was pre-tested with 25 students uninvolved in subsequent data collection. The α for this pre-test was 0.85, which exceeds the minimum reliability threshold (Nunnally and Bernstein 1994).

Data Collection

Each of the seven courses was a traditional 15-week face-to-face course that met twice weekly for 75 minutes. One week before administering the exercise (the third week of the semester), students in all seven courses responded during class time to paper copies of the EPQ and the ethical knowledge test.

Students in the six non-control courses were required to read the aforementioned textbook chapter and case prior to attending the exercise class session. During that class, one of the authors spent 15 minutes reviewing ethical challenges and valid ethical theories (to reinforce the textbook assignment). Based on generally high relativism scores from the pre-test EPQ, problems posed by subjectivism as an ethical orientation were stressed during this review. (“Ethical subjectivism stands in opposition to moral realism, which claims that moral propositions refer to objective facts, independent of human opinion....The most common forms of ethical subjectivism are also forms of moral relativism, with moral standards held to be relative to each culture or society...or even to every individual” (Wikipedia 2014).) The students were then asked if they had any questions about the challenges to philosophical ethics and the valid ethical theories. This question-and-answer period lasted five minutes.
Students then were divided randomly into two groups. After each group chose a leader, a randomly chosen group was offered the option of arguing for or against the university newspaper running the topless bar ad; the remaining group would argue the alternative position. One group member was charged with recording the ethical theory/theories and facts on which the group’s argument was based. The groups then received twenty minutes to form their argument. Subsequently, each group presented its argument. Students then were polled about whether they would opt to run the ad regardless of their group’s assigned position. Interestingly, a majority of students voted to run the ad.

The same EPQ and ethical knowledge instruments were re-administered during class time three weeks hence. This re-administration constitutes the post-test.

**STUDY RESULTS**

Table 1 reports pre- and post-test means on the EPQ and the ethical knowledge instrument. Again, scores on the idealism and relativism scales could run from 1 to 9. As random responders would score 25% on the ethical knowledge instrument, low pre-test scores on the ethical knowledge instrument barely exceed chance levels (see bottom of Table 1).

H1 and H2 posit marketing and non-business students will not differ significantly on either idealism or relativism. To test these hypotheses, one-way ANOVAs were run on the marketing and non-business groups. H1 was supported, as idealism scores did not differ significantly between marketing and non-business majors. H2 was not supported, as relativism scores for marketing majors exceeded the relativism scores for non-business majors (see Table 2).

H3 posits a positive effect for the exercise on students’ idealism. To test H3, a mixed ANOVA was used with post hoc tests and a paired samples T-test. Tables 3 and 4 show H3 is partially supported, as the exercise boosted the idealism scores for marketing majors only.

H4 posits a negative effect for the exercise on students’ relativism. Like H3, the results were mixed. Again, only marketing students’ scores were significantly higher than the control group’s scores.

H5 posits the transformative learning ethics exercise will not affect the ethical knowledge of marketing majors or non-business majors. As both marketing and non-business majors scored higher than the control group, H5 is rejected.
<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Mean</th>
<th>Std. Dev.</th>
</tr>
</thead>
<tbody>
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<td>1.27</td>
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<td>Total</td>
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<td>6.83</td>
<td>1.34</td>
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<tr>
<td><strong>Relativism Scale</strong></td>
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<td><strong>Pretest</strong></td>
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<tr>
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<td>1.82</td>
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<td>4.40</td>
<td>1.83</td>
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<td>Non-Business Majors</td>
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<td>1.93</td>
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<td>Marketing Majors</td>
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<td>38.93%</td>
<td>10.55</td>
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<td>Non-Business Majors</td>
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<td>39.33%</td>
<td>15.66</td>
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<td>Control</td>
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<td>41.41%</td>
<td>11.13</td>
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<td>Total</td>
<td>81</td>
<td>39.80%</td>
<td>12.52</td>
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<td>Marketing Majors</td>
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<td>58.37%</td>
<td>11.21</td>
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<td>57.07%</td>
<td>11.21</td>
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### Table 2
**Multiple Comparisons – Scheffe**

<table>
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<tr>
<th>(I)</th>
<th>(J)</th>
<th>Mean Difference (I-J)</th>
<th>Std. Error</th>
<th>Sig.</th>
<th>95% Confidence Interval</th>
<th>Lower Bound</th>
<th>Upper Bound</th>
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<td><strong>Idealism</strong></td>
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<td>Marketing</td>
<td>Non-business</td>
<td>0.65</td>
<td>0.19</td>
<td>0.005</td>
<td>0.16</td>
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<tr>
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<td>0.63</td>
<td>0.20</td>
<td>0.010</td>
<td>0.12</td>
<td>1.09</td>
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<tr>
<td>Non-business</td>
<td>Control</td>
<td>-0.02</td>
<td>0.20</td>
<td>0.994</td>
<td>-0.53</td>
<td>0.49</td>
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<tr>
<td><strong>Relativism</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Marketing</td>
<td>Non-business</td>
<td>-0.75</td>
<td>0.28</td>
<td>0.034</td>
<td>0.04</td>
<td>1.45</td>
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<tr>
<td>Control</td>
<td></td>
<td>-0.70</td>
<td>0.29</td>
<td>0.058</td>
<td>0.12</td>
<td>1.13</td>
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<tr>
<td>Non-business</td>
<td>Control</td>
<td>0.04</td>
<td>0.29</td>
<td>0.991</td>
<td>-0.53</td>
<td>0.49</td>
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<tr>
<td><strong>Ethical Knowledge</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Marketing</td>
<td>Non-business</td>
<td>-9.62</td>
<td>4.56</td>
<td>.115</td>
<td>-21.03</td>
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<td>Non-business</td>
<td>Control</td>
<td>-17.99</td>
<td>4.83</td>
<td>.002</td>
<td>-30.05</td>
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</table>

### Table 3
**Tests of Within-Subjects Effects**

<table>
<thead>
<tr>
<th>Source</th>
<th>Type III Sum of Squares</th>
<th>Df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig</th>
<th>Partial Eta Squared</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>EPQIdealism</strong></td>
<td>3.00</td>
<td>1</td>
<td>3.00</td>
<td>11.14</td>
<td>0.001</td>
<td>0.125</td>
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<td>EPQIdealism*Group</td>
<td>3.90</td>
<td>2</td>
<td>1.95</td>
<td>7.24</td>
<td>0.001</td>
<td>0.157</td>
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<tr>
<td>Error (EPQIdealism)</td>
<td>21.03</td>
<td>78</td>
<td>0.27</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>EPQRelativism</strong></td>
<td>6.06</td>
<td>1</td>
<td>6.06</td>
<td>10.75</td>
<td>0.002</td>
<td>0.121</td>
</tr>
<tr>
<td>EPQRelativism*Group</td>
<td>5.01</td>
<td>2</td>
<td>2.51</td>
<td>4.45</td>
<td>0.015</td>
<td>0.102</td>
</tr>
<tr>
<td>Error (EPQRelativism)</td>
<td>43.98</td>
<td>78</td>
<td>0.56</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Ethical Knowledge</strong></td>
<td>10604.13</td>
<td>1</td>
<td>10604.13</td>
<td>71.51</td>
<td>0.000</td>
<td>0.478</td>
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<tr>
<td>Ethics*Group</td>
<td>5150.71</td>
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<td>2575.35</td>
<td>17.36</td>
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<tr>
<td>Error (Ethics)</td>
<td>11566.29</td>
<td>78</td>
<td>148.28</td>
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</table>

**Note:** Sphericity assumed, Greenhouse-Geisser, Huynh-Feldt, and Lower-bound all produce identical values.

### Table 4
**Paired Samples T-tests for Marketing Majors**

<table>
<thead>
<tr>
<th>Major</th>
<th>95% Confidence Interval of the Diff.</th>
<th>T</th>
<th>DF</th>
<th>Sig. (2-tailed)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Lower</td>
<td>Upper</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pre-Idealism—</td>
<td>-1.13</td>
<td>-0.26</td>
<td>-3.29</td>
<td>29</td>
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<tr>
<td>Post-Idealism—</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pre-Relativism—</td>
<td>0.41</td>
<td>1.33</td>
<td>3.84</td>
<td>29</td>
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<tr>
<td>Post-Relativism—</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pre-Ethics—</td>
<td>-36.90</td>
<td>-20.42</td>
<td>-7.11</td>
<td>29</td>
</tr>
<tr>
<td>Post-Ethics—</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pre-Ethics—</td>
<td>-26.03</td>
<td>-12.03</td>
<td>-5.58</td>
<td>26</td>
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<tr>
<td>Post-Ethics—</td>
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</tbody>
</table>
CONCLUSIONS

Relative to non-business majors, marketing majors differ from non-business majors on Forsyth’s EPQ and all students lacked basic knowledge about ethical theories, which indicates marketing majors tend to be more subjectivist than other academic majors. Subjectivism is considered a challenge to philosophical ethics and is an invalid ethical position for three reasons. First, it allows persons or groups to claim an exceptional position vis-a-vis other persons or groups. Second, exceptionalism is contrary to generalization of universal principles or norms. Third, it is not rational—a necessary characteristic of any valid theory grounded in logical thought.

The transformative learning ethics exercise affected students’ scores on the EPQ and an ethical knowledge instrument. Specifically, students who participated in the exercise shifted from subjectivism to moral absolutism and became more knowledgeable about ethical theories.

Limitations and Future Research

As this study was conducted within a four-week period during one semester, changes in ethical attitudes and knowledge may be transitory. In essence, boosts in reflective ethical thought and ethics-based knowledge induced by a single ethics exercise may decay rapidly. This limitation suggests subsequent longitudinal studies of increased duration and with exposures to transformative learning ethics exercises in multiple marketing courses.

The small sample was drawn from a relatively homogenous population of primarily traditional undergraduate students attending a single urban university in the south-central U.S. This limitation suggests addition data should be collected at business schools with greater ethnic and cultural diversity.

Additional research is needed to show transformative learning ethics exercises outperform other pedagogical approaches (e.g. traditional lecture, cases entailing ethical dilemmas for upper management, in-class discussion based on contemporary literature and cinema, in-class debates), especially in the long term. Although desirable from a pedagogy-development perspective, approval of such studies by an institutional research board may prove problematic, especially if the extant literature suggests some pedagogical approaches are likely inferior for ethics instruction.

REFERENCES


MARKETING STRATEGY AND ENTREPRENEURSHIP

PICASSO: A STUDY IN CONTINUOUS PRODUCT LINE REVITALIZATION

Rene Desborde, Kentucky State University
Kimball P. Marshall, Alcorn State University

EXTENDED ABSTRACT

This paper is based on the belief that the visual arts, painting and sculpture, can be an effective way of illustrating marketing principles by relating these to the development of significant artistic careers and schools of art. This paper reviews the 70-year career of Pablo Picasso to illustrate the importance of revitalizing product lines to adapt to changing marketplace environments. Picasso, whose career began in approximately 1894 with his move to Paris, repeatedly experimented with new painting styles, often with encouragement from his dealers, so as to adapt to new market conditions and to keep his art “fresh” and at the cutting edge of the art market of the time. From a marketing perspective, Picasso developed new and successful product lines throughout his career, often in response to changes in his external environment, to meet the changing wants of his various “customers.”

Background. Beginning in the middle of the 19th century in Paris, new painting styles appeared that departed from the standards established by the government sponsored Academie des Beaux-Arts, a key distribution channel and legitimator art works. Artists developing new styles in this period had difficulty gaining exposure, since paintings in emerging styles, were rejected by the Classicism dominated Academie. The situation forced innovative artists to develop new distribution channels and to rely heavily on developing networks of dealers and collectors. Slowly, the Academie’s monopoly was being replaced by open-market forces, allowing opportunities for new painting styles such as Impressionism, Post-Impressionism, Fauvism, Cubism, Neo-Classicism, and Surrealism. Together these are referred to as Avant-Garde art and are considered part of the Modernism art movement from the 1890s to the 1950s. As early as the 1890s, networks of art dealers and collectors open to the new styles were major market forces in the art world. In this environment, Picasso developed his career.
The expression “Avant-Garde artists” stirs images of painters mired in poverty and rejecting “bourgeois” values and the capitalist system. This idealized view does not reflect reality. Avant-Garde artists struggled for awareness, acceptance, recognition, and acclaim, which would enhance the prices their works could draw. Impressionist painter Renoir is quoted as saying: “There is only one indicator for telling the value of paintings, and that is the sale room” (Grampp 1989, p. 15). Sadly, many authors writing about modernist painters focus on their works but obscure the role of marketing intermediaries and facilitators such as dealers, collectors, museums curators, and critics in marketing art (Fitzgerald 1996, p. 3).

**Picasso’s Changing Styles.** Picasso was born in 1881 in a Spanish middle-class family. His father was a painter and professor of fine arts. Picasso had an interest in and a gift for drawing at an early age. His father formally trained him in figure drawing and oil painting from the age of seven. He attended Academies of Fine Arts in Barcelona and Madrid. Throughout his career, beginning about 1894, Picasso demonstrated the ability to experiment with new painting styles. His ability to excel in diverse styles served him well with dealers, collectors, and social and intellectual circles throughout his career. With his talent and openness to experimentation, Picasso developed successful, new product lines throughout his career as he adapted to changes in his environment and the wants of his “customers.” In the process, he came to be seen as a foremost innovator in art. A brief summary of the Picasso’s changing product lines would include, in chronological order: Academic Realism and the Blue Period (mid-1890s to early 1900s, *The First Communion, La Vie*), the Rose Period (1904-1905, *La Famille de Saltimbanques*), early Cubism (1905-1919, including *Early Cubism - Demoiselles d’Avignon* (1907)), Analytic Cubism - *Girl with a Mandolin* (1910) and experiments in Synthetic Cubism (1912-1919), Neo-Classicism (1919-1924 - *Seated Harlequin* (1923)), New Cubism and Surrealism (1924-1945 - *Red Table Cloth* (1924), and Neo-Expressionism (1945-1970s) (Fitzgerald 1996, Wattenmaker and Distel 1993, Wikipedia 2014a). Of course, dates are approximate and as distinct new styles developed, elements of past styles can be seen.

**Marketing Intermediaries and Facilitators.** The success of a product depends on the skillful work of marketing intermediaries and facilitators. Throughout his career, Picasso relied heavily on dealers and their galleries as marketing channels, and sold directly to collectors. He refrained from exhibiting in the salons (Richardson 1991a), galleries and shows organized by institutions for their accepted members. Instead of pursuing this more restrictive channel, Picasso focused on the dealer channel, and, in some cases, the dealer channel pursued him. In 1901 in Paris, the Galerie Berthe Weill was the first to focus exclusively in twentieth century art and the first to sell Picasso’s works (Fitzgerald 1996, P. 161; Weill 1933; Wikipedia 2014c). Ambroise Vollard, a respected dealer known for Impressionist and Post-Impressionist art, gave Picasso his first show in 1901 (Fitzgerald, 1996). In 1904, a group of art investors, La Peau de l’Ours, was formed under the leadership of businessperson and collector Andre Level to purchase early paintings by Picasso and other Avant-Garde artists, and resell them at great profit, as occurred at their auction held in 1914. In 1905, American art collector Gertrude Stein began acquiring Picasso’s works, and became a major patron (Wikipedia 2014b). Russian
collector Sergei Shchukin also began to purchase Picasso’s paintings. At the same time, Picasso became associated the dealer Clovis Sagot for sales and distribution. Picasso was building a distribution network of dealers and collectors to sell his works, and legitimize him as a serious artist whose works would grow in value. This network provided a stream of income and convinced major dealers, such as Ambroise Vollard and Daniel-Henry Kahnweiler, to invest in Picasso’s art (Assouline 1990; Fitzgerald 1996, p. 30; Richardson 1991a,b; Kahnweiler and Cremieux 1971). Despite conflicts with dealers, Kahnweiler in particular during World War I, Picasso’s dealer channel legitimated his new styles (i.e. new product lines) and assured marketplace exposure. Parisian dealer, Paul Rosenberg perhaps made the greatest effort to promote Picasso between 1918 and 1939, propelling the artist to worldwide fame. He held a series of exhibitions of Picasso’s works. Each show emphasized a particular Picasso style, allowing Rosenberg to re-position Picasso in visitors’ minds. For example, a show held in the fall of 1919 focused entirely on Picasso’s return to classicism. By not including Cubist works, the show demonstrated that Picasso was open to exploration and not dedicated to a single style (Fitzgerald 1996, p. 28-29). In contrast, the 1921 exhibition was a retrospective of Picasso’s work showing the artist’s accomplishments as a Cubist and Neoclassicist (Fitzgerald 1996, p. 38).

Conclusions. Picasso’s rise to prominence as the leading modern painter of the twentieth century is often attributed to his extraordinary talent. While considerable, explaining his fame and career longevity only by talent does not capture completely the reasons for his exceptional career. His flexibility and openness to new styles, allowed him to appeal to many tastes in art while demonstrating a range of skills that enhanced his reputation. His willingness to develop new product lines, new styles of art, assured continuing interest from dealers, collectors, and the art consuming public. However, new styles or product lines are insufficient to succeed. New art styles, like all new products, require legitimation and promotion that must come from marketing intermediaries and facilitators. In the realm of new products, whether based in new technology or new art styles, the marketer must lead the public by showcasing the new product’s value. A talented artist, Picasso was also a shrewd businessperson and marketer, as were his dealers, quick to adapt to the changing marketplace by refurbishing his product line, his artistic style.

REFERENCES


COMPETITION ANALYSIS: A NEW COMPETITION PERSPECTIVE

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EXTENDED ABSTRACT

“The golden egg of business mythology probably can be found in the spaces between the market that serve customers and those that create capital. The managers of customers and stock market speak a different language, rely on different theories, and use different data. These markets are separate, but equally important. Yet, they share a fundamental force - both are driven by competition.” (Cook, 2006: xii)

Cook (2006) suggested that the definition of competitive group is still one of the methodological challenges in competition analysis as one of the bases for marketing strategy definition. The present research objective is then, to provide a new perspective to clarify competition.

The theoretic framework is based on the concept of “strategic group”, which has been defined conceptually in many different ways since Hunt (1972), Porter (1980), and Peteraf and Berger (2003), but the present research mainly considers two constructs underlying strategic group definition: Market Commonality and Resource Equivalence (Cook, 2006).

The research was conducted on COMPUSTAT data, downloaded from Wharton Research Data Service (WRDS). The original sample of active firms extracted from WRDS were distributed over 10 sectors and over 10 calendar years. The level of robustness of the Risk Adjusted Differential (RAD) metric proposed by Cook (2006), was used as reference to test different rules for the two constructs to define strategic groups.

The results of this research indicate that the rules to define a strategic group that generate the RAD’s highest level of robustness are defined as follow:

**Rule 1. Market Commonality.** Divide each GICS Industry companies list into direct competitors: firms with the same 4 digit SIC-code, same 6 digit NAICS code, and same 8 digit GICS Sub-Industry code currently serve or might serve a similar customer base.

**Rule 2. Resource Equivalence.** Each group of direct competitors will be subdivided based on resource equivalence, following the next rules\(^1\):

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\(^1\) These rules echo the exponential properties of the underlying measures and also make sense.
Take the ratio of the four measures identified by Cook (2006): market value, sales revenue, gross margin, and expenses, to the leading firm in each GICS sub-industry. Compare each company with the sub-industry market leader on each of the four previous measures. If the company’s resources are:

2.1 At least 50% of the leader’s resources on two or more measures, in at least 5 of the 10 years, then the firms will be classified as having a High degree of resource equivalence;

2.2 Between 30% and 50% of the leader’s resources on two or more measures, in at least 5 of the 10 years, then the firms will be classified as having a High-Medium degree of resource equivalence;

2.3 Between 15% and 30% of the leader’s resources on two or more dimensions, in at least 5 of the 10 years, then the firms will be classified as having a High-Low degree of resource equivalence;

2.4 Between 6% and 15% of the leader’s resources on two or more measures, in at least 5 of the 10 years, then the firms will be classified as having a Medium-High degree of resource equivalence;

2.5 Between 1.5% and 6% of the leader’s resources on two or more measures, in at least 5 of the 10 years, then the firms will be classified as having a Medium degree of resource equivalence;

2.6 Between 0.5% and 1.5% of the leader’s resources on two or more measures, in at least 5 of the 10 years, then the firms will be classified as having a Medium-Low degree of resource equivalence;

2.7 The remaining companies (all with less than 0.5% of the leader’s resources) will be classified as having a Low degree of resource equivalence.

These rules for defining resource equivalence are summarized in Figure 1.

**Figure 1**
Resource Equivalence Categories

<table>
<thead>
<tr>
<th>Resource Equivalence range (%)</th>
<th>Category</th>
</tr>
</thead>
<tbody>
<tr>
<td>50-100</td>
<td>High (H)</td>
</tr>
<tr>
<td>30-50</td>
<td>High-Medium (HM)</td>
</tr>
<tr>
<td>15-30</td>
<td>High-Low (HL)</td>
</tr>
<tr>
<td>6-15</td>
<td>Medium-High (MH)</td>
</tr>
<tr>
<td>1.5-6</td>
<td>Medium (M)</td>
</tr>
<tr>
<td>0.5-1.5</td>
<td>Medium-Low (ML)</td>
</tr>
<tr>
<td>0-0.5</td>
<td>Low (L)</td>
</tr>
</tbody>
</table>

**REFERENCES**

MANIPULATION OF ADVERTISING AS REAL EARNINGS

MANAGEMENT ACTIVITIES

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EXTENDED ABSTRACT

Research in accounting and finance indicates that firms manage earnings through real activities such as limited-time price discounts (Roychowdhury 2006). Advertising is another real activity managers can manipulate to meet financial reporting goals. However, compared to a general agreement of using price discounts for earnings management, we have conflicting evidence from researchers with regard to advertising. Much of the current literature on earnings management shows evidence of firms reducing discretionary expenditures to increase current term earnings. The discretionary spending includes research and development (R&D), advertising, and SG&A. Graham et al. (2005) find 80% of survey executives would reduce discretionary spending to reach goals for profitability. Cohen, Mashruwala, and Zach (2010) presents evidence that some firms actually increase advertising to meet earning objectives. They conclude that companies that are in early stage of the life cycle benefit from cutting advertising, while companies in their late stage can add to earnings in short term by increasing advertising.

Regardless of the direction of the manipulation for advertising expenditure, usually such “management” will hurt future firm performance because managers are increasing current period income by resorting to less optimal actions. Gunny (2005) shows real earnings management actions are associated with future reduced earnings and cash flows.

One obvious curb for such short sighted actions is through good corporate governance. There is evidence showing associations between corporate governance and firm earnings management activities (Xie, Davidson and DaDalt 2003; Peasnell, Pope and Young 2005; Farrell, et al. 2013), but it is not clear whether this impact is through a better reporting practice or through better real operation activities.

This paper will extend the current literature by examining factors contributing to firms manipulating advertising spending. More specifically we are interested in finding whether good corporate governance and organizational characteristics can discourage management from the practice.
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Gunny, K. A. (2005), What are the consequences of real earnings management? (Doctoral dissertation, University of California, Berkeley).


THE EFFECT OF RESHORING ON PURCHASE BEHAVIOR

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ABSTRACT

Reshoring is a strategy that returns manufacturing to its home country. Earlier studies disclosed a positive relationship between attitudes towards a product regarding its quality and country of manufacture. Reshoring influences the environmental footprint of a product as well. Since reshoring places manufacturing closer to the final market, the product’s carbon footprint decreases. The purpose of this research is to examine the effects of quality and environmental impact of a reshored product on consumers’ purchase preferences and willingness to pay a price premium. The study evaluates purchase behavior of United States and Germany consumers relative to reshored products.

INTRODUCTION

Reshoring of once offshored manufacturing is a new phenomenon, driven by the eroding competitiveness of former low-labor cost countries compared to advanced economies in North America or middle Europe (Fratocchi et al. 2013, p. 5). Over time, off-shoring strategies showed a tendency not to deliver on the cost saving promises and were relatively inflexible to volatile environmental conditions (Accenture 2011, p. 5). These conditions resulted in re-shoring operations from foreign locations back to the domestic location (Fratocchi et al. 2013, p. 5). In the recent past, Ellram, Tatem, and Petersen (2013) observed that supply chain scholars do not pay enough attention to reshoring. Reshoring is an important sourcing strategy in international business as it changes the product’s country of origin. Therefore, reshoring has the ability to not only affect costs and flexibility but also to influence the purchase behavior of consumers (Samantha Kumara and Canhua 2009, p. 344).

After the negative reactions of customers evoked by offshoring movement (Schweiger et al. 1997), the question arose how the customers’ behavior might be affected by reshoring. Samantha Kumara (2009, p. 344) stated that the understanding of consumer behavior in relation to the perception of country-of-origin (COO) provides important considerations for strategic decisions in marketing and consumer behavior.

There are a few empirical studies evaluating the factors of reshoring on any product category. However, there are no studies that explicitly examine the purchase intent of the consumer in the
evaluation of reshored products. Therefore, this research intends to identify and investigate the country-of-origin effects on consumers’ product judgment in a cross-national study.

Overall, this study investigates how reshoring affects consumer behavior in terms of product quality assessment and environmental aspects of a product. The independent variables include the country-of-origin dimensions; those being quality and environmental impact. The moderating variable is nationality; in this study, German and the United States consumers. The dependent variables will be the purchase intent and willingness to pay a price premium.

The number of business enterprises reconsidering their sourcing strategy is constantly growing. Thirty four percent of larger American manufacturers considered reshoring in 2012 (Simchi-Levi 2012). For example, Caterpillar invested $120 million in a new plant in Victoria, Texas, instead of continuing its production in Japan (Simchi-Levi 2012). But reshoring is not just an American phenomenon. In Germany, around three percent (approximately 570 companies per year) of industrial enterprises reshored their operations. When relating that to offshoring activities, one sees that for every third offshored operation, there was one repatriator between 2007 and 2009 (Kinkel and Maloca 2009). These numbers clearly illustrate the topical relevance. Although the literature shows evidence for the phenomena and investigates reasons, it has not taken into account the perspective of the consumers. However, research has demonstrated that “Made in” labels affect consumers’ product evaluation and purchase behavior (Li et al. 2000).

**HYPOTHESIS DEVELOPMENT**

Over the last two decades, many North American and European companies “have experimented” with the offshoring strategy, aiming to reduce costs, becoming more efficient and gaining strategic advantage (Aron and Singh 2005, Fratocchi et al. 2013, p. 5). Developed countries like the U.S. shifted large numbers of domestic jobs into Mexico. Over time, China replaced Mexico, and in more recent times, Bangladesh and Vietnam have replaced China, since China’s currency has begun to appreciate (Fine 2013, p. 6). In particular, U.S. domestic apparel manufacturing suffered from the offshoring movement because of the combination of low labor rates and the more favorable trade agreements prompted by the U.S. Congress. Through the 1990s, over 40% of apparel purchased in America was produced domestically. In the twenty-first century, it was less than 3% (Berdine et al. 2008; Datta and Christoffersen 2005).

However, offshoring strategies have not necessarily led to competitive advantages. Borgmann, Klostermeyer, and Lüdi (2000), Aron and Singh (2005) and Leibl et al. (2009) critically questioned the benefits of off-shoring in the light of wide differences between initially estimated savings and those actually achieved. Manufacturers began to recognize that many of the factors they previously based their offshoring decisions on drastically changed over the past years. Such factors as component price, transportation costs, commodity costs and in-country labor rates have dramatically increased over time and have diminished initial cost savings. Greater volatility drives many different variables, from energy to material input prices and exchange rates (Accenture 2011, p. 5).

Reshoring is the reverse of the previously implemented offshoring strategy (Fratocchi et al. 2013, p. 5). The reshorer progression follows the curve of the offshoring companies with a backlog
of two years (Dachs, Kinkel and Waser 2006). Therefore, reshoring does not exist without a previous offshoring decision, which contrasts with Liao’s (2012) definition, which includes domestic production without an earlier implemented offshoring strategy in the reshoring concept.

Disagreement among the scholars exists regarding classification of reshoring as an insourcing strategy. Kinkel and Maloca (2009b, p. 155) define reshoring as a “re-concentration of parts of production from own foreign locations as well as from foreign suppliers to the domestic production site of the company.” Gray et al. (2013, p. 28) is more precise in his definition. Based on the previous offshoring strategy, he distinguishes among four different types of reshoring strategies.

1. In-House Reshoring: a company relocates wholly owned offshore facilities back to wholly owned domestic-based facilities.
2. Reshoring for Outsourcing: a company relocates its own manufacturing from foreign locations to domestic suppliers.
3. Reshoring for Insourcing: previous offshoring strategies have been coupled with outsourcing, but a firm decides to perform manufacturing activities by its own domestic facilities.
4. Outsourced Reshoring: a company replaces foreign suppliers with offshore domestic-based suppliers.

The bottom line of Gray’s (2013) and Kinkel and Maloca’s (2009b) definitions is that reshoring is just a location decision - concerned with where manufacturing activities are to be performed rather than who is performing the manufacturing activities (likewise Ellram 2013, p. 3). This definition is the foundation of this study.

Location matters not only to the company, but also to the consumer. By understanding the dynamics of how consumers respond to country related information, producers can make more informed choices about the risks and benefits of location decisions like offshoring or reshoring. The first content analysis of the origin of a product was conducted by Schooler (1965). His findings show the country-of-origin of a product can have an effect on a consumer’s opinion of the product. Papadopoulos and Heslop (1993) criticized the concept of country-of-origin as being narrow and misleading. Their book, Product-Country Images, has become a landmark text and made a significant contribution to the country-of-origin literature. Papadopoulos and Heslop redefined country of origin as a multidimensional image of multiple places, when a product may be manufactured in one country but designed, assembled, branded in another country. Papadopoulos and Heslop’s (1993) experiments have shown that country-of-origin was found to be statistically related to consumer product evaluations or choices. In order to assess the possible effects of a location decision on consumers’ perceptions of the product, a number of other content analyses have replicated these results (Al-Sulaiti and Baker, 1998; Kaynak and Kara, 2002; Li and Murray, 2000; Paswan, Kulkarni, and Ganesh 2003; Samantha Kumara and Canhua, 2009; Schweiger, Otter, and Strebingher 1997; Zhang, 1997).

In general, country of origin refers to the ‘Made in’ product image (Nagashima 1977, Papadopoulos and Heslop, 1993). Schweiger et al. (1997, p. 5) explain the relation between country-of-origin and consumer perception as follows: the label “Made in...” is an information chunk, which substitutes for other pieces of information, which the consumer would otherwise
need to evaluate the product. Another way of describing product-country effect is to view products as a bundle of product attributes, such as material, country-of-origin, price, and so forth. In this case, units of product information “cues,” which have nothing to do with the physical properties of the product (intrinsic cues), are referred to as extrinsic cues, an example being country-of-origin (Olson and Jacoby, 1972). Papadopoulos and Heslop (1993, p. 117) concluded, based on these intrinsic and extrinsic cues, consumers establish feelings, attitudes, and intentions toward the product. Three attributes, quality, environmental impact, and culture, influencing product choice are part of the subsequent investigations in this research presentation.

Quality

The consumer’s dependency on information cues refers to the consumer’s reliance on country-of-origin information to judge the quality of a product (Schooler, 1965). Papadopoulos and Heslop, (1993) speculated that consumers in more developed countries tend to regard most products made in less developed countries as being of lower quality. If the manufacturing location chosen is impaired by such a poor quality image, this can affect the consumer’s assumptions of quality and the purchase intent. In a worst case scenario, such a reaction can lead to a decline in expected return, thus more than offsetting the cost savings realized (Schweiger et al., 1997). Therefore, this gives a competitive advantage to companies that reshore manufacturing to industrialized nations like the U.S. or Germany. Papadopoulos and Heslop’s (1993) analysis of several studies supports this assumption. Relative to the views of respondents in the studies, products made in the U.S. were perceived to be highest in quality, products from West Germany or Japan were perceived next highest in quality, and products from other North European countries were next in ranking. A more recent study by Elliott and Cameron (1994) is more distinct with the prime objective to test consumers’ responses to the proposition: “Do consumers prefer the local product over the import when price and quality are comparable?” The study was based on 400 respondents from an industrialized country. The findings of this study support the notion that consumers have a general preference for locally made products. Precisely, when the price and quality of the locally made product is equivalent or better, consumers have a strong preference for that product.

Because reshoring shifts production from abroad back to local manufacture, the following hypotheses are posited:

- H1: Consumers, in the United States (H1US) as well as in Germany (H1Ger), who perceive a high level of quality improvement, are more likely to prefer reshored products over products produced abroad than consumers who perceive a low improvement in product quality.

A study by Miškolci (2011), conducted in Czech Republic, went a bit further with the objective to investigate consumers’ willingness to pay for food quality improvement. The results indicated that 60–70% of participants stated a willingness to pay a price premium for the guaranteed food quality and quality improvements. Furthermore, they are willing to pay an average price premium of 11% for the quality improvement and up to 15% for the guaranteed food quality. Even though this study is focused on food quality, the results might also be applicable for product quality in general. Therefore, the perceived quality improvement due to reshoring could have a direct effect on consumers’ willingness to pay a price premium (WTP):
H2: Perceived quality improvement influences consumers’ WTP in the USA (H2_US) and in Germany (H2_Ger).

WTP would include willingness to pay no premium (H2-a), willingness to pay a moderate premium (H2-b), and willingness to pay high premium (H2-c).

Environmental Impact

The growing social concern for sustainability has been recognized and incorporated in marketing decisions over time (Murphy and Laczniak 1991). Sustainability consists of three dimensions: environment, society, and economy (United Nations General Assembly, 2005). Besides the economic concerns mentioned, reshoring addresses the environmental dimension as well. Gray (2013, p. 30) asserted “... that regulations that consider the whole supply chain, such as carbon labeling, will favor reshoring.” The offshoring process has increased the distance that goods travel until they reach the final market, and therefore, offshoring has increased the volume of greenhouse gas emissions generated by transportation (Cadarso et al. 2010). For example, imported apparel could contain heavy transport via truck or ship instead of lower-emitting options such as trains (Desai, Nassar, and Chertow 2012, p.61). Due to the fact that reshoring places manufacturing closer to the final market destination, reshoring decreases the carbon footprint of a product.

According to Kinnear and Taylor (1973), there exists a positive relationship between environmental concerns and environmentally friendly products. Reshoring’s sustainable approach would affect purchase behavior, because environmentally safe purchases addressed the consumer’s concern about environmental issues. Many researchers have investigated such an environmental orientation as a variable of consumers’ purchase behavior (Amyx et al., 1994, pp. 341–342).

To take on the given proposition in a more current context, this study proposes the following hypotheses:

H3: In the USA (H3_US) and in Germany (H3_Ger), consumers, who perceive a high level of environmental improvement, are more likely to prefer reshored products over offshored products than consumers who perceive a low improvement in the product’s environmental footprint.

A multinational study (USA, UK, France, Germany, India, China, Brazil ) indicated that approximately 50% of the respondents would be more inclined to choose products from a company that invested in alternative energy or took some other step to benefit the environment (Bonini et al, 2008). In regards to petroleum companies, an additional quarter of respondents said they would even pay a slight premium for environmentally friendly products. In terms of food and beverages, the majority of the respondents claimed to be willing to pay more for food and drinks from companies that address consumers’ concerns about health and the environment like waste, pollution, and the impact of packaging and global warming.
H4: In the United States (H4_US) as well as in Germany (H4_Ger) the environmental impact of a reshored product has an influence on consumers’ WTP.

It would include willingness to pay no premium (H4-a), willingness to pay a moderate premium (H4-b), and willingness to pay high premium (H4-c).

Culture

Despite the wide-range of literature on country-of-origin effects, a theoretical framework for understanding country-of-origin effects across cultures is lacking (Maheswaran 1994).

Notwithstanding the diminishing barriers between developed countries, cultural differences are some of the most prevalent factors between countries which influence marketing strategies. Even though culture does not determine the individual behavior of each person within a country, culture-specific factors influence the weight given to the country-of-origin in product evaluations (Klein, Ettenson, and Morris 1998).

The cultural dimension study by Hofstede (1980) shows, for example, that the national characteristics of Germany differ from those of the United States. Hofstede and Bond (1988) report strong differences between the two nations regarding uncertainty avoidance, as well as moderate differences regarding power distance and masculinity/femininity. Because different cultures and backgrounds cause dissimilar perceptions among consumers, Gürhan-Canli and Maheswaran (2000) study found that country-of-origin effects vary across cultures on the basis of the diverse cultural patterns present in different countries. Therefore, culture can have a significant impact on how consumers perceive or react to reshoring strategies.

To give a more current insight about the impact of nationality on the effect of reshoring, it is hypothesized that:

H5: Nationality moderates the relationship between product improvement after reshoring and consumers’ attitude.

This research aims to explore the impact of reshoring on purchase behavior. To do this, a conceptual framework of the research (Figure 1) has been proposed. The framework proposes how product quality and the environmental impact of a reshored product influence the purchase preferences and willingness to pay a price premium (WTP) of a native costumer in the United States or in Germany.
RESEARCH METHOD

The design of the study was a 2 (high quality vs. low quality) x 2 (high environmental impact vs. low environmental impact) x 2 (United States vs. Germany) between subject and full factorial design. The independent variables are quality, environmental improvement, and nationality. Quality and environmental impact were manipulated, while nationality was measured. The dependent variables were purchase preference and willingness to pay a price premium (WTP).

In order to examine the propositions, an experimental booklet was made. An English language scenario in combination with an English language questionnaire were created and examined for wording and face validity of the questions by an English speaking marketing researcher. To meet the requirements of a cross-national study, back translation procedures as suggested by Malhotra, Agarwal and Peterson (1996) were employed for the experimental booklet to ensure equivalence of translation. The survey was first translated from English to German by a bilingual speaking German. Afterwards, the German version of the survey was re-translated back to English from German by another bilingual speaker.

To develop a realistic setting, the information in the scenarios were based on the reshoring experience of the American manufacturer GE, which reshored its assembling line for the Springwater heater in 2011 (Fishman 2012b) combined with a description of product quality by Garvin (1984). Besides the reshoring effort, the booklet scenarios included no information about the brand and were generically phrased to avoid additional perception of brand or industry.

To operationalize the treatments of improvement in quality and environmental impact after reshoring, four different scenarios were created in which the improvement of quality (high/low)
and environmental improvement (high/low) were presented. A facility was depicted that was recently moved from a location abroad to the headquarter nation. A fictional press release illustrated the performance of the new facility compared to the previous foreign production.

Quality was manipulated by creating contrasting quality improvements of a reshored production line: high (25%) and low (5%). The high quality scenario portrayed manufacturing operations which improved the product quality due to highly skilled workers and an extremely effective production line, with fewer errors and a high detection rate of flaws. Consistent with Garvin (1984) eight dimensions of quality, the product was described with a high improvement regarding reliability, durability and features. In the low treatment, the production line was described as slightly more advanced with minimal performance improvement regarding manufacturing errors and flaw detection, while the features and durability were portrayed as unchanged compared to the previous product line abroad.

Finally, improvement in environmental impact of the product was manipulated through emissions, energy sources, and carbon footprint. The high improvement scenario described a strongly regulated facility with a drastic reduction in greenhouse gas emissions and mostly powered by renewable energies. The low improvement scenario depicted the production line as slightly advanced regarding environmental issues compared to the foreign production line.

Manipulation checks were included to ensure that the treatment of the independent variables, quality and environmental impact, were effective. Specifically, items were employed in the research instrument that asked subjects to evaluate the improvement regarding quality and environmentalism.

The independent variable of nationality is a moderator, which is measured based on two questions in the questionnaire. For the cross-national comparison of the results, the first question refers to the participant’s nationality and the second, in case that person was born outside of the United States or Germany, refers to the time spent in either country.

Six questions were employed to measure consumer preference and WTP. The first dependent variable of this study is consumer preference. With a seven point Likert format response, the following question measured the consumer’s purchase preference towards the reshored product:

I prefer the products of the American plant over the products previously made in the foreign factory.

For WTP, the survey design listed the five different possible price premiums. The price premiums given began with no willingness to pay (0%) and increased incrementally by 5% until the premium reached 20%. The valuation question was worded, “I prefer the reshored product and would be willing to pay a price premium of X%,” and WTP was measured by a seven-point Likert format response.
RESULTS AND ANALYSES

The subjects were 504 students from undergraduate business courses at a midwestern university in the United States and two southwestern universities in Germany. A seven-point Likert type response scale was used in the questionnaire. The students in the sample received the English or German questionnaire, according to their country of residence. The final sample consisted of 409 native students and was split between 201 participants from the United States, including 116 males (57.7%) and 85 females (42.2%), and 208 from Germany, including 113 males (54.3%) and 95 females (45.7%). Most American participants were between 16 and 26 years in age (88.6%). The German students on the other hand were slightly older (between 18 and 26 years (93.7%)). Finally, 99% of the German subjects reported having a major in business (as opposed to 93% of the American subjects).

To test the hypotheses, MANOVA as well as ANOVAs were used to assess mean differences of the purchase preference towards reshored products and WTP measures among the four different scenario groups.

Two ANOVAs were run to test H1 and H3:

H1: Consumers who perceive a high level of quality improvement are more likely to prefer reshored products over products produced abroad than consumers, who perceive a low improvement in product quality.

H3: Consumers who perceive a high level of environmental improvement are more likely to prefer reshored products over foreign produced products than consumers, who perceive a low improvement in the product’s environmental footprint.

Participants in the United States as well as in Germany who perceived a high level of quality improvement ($\bar{x}_{US}=5.6; \bar{x}_{Ger}=4.9$) show no significant difference in their preference towards reshored products compared to participants who perceived a low improvement ($\bar{x}_{US}=5.3; \bar{x}_{Ger}=4.9$). Hence, $H1_{US}$ and $H1_{Ger}$ were not supported, which means that, based on the subjects in this study, quality does not influence the consumer’s preference towards reshored products.

The result, shown in Table 1, indicates a main effect of environmental improvement on US consumers’ preferences regarding reshored products. In the group of low environmental improvement, the mean response was 5.24; in the group of high improvement, the mean response was 5.67. Thus, a significant difference in preference due to environmental improvement was found for the US consumers, and $H2_{US}$ was supported. However, the mean response for German participants was 4.84 in the high improvement group, and a reversed result of 5.05 for the low improvement group. Therefore, no significance ($p=.310$) was found for German respondents and $H2_{Ger}$ was not supported.
Table 1. ANOVA of preference relative to environmental improvement

<table>
<thead>
<tr>
<th>University</th>
<th>Environmental Improvement</th>
<th>N</th>
<th>Mean</th>
<th>SD</th>
<th>F</th>
<th>p</th>
</tr>
</thead>
<tbody>
<tr>
<td>US</td>
<td>High</td>
<td>100</td>
<td>5.670</td>
<td>1.4978</td>
<td>4.083</td>
<td>&lt;.045</td>
</tr>
<tr>
<td></td>
<td>Low</td>
<td>100</td>
<td>5.240</td>
<td>1.5117</td>
<td></td>
<td></td>
</tr>
<tr>
<td>German</td>
<td>High</td>
<td>76</td>
<td>4.842</td>
<td>1.4427</td>
<td>1.037</td>
<td>0.310</td>
</tr>
<tr>
<td></td>
<td>Low</td>
<td>81</td>
<td>5.049</td>
<td>1.0943</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The effect of quality improvement and environmental compatibility improvement on WTP was tested by a MANOVA with a follow-up ANOVA.

H2: Perceived quality improvement influences consumers’ WTP in the USA (H2-US) and in Germany (H2-Ger).

WTP would include willingness to pay no premium (H2-a), willingness to pay a moderate premium (H2-b), and willingness to pay a high premium (H2-c).

H4: In the United States (H4-US) as well as in Germany (H4-Ger) the environmental impact of a reshored product has an impact on consumers’ WTP.

It would include willingness to pay no premium (H4-a), willingness to pay a moderate premium (H4-b), and willingness to pay a high premium (H4-c).

In the case of the US sample, the MANOVA identified a main effect of environmental improvement on WTP (F=2.153, p=.049). The assumed positive relationship between environmental improvement and WTP for the German sample was not significant interval (F=1.002, p=.426), and H4-Ger was not supported. Similarly, the level of perceived quality improvement had no significant influence on WTP in either country (p-US =.102; p-Ger =.656). Hence, H2-US and H2-Ger were not supported.

Table 2 displays the highlighted effect of the independent variable, environmental improvement, on WTP of the US sample.

Table 2. Mean of WTP relative to environmental improvement

<table>
<thead>
<tr>
<th>WTP</th>
<th>Environmental Improvement</th>
<th>N</th>
<th>Mean</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>0% Premium</td>
<td>High</td>
<td>99</td>
<td>5.545</td>
<td>1.5002</td>
</tr>
<tr>
<td></td>
<td>Low</td>
<td>100</td>
<td>5.310</td>
<td>1.5089</td>
</tr>
<tr>
<td>5% Premium</td>
<td>High</td>
<td>100</td>
<td>4.750</td>
<td>1.5915</td>
</tr>
<tr>
<td></td>
<td>Low</td>
<td>101</td>
<td>4.752</td>
<td>1.3595</td>
</tr>
<tr>
<td>10% Premium</td>
<td>High</td>
<td>100</td>
<td>4.090</td>
<td>1.4501</td>
</tr>
<tr>
<td></td>
<td>Low</td>
<td>101</td>
<td>3.822</td>
<td>1.3221</td>
</tr>
<tr>
<td>15% Premium</td>
<td>High</td>
<td>100</td>
<td>3.280</td>
<td>1.4431</td>
</tr>
<tr>
<td></td>
<td>Low</td>
<td>101</td>
<td>2.891</td>
<td>1.1824</td>
</tr>
<tr>
<td>20% Premium</td>
<td>High</td>
<td>100</td>
<td>2.780</td>
<td>1.5543</td>
</tr>
<tr>
<td></td>
<td>Low</td>
<td>101</td>
<td>2.347</td>
<td>1.3072</td>
</tr>
</tbody>
</table>
The questionnaire included five different price premiums, which were be grouped into the following categories:

No Premium (0%)
Moderate Premium (5-10%) and
High Premium (15-20%).

Table 3 displays the main effect of environmental improvement on US consumers’ willingness to pay a price premium. In respect to the first category of WTP–No Premium, in the group of low environmental improvement, the mean response was 5.31. Compared to that, in the group of high improvement, the mean response was 5.54. Accordingly, consumers show no significant difference between high and low improvement in regards to their willingness to pay no premium (F=1.218, p=.271). In other words, the environmental footprint of a product has no influence on US-consumers’ willingness to pay no price premium. Therefore, H4US-a was not supported.

The response for willingness to pay a moderate premium was as follows: The mean response for willingness to pay a 5% premium was 4.75 (agree somewhat), regardless of the perceived environmental improvement. Thus, for the second category – willingness to pay a moderate premium – no significance was found between the two treatment groups and H4US-b was rejected. The change of environmental impact of a product does not influence consumers’ willingness to pay a moderate premium.

If it comes to consumers’ willingness to pay a high premium (15-20%), the change in environmental improvement influences the response. The mean for the low treatment group was 2.89 for WTP of 15% and 2.37 for a WTP of 20%. For the high treatment group, the mean was 3.28 for WTP of 15% and 2.78 for a WTP of 20%. Table 3 identifies significant differences between high and low environmental improvement groups. The hypothesis (H4US-c), that the

<table>
<thead>
<tr>
<th>US Environmental Improvement</th>
<th>Sum of Squares</th>
<th>df</th>
<th>MS</th>
<th>F</th>
<th>p</th>
</tr>
</thead>
<tbody>
<tr>
<td>0% Premium</td>
<td>2.758</td>
<td>1</td>
<td>2.758</td>
<td>1.218</td>
<td>.271</td>
</tr>
<tr>
<td>Between Groups</td>
<td>445.935</td>
<td>189</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Within Groups</td>
<td>448.693</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5% Premium</td>
<td>0.000</td>
<td>1</td>
<td>0.000</td>
<td>.000</td>
<td>.991</td>
</tr>
<tr>
<td>Between Groups</td>
<td>435.562</td>
<td>199</td>
<td></td>
<td>.000</td>
<td></td>
</tr>
<tr>
<td>Within Groups</td>
<td>435.562</td>
<td>200</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10% Premium</td>
<td>3.615</td>
<td>1</td>
<td>3.615</td>
<td>1.878</td>
<td>.172</td>
</tr>
<tr>
<td>Between Groups</td>
<td>382.982</td>
<td>199</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Within Groups</td>
<td>386.597</td>
<td>200</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>15% Premium</td>
<td>7.600</td>
<td>1</td>
<td>7.600</td>
<td>4.372</td>
<td>&lt;.038</td>
</tr>
<tr>
<td>Between Groups</td>
<td>345.962</td>
<td>199</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Within Groups</td>
<td>353.526</td>
<td>200</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>20% Premium</td>
<td>9.441</td>
<td>1</td>
<td>9.441</td>
<td>4.582</td>
<td>&lt;.034</td>
</tr>
<tr>
<td>Between Groups</td>
<td>410.0312</td>
<td>199</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Within Groups</td>
<td>419.473</td>
<td>200</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
environmental impact of a reshored product has an influence on US consumers’ willingness to pay a high premium was supported.

**Moderating Effect of Nationality**

Large inter-country differences occur in the evaluations of preference and WTP. The combined mean rating for the USA of preference was respectively 5.45 (for the German sample: 4.95). The mean for willingness to pay no premium was 5.42 for USA (for the German sample: 5.81). In case of willingness to pay a moderate premium, the difference between the US sample and the German sample was insignificant. The mean difference for willingness to pay a high premium of the two samples was highly significant with a p<.002.

**Table 4 - Means for the nationalities by WTP premium**

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>foreign vs. native</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>USA</td>
<td>200</td>
<td>5.455</td>
<td>1.5164</td>
</tr>
<tr>
<td>Ger</td>
<td>157</td>
<td>4.949</td>
<td>1.2750</td>
</tr>
<tr>
<td>0% Premium</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>USA</td>
<td>199</td>
<td>5.427</td>
<td>1.5054</td>
</tr>
<tr>
<td>Ger</td>
<td>158</td>
<td>5.810</td>
<td>1.3830</td>
</tr>
<tr>
<td>5% Premium</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>USA</td>
<td>201</td>
<td>4.751</td>
<td>1.4757</td>
</tr>
<tr>
<td>Ger</td>
<td>158</td>
<td>4.816</td>
<td>1.5915</td>
</tr>
<tr>
<td>10% Premium</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>USA</td>
<td>201</td>
<td>3.955</td>
<td>1.3903</td>
</tr>
<tr>
<td>Ger</td>
<td>158</td>
<td>3.684</td>
<td>1.6630</td>
</tr>
<tr>
<td>15% Premium</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>USA</td>
<td>201</td>
<td>3.085</td>
<td>1.3296</td>
</tr>
<tr>
<td>Ger</td>
<td>158</td>
<td>2.627</td>
<td>1.4563</td>
</tr>
<tr>
<td>20% Premium</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>USA</td>
<td>201</td>
<td>2.562</td>
<td>1.4482</td>
</tr>
<tr>
<td>Ger</td>
<td>158</td>
<td>2.095</td>
<td>1.3344</td>
</tr>
</tbody>
</table>

**Table 5 - ANOVA of nationality as moderator**

<table>
<thead>
<tr>
<th></th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>p</th>
</tr>
</thead>
<tbody>
<tr>
<td>foreign vs. native</td>
<td>22.516</td>
<td>1</td>
<td>22.516</td>
<td>11.239</td>
<td>&lt;.001</td>
</tr>
<tr>
<td>Within groups</td>
<td>711.187</td>
<td>355</td>
<td>2.003</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>733.703</td>
<td>356</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>0% Premium</td>
<td>12.919</td>
<td>1</td>
<td>12.919</td>
<td>6.123</td>
<td>&lt;.014</td>
</tr>
<tr>
<td>Within groups</td>
<td>748.997</td>
<td>355</td>
<td>2.110</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>761.916</td>
<td>356</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5% Premium</td>
<td>.376</td>
<td>1</td>
<td>.376</td>
<td>.161</td>
<td>.688</td>
</tr>
<tr>
<td>Within groups</td>
<td>833.259</td>
<td>357</td>
<td>2.334</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>833.616</td>
<td>358</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10% Premium</td>
<td>6.529</td>
<td>1</td>
<td>6.529</td>
<td>2.840</td>
<td>.093</td>
</tr>
<tr>
<td>Within groups</td>
<td>820.774</td>
<td>357</td>
<td>2.299</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>827.304</td>
<td>358</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>15% Premium</td>
<td>18.556</td>
<td>1</td>
<td>18.556</td>
<td>9.649</td>
<td>&lt;.002</td>
</tr>
<tr>
<td>Within groups</td>
<td>686.531</td>
<td>357</td>
<td>1.923</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>705.086</td>
<td>358</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Within groups</td>
<td>699.049</td>
<td>357</td>
<td>1.958</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>718.362</td>
<td>358</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Detailed t-test analyses of the moderator effect of nationality on preference and WTP in regards to quality improvement and environmentalism were performed and the following observations were statistically significant. The influence of nationality is statistically significant in the following cases.

- U.S. preference in regards to high quality improvement (p<.002)
- U.S. willingness to pay no premium (0%) in regards to high quality improvement (p<.014)
- U.S. willingness to pay no premium (15%) in regards to low quality improvement (p<.002)
- U.S. willingness to pay no premium (20%) in regards to low quality improvement (p<.004)
- U.S. preference in regards to high environmental improvement (p<.001)
- U.S. willingness to pay no premium (15%) in regards to high environmentalism improvement (p<.013)
- U.S. willingness to pay no premium (20%) in regards to low environmentalism improvement (p<.002).

**DISCUSSION AND IMPLICATIONS**

The primary objectives of this study was to investigate (1) the impact of product quality improvement after reshoring and (2) environmental improvements on consumers’ purchase preference and WTP, and the moderating affect of national origin. The study focused on three main aspects: quality improvement, environmental improvement of a product, and nationality.

Quality improvement had no significant effect on purchase preference or the WTP. Quality seems to be an inherent aspect, and consumers expect a certain quality standard regardless of the country of manufacturing. Voinea and Filip (2011) suggest that the twenty-first century consumer addresses quality “according to a referential (standard, technical regulation), [and] trust[s] that producers provides them goods that will meet their expectations, without having to enter the depth of things.” The study at hand portrayed the foreign plant’s production quality as standard, which implies it met consumers’ expectations. Therefore, quality might not be considered for the purchase decision, since expectations were generally met regardless of improvement.

However, the results are in conflict with the study of Elliott and Cameron (1994), who found that there is a general preference towards the local product and a strong preference if the locally made product is of superior quality. A possible explanation for the insignificant influence of quality level could be found in the questionnaire phrasing. The Elliott and Cameron (1994) study referred to explicit product categories and named comparable manufacturing countries like Korea,
Japan or Brazil. In this study, the scenarios were generically phrased and did not portray comparisons with production in an explicit country like Korea or Japan. Another explanation could be the increased shift of consumer attention towards brands along with the rising importance of a product’s country of brand versus its country of manufacture. With the growing influence of globalization and multinational manufacturing strategies, companies focus on marketing the brand instead of the country of manufacture. Nowadays, a brand name with a strong association to superior product quality has the ability to render the country of manufacturing irrelevant (Aoun 2012). The study on hand avoided brand attitudes by phrasing the survey so that it remained brand neutral.

Similar reasons can be named for the contradiction with the Miškolci (2011) study in regards to WTP. The Czech Republic study reported a willingness to pay a moderate premium for food quality improvement. Since this study did not focus on any specific product category, the findings of Miškolci (2011) are not comparable.

Ambivalent results were shown regarding the environmental component of the study. The hypothesis of a positive relationship between the environmental improvement due to product reshoring and consumers’ preference and WTP was not supported for Germany. Regardless of the treatment level of environmental improvement, German participants agreed somewhat to prefer the reshored product. The mean for the low treatment group was even slightly higher (5.049) than that of the high treatment group (4.842). One interpretation would be that German consumers value even small improvements in regards to the environmental impact of a product and that exaggeration has a negative impact on consumers’ purchase behavior.

A study conducted by the BMU (2010) gives some explanation as to why no significance was found in terms of WTP. Even though the concern from young adults for environmental issues increased, one of the in-depth reports indicated significant deficits in environmental behavior. One of the main barriers is the price aspect of environmentally friendly products. Another study (Bonini and Oppenheim 2008) supports the theory that price is the largest barrier to buying green products. Especially in regards to bigger items like TVs, consumers expect a return on the price premium they pay for a product. The study indicates that consumers perceive the benefits of green goods to be small, and the higher prices of these products to be too high.

This analyses support the hypothesis that, in the United States, the environmental improvement from a reshored product has an impact on consumers’ willingness to pay a high premium (15-20%). Given the positive relationship between level of environmental impact of a product and willingness to pay a high premium, it can be concluded that a reshoring strategy can pay off in regards to an improved environmental standing.

The analysis of the impact of the country variable on the effect of quality improvements and environmental impact on preference and WTP identified partially significant results. Nationality had a significant influence on product preference in regards to high quality improvement as well as high environmental improvement. No significance was found for willingness to pay in the “no” or “moderate premium” scenarios. Nationality moderated the results in the cases of “low” quality improvement and “high” environmental improvement in regards to willingness to pay a “high” price premium.
Since there is no consistency in the results, it is difficult to interpret the findings. However, the results of this study support the need for further research of cross-national differences in the impact of quality and environmental footprint of a product.

LIMITATIONS AND FUTURE RESEARCH

The study at hand was composed as a first step to connect the influence of reshoring on consumers purchase behavior in regards to quality and environmental aspects. Concerning the few significant results obtained from this study there were a few limitations to this study. Perhaps the most important limitations relate to the generically phrased scenarios. Given that no specific product category was discussed, the level of consumers’ product involvement was unclear. The results may vary across product categories due to level of consumers’ product involvement. Future researchers may want to examine whether difference in quality perceptions and environmental impact differ for specific product categories. This may help marketers to understand whether the product category moderates the reshoring effect.

Second, the survey data was only gathered from students. Therefore, it is not sure that the results of this analysis are representative and the resulting findings are generalizable. As already stated in the previous section, this limitation could be a reason for the insignificant results. Third, the study is limited to the comparison of two industrial nations, US and Germany. The conclusions based on the analysis cannot be generalized regarding differing economic circumstances.

A further starting point for future research can be found in the significant positive effect of environmentalism on US-American consumers’ willingness to pay a high premium. A possible extension would be to test certain environmental aspects.

REFERENCES


ADVERTISING MISTAKES ENTREPRENEURS SHOULD AVOID

Tom Smith, Texas Wesleyan University

EXTENDED ABSTRACT

Mistakes. We all make them. Big ones, little ones…old ones, new ones. Some mistakes can be very costly for entrepreneurs in terms of revenue or reputation. There are literally hundreds of quotes about mistakes, many having to do with learning from them. Author, Brandon Mull: “Smart people learn from their mistakes. But the real sharp ones learn from the mistakes of others.” An untraceable quote says: “I am not totally useless. I can be used as a bad example.” Another common business concept is that the typical firm in America is out of business five years after inception. Some simply say that 80% of small businesses fail (Boone and Kurtz, 2014). Virtually no major marketing texts address this issue (Kleppner, 2011; Boone and Kurtz, 2014; Dunne, Lusch, and Carver 2013). A cursory perusal of scholarly journals also reveals an absence of coverage of this area… perhaps because it does not seem scholarly. Yes, you can use Google to search the phrase “Entrepreneur Advertising Mistakes” and find one document of five caveats, none of which relate to the presentation. Using the idea that one can learn from the mistakes of others, whether the activity involves government, music, or business, this presentation reviews representative print advertisements (many by entrepreneurs) which are considered as mistakes for one reason or another. The advertisements relate to mistakes in terms of product, place, promotion, and price – each a part of the famous Marketing Mix. Some of the environment(s) of marketing will also be studied re mistakes by entrepreneurs. While many of the examples are by entrepreneurs, some are by larger corporations – but are still mistakes to learn from.

A product mistake in an ad could be an incorrect description of the product or a bad brand name… one possibly offensive to the audience. Place or channel mistakes could be where no location is indicated in a retail ad or worse, a form to be filled out with no indication of where to send it. Common price mistakes are no price shown in a mail order ad or the obviously wrong price in a regular retail ad. There are many possibilities of promotion mistakes such as basic typos, wrong use of reverse (light on dark) for a form to be filled in, inaccurate copy or visual, etc. Many of the environmental mistakes involve offensive/insensitive wording or visual in terms of the target market (social-cultural environment). Many entrepreneurs have created ads with no input from other people. A second or third pair of eyes might have prevented problems in the advertisements. This is particularly true when the target market is very different in terms of demographics from the creator of the ad; examples would include gender, race, and religion. A man creating an ad for women, a white person creating an ad for people of color, and so on could cause problems due to lack of empathy or sensitivity to others. Entrepreneurs often lack academic backgrounds in business or lack expertise in some of the decision areas of the firm, such as the parts of the marketing mix or four P’s. In the absence of funds for an advertising agency, many startups have relied on the opinion of individuals who may be flying blind when it comes to promotion decisions. Just as many businesses reject applicants who have mistakes in their resumes, customers may reject advertisements with mistakes by firms. It can be costly in
several ways – lack of sales, plus embarrassment. These mistakes are much more common by entrepreneurs with small companies than by large corporations.

Representative samples will be shown for most of the various problem areas as time permits. The PowerPoint for the presentation will be provided for all attendees – up to a reasonable number. None of the examples were derived from computer searches.

SELECTED REFERENCES

EXTENDED ABSTRACT

The main objective of this research study is to theoretically explore the link between market orientation and new product success through a structural model by taking into account the mediating effects of new product competitive advantage and project-level intelligence sharing capabilities. Market orientation has been viewed as a form of organizational culture having the potential to generate certain behaviors (Narver and Slater 1990), skills, and capabilities (Day 1994; Slater and Narver 1994b) that lead to superior business performance (Narver and Slater 1990). Past research has suggested that market orientation is likely to affect some of organizational variables such as memory (Sinkula 1994) at the project-level that impacts new product outcomes.

From the practitioner’s perspective, the proposed model might serve as a guide to understand how to improve new product advantage and performance by moderating the degree of market orientation in the organization. In addition, this model might shed some light on how market intelligence should be processed and utilized within the organization to generate favorable new product outcomes.

This study answers the crucial question of whether market-oriented organizations are more likely to produce competitive products that succeed in the marketplace. The research on organizational memory within the marketing context has been scarce (e.g., Hult 1998; Moorman and Miner 1997, 1998; Sinkula 1994). This study contributes to the relevant literature by exploring the role of organizational memory in new product development and its relation to market orientation.

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INNOVATION AND NEW PRODUCT DEVELOPMENT IN EMERGING MARKETS: OPPORTUNITIES AND CHALLENGES

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EXTENDED ABSTRACT

Innovation, the word that drives today’s world. Every day we hear cases of new ideas being generated, new products being created and new services being marketed, and emerging markets are in the center of this innovation vortex. Innovation takes place where need meets opportunity. Emerging markets, mainly consisting of Brazil, Russia, India, China, and South Africa (BRICS) have now become the hotbeds for business innovation. Customers in these markets have basic needs, especially the people who live at the bottom of the income pyramid. Firms operating in these emerging economies are revamping the production and distribution systems, and are taking chances with completely different business models by generating new products and services which are dramatically cheaper than those produced by their Western equivalents. These firms are successfully introducing new products and services through well-developed processes that focus on satisfying specific consumer needs.

This paper examines emerging markets in terms of the factors that affect emerging markets, the advantages and challenges of doing business in emerging markets, the new product development (NPD) strategy in emerging markets and which strategy is best suited for an emerging market.

REFERENCES

DOES TOP MANAGEMENT TEAM DIVERSITY INFLUENCES INNOVATION STRATEGY?

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EXTENDED ABSTRACT

Innovation strategy is based on business strategy and strategic goals (Gilbert, 1994). More precisely, Dodgson, et al. (2008), suggest that innovation strategy helps firms to decide in a cumulative and sustainable manner the type of innovation that best match corporate objectives. Corporate objectives are defined by Top Management Teams’ members (TMT’s). TMTs are defined as the top executives who have a direct impact on the formulation and execution of a firm’s strategy (Finkelstein and Hambrick 1996, 8). We know little about organizational level outcomes, such as the type of innovation and the TMT’s diversity (Nielsen, 2010).

Diversity is defined as ‘the distribution of personal attributes among interdependent members of an organization’ (Jackson et al. 2003). However, Harrison and Klein (2007) suggest that diversity can be defined in three different perspectives: (1) diversity as separation, (2) variety and (3) disparity. This research is focused on diversity as variety that represents differences in kind or category, primarily on information, knowledge or experience among TMT members (Bell, 2002; Fox et al, 2014). Based on a cross sectional study of 998 TMT members in Mexico. This study addresses these issues by analyzing relationships between TMT diversity and the innovation strategy.

We extend the TMTs’ diversity perspective (Bell, 2002; Li et al, ,2014; Nielsen, 2010) developing a conceptual model linking types of TMT diversity with types of innovation strategies. In line with our hypotheses we find, contrary to our expectations, a positive effect on TMT uniformity and strategic innovations as well as TMT diversity for international background of their members and strategic innovations.
Tenure TMT seems to develop strategic innovations as well. Younger TMTs members seems to propose less strategic innovations. Theoretical and empirical implications of these findings are discussed.

REFERENCES


UNDERSTANDING HISPANIC ENTREPRENEURIAL SUCCESS: AN EXPLORATORY STUDY

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Gary L. Frankwick, University of Texas at El Paso/College of Business Administration

ABSTRACT

There has been significant research conducted on entrepreneurship in the United States, however, research on Hispanic Entrepreneurship is still being developed. This paper explores current literature available on factors of success and failure and expands through an analysis of a Texas Hispanic Chamber of Commerce database. In general, the literature suggests that tailored training provided by organizations such as chambers of commerce will reduce failure rates. Thus, the study focused on identifying characteristics of firms that maintained or joined a chamber of commerce. A cluster analysis provided an initial profile of companies who renew membership, and those who drop it.

INTRODUCTION

Over the past decade, the Hispanic population in the United States has increased from about 12.5% to more than 16.5% of the population. (U.S. Census Bureau, 2010; Davila and Mora, 2013). Along with the rise in population, the number of Hispanic businesses has also increased. From 2002 to 2007 the number of businesses increased 43.7 percent, a total of 2.3 million establishments and $350 billion of revenue (U.S. Census Bureau, 2012). By 2013, however, this number was estimated to have climbed to 3.2 million establishments with $468 billion in revenue (Geoscape, 2013). Hispanics are also more likely to start a business and to be self-employed with 9.1% of this group employed as entrepreneurs while only 7.8% of the general US population is self-employed (Geoscape, 2013).

As important as this group is and as entrepreneurial as it might be, many studies have recognized that these and other minority businesses still lag in many economic factors. According to the latest research, minorities are more likely to start small businesses, but are not likely to be as successful as other, non-Hispanic, businesses (Canedo, Stone, Black & Lukaszewski, 2014). In general, the whole entrepreneurial process is more difficult for minorities (Bates, Jackson & Johnson, 2007). To determine potential strategies to help these businesses, it is important to understand their needs and the challenges they face (Business Bureau Research, 2012).

In the state of Texas, Hispanic businesses represent 20.7 percent of all businesses, a 40.2 percent increase from 2002 to 2007, which translates into 447,589 businesses (Business Bureau of
Research, 2012). According to the 2007 Survey of Business Owners, Texas has the third highest percentage of Hispanic businesses with $62.1 billion in receipts (U.S. Census Bureau, 2012). Even after the large increase of Hispanic businesses, the 2007 SBO data still showed that these businesses lagged in all economic indicators when compared to non-Hispanic businesses. Measurable performance values such as average gross receipts, payroll size and employment size were one-fourth to one-half the size of their non-Hispanic counterparts (Bureau of Business Research, 2012). In addition, this research revealed that most businesses remain small even after operating for many years; scalability seems to be a prominent problem amongst these firms (Bureau of Business Research, 2012). Some of the challenges that Hispanic entrepreneurs face include the lack of business education and managerial experience, as well as access to credit (Canedo, Stone, Black & Lukaszewski, 2014). Similarly, the Texas study revealed that management/leadership, sales, and communication are the top training needs for them (Business Bureau Research, 2012).

In the El Paso region, the pattern of Hispanic businesses reflects that of its current population. We see that 60 percent of businesses are owned primarily by Hispanics in El Paso County (U.S. Census Bureau, 2012). This region or Borderplex, as it is often called, comprises two countries and three states, and is one of the largest regions that boast a high percentage of Hispanics. Hispanic businesses are increasingly becoming the backbone of the economy of the US, therefore increasing the need for further research, especially in the U.S.-Mexico Border where the rate of entrepreneurial activities tends to be higher than in the U.S. interior (Mora et al, 2006).

Hispanic business is important for a thriving and healthy economy, and its failure and success rates as an outcome of available training and resource access are recognized. The chambers and other organizations can and often offer to these businesses. According to the Small Business Administration, about half of all businesses survive the first five years or more, and about one third survive 10 years or more (Small Business Administration, 2012). A study conducted by Dávila and Mora (2007) hones in on the high minority shutdown rates and revealed that from 2002-2007 Hispanic-male owned businesses failed at a 40% rate and Hispanic female-owned businesses failed at a 45% rate as shown in figure 1 below.

Georgrakos and Tasiramos (2008) also found in their studies a lower level of survival in entrepreneurship for foreign-born Mexicans and other Hispanics compared to non-Hispanic whites. In addition, they observe that amongst all minority groups African Americans are the only group of US born individuals with a higher percentage of exits from entrepreneurship (Georgrakos and Tasiramos, 2008).

With Hispanic owned businesses accounting for 61% of all small businesses in Texas (U.S. Census Bureau, 2010) identifying specific causes and determining potential remedies for the lower than optimal performance for such a large part of the economy is a worthy objective for research. It is thought that education programs and networking provided by a Chamber of Commerce for entrepreneurs may improve the high failure rates through tailored trainings to help them understand how to modify business models to deal with growth and to achieve access to capital for expansion. This exploratory study examines characteristics of Chamber of Commerce members and compares them to businesses who let membership lapse, in an effort to discover possible reasons for this behavior.
HISPANIC BUSINESS CHARACTERISTICS

Although research on Hispanic businesses is still at an early stage of development, previous research from the economic theoretical frameworks and from the behavioral sciences can shed light on Hispanic business performance and needs. Research in these areas can help determine economic and sociological factors that affect the start and growth of Hispanic enterprises.

Some of the latest research on Hispanic businesses has come from the Bureau of Business Research at the University of Texas at Austin. In 2011, the University conducted a study on Texas Hispanic-Owned Businesses with Paid Employees (2012). The UT Austin study cited many reasons for Hispanic businesses lagging behind other entrepreneurial businesses, including lower levels of education, smaller business networks, and a lower percentage of parents with a history of business experience (Bureau of Business Research, 2012). Additionally, the study cited management and leadership, relationship building, and communication skills as major training needs for the Hispanic business community. Less access to decision makers on government contracting opportunities, unfairly being excluded from participating in government contracts, and unfairly being excluded from participating in private sector opportunities, were cited as common reasons for lagging behind (Bureau of Business Research, 2012). Davila and Mora (2013) also add that lack of access to credit and a lack of technology use affect these businesses greatly.
SAMPLE CHARACTERISTICS

The majority of the data for the study were provided by the Hispanic Chamber of Commerce for a large southwest Texas community. The original data set contained 1,000 records. However, this included multiple entries for some businesses based on the number of locations in the region. After eliminating duplicate records based on location, 687 unique observations remained. At this point, the database consisted of 75 fields, with partial data on each company in the sample. Observations for 165 businesses contained data in about 80% of the fields. For the remaining 522 businesses only about 40% of the fields were complete.

To fill in missing data the following procedures were implemented:

1. Browsing businesses’ physical files.
2. Using Excel spreadsheets provided by Chamber staff.
3. Searching online for available information for each business.
4. Collecting data via email survey, and
5. Calling businesses individually to complete remaining empty fields.

Four categories make up the membership of the Chamber data set: New Active, New Not Active, Renewal Active, and Renewal Not Active. The general objective of the study is to determine the characteristics of the businesses that compose each of the membership categories in an effort to determine differences between active and lapsed membership groups. Assuming that entrepreneurs drop membership because of a lack of felt benefit for the cost involved, it was hoped that deficiencies in desired services could be identified and remedied.

The following are the descriptions for each membership category:

**New Active:** Businesses that have become active within the past year.

**New Not Active:** Businesses that have not renewed their membership after their first year or paid their dues and therefore were not renewed.

**Renewal Active:** Businesses that are renewing each year and are current members of the Chamber.

**Renewal Not Active:** Businesses that had been with the Chamber longer than a year, but did not renewing this year.

DATA ANALYSIS

Once the data set was as complete as we could make it, we began to analyze the data using the two step cluster option in SPSS. Based on the four categories described above, we attempted to cluster businesses based on various characteristics including; number of years in business, business industry, size, ownership type (public, private), owner gender/age, legal structure, and membership type. The two step cluster process requires complete data in each field, so the actual sample size for each analysis varies based on the degree of complete data in each variable selected for analysis.
Analysis 1

The first set of variables tested included all of the variables mentioned above. The two-step cluster test yielded two clusters. The number of records included on each cluster were 20 (47.6%) and 22 (52.4%) for a total of 44. Figure 2 shows all of the variables entered and the two clusters it yielded. The top four variables are the most important in determining cluster membership. “Status (1-4)” number of years as a member “new date”, industry “business type” and gender were the four strongest variables. The last four variables, size of business, ownership type, legal structure, and membership type added little to determining cluster membership.

Figure 2

![Predictor Importance Chart](chart.png)

The top four variables mentioned above are the strongest with over 80% of the influence on determining clusters.

Figure 3 presents a deeper look into each of the variables and begins to reveal a profile of membership status based on the most influential variables. Cluster one, at the left, containing New Active, Renewal Active and Renewal Not Active members.
Cluster two, at the right, contains mostly Renewal Active and only two Renewal Not Active members. The lower two panels also support cluster one showing the high number of new members on the left with no first year members in cluster two.

Figure 4 shows that cluster one is made up of mostly construction/development, financial, and general services industries, while cluster two has almost the opposite composition with mostly retail, restaurant/food, and services.
Figure 4
Business Type

Figure 5 shows that cluster one is predominantly male while cluster two is mostly female.
This set of clusters show a profile of cluster two with primarily renewing members to be composed of primarily females in retail, restaurant, and service industries, and having been in business for some time. The main profile for cluster one is dominated by male owners that are primarily Newly Active or Renewal Not Active, and are young businesses. This is the group that may require the greatest attention to determine what might encourage them to remain in the Chamber. In addition, this may be the group most at risk of going out of business. As research has confirmed young firms either rise very rapidly or exit rapidly (Business Dynamics Statistics Briefing, 2009). So in this case we see that perhaps those that are exiting the chamber are those that are failing.

**Analysis 2**

With gender emerging as a significant discriminator of membership status, we ran several analyses to try to determine a more accurate profile of female owned businesses. The second analysis yielded two clusters with gender as the strongest predictor of cluster membership, followed by industry “business type 1”, size, type of ownership, and membership category “status (1-4). Figure 6 shows that two other variables had relatively minor influence on membership status.
Figure 6
Cluster predictors

![Predictor Importance Chart]

Figure 7 shows the clear gender difference between the two clusters with males dominating cluster one and only females in cluster two.

Figure 7
Gender distribution

![Gender Distribution Chart]

Figure 8 shows the male dominated cluster one as slightly larger businesses that the female dominated cluster two. Company size here is defined somewhat differently from the standard
employed by the Small Business Administration. Since most of the chamber’s members are actually small according to the SBA definition, it would not help them to define all of their members with that metric. In this data set, small is less than 10 employees, medium is less than 100 employees, and large is 100 or more employees.

**Figure 8**
Company Size

<table>
<thead>
<tr>
<th>Size Cluster 1</th>
<th>Size Cluster 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small</td>
<td>Medium</td>
</tr>
<tr>
<td>Small</td>
<td>Medium</td>
</tr>
</tbody>
</table>

**Figure 9**
Membership Status

<table>
<thead>
<tr>
<th>Status 1-4 Cluster 1</th>
<th>Status 1-4 Cluster 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Active</td>
<td>Renewal Active</td>
</tr>
<tr>
<td>New Active</td>
<td>Renewal Active</td>
</tr>
</tbody>
</table>

Again, female-owned businesses are smaller, but they are renewing membership at a higher rate than the male-owned larger businesses.
Analysis 3

Analysis three focuses on business size, and only the two categories of members after the first year - Renewal Active and Renewal Not Active. This was intended to get a clearer picture of those that renewed and those that did not. A separate test of New Active and New Not Active membership was also conducted, but it yielded one cluster, so no further analysis was done on that group.

In this analysis three clusters emerged. Clusters one and two were almost entirely small businesses while cluster three had a majority medium sized businesses. These results are presented in Figure 10.

![Figure 10: Company size](image)

Figure 11 shows the difference between cluster one and two with respect to the tenure of the business with the Chamber. Cluster one is primarily newer, though not first year, members. Cluster two consists of members in the three to eighth year of tenure, while cluster three is longer term members.
Figure 11
Membership Tenure

NewDate Cluster 1

NewDate Cluster 2

NewDate Cluster 3
Figure 12 shows the unique result that the first cluster includes only Renewal Not Active, while clusters two and three are Renewal Active members.

![Figure 12](image)

This analysis shows a clear distinction between those that renew their memberships and those that do not. Those businesses that did not renew were small, had a very basic membership (figure not shown), and were much younger than those that renewed their memberships.

**CONCLUSIONS AND FUTURE RESEARCH**

The results suggest that Female-owned businesses tend to renew membership at a much higher rate than do male-owned businesses. If memberships are renewed because owners perceive that they gain something by the membership, it would be interesting to now survey these businesses to determine why women feel they get a greater benefit than do men. It might also be that men and women tend to enter different types of businesses and certain types of businesses gain more that do others. This is indicated in analysis one Figure 4 with female owned businesses being primarily services, restaurants, and retailers while males owned more financial, construction, and automotive types of businesses. Business size might also play a role in benefits derived with
medium sized businesses renewing at a higher rate, though lower total membership, than smaller businesses. This combined with the result that renewing businesses are somewhat older than the non-renewing businesses might suggest the need to find out if the Chamber is over promising new members benefits that it cannot provide. Future research can address this question too. Other research might survey a broader group of both Hispanic and non-Hispanic business owners to identify success and failure causes and whether they vary by ethnic group.

This is just the beginning of a stream of research intended to help Hispanic-owned businesses succeed. Finding out why businesses maintain or drop membership in the Chamber of Commerce may help in this process.

REFERENCES


HEALTHCARE MARKETING

FUNCTIONAL FOODS: FROM A TINY NICHE TO A SIGNIFICANT SEGMENT

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EXTENDED ABSTRACT

Functional foods are thought to have originated in Japan (Stanton et al., 2001), where the term FOSHU (Food for Specialized Health Use) was first coined (LaBell, 1993), but although the term is commonly used in marketing (Alissa and Ferns, 2012) a firm regulatory definition remains lacking (Stojanovic et al., 2014). Functional foods are foods and drinks which are believed to have physiological benefits and/or reduce disease risk more than their basic nutritional function would imply (Hathwar et al., 2012). Thus, functional foods appear to be a new category of foods that offer consumers an opportunity for a healthy lifestyle with only minimal effort (McConnon, Cade and Pearlman, 2002).

Consumers generally believe that what they eat influences their health (Hilliam, 1996). However, the development of the functional food market was slow, as consumers also recognize that, because functional foods generally cost more than “regular” foods, presenting marketers a significant opportunity for companies to increase their profit margins (Jacobson and Silvergate, 1999) while providing little or no real benefit to consumers (Pletscher, 2004). Recent evidence shows that producers of functional foods charged more for these products compared to comparable products for all food categories (Stojanovic et al., 2014), with Zacha (2014) noting that functional food producers have a 25% margin on their products, far exceeding that of the margin on more conventional foods.

Early in the development of the functional food category, it was recognized that their acceptance would depend heavily on the perceptions of consumers about their efficacy, safety and taste (Childs and Poryzees, 1998).

Some studies (Childs, 1997; Childs and Poryzees, 1998) noted the importance of the demographics of early adopters, noting that women and adults aged 35-64 were most predisposed
to purchase functional foods. These results were not found by all researchers, as McConnon, Cade and Pearlman (2002) noted that functional foods were not only one of the fastest growing segments in the food industry, but were attractive to consumers of all ages.

Many functional foods introduced into the market have been dairy-based, with dairy products responsible for almost 39% of value of the functional foods market (Thompson and Moughan, 2008). Dairy foods are considered to be a leading vehicle for delivering functional components (Berry, 2006), while Mellentin (2006, p. 16) has even commented that “there are products in all categories that offer added health benefits, but it is dairy that has overwhelmingly captured the high ground of functional foods.” For example, sales in Europe of probiotic daily-dose drinks, which introduce friendly bacteria into the gut to aid digestion and boost immunity, exceed $4 billion, and growing at an annual rate of 20% after 10 years of solid growth.

Although growth estimates differ – a PwC report, “Food as Pharma,” estimates global functional food sales at $180 billion by 2017, and BCC Research estimates them to top $207 billion by 2016 (Zacka, 2014) – there is little doubt that functional foods have become a significant market segment which food marketers cannot afford to ignore.

REFERENCES


HEALTHCARE IMPLICATIONS OF SOCIAL MEDIA IN RURAL LOCATIONS

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EXTENDED ABSTRACT

Social media in medicine has been shown to be a source of information for patients (Chretien & Kind, 2013). Social media has opened the peer-to-peer information and communities. Approximately 23% of patients suffering from a chronic disease (high blood pressure, diabetes, heart conditions, lung conditions, or cancer) say they have searched for others like them online (Fox, 2011).

Previous research has demonstrated effectiveness of healthcare social media in rural locations. These benefits include: patient education, provider education (Rutledge et al., 2011), and patients being more involved in their care. These benefits have particular potential in reducing disparities along the USA/Mexico border region (Smith & Denali, 2014).

While these benefits have great advantages, there are several issues involved with rural social media. First, the average age of a rural resident is higher than urban areas, which according to research of likely technology users would limit pick up of this technology (Duggan & Brenner, 2013; Lenhart & Fox, 2009). Lenhart and Fox (2009) found that only 9% of Twitter users were located in rural areas. Moreover, hospitals in rural areas have been shown to use social media less than their urban counterparts (Thaker, Nowacki, Mehta, & Edwards, 2011). Second, broadband internet is limited in rural and frontier areas, which would restrict utilization of social media in those areas (LaRose, Gregg, Strover, Straubhaar, & Carpenter, 2007). Lastly, due to the older population and lower access to care in rural areas, the financial benefits of social media would be lost because of the delayed, high-acuity care that they require (Chan, Hart, & Goodman, 2006).

While the authors do not advocate for social media to solely be used in urban areas, we believe that more energy research should be directed towards increased access and quality for rural residents. Particularly, social media should mesh with population health to target diseases and conditions that are statistically higher in rural areas as compared to urban.
REFERENCES


WHO’S THE BOSS? HOW HEALTHCARE MARKETING EMPOWERS PATIENTS

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ABSTRACT

Healthcare marketing has shifted the landscape of the healthcare industry from being provider-empowered to patient-empowered. Healthcare has become a patient-driven market rather than a provider-driven market, and, as a result, healthcare providers are now adjusting their marketing plans to accommodate patient preferences. Patients can act as consumers with a choice with the use of social media marketing and user-generated content. User generated content, also known as consumer generated media, is now one of the most powerful tools that allows patients to act as consumers. Patients can inform other patients about the quality of care a clinic or hospital provides, and other patients can make a decision about where to receive care based on these reviews. Healthcare providers must learn to use data to target marketing strategies toward patients without using or releasing protected information. They must also learn to utilize social media and digital marketing to have a bigger internet presence and become more user-friendly for patients. This paper serves to explore the shift in power due to the changing face of healthcare marketing, how healthcare providers are adapting to the revolution, and the impact on business for healthcare providers.
MOVING FORWARD WHILE GIVING BACK – HOW CHARITABLE ORGANIZATIONS CAN BENEFIT FROM SOCIAL MEDIA AND COMMUNITY EVENTS

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EXTENDED ABSTRACT

Health charities are a major essential component in the delivery of effective healthcare to the underserved communities in the market place. In Texas, we have Community Health Charities which is a non-profit organization with the vision to improve the lives of patients with illnesses and disabilities by uniting and merging donors with the nation's top charitable organizations. It is clear that CHC has had success with little marketing efforts in the past, but in order to take it to the next level they must implement innovative marketing strategies. It is imperative that they expand their reach in the market to remain relevant and competitive. As there are many non-profit organizations in the market with similar goals, we will offer services that will differentiate CHC from other organizations.

Currently CHC’s marketing strategy has relied solely on relationship marketing. In the past, the organization has relied on word of mouth marketing tactics to promote their efforts towards the selling workplace giving through CHC. This strategy has worked for the organization thus far, but with their seeking to extend their reach into the corporate arena, CHC will need to promote themselves over a variety of media platforms to fully penetrate their target market. We will propose that CHC revamp their print and online media in order to engage their audience to participate in what they are offering through aesthetically appealing brochures and a user friendly website. In addition to improving their current media sources it is important that CHC takes advantage of social media such as, Facebook, Instagram, and Twitter. This will further extend their reach in the cyber arena to engage with the community while at the same time establishing a strong brand image. Another form of media that would be advantageous for the organization to utilize is radio time. Airtime on local radio stations is relatively cheap and a cost-effective way to reach a broad audience. CHC can purchase whole sections of time to play their own advertisement during peak listening times as well as making donations to media companies in order to be mentioned frequently on the airways as a plug. In essence, we will strive to organize campaigns that engage consumers, attract and retain corporate partners, and drive CHC’s social objective.
Building relationships with corporations is a key marketing tool for Community Health Charities. Many employees are attracted by the convenience of donating by making a tax deductible through their payroll services. As we know, CHC currently utilizes liaisons in order to meet with executives of different organizations with the objective of setting up contracts. We believe that this personal and direct method is effective and should be continued. Through different community events and the providing of incentives to the employees that choose to participate, we will devise various strategies and recommendations for strengthening the relationships between CHC and various organizations. In this paper, the authors will enlighten the audience about the multiple strategies as well as future challenges for nonprofit charitable organizations.
BUSINESS TO BUSINESS MARKETING

REVAMPING SALES STRATEGY EMPLOYING MARKETING INFORMATION SYSTEMS

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EXTENDED ABSTRACT

In the twenty-first century globally-connected and technologically-enabled marketplace, most consumers compare prices for market offerings online to decide on the place and desired channel of purchase. In effect, marketing strategy no longer depends upon a seller’s promotion alone, especially in the realm of business-to-business marketing. The dynamics of technological innovation invoke new ways of corporate sales strategy thought.

Marketing Information System, or Market Intelligence, henceforth referred to as MktIS, integrates all components of business such as accounting transactions, finance, marketing pricing strategy, human resource management, inventory management, research and development, and customer relationship management, into a single DataMart for the organization. Subsequently, MktIS disseminates this information to salespersons. Moreover, MktIS takes feedback from salespersons, technicians, and call center representatives into the DataMart as these personnel possess a vast amount of information and knowledge about the market. The salespersons have established relationships with the customers, and familiarity with customers’ needs and wants. These personnel are in an advantageous position with respect to the collection of information regarding the market, customer psychology, demand for features in the existing market offerings, new market offering development strategy, market offering pricing, sales and demand forecasting, and competitive strategy. This pool of knowledge may consequently be passed onward to the corporate marketing information system (Schlacter and Evans 1985).

Many companies are implementing KPI (Key Performance Indicators), DSS (Decision Support Systems) or Dashboard, Account Health Snapshot, and Balance Scorecard to facilitate the salespersons’ understanding of corporate goals vis-à-vis their position with respect to goal fulfilment. If the concerned sales personnel are equipped with all the available data analytics in real time, or on demand, they can look at the environment, such as the competitors’ strategy, new
innovations, or the governmental role, to come up with better sales strategies. Corporations have gone so far as to write algorithms about customer behavior and buying patterns, and analyzing customer’s choices, and feedback and reviews (Davenport and Harris 2007).

Consumers are moving more towards electronic commerce where there are no face to face interactions of the salespersons with consumers. Some companies have 24/7 chat rooms to answer consumers’ queries. The consumers have easy access to information about market offerings of any business as well as the market offerings of the business’s competitors. A well-established MktIS will help sales executives to revise sales strategy timely and adjust pricing based upon the competitors’ strategy.

MktIS or market intelligence can also be used to determine how much inventory is required at a given location. For example, a pharmacy can use MktIS to determine how many customers have chronic diseases, how often the customers refill their prescriptions, and the optimum inventory required to maximize the sales revenue.

No company can maintain a sustainable competitive advantage in a landscape of innovation and new emerging markets without developing new market offerings, exploring new markets, innovation and product enhancement, and diversification. In reality, however, over fifty percent of new products introduced in the market fail completely. Seventy percent of market offerings do not meet the sales goal (Trainor, Krush, and Agnihotri 2013). A firm’s competency in market intelligence and its engagement with consumers positively enhance the success of new product development and the enhancement of existing products.

This paper will investigate the impact of MktIS product development and planning in selling strategy or competitive game plan that optimizes customers’ tastes, company’s sales revenues, and inventory condition.

REFERENCES


COLLABORATION ACROSS SUPPLY CHAIN PARTNERS TO
ENHANCE PROJECT PROCUREMENT THROUGH SPEND MANAGEMENT

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Malini Natarajarathinam, Texas A&M University

ABSTRACT

In today’s supply chain, the information required for a Spend Analysis has never been more obtainable. Most of the information is from electronic data that can be organized in many different and clever ways. Understanding how money is being spent and earned is the essential meaning of Spend Management. Forming networks of strategic relationships within the supply chain is also essential. One of the many questions managers need to keep asking themselves is “Is doing a spend analysis profitable and how much does it cost”. The scope of a good spend analysis covers current supply chains all the way to the potential that is present between strategic suppliers for project procurement and non-strategic suppliers.

INTRODUCTION

One of the biggest uncertainties in business today is money. If products are not priced correctly you could potentially be leaving money on the table. You could price yourself right out of the game and lose business if your prices are too high. Either way, establishing a proper pricing model is one of the keys to a successful business. It is paramount to understand the total cost of doing business in order to optimize profit. To do this, a company must conduct a Spend Analysis.

The world is a very big place with unlimited potential for opportunity. Opportunities come in many forms when designing a supply chain. One opportunity can be to utilize automation that has minimal error in manufacturing. Another opportunity could be building infrastructure where one does not currently exist. This infrastructure can be anything from basic roads, refrigeration transportation, warehousing to a network of relationships. All of these things cost money and require a proper way of keeping track so that the collected information can be analyzed for better decision-making.

The basic element to any executable plan is experience and planning. They can enhance one another. Another key to enhancement is collaboration. This type of dynamic can be used in many different ways. This research will explore the dynamic of an industrial supplier supporting a level of transparency in order to enhance better procurement for the Angola LNG project. This
supplier understands the value of cross channel relationships and the potential for prosperous future business.

Wilson Mohr is an industrial supplier that values strategic relationships. This supplier conducts a range of good to best practices internally and with their customers. Wilson Mohr conducts daily operations with a fair amount of collaboration. They understand that there is enough business for everyone and not all businesses can be done by just one company. Collaboration is only successful depending upon the amount of transparency.

A spend analysis will create a body of information that will enable wise decision-making and more profitable procurement with suppliers. Tier pricing for reliable sources will create an advantage for both entities. Spend management techniques are nothing new. The techniques are not based in high tech software programs but are essential to conduct business properly (Aberdeen, 2004).

LITERATURE REVIEW

There are many articles and journals about the benefits of Spend Analysis and Spend Management. Present day research shows that in order to remain profitable, a proper understanding of spend management and the total cost of doing business is required. The most common concept that business executives and researchers agree upon is that profitability must be achieved. A 2010 survey shows that 75% of CFOs are under significant pressure to increase savings and decrease risk (Schliebs, 2011). The Aberdeen Group has published an impressive piece of literature on best practices to follow when preparing a Spend Analysis (Aberdeen, 2004) It is from this types of report that we learn about which key business drivers to monitor and why companies practice spend management. All source materials are in agreement that business will continue to drive more business.

Some companies have instituted the practice of auditing specific financials so that the right data can be extracted and controlled. One result of a Spend Analysis is the process of aggregating and classifying data to where it can be leveraged and/or exploited for gain (CA Technologies, 2012). That gain can in cost reduction, operational performance or simple profit margin.

Relationships of business management principles are applied to multiple areas that show a link between spend data, business objectives and product development. The business objectives include compliance, inventory, planning and production management (Aberdeen, 2004). Relationships with local suppliers can assist in meeting strategic business goals by identifying opportunities to save time and money. This will help develop strong supplier relationships and allow compliance to be monitored. The most valuable point of any spend analysis is to know what and from whom you are buying and how much you are spending (Schliebs, 2011).

Potential issues in Spend Analysis come from the shortcomings of understanding the importance of managing the supplier relationship. Spike Cavell Analytical Inc. is a data driven research think tank that specializes in spend intelligence. They educate the public sector to change the way goods and services are purchased. Their research provides parallel conclusions that emulate anyone looking to conduct spend management in any sector (Kamf, 2009).
Spend analysis is the one of the higher priorities for procurement organizations. Some of their basic initiatives can become challenges very easily. All aspects of spend analytics center on data. The quality of the data is directly responsible for the ability to identify the forecast and saving opportunities (Limberakis, 2011). Collecting data can be labor intensive and difficult to prioritize when identifying the top spend categories. There are times when lack of insight into cost reduction ambitions is present (Aberdeen, 2011).

Author Christoffer Kamf states that different analysis models will offer different views (Kamf, 2009). Gap analysis seems to be a common model among other sources where one of the commonalities is logical reasoning. Within the core of logical reasoning there are deduction, induction and abduction. Kamf (2009) also makes a point that we continue to study further research methods to have credibility that include reliability, validity and objectivity. Back in 2012, there were multiple reports and articles about how Target figured out that a teen customer was pregnant before her family did from data mining (Hill, 2012). It was a simple process of paying attention to what purchases were made by the customer and their frequency.

Another view of spend management comes from contract compliance. If businesses do not operate in compliance not only do they lose credibility, their spending can go unchecked and unchallenged (Spikes, 2011). This is why having an efficient and cost effective way to operate in business is under appreciated (What is Spend, pg5).

Since spend management hinges on what the spend analysis shows or the interpretation of what the analysis provides, it is equally important to monitor and benchmark the results. This can be achieved through Key Performance Indicators (Schliebs, 2011). KPIs separate specific points that have special requirements. Whether it is a margin percentage to be achieved over a period of time or the number of quotes turned into purchase orders, they typically show an increase in performance when companies use enrichment and data collection methods. The information that is being controlled and monitored by KPIs has an effect on four key areas: Improvement in Spend under Management, Improvement in Savings from Strategic Sourcing, Increase in Contract Compliance and Reduction in Sourcing Cycle Times (Schliebs, 2011).

Spend Management is looking to accomplish some of the following goals: impact the bottom line, track net and/or actual savings, provide savings for the customer, reduce internal costs and improve management of budgets and expenditures. The analysis can be used as a monitoring and/or tracking tool. Spend management also hinges on participation. Involvement from all who will benefit from spend management should be encouraged to participate. Visa is an example of a company that has used spend analysis to maximize operating efficiencies and lower costs. Visa has an internal program called Enhanced Data Capture. This EDC literally captures new data and seamlessly updates the old data, saving an enormous amount of labor hours.

It is clear that great contributions have been made by each one of these sources merely by publishing their professional research. Several journal articles have highlighted the importance of knowing who, what, where, when and how money is being spent. One of the sources is an internal blog for SciQuest. SciQuest is a company that specializes in procurement software, spend analysis, sourcing, Contract & Inventory Management and Accounts Payable Automation that are all Cloud
based technology (SciQuest, pg1). All of the research points to the future benefits and contributions that lie in the mystery of ‘the Cloud’.

Spend Management research shows an underlying message. That message is that all professional researchers have the duty to continue researching our spend management problems. New concepts and new ways of doing things are always happening and it is best to be out in front. The more one knows the better one can be. It is important to not only understand the elements but to be able to comprehend the totality of the situation being exercised. In this case, every exercise is in reference to Spend Analysis.

Conducting a spend analysis creates opportunities. The information that is derived from the process can be organized into 12 different classification points (Spikes Cavell, 2012). Each one of these 12 points has an important role to play and if done properly can easily be recognized by senior management. It is important to note that the points are not necessarily in a specific chronological order.

1. Deliver savings
2. Improve Processes
3. Manage Maverick Spending
4. Manage Supplier Relationships
5. Manage Risk
6. Recover over-payments
7. Procure co-operatively
8. Reduce Disparity
9. Source More Locally
10. Ensure Legal Compliance
11. Benchmark Relative Positions
12. Quantify Savings

For example too much spend with one supplier can create risk by becoming over dependent upon them. The supplier could go out of business or reliable sales representative could leave the company. Managing this risk will allow for a proper assessment of suppliers. This assessment can move toward more local sourcing. Local sourcing provides lots of benefits for all parties. Those benefits increase the support for local businesses, shortened lead times for the customer and transportation distances are lessened. The ease of proximity helps initiate face-to-face meetings, which can enhance the management of that supplier relationship. Local relationships benefit from close interaction. Reduction of disparity means to diversify spending which also is part of risk management. These 12 points all build upon and play off each other to come together for the development of a more profitable business. Quantifying savings, producing an ROI, keeping the EBITDA high, all touch key common points that start from delivering savings to the customer.
METHODOLOGY

In this section we discuss the importance of methodology, how the data is collected and how we analyze it. Most companies use a form of electronic data. Microsoft Excel and Access are good basic examples. Visibility to the data stored in these programs is key.

Spend management is a linear approach to collaboration between suppliers, customers, distributors and/or the end user. This means ‘know the customer’ and pay attention to the data. The increased information flow will improve the value of the analysis.

The methodology for data collection should follow best practices. Any project can utilize the rule of the 4 Ps. The 4 Ps have been tailored to the industry in which the process is being utilized, i.e. marketing or publishing. In this case the 4 Ps stand for: People, Partnership, Process and Profitability. Spend analysis is dependent on having the right people in the right position. Partnership is built around trust, collaboration and the ability to create win-win scenarios. The Process is the execution of the thorough planning. Follow up audits and continuous metric reviews are required to exercise continual improvement. The Profitability section is based on achieving increased functionality, flexibility, forecast and cost capturing ability with the customer.

The process for collecting spend data must first be organized into spend categories. This will enable us to comprehend the information more easily. There are a lot of categories that influence the spend data. Most spend analyses concentrate on 10 to 15 categories to pull information from. Of course, the more information you use the more accurate your data will be. However, it is important to keep it simple. Do not over complicate the process with more information than what is really required for management to make decisions.

For this portion of the data collection it is important to get the correct figures and to make sure the data has integrity. This spend analysis will be done on the purchase orders that have been placed with Wilson Mohr for the past 12 months. There are a total of 45 Purchase orders that have been separated into the following 15 categories.

1. Supplier Code/ Reference Number
2. Purchase Order
3. Total Line Items
4. Number of Product Lines/MFRs Accessed
5. Line Penetration
6. Lead Time in weeks
7. INCO term
8. Purchase Cost
9. Supplier Cost
10. Supplier Margin
11. Supplier Profit
12. New Tier Margin to be added to supplier cost
13. Difference in profit margin
14. New Supplier Profit with tier structure
15. Additional potential savings and loss from new tier
Keeping things as simple as possible is crucial to having people understand and use common practices. The five-step methodology can provide an in-depth understanding of the process and enhance communication between both parties. This will connect common spending, planning and management of data. The methodology will also help increase communication horizontally and vertically between different internal departments that can use the information.

1. Identify process by assessing each category group. Determine the process objective. This is where the process is defined.

2. Link the identified category to financial drivers to show the impact on shareholder value if applicable.

3. Analyze the profitability of the proposed best practices to simplify the process without jeopardizing any data integrity. Quantify the connection to understand the impact on shareholder value if applicable.

4. Understand the best practice methodology, implementations detail and challenges. Quantifying profitability helps to eliminate many of the myths surrounding projections and brings those projections to more realistic levels so patterns can be recognized.

5. Enable appropriate resources to implement best practices. There are 4 key components of implementation: People, Process, Technology and Metrics. Each of these elements needs to be understood.

Common, Good and Best practices are defined for the methodology. The level of practice and the performance curve relationship is shown in the figure below. When more time is spent on adopting best practices, performance increases profitability.

Common Practices are processes that usually are based on old theories, which have been taken for granted. The oversimplification of recommended practices, and/or a lack of computer system support for the needs of the process are considered Common. Data can be influenced by many ways that can compromise the integrity. Common practices usually do not consider total cost to serve. Good practices fall in between Common and Best practices. Good practices indicate that focus has not been compromised and the shift from Common to Best practices has begun. This is the transition state. Best practices can be widely seen in successful profitable organizations. Using a Common as opposed to a Best practice could sometimes be due to lack of process framework. Over-simplification of recommended practices and/or a lack of planning also happen. Normally companies take a step-by-step approach in moving from Common to Good practice and maintain the core ideology of the Best practice, but they account for the practical constraints during the process. Best practices are often developed in a mathematical framework, however each firm environment requires different information.

The spend data that is on the supplier’s individual analysis will need to be compared to other suppliers as benchmarks. It is important to place proper metrics into the analysis. This is sometimes referred to as Category Target Metrics (Bearing Point, 2010) The analysis can be broken into three phases:
1. Strategic planning and category planning
2. Capability development
3. Follow up and practice continuous improvement

These 3 phases produce deliverables that can be articulated through the analysis and findings. The methodology can be molded to achieve any questionable outcome. In our need for spend management, we derive our category collection from the need to answer 3 basic questions: what do we buy, whom do we buy from and how do we buy? From those questions, opportunities can arise (Bearing Point, 2010).

Based upon the information that is quantified from the spend analysis it could be possible to use Activity-Based Costing as opposed to Tier Margin Structure or a combination of both. The possibilities to utilize spend management are endless. ABC methods are usually centered on manufacturing operations but can be utilized in different industries. Recently ABC has been utilized in distribution operations and supply chain because it can merge with process mapping. The combination of the two systems can provide managers with more accurate information to base decisions upon and to identify areas that are not profitable. Ineffective processes that have associated costs can be removed or revised appropriately. This will need to be explored after the data has been collected and spending patterns are identified.
PROBLEM DESCRIPTION

A complication of not sourcing correctly is that the real cost of the commodity is not known. Spend data is important for other business strategies, such as budgeting and planning, inventory management and future product development (Aberdeen, 2004). One of the biggest uncertainties in business today is money. If products are priced too low, then a company is not capitalizing on the ability to make maximum money from its customers. Pricing too high could make a business lose its competitive advantage and even might drive them away from doing business. Either way, establishing a proper pricing model is one of the keys to a successful business. It is paramount to understand the total cost of doing business in order to optimize profit. Lot of research has been done to show how the cost to service the customer can be used to finalize the prices. However, not much research is available on assessing how to get better pricing of the product from suppliers or manufacturers. A spend analysis can help assess buying patterns and prices with suppliers. The information obtained from a spend analysis can be used for pricing negotiation with suppliers. Hence, it is useful to do spend analysis with strategic suppliers who will be willing to collaborate in the future. This makes doing a meaningful spend analysis challenging. Spend analysis does not require any software or data analysis tools; however, it needs two parties who are committed to the same business goals and have built a working relationship based on trust.

Most of the time companies want to keep their spending and profits in secret. Transparency and collaboration have degrees that are shared. Usually it is not total and complete transparency. The relationship that forms between the customer and supplier has a good chance to start a foundation to build upon in order to achieve certain degrees of transparency. This will take a significant time but can be accomplished if the relationship continues in this direction.

The supplier Wilson Mohr structures their pricing based upon the allowed credit limit that is extended to their customers. This means that customers are priced differently. The cost fluctuates as the relationship increases. What a product costs today will be different from five years from now. On time payment history and profitable margins are the key to credit increases. This thought process is based on risk reduction with customers in war risk countries. This brings us back to one of the inherent problems that procurement buyers face. We still do not know what the real cost of the commodity is. Costing and pricing products is another intricate issue that will not be discussed here, but it important to understand that it exists.

The below chart is a sample collection of spend data that will be used in an analysis. This is the beginning stage of Spend management. This hypothetical data will now need to be broken down into useful knowledge and translated into processes for a state of thinking. This is the part of understating and realization of what is being spent and where. This type of Spend Data will be used to understand the 12 classification points indicated prior.

Other data that will also be collected is the payment terms on each PO. Payment terms are very important. When suppliers will extend terms from CIA to Net 30, or from Net 30 to Net 90, management needs to be aware of these potential opportunities. This can impact cash flow directly on both sides.
### Spend Data for Project Supplier A001

<table>
<thead>
<tr>
<th>Supplier Code/Ref Number</th>
<th>Purchaser Order</th>
<th>Total Line Items</th>
<th>Number of Product Lines/MFRs Accessed</th>
<th>Line Penetration</th>
<th>Lead Time in weeks</th>
<th>INCOTERM</th>
<th>Purchase Cost</th>
<th>Supplier Cost</th>
<th>Supplier Margin</th>
<th>Supplier Profit</th>
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<td>32</td>
<td>10</td>
<td>31.3%</td>
<td>5</td>
<td>EXW</td>
<td>$32,434.00</td>
<td>$29,190.60</td>
<td>10%</td>
<td>$3,243.40</td>
</tr>
<tr>
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<td>12</td>
<td>133.3%</td>
<td>23</td>
<td>EXW</td>
<td>$12,324.00</td>
<td>$10,845.12</td>
<td>12%</td>
<td>$1,478.88</td>
</tr>
<tr>
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<td>8</td>
<td>14.3%</td>
<td>5</td>
<td>FCA</td>
<td>$87,200.00</td>
<td>$79,352.00</td>
<td>9%</td>
<td>$7,848.00</td>
</tr>
<tr>
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<td>20</td>
<td>83.3%</td>
<td>5</td>
<td>CPT</td>
<td>$45,675.00</td>
<td>$38,823.75</td>
<td>15%</td>
<td>$6,851.25</td>
</tr>
<tr>
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<td>4</td>
<td>66.7%</td>
<td>8</td>
<td>FCA</td>
<td>$12,000.00</td>
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<td>20%</td>
<td>$2,400.00</td>
</tr>
<tr>
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<td>32</td>
<td>36.8%</td>
<td>3</td>
<td>FCA</td>
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<td>$112,340.00</td>
<td>18%</td>
<td>$24,660.00</td>
</tr>
<tr>
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<td>18</td>
<td>38.3%</td>
<td>20</td>
<td>FOB</td>
<td>$50,300.00</td>
<td>$40,240.00</td>
<td>20%</td>
<td>$10,060.00</td>
</tr>
<tr>
<td>A001</td>
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<td>3</td>
<td>100.0%</td>
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<td>CPT</td>
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<td>100.0%</td>
<td>2</td>
<td>FOB</td>
<td>$700.00</td>
<td>$525.00</td>
<td>25%</td>
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<td>30%</td>
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</tr>
<tr>
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<td>3</td>
<td>60.0%</td>
<td>3</td>
<td>FCA</td>
<td>$10,000.00</td>
<td>$9,000.00</td>
<td>10%</td>
<td>$1,000.00</td>
</tr>
<tr>
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<td>5</td>
<td>20.8%</td>
<td>14</td>
<td>EXW</td>
<td>$200,200.00</td>
<td>$184,184.00</td>
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<td>$16,016.00</td>
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<tr>
<td>A001</td>
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<td>87</td>
<td>16</td>
<td>18.4%</td>
<td>6</td>
<td>DPT</td>
<td>$8,632.00</td>
<td>$7,078.24</td>
<td>18%</td>
<td>$1,553.76</td>
</tr>
<tr>
<td>A001</td>
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<td>34</td>
<td>12</td>
<td>35.3%</td>
<td>15</td>
<td>EXW</td>
<td>$285.00</td>
<td>$213.75</td>
<td>25%</td>
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</tr>
<tr>
<td>A001</td>
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<td>12</td>
<td>10</td>
<td>83.3%</td>
<td>4</td>
<td>EXW</td>
<td>$5,655.00</td>
<td>$4,976.40</td>
<td>12%</td>
<td>$678.60</td>
</tr>
<tr>
<td>A001</td>
<td>4510008 564</td>
<td>4</td>
<td>2</td>
<td>50.0%</td>
<td>13</td>
<td>FOB</td>
<td>$5,345.00</td>
<td>$4,703.60</td>
<td>12%</td>
<td>$641.40</td>
</tr>
<tr>
<td>A001</td>
<td>4510002 112</td>
<td>3</td>
<td>3</td>
<td>100.0%</td>
<td>4</td>
<td>FOB</td>
<td>$78.00</td>
<td>$50.70</td>
<td>35%</td>
<td>$27.30</td>
</tr>
<tr>
<td>A001</td>
<td>4510003 141</td>
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<td>10</td>
<td>83.3%</td>
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<td>FCA</td>
<td>$655.00</td>
<td>$596.05</td>
<td>9%</td>
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<tr>
<td>A001</td>
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<td>10</td>
<td>100.0%</td>
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<td>EXW</td>
<td>$56,323.00</td>
<td>$52,943.62</td>
<td>6%</td>
<td>$3,379.38</td>
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</tbody>
</table>

129
Realizing the benefits of a spend analysis is crucial to the supplier relationship life cycle. It will identify cost savings, cost reduction opportunities, promote contract compliance and open insight to new leverage. It is at this point we should examine PO 4510005445. This PO was placed with the supplier for $189,000.00 before a competitor issued their quote for $79,000.00. When the quotations and particulars where examined it was apparent that there was an issue that needed to be investigated. The result was a costly lesson to better understand the value of relationships suppliers have with manufactures. Obviously Wilson Mohr’s relationship was not as solidified as Distribution Now is. DNow has over a 35-year relationship through their prior relationship with National Oil Well. NOV has significant global buying power where Wilson Mohr did not and we did not know this. This would have simply been known through experience, collaboration and a little more transparency and a proper spend analysis with Wilson Mohr and other suppliers.

Another example we will look at is PO451006545. This purchase order was issued for a total of 87 line items. The transparent information that has been provided shows the supplier attached an 18% margin whereas the tier would have guaranteed a 15% margin. It is ironic that the difference is 3%. One could project that the 3% allowance would be a lean way to project for freight and shipping charges. Thirty-two different manufactures have been requested and most of which are inventory items of the supplier. This is why they have the ability to go light on freight charges.

CONCLUSION

The goal is to create profitable margins through volume for Wilson Mohr that in turn produces budget savings for the customer. By incorporating a tier structure to set margins for the supplier, there is a financial benefit for the organization as well. Wilson Mohr is allowing to investigate the assumptions about spend management without any financial consequences to either business party. This is a win-win scenario for all parties involved. Conducting a Spend Analysis will allow a tier pricing schedule based upon the real cost of the suppliers quote prior to their margin. The tier will set that margin for the supplier to add. That will be the full Purchase Order value. Having a supplier share their cost can be beneficial by controlling a structured profit margin. This can be attractive to suppliers because it will guarantee a profit percentage. For example on orders that hypothetically cost within the range parameters will be assigned the margin as indicated below.

<table>
<thead>
<tr>
<th></th>
<th>$1,000.00</th>
<th>$10,000.00</th>
<th>$50,000.00</th>
<th>$150,000.00</th>
<th>$400,000.00</th>
<th>$900,000.00</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ -</td>
<td>30%</td>
<td>25%</td>
<td>20%</td>
<td>15%</td>
<td>10%</td>
<td>8%</td>
</tr>
</tbody>
</table>

The next step is to apply the tier to previous data categories in order to assess the new information. The data collected thus far is still hypothetical. The real data is currently being
collected and will be sorted accordingly. The idea for this tier module came from previous experience in contract pricing. These types of tiers can put pressure on suppliers to procure properly and minimize their internal inventory buyouts. We can also pull quantified data to make an Overall Target Mix schematic that will show metrics and total numbers for all suppliers not just one. The number of suppliers and their delivery accuracy with PO compliance percentages should be able to produce an overall picture for a manager to understand and make decisions from.

<table>
<thead>
<tr>
<th>Purchase Order</th>
<th>New Tier Margin to be added to supplier cost</th>
<th>Difference in profit margin</th>
<th>New Supplier Profit with tier structure</th>
<th>Additional potential savings and loss from new tier</th>
</tr>
</thead>
<tbody>
<tr>
<td>4510002335</td>
<td>20.00%</td>
<td>10.00%</td>
<td>$ 5,838.12</td>
<td>$ 2,594.72</td>
</tr>
<tr>
<td>4510003556</td>
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The key to successful spend management practices is support from top management. They need to buy into the strategy and pledge their commitment. If management does not do this then unfortunately the process goes unnoticed. Procurement should be viewed as driven by bottom line activity with reductions in the end that contribute to savings for the party at hand (Bearing Point, 2010).

One last thing to be noted is that management will expect the benefit of trust, which typically is lacking within smaller sourcing departments. Management can now trust that our customer is getting a good price for the product and service. The tier-pricing module can benefit all parties. If applied to other suppliers, the model will build a nice business relationship with other local suppliers.
REFERENCES


OPTIMIZING INVENTORY PLACEMENT IN A CLOSED LOOP SUPPLY CHAIN THROUGH APPLICATION OF INVENTORY STRATIFICATION FOR PACKAGED GASES

Craig Harris, Texas A&M University
Malini Natarajarathinam, Texas A&M University

EXTENDED ABSTRACT

We have developed a web based mechanism to order and produce packaged gases in a closed loop supply chain to optimize cylinder placement through a distribution network comprised of a packaging facility and nearly twenty distribution centers and retail store fronts that handle both outbound and inbound product. The research creates an inventory stratification that considers multiple variables simultaneously, which produces guidance for a mathematical formulation in which the relative profitability of the product is considered in the inventory strategy and optimal placement throughout the company. This research attempts to quiet the repercussions of the bullwhip effect by global optimization of cylinders placement through a distribution branch stock planner and a forecasting tool for a production schedule. The mathematical formula relies on a modification of the (s,S) periodic review strategy which, informed by the inventory stratification creates a simplified and more realistically executed model for inventory optimization in comparison to models in existing literature. This project attempts to provide a set of tools for use in a closed loop supply chain to inform purchasing decisions. The inventory will be segmented based on relevant factors applicable to each branch. A replenishment forecasting technique based on an OUT policy is applied to each SKU and those results are made available to the cylinder inventory managers at each branch. Last, the replenishment numbers are provided to the fill plant for asset purchasing decisions and depot stocking levels.

This research utilizes easily accessible software and formulas that appeal to the quickly expanding, evolving business models associated with the entrepreneurial spirit of the independent welding gas supply industry. We consider a business model in which uncertain demand disrupts the established supply chain, creating higher than normal expenses through increased distribution, manufacturing, capital expenditures and personnel costs. To solve the problem of uncertain demand from the distribution branches to the production facility, we have created an ad hoc production schedule that aggregates forecasted orders from a cluster of requesting distribution branches. Finally, we illustrate the research outputs and discuss the results of a case study from a regional, independent welding supply distributor.

The branch stock planner provides a strategy to reduce cylinder transfer activity throughout the distribution network. Because the inventory policy reduces the bullwhip effect associated with overstocking cylinders ranked C and D, the schedule can change to reflect less frequent deliveries.
to many branches and the opportunity to combine truck loads at other branch locations. With the reduction of transfers the opportunity is a reduction of 26% in distribution costs for transfers and is seen in Error! Reference source not found. below. The reduction in costs does not consider a reduction in dollars per mile that are associated with the use of fewer overtime hours of drivers or the overall reduction in fuel costs associated with the deliveries.

REFERENCES


MARKETING RESEARCH

OBJECTIVE AND SELF-REPORTED DATA QUALITY MEASURES OF

MTURK SAMPLES

Vaidas Lukosius, Tennessee State University
Michael R. Hyman, New Mexico State University

EXTENDED ABSTRACT

Crowdsourcing has become an increasingly popular approach for gathering personal response data. Of the extant crowdsourcing platforms, Amazon’s Mechanical Turk (MTurk) is the most used by academics and practitioners for survey and experimental research in international business (Demo & Rozzett, 2013), psychology (e.g., Miller, Gentile, Wilson, & Campbell, 2013), social and political sciences (Berinsky, Huber, & Lenz, 2012), economics (Amir, Rand, & Gal, 2011), management (Bartels & Nordstrom, 2013), and health sciences (Labonte, Cyr, Baril-Gravel, Royer, & Lamarche, 2012).

Roughly three quarters of current MTurk workers are North American and Indian nationals (Ross, Irani, Silberman, Zaldívar, & Tomlinson, 2010). Relative to the general populations of their respective countries, these MTurk workers typically are younger, overeducated, underemployed, and more liberal (Paolacci, Chandler, & Ipeirotis, 2010; Shapiro, Chandler, & Mueller, 2013). Although the MTurk worker pool is large, it is doubtful the demographics of U.S.-based MTurk samples are representative of the general U.S. population, as has been reported by some researchers (Berinsky, et al., 2012).

MTurk workers may be classified based on their behavior and precision (Samimi & Ravana 2014). The quality of their responses can be measured in several ways, such as amount of missing data (Barrios, Villarroya, Borrego, & Olle, 2011; Stieger & Reips, 2010), Chronbach’s alpha for multi-item scales (Buhrmester, Kwang, & Gosling, 2011b; Montag & Reuter, 2008), or RMSEA for SEM (Hyman & Sierra, 2012).

For MTurk-based tasks, higher remuneration yields higher quality responses to factual questions (Aker, El-Haj, Albakour, & Kruschwitz, 2012). However, it does not necessarily yield higher quality responses to non-objectionably verifiable questions (e.g., personality self-assessment items) (Buhrmester, Kwang, & Gosling, 2011a; Mason & Suri, 2012). A possible reason for this
phenomenon: non-objectively verifiable questions include ambiguous or complex words more readily misunderstood by respondents (Goodman, Cryder, & Cheema, 2013).

Past research has developed cognitive profiles of MTurk respondents. Motivation to participate in an MTurk task is driven by intrinsic (e.g., fun) and/or extrinsic (e.g., direct financial reward) reasons (Paolacci, et al., 2010). The two primary reasons for participation are enjoyment and monetary gain. One potential research question is to relate participation motives to cheating behavior (e.g., respond randomly) (Eickhoff & Vries, 2013).

The goal of this study is to provide preliminary answers to several basic research questions associated with U.S.-based MTurk samples. Specifically, how do U.S.-based MTurk respondents compare to the general U.S. population? What motivates them to participate in a survey? Is data collected from U.S.-based MTurk respondents of sufficient quality, especially relative to cost?

To answer these research questions, an experiment was conducted on MTurk. A total of 399 workers were recruited at $0.50, $0.75, and $1.00 remuneration levels. Measures of collaboration rate, data collection pace, and motivation to participate were collected. To identify inattentive/careless respondents, attentiveness control questions were asked.

Results suggest participant demographics were similar among the three compensation levels. Increased remuneration related to faster data collection (i.e., usable questionnaires per hour). The response speed did not differ among the three conditions (F(2, 397)=0.439, p=0.645). Based on their answers to attentiveness questions, respondents were assigned to one of two groups: attentive (n=315) or inattentive (n=83). Both groups were compared using motivation to participate questions (Brüggen, Wetzels, Ruyter, & Schillewaert, 2011). Attentive respondents differed from non-attentive respondents across four measures; the former more enjoyed participating in the survey (ENJOYMENT), did not feel as obligated to participate (OBLIGATION), put more effort into questionnaire completion (EFFORT), and believed their answers were of higher quality (QUALITY). Post-hoc analyses of variance equality show inattentive respondents provided consistently higher-variance answers to these four measures.

These results have important implications for academic researchers and practitioners. Demographically, the 399 U.S. MTurk workers participating in this study are not representative of the general U.S. population, as they tended to describe themselves as younger, less affluent, and White. Remuneration of the tested amounts (i.e., $0.50, $0.75, and $1.00) did not affect data quality except for data collection pace. Roughly 20% of respondents were inattentive. In terms of motivation, attentive respondents, relative to non-attentive respondents, more enjoyed participation, put more effort into answering, and were more confident in their answers. Higher variance for inattentive respondents suggests systematic middling bias.

REFERENCES


Stakes. *PLOS One, 7*, e31461.


STUDENT PAPER

A LOOK AT ONE TEXAS CITY’S WATER CONSERVATION EFFORTS

Julie B. Haworth, University of Texas at Dallas

ABSTRACT

Using a mixed methods approach, a study of the influence of friends and co-workers on drip irrigation workshop participants’ installation behavior is examined to better understand the impact their social networks have on residential water conservation behavior. The survey conducted by a Texas city among workshop participants indicate that taking the class with a friend or co-worker does not increase the likelihood of installing a drip irrigation system. However, follow-up interviews with workshop participants imply that self-selection bias may be affecting survey results and suggest that social network influence does promote the dissemination of water conservation information.

INTRODUCTION

Global, regional and local population growth has put a strain on our water supply. Solutions for addressing this issue are needed. We can look for ideas from recorded case studies from communities who for centuries have managed their natural resources. Also, modern success stories for fostering sustainable behavior can be found on academic-practitioner online forums. But even so, more solutions are needed to tackle this awesome task. One answer might be to leverage social networks to assist in water conservation behavior efforts through the implementation and ultimately neighborhood diffusion of water-saving technology. Some international cases exist that have analyzed the social network impact on water conservation but few residential studies focus on its impact. With this study, the impact of social networks will be analyzed in hopes that the information obtained will assist local cities with their water conservation efforts.

BACKGROUND

By the year 2005, roughly 35% of the world lived with chronic water shortages according to Kummu et.al. It was not always like this however, for instance in 1960, it is estimated that only 9% lived with chronic water shortage (Kummu et. al. 2010). Population increases are primarily the reasons for these shortages. In fact, according to Kummu, Ward, Moel and Varis, population
changes affect shortages four times more than climatic change (2010). This situation is a relatively recent phenomenon as proved in a water stress simulation using population data and available water resource data over the last two millennia (Kummu et. al 2010).

Today, over one third of the world’s population lives under physical water scarcity (Kummu, Ward, Moel and Varis (2010). This is a concern particularly in growing areas with arid conditions like Texas.

<table>
<thead>
<tr>
<th>Year</th>
<th>% Under Chronic Water Shortage</th>
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<tr>
<td>1800</td>
<td>Some Shortages</td>
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<tr>
<td>1900</td>
<td>2%</td>
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<td>1960</td>
<td>9%</td>
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<td>2005</td>
<td>35%</td>
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Furthermore, by the year 2025, it is estimated that two-thirds of the world’s population is expected to live in water-stressed conditions while a staggering 1,800 million people will have to endure absolute water scarcity (UN-Water 2009). Solutions to this problem will be dependent on technological and socio-behavioral strategies to promote wise water usage (Corral-Ventugo, Bechtel and Fraijo-Sing, 2002). Therefore, it is of the utmost importance to educate household members how to conserve or reduce their water usage.

**RESEARCH PROBLEM**

In Texas, there has been a population increase of 20.6% since 2000 which represents a growth rate twice that of the nation (Mackun and Wilson, 2011). According to the state’s comptroller “a burgeoning population and economy are creating an increasingly unquenchable demand for water” (Combs 2014, 2). In fact, the Texas Commission of Environmental Quality estimated in January 2014 that 46 of the state’s water districts were only 180 days out of running out of water (Combs 2014).

San Antonio and El Paso with over 2 million residents are particularly vulnerable to water shortages (Combs 2014) yet both cities continue to allow lawn watering at a restricted level as indicated on their city websites (City of San Antonio and El Paso Water Utilities, 2014). Importantly, irrigation currently makes up 56% of Texas’ water usage followed by municipal usage making up 27%. However, by 2060, the state estimates that 38.3% water usage will come from municipalities and 38.1% will come from irrigation needs (Combs 2014).

In the summer of 2014, Plano, Texas lawn watering is restricted to a Stage 3 once a week watering every other week in the evenings due to the city water source, Lake Lavon, being low (City of Plano, 2014). Many local residents do not understand that “to get the runoff into the lake, it really needs to rain in the McKinney and Melissa area” say Plano Director of Policy and Government Relations Mark Israelson (Conrad 2014). Yet, there is concern that the city may need to implement a Stage 4 ban on all landscape watering to ensure health and public safety (Conrad 2014). However, a stage 4 ban would signal that the city is out of water “when we are trying to attract businesses to this community, it would be a detriment” said City Manager Bruce Glasscock (Conrad 2014).
Plano’s Sustainability & Environmental Education Supervisor Abby Owens also agrees that a Stage 4 ban would send a confusing signal to a community interested in building business. As a former resident of Atlanta, GA she saw firsthand the downside of banning outdoor water use during the State’s severe drought in 2007 and its impact on a slowdown of economic development.

Plano, while smaller than Atlanta, does service nearly 270,000 residents and is home to many large corporate headquarters including JC Penney, Frito-Lay, Pizza Hut and Dr. Pepper/Snapple. In addition, the city enjoys many accolades including being named the third best run city in the US by USA Today, the 11th best place in America by Bloomberg Business Week, the best place for staying safe by Time Magazine, the most affluent city as judged by USA Today and the second most educated city in America by Men’s Health (Plano Economic Development 2014).

To maintain momentum, the community is constructing a pipeline from another water source, Lake Texoma, in addition to offering water conservation workshops and maintaining Stage 3 watering restrictions until October 2014, explained Owens (Owens 2014).

RELEVANT THEORIES

Common-Pool Resource Management

Communities working together to construct a feasible solution is no easy feat but it is doable as depicted in Elinor Ostrom’s accounts of common-pool resource (CPR) management in the Nobel Laureate’s seminal book “Governing the Commons” (Ostrom 1990). The term commons refers to an article in Science (1968) by Garrett Hardin in which the phrase “the tragedy of the commons” was coined to refer to the environmental degradation expected to occur when individuals use a scarce common resource. It takes participants that are willing to craft a solution over time and when that occurs, then CPRs can be run in a way that avoids excessive consumption and administrative costs (Ostrom 1990).

An example of a well-run CPR, documented by Margaret McKean and highlighted in Ostrom’s book, is found among the mountain villages of Hirano, Nagaike and Yamanoka in which three million hectares (over seven million acres) are managed by local village institutions comprised of an assembly of delegates representing a defined number of households (McKean 1986). The assembly is responsible for determining harvest time, the collective work to be performed by villagers and penalties or sanctions that should be doled out to offenders of the system (McKean 1986).

Ostrom concedes that when people follow rules and utilize mutual monitoring then reinforcing institutional arrangements and individual strategies can bolster one another to maintain enduring patterns of consistent but not perfect rule-abiding behavior (Ostrom 1990).

Still another example of a mountain range commonly managed over centuries is in Torbel, Switzerland where villagers wrote legal documents dating back to the 13th century which provided instruction on running the communal property (Netting 1981). By 1483, an association was created to better regulate the land and in 1517 “cow rights” were established which stated “no citizen could send more cows to the alp than he could feed during the winter” (Netting 1976, p. 139).
Statutes pertaining to the area are voted on by the citizens of Torbel and provide the legal authority for an association to manage the mountain. This association includes all local residents who own cattle and is there to hire an alp staff to organize communal work and impose fines for non-compliance if necessary. Inheritance arrangements in Torbel extend to legitimate offspring of the parents owning land but siblings are not eligible to receive property until they are relatively mature (Netting 1972). With these controls, the land has remained productive over centuries thus avoiding overgrazing. The rules used by the citizens of Torbel illustrate effective self-government leading to lower transaction costs and a reduction in conflict potential (Ostrom 1990).

To note, Netting found that in the Torbel example, the production value for each parcel of land is low as is the frequency of use. Also improvement of the land is low even though a large territory is needed to be effective (Runge 1984a, 1986). The distribution of timber on the Alp is also commonly managed among the villagers. The process benefits from low transaction costs as the distribution of wood is first separated out in equal piles that are then given to villagers based on a random drawing (Ostrom 1990). The land of Torbel has sustained the citizens for centuries due to the systems in place which have prevented overgrazing in the area (Ostrom 1990).

But a self-government solution is not guaranteed to be effective and in fact can be difficult among large groups with varying interests. In fact, in these situations if the political forces do not assist with obtainment of low-cost and enforceable agreements, success can be demanding and expensive to obtain (Ostrom 1990).

Still another significant case study in which citizens avoided governmental intervention to manage usage of a common resource, water in this case, involves the city of Valencia, Spain. Valencia water is allocated in a proportion to the size of the land. The irrigators are organized in communities in which the chief executive or syndic participates in two weekly tribunals in which grievances are heard and settled (Ostrom 1990). The level of monitoring is high and obvious as farmers become very aware when the flood gates of the water supply will open. Proceedings of infractions are conducted without lawyers and in public (Ostrom 1990). Few irrigators violate the system. In fact, it is estimated that only 200 out of 25,000 opportunities of water theft occurred which even if doubled or tripled is still a tremendous compliance rate (Ostrom 1990).

These case studies provide strategies and tactics helpful to mankind in managing natural resource usage. Also, not only can excessive consumption be avoided, high administrative costs are eluded. These strategies and tactics need to be suggested and learned because without them, it is surmised that humans will overuse their fair share of supplies (Hardin 1968). Hardin coined the phrase and notion of “Tragedy of the Commons” in which Hardin acknowledged that “ruin is the destination in which all men rush” in pursuit of their own best interest (Hardin 1968). Even Aristotle expressed that man thinks of his own and not the common interest (Politics, Book II, ch. 3). However, water resources can be finite (in the case of drought) and man must realize this problem. Contemporary examples of understanding this finite resource has been highlighted in the literature and practitioner-academic website for CBSM or community-based social marketing.

**Community-Based Social Marketing**

More recent examples of community successes associated with environmental sustainability and the avoidance of misuse of resources can be found in Kotler, McKenzie-Mohr,
Lee and Schultz’s “Social Marketing”. Specifically, in the past decade, Kotler et al. found that social marketing efforts were found to positively result in significant and lasting behavior modification particularly when it came to environmental and community concerns (P. Kotler, N. R. Lee and M. Rothschild, personal communication, 2006).

Importantly, community natural resource conservation campaigns, normally information intensive and focusing on media advertising along with the distribution of printed propaganda pieces, have had little to no impact on behavior (McKenzie-Mohr, 2000). The information-intensive campaigns assume that by increasing knowledge or awareness of an issue such as water conservation and by nurturing favorable attitudes toward an activity such as shorter personal showering times, then behavior will indeed change; yet, research has indicated that this is not the case (McKenzie-Mohr, 2000). For example, households who voluntarily participated in a 10-week water conservation program and received a booklet describing water conservation methods, experienced no impact upon their water consumption behavior (Geeler, Erickson and Buttram, 1983).

To understand how behavior change has occurred, one should review community-based social marketing (CBSM) approaches which are comprised of four steps including uncovering barriers to behavior change, selecting a behavior to promote based on the revealed barriers to behavior change, piloting a program and then evaluating the expanded program (McKenzie-Mohr and Smith, 1999). CBSM in particular, stresses the importance of strategically delivering programs so they target specific segments of the population and overcome the segments’ barriers to behavior (McKenzie-Mohr 2000).

Encouraging water efficiency using a community-based social marketing strategy allowed the Durham Region of Ontario to reduce water use by 10% and avoid $945,000 in water plant development costs. Specifically, barriers to water-efficient lawn care were identified and pilot households were selected. Residents in the experimental group were visited by an employee on a bicycle who presented water efficiency ideas to the homeowner. Also, a water gauge for measuring whether lawns were watered adequately was provided as was another watering tool that was placed on the water faucet that reminded residents to water on the correct day of the week.

In addition, the residents were asked to sign commitment cards to limit watering to one inch per week. A control group was also established. These households were provided with “information only” materials on proper water techniques. Residents that were visited by a representative on a bicycle decreased watering by 54% compared to the “information only” group who increased water by 15%.

In this example, the households that were visited by a representative performed better on watering measurements. However, it is unclear whether the reason or reasons for improvement are due to the representative, the related discussion regarding overcoming barriers to success, the tool provided to measure watering levels, the commitment by the resident or a combination of these (McKenzie-Mohr 2000).

To understand what has and has not worked in efficiently using natural resources, one must also carefully look at broader tactics learned from prior communities like the effect of disincentives. For instance, in an Irish CBSM case, it was found that a disincentive such as a tax
and a strong communication plan were helpful in making the effort of reducing plastic bags successful (McKenzie-Mohr 1999).

Still another tactic to consider is the utilization of partnerships. Partnerships have been known to unify groups as was the case with agricultural water conservation efforts among Jordanian farmers (McKenzie-Mohr et al. 2012). The “Discovering Common Ground” workshop involved 92 stakeholders or partners from government agencies, donor organizations, nongovernmental organizations, the private sector and universities to educate and launch the efforts. Results from the effort showed a significant increase in the number of farmers using drip irrigation as well as other improved water management technologies (McKenzie-Mohr et al, 2012).

Ostrom posits that where individuals follow rules and monitor one another to reinforce arrangements of the institutions, strategies of the individuals will bolster one another to maintain momentum toward enduring patterns (but not perfect) compliance (Ostrom 1990). A fascinating example of a group that not only monitors but encourages eco-friendly compliance would be the EcoTeams in the United Kingdom. These teams involve small groups of households in the effort to reduce environmental impact. In 2008, there were 3,600 households involved with the EcoTeam project which led to a 19% reduction in household waste and a 5% increase in recycling for each household (McKenzie-Mohr et al, 2012).

Research also indicates that strong marketing communications can assist the effort in framing, explaining and adding credibility with memorability for the program (McKenzie-Mohr et al 2012). A case to consider is the branding efforts of Milwaukee in which the recycling efforts were branded under a program called “Milwaukee Recycles For Good” In fact, recycling efforts increased by +10.4% from such efforts (McKenzie-Mohr et al, 2012).

With these strategies and case studies in mind, the focus shifts to what can be done in.

**Social Network Theory**

A social network can be characterized as a finite set or sets of actors and the relation or relations defined on them (Wasserman and Faust, 1994).

Social networks were found to be vital for social and water conservation among farmers in the West Africa Sahel who make little monetary investments but devote ample investment in social networks. For instance, social networks of farmers allowed farmers to access information (like newly available varieties of plants) from relatives and friends who had traveled to new locations (Mazzucato et al. 2001). Land borrowing too was a conservation tactic facilitated by farmers’ social networks (Mazzucato et. al 2001).

By relying on a social network perspective, one can study patterns of relational structures directly without referring to attributes of the individuals of the study (Wasserman and Faust, 1994). Therefore, patterns of connections and the influence of a social network on behavior change will be reviewed to see if there is anything significant to consider in the goal to diffuse a new irrigation technology.
PURPOSE OF THE STUDY

The purpose of the study is to encourage implementation of drip irrigation water conservation behavior by leveraging social networks because there is a severe need to conserve water in Texas, particularly during a drought period.

Texas Water Rights

Is Texas or Plano in a drought? Yes, they are. “Drought is simply defined as less than normal precipitation based on a 30-year average. Droughts are classified as long term, lasting for several months/years, or short term, lasting several weeks” per Texas A&M Agrilife research extension (Texas A&M AgriLife Research Extension 2014).

A drought situation coupled with population growth strains the water supply such that ground supply is being used more quickly than it can be replenished (Combs 2014). However, 56% of water usage is used for irrigation purposes for agricultural needs and residential lawns while municipal use and manufacturing use 27% and 10%, respectively (Combs 2014). In the next few decades however, the state estimates that irrigation usage will shrink to 38% (Combs 2014) due to expected population changes. The water required for the needs above will come from the surface, ground, brackish water and as a last resort, the sea.

As for surface water, the state owns all surface water but honors the oldest water rights associated with the resource. For ground water, owners enjoy full rights to the water and can enjoy as much as they can obtain as long as water isn’t wasted or used maliciously (Combs, 2014). Texas also owns its waters and land out to three marine leagues (or about 10 miles) into the sea (Combs 2014).

Texas’ Water Plan

In 2012, a Texas Water plan was developed that offered forty-four ground and surface recommendations that were made to accommodate Texas’ water demands up to fifty years into the future. Of those recommendations, fifteen of them focused on interbasin transfers of surface water from rivers via canals and aqueducts to key areas (Combs 2014).

To complement the water plan, conservation plans involving the use of graywater were recommended. Graywater is the reuse water from bathwater and dishwashers used for landscaping. However, barriers to installing gray water systems include a complicated permit process which when coupled with compliance of city codes, is difficult for Texas homeowners to navigate and understand (Combs 2014).

Water reuse of recycled wastewater is also an option for landscaping and in fact, according to the Texas Comptroller’s office will need to satisfy 23% of the North Texas area (Region C) water needs by 2060 (Combs 2014). Aquifer storage and recovery is also a critical part of the Texas Water Plan as its operating expenses are half as expensive as building reservoirs (Combs 2014).

In addition, conservation efforts for the state have focused on providing grants to agricultural partners but little mention of residential conservation is provided. Efforts to use less
water by industry partners also provides a means for conservation and indeed several projects including HEB’s green stores, Frito-Lay’s San Antonio plant and Texas Instruments’ water reuse efforts provide excellent examples for other companies to follow (Combs 2014). Still a final option is to focus on desalination of brackish water.

Because Texas is adjacent to a sea and is above another one, there is much access to brackish water through ground water. In fact, if brackish water in Texas’ aquifers were converted to fresh water, there would be enough water for 150 years at today’s consumption rates (Combs 2014). Desalination of brackish water can be expensive at $489 for an acre-foot (for El Paso’s facility) of water compared to extracting ground water (with no desalination) at $163 an acre-foot (Combs 2014). Both Florida and California employ seawater desalination plants at $1400 to $2800 per acre-foot (Combs 2014).

Again, little mention in the Comptroller’s report centers on conservation at the household level. However, the City of Plano focuses most of their efforts on educating residents about conservation measures that can be employed at home. One of those measures is the installing an efficient drip irrigation system.

**Drip Irrigation Efforts of Plano**

The City of Plano offers free Do-It-Yourself Drip Irrigation classes to Plano citizens. Drip irrigation is 90% efficient compared to spray irrigation which is about 65% efficient if designed and maintained correctly (Texas A&M AgriLife Research Extension). Drip irrigation is dispensed through tubing on top of lawns or landscape beds or through a sub-surface implementation and in some cases, is exempt from watering restrictions (Texas A&M AgriLife Research Extension 2014). In Plano, drip irrigation is exempt from the Stage 3 restrictions (Cocke 2014).

The time and monetary resources to install a drip irrigation system can be substantial. According to Water Education Coordinator Gary Cocke, his home system cost $140 but a licensed irrigator would charge $300-$500 for the same system. Also, to install the system, homeowners can expect that the project would take time in the search for parts at a home improvement center or irrigation supply store. It will then take a several hours to install the system at home (Cocke 2014). Considering this innovative and efficient irrigation system, a study to better understand its impact on residents is proposed.
METHODOLOGY

Using a mixed methods approach, this study will analyze qualitative and quantitative data obtained via interviews and a survey. Regarding the qualitative section of the paper, the research methodology consisted of conducting informational interviews with area water experts. Specifically, interviews were conducted with Plano’s Sustainability Volunteer Coordinator, Sustainability and Environmental Education Supervisor and Water Education Coordinator.

A survey was then conducted to measure drip irrigation installation by those that attended the workshop with a friend, co-worker or church member and those that attended by themselves to obtain data on projects that were installed or barriers to installation as well as demographic information of participants who took a DIY Drip Irrigation workshop hosted by the City of Plano or Texas A&M AgriLife Research Extension.

A sample of the survey participants from the corporate and neighborhood groups were then interviewed to learn more regarding the type of project or barrier to installation as well as their influence on those in their social networks along with whether they had found themselves saving water in other ways.

RESEARCH QUESTIONS

Research Question #1: Are people who take a DIY drip irrigation workshop more likely to install or improve a drip irrigation system if they take the workshop with a friend, co-worker or church member than individual participants taking the workshop?

Hypothesis #1: People who take a DIY drip irrigation workshop with a friend, co-worker or church member are more likely to install a drip irrigation system than individual participants who took the workshop.

Null Hypothesis: There will be no significant difference in installation behavior among workshop participants who attended the workshop with a friend, co-worker or church member than individual participants.

The City of Plano conducted a survey on behalf of the study to obtain data on whether the workshop participant implemented a drip irrigation system or improved an existing system. City officials also asked whether the participant attended the workshop with a friend, co-worker or church member to determine if their social network influenced their behavior to install a drip irrigation project.

Survey respondents were put in one of two categories which included participants in a social network (operationalized as taking the workshop with a friend, co-worker or church member) or respondents that are not in a social network. In addition, demographic data including gender and age range was obtained and compared to the implementation of various drip irrigation projects.
Research Question #2: Do workshop participants that took a DIY drip irrigation workshop with a friend, co-worker or church member impact their social networks in the diffusion of water conservation knowledge?

Hypothesis #2: Workshop participants that took a DIY drip irrigation workshop with a friend, co-worker or church member do impact their social networks in the diffusion of water conservation knowledge.

Null Hypothesis: There will be no significant impact made among workshop participants who took a DIY drip irrigation workshop with a friend, co-worker or church member on the diffusion of water conservation knowledge on their social networks.

To address this research question, a sample of the participants that took the workshop with a friend, co-worker or church member will be interviewed regarding their installation experience and the influence on others in their social networks. Specifically, respondents will be asked if the participants installed a drip irrigation workshop and if not, why not as well as if they talked to anyone else regarding drip irrigation or other water conservation behavior. Also, the respondents will be asked if they found themselves conserving water in other ways.

DATA COLLECTION

Informational interviews with key officials took place beginning in June through October 2014. Drip irrigation workshops took place in the summer from July through August 2014. The survey inquiring whether the workshop participant installed or improved a drip irrigation system took place in October.

Specifically, the City of Plano sent a link to an online survey on behalf of the researcher to all drip irrigation workshop participants who attended one of the five workshops that took place from June 5 to August 20, 2014. Respondents completed 145 surveys, representing a response rate of 27.7%. Three $50 home improvement center gift cards were provided as incentives to be randomly awarded to respondents who filled out the survey and provided their contact information.

Using statistical methods, determination of whether there was a cause-effect relationship between drip irrigation system implementation and being in a social network, operationalized as “attending the workshop with a friend, co-worker or family member” was conducted. In particular, a probit regression was used to model dichotomous outcome variables (UCLA: Statistical Consulting Group 2014).

Using semi-structured interviews via a focus group structure, information was obtained regarding the incidence of installation of drip irrigation systems and other water conservation behavior implemented by the participants as well as data regarding the subsequent diffusion of water conservation information among the participants’ social networks.
QUANTITATIVE RESULTS

Descriptive

Gender 55.6% male
Percent who installed or improved a drip irrigation system at their house 47.6%

Table 1: Type of Drip Irrigation Projects Completed

<table>
<thead>
<tr>
<th>Type of Project</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Installed a system for flowers/shrubs</td>
<td>58.6%</td>
</tr>
<tr>
<td>Installed a system for the foundation</td>
<td>57.1%</td>
</tr>
<tr>
<td>Converted an existing pop-up spray head</td>
<td>40.0%</td>
</tr>
<tr>
<td>Installed a system from a hose bib</td>
<td>28.6%</td>
</tr>
<tr>
<td>Other projects not mentioned</td>
<td>17.1%</td>
</tr>
<tr>
<td>Licensed professional install system</td>
<td>14.3%</td>
</tr>
<tr>
<td>Installed system from rain barrel</td>
<td>5.7%</td>
</tr>
<tr>
<td>Installed system for lawn/turf</td>
<td>4.3%</td>
</tr>
</tbody>
</table>

(To note, workshop participants completed several projects.)

Of those that did not install a drip system, over 90% of participants intend to or may install a system in the future (55.3% said “yes they intend to install in the future” while 36.8% responded “maybe they will install in the future”). Only 7.9% do not intend to install a system for reasons such as this project is not a good fit for my landscape needs and the project is too labor intensive. When asked when installation would likely happen, 64.3% responded “within 6 months”.

Table 2: Reasons for Not Completing a Project

<table>
<thead>
<tr>
<th>Reason</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not a good fit for my landscape needs</td>
<td>38.2%</td>
</tr>
<tr>
<td>Too difficult or labor intensive</td>
<td>11.8%</td>
</tr>
<tr>
<td>Too expensive</td>
<td>8.8%</td>
</tr>
<tr>
<td>Other</td>
<td>47.1%</td>
</tr>
</tbody>
</table>

Table 3: Age of Survey Respondents

<table>
<thead>
<tr>
<th>Age Range</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>25-34</td>
<td>4.9%</td>
</tr>
<tr>
<td>35-54</td>
<td>23.1%</td>
</tr>
<tr>
<td>55-69</td>
<td>55.2%</td>
</tr>
<tr>
<td>70-84</td>
<td>16.1%</td>
</tr>
<tr>
<td>85 or older</td>
<td>0.7%</td>
</tr>
</tbody>
</table>

The majority of survey respondents were ages 55 – 69.
Table 4: Installation Results

| Dependent Variable                                      | dF/dx     | P>|z| |
|---------------------------------------------------------|-----------|-----|
| Attend with someone (any gender)                        | -.0274591 | .767 |
| Female attendee (who attended with someone or not)      | -.0716913 | .396 |
| 35-54                                                   | .1486332  | .496 |
| 55-69                                                   | .2155916  | .293 |
| 70-84                                                   | .2413989  | .275 |
| Females installing foundation/soaker hoses              | .2219801  | .069 |

QUALITATIVE RESULTS

Interviews

Number of interviews conducted: 12
Number who installed a drip irrigation system: 3 or 25%
Number who conserved water in other ways: 4 or 33%
Number who spoke to others regarding water conservation: 7 or 58%

Table 5: Conservation and Influence Quadrants

<table>
<thead>
<tr>
<th>Installation</th>
<th>No Installation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Influence</td>
<td>(Super Conservers)</td>
</tr>
<tr>
<td></td>
<td>Jennifer*</td>
</tr>
<tr>
<td></td>
<td>Tom*</td>
</tr>
<tr>
<td></td>
<td>Gene</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>No Influence</td>
<td>(Solid Conservers)</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*indicates those that displayed additional water conservation behavior beyond installation of a drip irrigation system

Of interest is that everyone that installed a system also spoke to family, friends and neighbors about the system or other water conservation measures. In other words, there was no
one in the “Solid Conservers” quadrant which would have captured those that installed a drip irrigation system but did not speak to anyone about that system or other conservation projects. Detailed information regarding the project or barrier to the project, influence on others along with the type of additional conservation behavior performed appears in the Appendix.

**MEASURES**

In the first step, analysis was performed to determine the impact of social networks on drip irrigation installation. Also, age group and gender was regressed with installation of a drip system.

**Hypotheses Testing**

In the first step, analysis was performed to determine the impact of social networks on drip irrigation installation. Also, age group and gender was regressed with installation of a drip system.

Specifically, to validate the first hypothesis which stated workshop participants who take a DIY drip irrigation workshop with a friend, co-worker or church member are more likely to install a drip irrigation system than individual participants who took the workshop, a probit regression was performed to determine the impact of social networks on drip irrigation installation. The results indicate that there is no significant effect on installation associated with those workshop participants who attended with a friend or co-worker (p = .767; dF/dx = -.0274591). Hence, H1 is rejected and the Null Hypothesis (that there will be no significant difference in installation behavior among workshop participants who attended the workshop with a friend than individual participants) is accepted.

Other findings indicate that there is no significant effect associated with any age group installing a drip irrigation system. For instance, 35-54 (p= .496; dF/dx = .1486332 ), 55-69 (p = .293; dF/dx=.2155916 ) and 70-84 (p=.275;dF/dx=.2413989) age groups displayed no significance with installing a drip system.

While there was not a significant effect connecting installation with being female (p=.396; dF/dx= -.0716913), there was a marginally significant effect between females and installation of drip irrigation soaker hoses around the house foundation (p=.069; dF/dx= .2220). In fact, female attendees are 22% more likely to install a soaker hose than males.

In the next step, the second hypothesis was explored by analyzing the impact of social networks through the use of semi-structured interviews via three focus groups including one with a neighborhood group and two groups held at a local corporation. The participants of the focus groups included 7 females and 5 males. The sample consisted of 58.3% females. During the interviews, participants were asked if they installed a new drip irrigation project since taking the workshop and if so, which type and if not, why not? Also, participants were asked if they talked to any friend, family member or co-worker regarding drip irrigation or other water conservation projects. Finally, participants were asked if they found themselves conserving water in other ways since taking the workshop.

Regarding the second hypothesis, 50% of those interviewed indicated that they spoke to a friend or co-worker regarding drip irrigation or other water conservation behavior. One in three
workshop participants found themselves conserving water in other ways but only 25% or 3 respondents installed a drip irrigation system.

However, more interviews need to be conducted to fully determine if workshop participants experience an effect associated with diffusion of drip and other water conservation behavior information to their social networks.

**DISCUSSION**

In this study, the impact of attending a DIY drip irrigation workshop with a friend or co-worker was investigated. The results indicate that there are no effects between installing drip irrigation systems and attending the workshop with a friend, co-worker or church member. However, the results may be skewed due to self-selection bias among survey participants. For instance, 47.6% of those completing the survey claimed to have installed a drip irrigation system at their home although only 25% of those interviewed had installed a system. However, it appears as if those that install a system typically speak to friends, family and neighbors about the system or other water conservation project or measure.

Furthermore, being a particular age had no effect on installation. Yet, females were associated with installing a drip system (soaker hose) around the house foundation. In fact, they are 22 times more likely to install a soaker hose than men.

From an administration standpoint, this study suggests that it is not important to encourage participants to bring a friend to future drip irrigation workshops. Yet, for those that do install the system, it appears likely that they will speak to others about the system or other water conservation project thus disseminating water conservation information.

Importantly, in terms of installation, it appears as if there may be a relationship between females and soaker hoses. Therefore, city officials may want to build off this finding in the future as a means or entry into irrigation projects among females.

**Encouraging Future Engagement**

Other suggestions from focus group participants include providing demos for use in water conservation behavior discussions, helping arrange expert speakers for HOA (Home Owner Association) meetings, providing Return-On-Investment information on projects, starting a water conservation yard-of-the-month program and developing easier-to-install drip irrigation products. Other ideas provided by the participants include the using an online or on-site water usage audit/auditor which include a priority checklist for residents to use.

**STATEMENT OF LIMITATIONS**

The reliance on self-reported results is of concern and poses a limitation to the study. For instance, respondents might have exaggerated their water conservation behavior or installation of their drip irrigation system because they were being studied.

Another limitation is the sample size. The study takes place only in one city, Plano. Plano as indicated above is home to many corporations, is affluent and is known for its well-run city
operations. Therefore, although this research is intended to be applied to all cities, the reality is that this research will reflect the socio-economic, demographic and psychographic representation from the city in which the research is held.

This research is also being conducted during a drought period during the summer. Therefore, results will be in response to this condition and may not apply during non-drought periods.

**CONTRIBUTION TO THE PUBLIC AFFAIRS LITERATURE**

This is an important advancement in the literature pertaining to water conservation behavior as much of the research historically has pertained to Save Water information campaigns that are commonly used with debatable effectiveness (Syme 2000). Also, quasi-experimental techniques and qualitative analysis have been underutilized to measure effectiveness of “save water” campaigns and efforts (Syme 2000).

Little research to date has focused on the impact of social networks on water conservation behavior. In fact, there is no water conservation research focusing on the relationship between the social network of a homeowner and his/her water conservation behavior.

However, research regarding social capital theory pertaining to environmental concerns has been recorded in regards to the diffusion of energy-efficiency innovations. For instance, a case study involving three British communities was conducted in 2009 in an effort to understand the influence of social networks on information diffusion affecting the adoption of energy-efficiency measures at home. Results from the study indicate that seeking information from one’s social network will generally be associated with higher adoption rates and the diffusion of emerging–reducing innovations (McMichael and Shipworth 2013). Therefore, seeking information from one’s social networks could potentially promote the diffusion of energy-efficient innovations.

**CONCLUSION**

Perhaps this work will identify more theories that can help unmask variables that must be included in the effort to explain and predict when individuals can organize to effectively govern their own resources or when the efforts are likely to fail (Ostrom 1990).

More specifically, perhaps encouraging the scope and scale of social networks in the efforts to conserve water in Texas will make a major difference at least in the diffusion of water conservation information. As for encouraging behavior change, it appears as if one strategy may be to target women in the installation of soaker hoses as an entrée into the world of drip irrigation.
### APPENDIX

**Table 1: Interviews**

<table>
<thead>
<tr>
<th>Participant</th>
<th>Installation of New Drip Project</th>
<th>Project or Barrier</th>
<th>Additional Conservation Behavior</th>
<th>Influence on Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>Female 1 - Barrie</td>
<td>No</td>
<td>Overwhelmed with Big Box Retailer</td>
<td>Yes - Saves rain in buckets</td>
<td>No</td>
</tr>
<tr>
<td>Female 2 - Jennifer</td>
<td>Yes</td>
<td>Small Area Installation</td>
<td>Yes - Did not use sprinkler as much, turned water off when brushing teeth, saved rain in buckets</td>
<td>Yes - Talked to neighbors</td>
</tr>
<tr>
<td>Female 3 - Valerie</td>
<td>No</td>
<td>Concerned with how much time needed for installation</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Female 4 - Cindy</td>
<td>No</td>
<td>Doesn’t know who to contact with questions</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Female 5 - Juana</td>
<td>No</td>
<td>Haven’t figured out what to do with yard yet</td>
<td>Yes</td>
<td>Yes-Installed rain barrel for second grade class</td>
</tr>
<tr>
<td>Female 6 - Diane</td>
<td>No</td>
<td>Not a priority</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Female 7 - Laura</td>
<td>No</td>
<td>Didn’t know where to start or what to buy</td>
<td>Yes</td>
<td>Yes- Friends and Family including architect</td>
</tr>
<tr>
<td>Male 1 - Greg</td>
<td>No</td>
<td>Interested in drip around foundation</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Male 2 - Tom</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes – Began program in Flower Mound</td>
<td>Yes- Built City Website with information</td>
</tr>
<tr>
<td>Male 3 - Sean</td>
<td>No</td>
<td>Need more information with expert</td>
<td>No</td>
<td>Yes – Talked to wife</td>
</tr>
<tr>
<td>Male 4 - Gene</td>
<td>Yes</td>
<td>Soaker Hose</td>
<td>No</td>
<td>Yes – Family and friends</td>
</tr>
<tr>
<td>Male 5 - Ming</td>
<td>No</td>
<td>Needs a plan</td>
<td>No</td>
<td>Purchased rain barrel for parents</td>
</tr>
</tbody>
</table>
Total Participants = 12
Number who installed a drip irrigation system = 3 or 25%
Number who conserved water in other ways: 4 or 33%
Number who influenced others: 6 or 50%

REFERENCES

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