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CONTENTS

MARKET ORIENTATION, INNOVATION, AND DYNAMISM FROM AN OWNERSHIP AND GENDER APPROACH: EVIDENCE FROM MEXICO

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ABSTRACT

For businesses where resources are scarce and civil conditions are currently unstable, such as the Mexican state of affairs, striving for business practices that embrace a market orientation (MO) becomes critical to maintaining market share or even business survival. This paper addresses whether MO, innovation, and dynamism levels substantially differ among small businesses in Mexico, from an ownership (manager vs. owner) and gender approach. Our results show that there are no gender differences about market orientation. However, women in small business settings seemed to be more attuned with the need for businesses to be innovative and dynamic. Owners and managers demonstrated a similar degree of market orientation, innovation, and dynamism; reflecting the importance placed on small businesses to be a source of income despite being an owner or manager.

JEL: M16

KEYWORDS: Market Orientation, Innovation, Dynamism, Small Business, Gender, Ownership Approach, Mexico

INTRODUCTION

One key variable to creating and sustaining a successful business is observing a market orientation. Market orientation has been linked in many prior studies to a superior firm performance ranging from Kohli and Jaworski (1990), Narver and Slater (1990), and Diamantopoulos and Hart (1993) to more recently Kirca, Jayachandran, and Bearden (2005) and Megicks and Warnaby (2008). Market orientation has been identified as a source of competitive advantage for small businesses (Byrom, Medway & Warnaby, 2001; Logan, 1994; Megicks, 2001). Such positive support arises from the fact that market orientation is centered around the firm who is seeking growth opportunities, reduces delays in responding to those opportunities, and it is not easily replicated (Kirca, Jayachandran & Bearden, 2005). Byrom, Medway and Barnabi (2001) have suggested that small businesses may have a key opportunity to implement market orientation due to their flexibility and close ties to their customer base. Adopting a market orientation by small businesses may be increasingly important due to rapid technological change, globalization, and increasingly sophisticated competitors. For small businesses, this orientation can facilitate the creation of market based strategies, which enhance the opportunities for survival (Megicks & Warnaby, 2008) or defending market share. It is important to point out that empirical studies have primarily focused on large U.S. businesses and researchers, such as Pelham (1997, 1999, 2000), Pelham and Wilson (1995, 1996), Verbees and Meulenberg (2004), and Tzokas, Carter and Kyriazopoulos (2001), are advocating studies of market orientation on non-U.S. businesses. Thus, for businesses where resources are scarce, such as Mexican businesses, embracing a market orientation becomes a critical success factor. Therefore it becomes essential to investigate and further enhance our understanding of the market orientation behavior and other related constructs of small businesses in developing economies.

Rather than focusing on the market orientation-performance relationship which has received abundant support in the literature (for a meta-analysis see Kirka, Jayachandran & Bearden, 2005), this study focuses on as the constructs of dynamism, and innovation, and whether differences exist in the practice of these constructs with respect to ownership and gender. As pointed out by Renko, Carsrud, and Brannback (2009), studying innovation and market orientation along with other variables, such as dynamism, can provide a unique contribution as we learn more about how market orientation is interrelated to other constructs and its relative importance. Innovation has also been considered a "missing link" for organizational performance. Han, Kim and Srivastava (1998) found evidence that innovation is linked to market orientation which, in turn, positively impacts organizational performance.

Researchers are also exploring market orientation and its interaction with other constructs, such as gender (Zweimuller, Winter-Ebmer & Weichselbaumer, 2008). In the early 1990's, Daily and Dollinger (1991) suggested that differences in ownership and control of firms affect the way they are managed. Such differences have been confirmed in studies such as Amit and Villalonga (2004), Daily and Dollinger (1993), McConaugby, Matthews, and Fialko (2001). These studies reveal that differences, in the way a business operates, can be found when comparisons are made between the owner's and professional manager's styles. Therefore, one objective of this study is to test whether the way market orientation is practiced, differs between owner operated businesses and manager operated businesses. Additionally, gender differences are viewed as an important factor that produces variation in management styles. According to Sonfield, Lussier, Corman, and Mckinney (2001), the existing literature about male-owned small businesses and entrepreneurship is inconclusive. With the increasing number of small business owned by women, there is an impetus to investigate whether these small businesses differ from the male-owned businesses (Perry, 2002).

An overview of the literature in the small business area indicates that differences between managers and owners of small businesses are likely to be discovered when studying these businesses. This paper will address whether MO, innovation, and dynamism levels substantially differ among small businesses in Mexico from an ownership (manager vs. owner) and gender approach. Overall, this study is aimed at answering the following questions: (1) Are small business owners and managers leading their businesses by adopting MO in Mexico? (2) Are there any differences in the practice of market orientation, innovation, and dynamism between businesses run by the owners as compared to those run by professional managers among small businesses in Mexico? (3) Are there any gender differences in the practice of MO, innovation, and dynamism among small businesses in Mexico?

We begin this study with a review of the literature on market orientation, innovation, and dynamism. An overview of the current state of entrepreneurship in Mexico is also addressed in order to place this study in context. Market orientation, innovation, and dynamism are the conceptual basis used to develop and propose hypotheses on how ownership (owner vs. manager) and gender (male vs. female) differences may interact with these three variables. Following our hypothesis the methodology and results are presented along with a discussion of the findings and implications of our research. We conclude with a discussion of the study's limitations and opportunities for future research.

LITERATURE REVIEW

Market Orientation in Small Businesses

Kohli and Jaworski (1990, p.3) defined market orientation as "the organization-wide generation of market intelligence, dissemination of intelligence across departments, and organization-wide responsiveness to this intelligence". Kohli and Jaworski's (1990) conceptualization, while stressing the importance of information generation and dissemination, and a firm's overall responsiveness to this information processing, did not take into account any cultural aspect of this concept. Narver and Slater (1990) suggested a five dimensional operationalization of the market orientation concept, which consists of three behavioral and two decision-making principles. The three behavioral dimensions included customer orientation, competitor orientation, and inter-functional coordination. The two decision-making dimensions included long-term and profit focus. Narver and Slater (1990, p.21) define market orientation as "the organizational culture that most effectively and efficiently creates the necessary behaviors for the creation of superior value for buyers and, thus, superior performance for the business." This definition emphasizes the cultural norms and values adopted by organization-wide employees as a means of gaining a competitive advantage.

Empirical support for market orientation and its association and significance with business performance has been addressed by several researchers (Jaworski & Kohli, 1993; Narver & Slater, 1990; Slater & Narver, 1994) and it has expanded to include many non-western cultures: from the Arab world (Bhuian, 1998), India (Subramian & Gopalakrishna, 2001), Taiwan (Horng & Chen, 1998), and the United Kingdom (Megicks & Warnaby, 2008) among others. The most recent accounts of the positive influences of market orientation show that market orientation supports; overall business performance, profits, and market share. These positive influences are organized under four categories: organizational performance, customer consequences, innovation consequences, and employee consequences. Analysis also demonstrated that manufacturing firms showed evidence of higher market orientation–performance associations than do service firms (Kirka, Jayachandran & Bearden, 2005). There have also been studies conducted in the United Kingdom, however, which indicate a contradictory market orientation-performance relationship (Greenlay, 1995; Diamantopoulos & Hart, 1993). A longitudinal study about small business performance found that market orientation did not have a significant impact on growth or market share even though it did significantly impact new product success (Pelham & Wilson, 1996). Nonetheless, the concept continues to evolve and now acknowledges the need to have a proactive orientation in which customers' latent needs are understood and considered (Narver, Slater & MacLachln, 2004). This development came as a result of questioning the market orientation context in technology ventures and its lack of attention towards the customers' latent needs and to a long term approach.

While market orientation and its importance to firm performance is acknowledged through studying large industrial firms, the significance of this concept has been corroborated by research examining small to medium sized businesses (Kara, Spillan & Deshields, 2005; Martin, Martin & Minillo, 2009; Megicks & Warnaby, 2008; Pelham & Wilson, 1996; Pelham, 1997, 1998). Evidence of a market orientation – performance connection has been supported across different industries, such as manufacturing firms (Pelham, 2000), biotechnology ventures (Renko, Carsrud & Brannback, 2009) and agricultural and consumer goods (Armario, Ruiz & Armario, 2008). Pelham stated (1998, p.34): "Market orientation may be especially important for small firms, because market-oriented firms can leverage their potential advantages of flexibility, adaptability, and closeness to their customer base into superior, individualized service." His study on small manufacturing firms explored the significance of market orientation, suggesting that small firms, as they have advantages, related to closeness to customers and flexibility and adaptability also have disadvantages, related to scarcity of resources. The study theorized that smaller firms might gain and sustain a competitive advantage through adopting a strong market orientation culture. Small firms that fully adopt a market orientation will have fewer defects, lower costs, greater customer satisfaction, and higher profitability (Pelham & Wilson, 1995). Adopting a market orientation has also been shown to generate additional advantages for the firm: they are more likely to establish management systems oriented at initiating and rewarding market-oriented behaviors among employees (Martin, Martin & Minillo, 2009), not to turn a "blind eye" to salespersons behaviors and monitor their behaviors (Mallin & Serviere-Munoz, 2012), and to facilitate the acquisition of knowledge and improve the likelihood of a positive foreign market performance (Armario, Ruiz & Armario, 2008).

Furthermore, Kohli and Jaworski (1990) and Slater and Narver (1994) acknowledge the significance of other complementary orientations such as market dynamism and an entrepreneurial orientation (i.e. Innovativeness). Dynamism is considered an environmental factor and includes both the rate of unforeseeable environmental change and the stability of the environment (Dess & Beard, 1984). Dynamic markets have also been found to have a significant impact on entrepreneurial behavior at the firm level

(Miller, Droge & Toulouse, 1988). If managers perceive their external environmental conditions as being dynamic and uncertain, they are more likely to be proactive and innovative (Miles & Snow, 1978). Therefore, such dynamic environments lead small businesses to develop externally oriented actions as a means of identifying and satisfying customer needs and closely monitoring competitor actions, all of which are components of a marketing orientation.

Dynamism and market instability may be derived from rapidly changing consumer preferences as well as technological turbulence, which all necessitate a stronger focus on market orientation as suggested by Egeren and O'Connor (1998). In their study on service firm performance, they found that firms in highly dynamic environments exhibit a higher degree of market orientation, as opposed to firms in low dynamic environments. There is substantial support in the literature on environmental factors, such as market dynamism, having a strong influence on market orientation-performance relationship (Slater & Narver, 1994; Greenlay, 1995) and a firm's market-oriented activities (Byrom, Medway & Warnaby, 2001; Diamontopoulos & Hart, 1993; Megicks, 2001; Pelham & Wilson, 1996).

Regarding innovation, its impact has been previously researched as part of market orientation and business performance studies. Han, Kim, and Srivastava (1998) support the market orientation – innovation link that ultimately impacts performance. However, most studies in this area have been limited to models aimed at examining its association on large businesses (Jaworski, Kohli & Sahay, 2000; Connor, 1999; Slater & Narver, 1994, 1995). Considering that innovation in large firms differs from innovation in small firms (Audretsch, 2001; Eden, Levitas & Martinez, 1997), the exploration of this concept within the small business context would further help understand the importance of innovation and its impact in small businesses. Verhees and Meulenberg (2004), contend that an owner's innovativeness is a vital component of entrepreneurial orientation that also leads to innovativeness in small businesses. The owner's interest in a specific domain (e.g. product or service innovation) led to the conclusion that the innovativeness of small firm owners has a critical influence on market orientation, innovation, and performance (Verhees & Meulenberg, 2004). Innovativeness is defined as "the notion of openness to new ideas as an aspect of a firm's culture" (Hurley & Hult, 1998, p.44). Specifically, in small firms innovativeness is defined as the "willingness of the owner to learn about and adopt innovations, both in the input and output markets" (Verhees & Meulenberg, 2004, p.138). From this perspective one can conclude that the degree of innovativeness in a small business will vary based on the owner's disposition towards innovations. Verhees and Meulenberg (2004) state that small business owners can be interested in a particular domain with a conservative style while approaching other domains with a more innovative style. This is possibly due to limited resources in financing options or research and development capacities. It has also been reported that market orientation is positively related to innovation for products and processes (Mavondo, Chimhanzi & Stewart, 2005). Kirca, Jayachandran, and Bearden (2005) linked market orientation with new product performance. In light of the evidence, it is conclusive that market orientation should be accompanied by innovation and dynamism all of which are critical concepts for the survival, growth, and expansion of small businesses.

For the purpose of this study, small businesses were defined as "those which are of small size in the context of their particular industry and have independent and principal decision making residing in a single individual. Usually this power was vested in ownership and not necessarily in management" (Jocumsen, 2004, p.660). The term "professional manager" was used to make a distinction of the family manager from the non-family one (for a similar approach see Daily & Dollinger, 1993).

Research Context: Small Businesses in Mexico

Small and medium enterprises are an essential part of a nation's economy (Mallin & Serviere-Munoz, 2012). Among other benefits, they are a source for business growth for entrepreneurs and the customers they serve (Mallin & Serviere-Munoz, 2012), as well as a source of employment and advancement to the people they employ. The Mexican business environment is experiencing an entrepreneurial culture that continues to evolve and prosper, showing the importance of small and medium business as part of their economy. In 2009, the Secretaria de Economia, equivalent to the Department of Commerce in the U.S., reported that in Mexico there were 5,144,056 businesses in the country and that 99.8% of those were considered to be within the small and medium sized category; most of these businesses provide services (47%), commercial activities (26%), and manufacturing (18%) (Secretaria de Economia, 2010a). The Mexican government has recognized for a while the need for constant improvement and an environment open to innovation in order to sustain progress. It has also given priority to economic strategies intended to strengthen the domestic economy, domestic market, and the capacities of communities and families (Fox, 2004). As a result, an agency for small and medium businesses has been created with three core goals: increase governmental purchases, facilitate commerce, and promote innovation (Secretaria de Economia, 2010b). The Mexican government made a commitment to buy a significant amount of the supplies needed for the conduct of government from small and medium sized businesses. In 2009, the government reported that 31% of their supply budget was allocated to these businesses. In an effort to facilitate commerce, the government simplified both the tax structure for imported and exported goods, which also reduced the uncertainty felt by these businesses involving customs procedures. Overall, the entrepreneurial force in Mexico is called to remain competitive and strive for individuals that are market oriented and lead their business towards excellence. Due to the support that small businesses are receiving in Mexico, and the fact that Latin American research has not received the same attention as other areas, we believe it would be an excellent opportunity to further the understanding of gender and ownership dynamics that would help elicit future theory developments.

HYPOTHESES

Previous Research in Ownership

Ownership structure is one of the six significant factors that should be considered when conducting research with small businesses (Storey, 1994). Several studies have been conducted to explore the existing differences between owner-managers and professional managers. Prior research has shown that professional managers rely in a greater degree in the use of formal internal control systems (Daily & Dollinger, 1993) and tend to seek their personal gain in the advancement, promotion and monetary aspects within a business (Gomez-Mejia, Tosi & Hinkin, 1987).

Other studies have taken a dual-category approach comparing family vs. non-family managed businesses. This dual category approach is the one adopted in this study. Following this dual approach, Gallo (1995) determined that family businesses had a slower growth rate than the non-family ones when studying the role of family business and its behavior in an industrial setting. In an earlier study, Donckels and Frohlich (1991) showed that family businesses were rather conservative in their strategic activities and that owner-managers had a decreased concern for profits and growth than managers did in non-family firms. Daily and Dollinger (1993) hypothesized that some firm characteristics, such as size, age, strategy pursued, and the use of internal control systems, would serve as discriminating agents between the family-owned and managed versus professionally managed businesses. Their study was based on the possible differences in styles and motivations between the owner-manager and the professional manager. All four firm characteristics were found to be a significant discriminant function.

The findings of recent studies have contradicted the results of two earlier studies. For example, McConaugby, Matthew, and Fialko (2001) found that family firms had greater value, were managed more efficiently, and were financially better off than other firms. In addition, Gudmundson, Tower, and Hartman (2003) found that family managed businesses implemented and initiated more innovations than their counterparts. This later finding was believed to be the result of a more supportive and empowering culture in the family managed business. Gudmundson, Tower, and Hartman's (2003) study contradicts

Donckels and Frohlich's (1991) results, which determined that family businesses placed less importance on creativity and innovation. Overall, previous work offers a wide array of findings, most of them being mixed in nature, which indicates that fruitful work can still be accomplished in this area. Following Sonfield et al. (2001), we used a null hypotheses approach in this research. The use of a null hypothesis was employed by Sonfield et al. (2001) when testing gender differences in strategic decision making of the entrepreneurial strategy mix. Therefore, we propose:

> *H_{01}: There are no differences between owners and professional managers in their orientation towards market orientation regarding their small businesses.*

> *H_{01a}: There are no differences between owners and professional managers in their orientation towards innovation regarding their small businesses.*

> *H_{01b}: There are no differences between owners and professional managers in their orientation towards dynamism regarding their small businesses.*

Previous Research on Gender Differences

In the last decade we have seen two significant increases in entrepreneurship; the number of women business owners and their contribution to economic growth and job creation, as well as the number of studies being conducted on female entrepreneurship (Verheul, Risseeuw & Bartelse, 2002). Even though the number of studies on female entrepreneurs keeps rising, this does not mean that the study of women entrepreneurs has been insignificant in the past literature. According to Powell and Ansic (1997), work completed prior to the 1980's stated that differences exist based on gender in entrepreneurial strategic behavior. Most of those studies concluded that females were more cautious, less confident, less aggressive, had less leadership skills, and were easier to persuade (Johnson & Powell, 1994).

Research work conducted after 1990 has continued to produce results comparing the female and male entrepreneur and has covered a wide range of activities. Research on gender differences with respect to strategic management has demonstrated that differences do exist (Chaganti & Parasuraman, 1996; Powell & Ansic, 1997; Sonfield et al. 2001; Verheul et al. 2002). Females rely more on social networks and less on individual practices (Brush, 1992; Cuba, De Cenzo & Anish, 1983; Hisrich & Brush, 1984; Moore & Buttner, 1997). In the real estate business, male entrepreneurs seemed more opportunity driven and more inclined to offer additional services, while female entrepreneurs were less prone to pursue a growth strategy but were better able to maintain or enhance the loyalty of key employees (Verheul et al. 2002). Communication styles based on gender are another area that has received attention within the body of research. It has been hypothesized that communication styles are influenced by gender differences, and when combined with entrepreneurial behavior, have an impact on the company's workforce (Freeman & Varey, 1997). It was determined that communication styles were largely influenced by gender differences. The results concluded that women accentuate "voice" over "vision" and the value of a two-way communication. Women are also found to be more nurturing of talent, encouraging rather than imposing, influencing rather than commanding (Freeman & Varey, 1997).

Specifically referring to female entrepreneurs, published research studies have also covered a wide range of topics; from psychological and demographic studies to perceived start up obstacles (Hisrich & Brush, 1984; Sexton & Bowman-Upton, 1990; Sexton & Kent, 1981). Females are less inclined to compartmentalize personal and business responsibilities but rather fuse them into one area. They comingle the interests of family, business, and society, and perceive their businesses as a supportive network of relationships (Brush, 1992). In addition, they have higher traits towards autonomy and change, refuting the perception of female entrepreneurs based on earlier studies (Sexton & Bowman-Upton, 1990).

Another stream of research offers mixed results suggesting more similarities between genders than differences. Comparisons among entrepreneurs in strategic decision making found no significant differences in venture innovation/risk situation, nor in strategies selected by business owners based on gender (Sonfield et al. 2001). Chaganti and Parasuraman (1996) also found support that differences between men and women do not exist. Overall, no significant differences were found between men and women in the areas of performance, management practices, and strategies. Furthermore, Perry (2002) found that gender does not appear to make much difference in the strategies, management practices, performance and survival of a small business. The earlier studies of Eagly (1995) and Hollander (1992) agreed that both genders are equally effective in their leadership roles. Johnson and Powell (1994) determined that when faced with decision making under circumstances of risk, both genders were equal in achieving success. Sexton and Bowman-Upton (1990) studied the difference between genders in reference to psychological characteristics. Their study found no significant differences in five of the nine measured traits. Similar to ownership research, previous work concerning gender offers a wide array of findings most of them being mixed in nature. To test whether men and women have similar or different management practices towards market orientation, we propose the following:

H_{02}: There are no differences between men and women when applying market orientation in their small businesses.

H_{02a}: There are no differences between men and women in their level of innovativeness with their small businesses.

H_{02b}: There are no differences between men and women in their level of dynamism with their small businesses.

METHODOLOGY

To test whether ownership and gender have an impact on small businesses market orientation, innovativeness, and dynamism we conducted a two factor multivariate analysis of variance (MANOVA). MANOVA was selected because the purpose of the study was to analyze a dependence relationship represented as the variation or difference in a group of dependent variables across groups formed by one or several non-metric independent variables (Hair, Anderson, Tatham & Black, 1998). The dependent variables were the market orientation, dynamism, and innovation variables and the independent variables were ownership (owner and manager) and gender (male and female). The responses were collected through a field survey of small businesses in two northern cities of Mexico. Interviewers visited the business where they would contact the owner or the manager of the business. Along with the survey, interviewers presented a cover letter explaining the research project.

Scales

Previously established scales were used for the study. Pelham's market orientation scale, which is originated from Narver and Slater's (1990) measure, is utilized for the purposes of this study. To include the two additional attributes, innovativeness and dynamism, it was determined that Donthu and Gilliland's (1996) innovativeness scale and Sinkula, Baker, and Noordewier's (1997) dynamism scale adequately represented the concepts we were measuring and offered a high degree of reliability. The innovativeness scale is a three-item, Likert type scale measuring the extent to which a person expresses a desire to take chances and seek new things. The dynamism scale (Sinkula, Baker & Noordewier, 1997) is a three-item, Likert type scale used to evaluate how frequently a business changes its marketing and sales strategies, and its offering of products or brands (See Appendix 1).

Development of the Spanish Version Questionnaire

We constructed a Spanish version of the questionnaire using the back-translation method. The questionnaire was first developed in English using English-language developed and tested scales then translated into Spanish. The questionnaire was back-translated into English by independent translators to confirm that the original meaning was not lost as recommended by Bhalla and Lin (1987). The translators were two first generation Mexican immigrants that possess a post-graduate college education and a business background. Both individuals worked for several years before emigrating to the U.S. and still return to Mexico occasionally. The surveys were also reviewed for style to ensure that the terms employed reflected colloquial terms.

RESULTS

General Profile of the Respondents

The responses were collected through a field survey of small businesses in two northern cities of Mexico. The researchers trained interviewers as to how to conduct the surveys. The total number of usable responses was 203 responses. Please see Table 1, general profile of the respondents, for further sample details.

Table 1: General Profile of the Respondents

Business	*N*	*Mexico Percent*	Respondents	*N*	*Mexico Percent*
Services	107	52.7	Owner	129	63.5
Products	96	47.3	Manager	74	36.5
Other					
			Gender		
Legal Formation			Female	117	57.6
Business Society	60	29.6	Male	86	42.4
Sole proprietorship	52	25.6			
Other	91	44.8	*Age*		
			<30 years	84	41.4
Business Life			31-50 years	101	49.8
<5 years	96	47.3	>51	18	8.9
5-10 years	58	28.6			
>10 years	49	24.1	*Workers*		
			1-5	128	63.1
Work Load			6-10	48	23.6
20hrs week	39	19.2	11-15	17	8.4
40hrs week	68	33.5	16-20	5	2.5
50hrs week	25	12.3	21>	5	2.5
60>hrs week	71	35.0			
			n= 203		

This table shows the general characteristics of the sample used in this study. The profile for businesses includes type of business, legal formation, business life, and work load; the profile for respondents includes position, gender, age, and number of workers that work for the respondent.

Hypotheses Testing

Prior to any data analysis, the normality of each of the dependent variables was assessed by means of skewness tests and histograms (Hair et al. 1998). Skewness values were within the recommended limits for each variable and the histograms showed a normal distribution of the data as well. The internal consistency of the scales was confirmed using Cronbach's alpha. The computed alpha values for the Mexican sample were within the satisfactory range: MO= .81, Innovation= .86, and Dynamism= .81. To test for differences between the means of the selected groups, owner vs. manager and female vs. male, on the dependent variables the Wilk's Lambda test was conducted. The Wilk's Lambda test examines whether there are significant differences between the selected groups of subjects on a group of dependent variables and is one of the most widely used test statistics when conducting MANOVA analysis (Crichton, 2000).The initial MANOVA findings (Table 2) showed that there were overall differences between the gender groups but not between the ownership groups. The Wilk's Lambda test results indicated that for the grouping variable ownership there were no significant differences in how owners and managers engaged in market orientation, innovation, and dynamism practices. However, the Wilk's Lambda test showed significant differences between females and males indicating that the grouping variable of gender accounts for a large portion of the variance. This result is significant at the $p<.05$ level and indicates that there is an effect from the grouping variable, gender, and that the groups, females and males, have different mean values (Crichton, 2000).

Table 2: Multivariate Tests

Mexico Effect		***Value***	***F***	***Sig.***
Owner/Manager	*Wilk's Lambda*	1.000	0.032	0.992
Gender	*Wilk's Lambda*	0.758	20.926	0.000*

*This table contains the results of the multivariate tests performed on the Owner/Managers and Gender categories. Gender was the only significant category with significant effects. n=203. * p<.05.*

To determine the validity of our hypotheses, the tests of between-subjects effects was reviewed. As illustrated in Table 3, the MANOVA findings reveal that there were no differences in the likelihood that market orientation ($F= .022, df= 1, p= .882$), innovation ($F= .026, df= 1, p= .872$) and dynamism ($F= .028, df= 1, p= .867$) are practiced by owners and managers in small businesses (Table 3). Therefore, H_{01}, H_{01a}, and H_{01b} were supported. A further examination of the groups' means and their standard errors can be found in Table 4. A close inspection reveals that the mean values are very close to each other. For example, mean values for owners and managers regarding market orientation were 5.042 and 5.025 respectively. Such close similarity in mean values denotes the lack of significant differences within the grouping variable "ownership" in all of the three tested variables: market orientation, innovation, and dynamism.

Table 3*:* Tests of Between-Subjects Effects

Source	**Dependent Variables**		**Mexico**	
		F	***df***	***Sig.***
Owner/Manager	Market Orientation	0.022	1	0.882
	Innovation	0.026	1	0.872
	Dynamism	0.028	1	0.867
Gender	Market Orientation	1.983	1	0.161
	Innovation	62.058	1	*0.000**
	Dynamism	5.307	1	*0.022**

*n=203. * p < .05. This table shows the results for the tests of between-subjects effects. Owners and managers did not exhibit significant differences in any of the variables. There were significant differences between men and women regarding innovation and dynamism approaches.*

Regarding gender, the results showed that in our sample there were no differences between males and females when applying a market orientation to their business ($F= .1.983$, $df= 1$, $p= .161$); Therefore, $_{H02}$ was supported. In contrast, differences were found between men and women in their level of innovativeness ($F= 62.058$, $df= 1$, $p< .05$) and in their level of dynamism ($F= 5.307$, $df= 1$, $p< .05$), see Table 3. Thus, data did not support $H_{02a}$and $_{H02b}$. To determine which group showed higher levels of innovation and dynamism the mean values presented in Table 4 can be examined. For both variables, innovation and dynamism, women's mean values were higher than their male counterpart; denoting that women place significantly more attention to innovative and dynamic practices that can benefit their business. Specifically, the mean values for innovation and dynamism in women were 4.896 and 4.267 and for males were 0.514 and 3.832 respectively. A summary of results can be found in Table 5. Overall, the grouping variable of ownership did not account for significant differences while the gender variable showed to have significant effects in innovation and dynamism.

Table 4*:* Means and Standard Error

		Mexico	
Owner/Manager		***Mean***	***Std. Error***
Market Orientation	owner	5.042	0.074
	manager	5.025	0.094
Innovation	owner	4.191	0.109
	manager	4.219	0.138
Dynamism	owner	4.033	0.117
	manager	4.065	0.148
Gender			
Market Orientation	female		
		5.118	0.083
	male	4.949	0.087
Innovation	female	4.896	0.121
	male	.514	0.127
Dynamism	female	4.267	0.130
	male	3.832	0.137
n=203.			

Table four shows the means and standard error for market orientation, innovation, and dynamism. Hypotheses 1, 1a, and 1b, which proposed that there were no differences between owners and managers in their levels or market orientation, innovation, and dynamism, were supported. The mean column for owners and managers depicts how close the means are among these subjects and thus leading to supporting the aforementioned hypotheses. Hypotheses 2a and 2b were not supported. The data shows how females have a stronger orientation for innovation and dynamism than their male counterparts.

Table 5*:* Summary Results

Ownership		Mexico
H1	Market Orientation	S
H1a	Innovation	S
H1b	Dynamism	S
Gender		
H2	Market Orientation	S
H2a	Innovation	NS
H2b	Dynamism	NS

This table provides a summary of the hypotheses tested and their results. The data shows that there are no statistical differences in the way owners and managers practice market orientation, innovation, and dynamism in small businesses. The table also shows there were no statistical differences between males and females when focusing on market orientation. However, gender differences exist in their practice of Innovation and Dynamism.

DISCUSSION AND CONCLUSIONS

This study further explored the market orientation construct in Mexico from ownership and gender perspectives. Small firms in developing economies need a stronger orientation toward market orientation and other influential factors in order to compete in the global market, maintain market share, and sustain their competitive advantage. Innovativeness and dynamism are two essential components to a market orientation. After a thorough review of the literature regarding gender and ownership, we expected that there would be differences in practicing the principles of market orientation, innovation, and dynamism between owners and managers of small firms in developing economies. We also posited that no difference would exist between men and women in practicing the principles of market orientation, innovation, and dynamism, due to inconsistent results regarding gender in the literature.

The expected differences concerning owners and managers of small businesses in Mexico and their practices of market orientation and their level of innovation and dynamism were supported by the results of the current study. The results suggest that both owners and managers lead and maintain their businesses toward market orientation, innovativeness and dynamism. The lack of differences reflects a positive picture for small businesses since both types of managers are adopting a market orientation for their businesses. Overall, prior literature suggests that owners and professional managers differ in their personality or style when conducting a business. Results of this study has show that that they are equally disposed towards a market orientation, innovation, and dynamism, which research indicates is most likely to lead to a profitable and sustainable business. Such results reveal the high extent to which both, owners and managers, exhibit a corporate culture that effectively and efficiently creates value for buyers. Business activities such as knowing the business's strength and weaknesses, quickly responding to negative customer satisfaction information, and employing strategies based on creating value for customers are some of the activities that entail the responses exhibited by owners and managers from our sample in Mexico.

As mentioned earlier, owners and managers equally showed an inclination to sustain innovative and dynamic environments within their business. Both owners and managers show a willingness to take chances and seek new things, demonstrating innovative behavior as well as to regularly changing the business's marketing and sales strategies, as well as it's offering of products or brands as part of a dynamic business behavior.

Regarding gender, data also reveal that market orientation is equally practiced among men and women. This equal orientation from both genders towards market orientation reflects once again the high degree to which these individuals exhibit a corporate culture that effectively and efficiently creates value for buyers. The men and women in our sample equally focus on being responsive to their target market and on understanding their customer's needs so that they can base their business strategy on those needs. Mexican men and women managing a small business understood how the entire business can contribute to generating customer value. This result is even more remarkable when considering that one third of the sample is formed of individuals with fairly new businesses (47% of the sample accounted for businesses with less than five years of existence). A disposition towards market orientation also calls for attending to the business' external environment, such as its competitors. Men and women also showed an inclination to pay attention to their competitors, such as responding to their competitors' actions and taking advantage of opportunities based on a competitor's weakness.

The study's sample showed differences in the level of innovation and dynamism practiced by men and women. Specifically, Mexican women showed a higher orientation for innovative practices than their male counterparts. This implies that Mexican women showed a greater inclination towards innovative behaviors such as taking chances, by possibly adventuring just to start a business, experimenting with new ways of doing things and finding value in introducing new products as part of their business offering. Moreover, Mexican women also showed a higher orientation towards practices leading to dynamism in their business environment. A dynamic orientation entails that Mexican women were more inclined to create changes in their product mix and brand offerings and to change in their sales strategies. To make changes in their sales strategies, women would try several different sales promotions and advertising strategies. This would be consistent with an attitude which reflects that they are more comfortable than men with change in general. Such a difference might be worthy of further study.

Global entrepreneurship has become an increasingly important topic in the international business arena. This paper contributes to the expanding knowledge base on this topic from the developing nation perspective of Mexico. It is important to note that market orientation is not to be confused with assuming that small businesses want to compete in a global market by exporting their products. This might come at a later stage as a result of strong growth but is not a required step. Finally, if small businesses in Mexico continue to show a strong direction towards market orientation, innovation and dynamism, as our sample denotes, this will lead better customer relationships, obtaining new customers, sustaining a competitive advantage in the domestic as well as the global market. Furthermore, firms that adopt a market orientation will enjoy their customers' continuous patronage and loyalty.

LIMITATIONS AND FUTURE RESEARCH

Data collection for this study required a large effort from all the participants, which yielded over 200 responses. However, the study is limited to data representing only two northern cities, which may limit how representative the sample is to the general population. As noted by Serviere (2010), entrepreneurial studies should strive to be representative of the entrepreneur's views and conditions as they are experienced throughout an entire country or region. Studies that include samples from many areas of a country and/or economic regions strengthen our knowledge on entrepreneurial practices as they provide the most useful results for practitioners and researchers (Serviere 2010). Furthermore, all of the businesses sampled were relatively new or young. Additional data collection that captures the practices of older firms is needed.

A future research opportunity still lies in the ownership and gender approaches. Owners and managers, as well as men and women, might differ in other constructs. A further exploration of other constructs will advance our knowledge of any differences in behaviors between men and women acting as owners or managers of small businesses. To explain such possible differences, theories from sociology and psychology could be explored to provide an explanation of the differences observed between subjects. Expanding the research to address the source of such differences will greatly benefit entrepreneurship research by providing a more comprehensive and theoretically based framework than this initial approach to capture the behavior of Mexican businesses.

APPENDIX

Scales and Alpha Levels

Scales	Alpha Levels
Market Orientation (Pelham and Wilson 1996)	
1. All our functions are responsive to, and integrated in, serving target markets	0.81
2. Our firm's strategy for competitive advantage is based on out thorough understanding of our customer needs	
3. All our managers understand how the entire business can contribute to creating customer value	
4. Information on customers, marketing success, and marketing failures is communicated across functions in the firm	
5. If a major competitor were to launch an intensive campaign targeted at our customers, we would implement a response immediately	
6. Our firm's market strategies are to a (moderate/great) extent driven by our understanding of possibilities for creating value for customers	
7. Our firm responds (slow/quickly) to negative customer satisfaction information throughout the organization	
8. How frequently do top managers discuss competitive strengths and weaknesses?	
9. How frequently do you take advantage of targeted opportunities to take advantage of competitor's weaknesses?	
Innovativeness (Donthu and Gilliland 1996)	
1. I like to take chances	0.86
2. I like to experiment with new ways of doing things	
3. New products are usually gimmick (r)*	
*Reverse item	
Dynamism - Marketing Program (Sinkula, Baker, and Noordewier 1997)	0.81
1. Changes in your organization's mix of products/brands	
2. Changes in your organization's sales strategies	
3. Changes in your organization's sales promotion/advertising strategies	

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THE EFFECT OF QUANTITATIVE ELECTRONIC WORD OF MOUTH ON CONSUMER PERCEIVED PRODUCT QUALITY

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ABSTRACT

Online shoppers today can easily share reviews of their product usage experiences on a third-party website. Many retail websites allow individuals to submit qualitative and/or quantitative reviews, using a typical five-point scale. With the increase in online shopping behaviors, the impact of these reviews, or electronic word of mouth, on consumers' decisions is drawing more attention. Yet how do these on-line consumer reviews impact consumer behavior? This study empirically tests how quantitative product reviews affect online shoppers' perception of product quality. We find that: (1) extreme ratings have a greater impact on prospective customers' perceived quality than do median ratings while negative reviews have greater impact than positive reviews; (2) none of the volume, valence and consensus of electronic word of mouth can predict perceived quality reliably; (3) there is no difference between the perceived product quality formed by Chinese and American subjects when judging product quality, based on the same quantitative online product reviews.

JEL: M31

KEYWORDS: Electronic Word of Mouth, Online Review, Perceived Quality of Products

INTRODUCTION

Buying online is inherently riskier to shoppers than buying at a traditional brick-and-mortar retail store. First, online shoppers cannot physically examine or try the products or consult salespeople before a purchase because shoppers and online vendors are typically removed from each other geographically (Alba et al., 1997). Compared with offline shoppers, online shoppers may feel more uncertain about the quality of products. Hence, they have a higher chance or risk of selecting brands with lower-than-expected quality. Second, it is typically more inconvenient to return unwanted products to online vendors than it is to conventional stores, although many online vendors currently do offer warranties and return-and-refund policies. However, most online vendors do not cover return shipping costs, which can be very high for bulky or heavy products. Third, it may take longer than the duration of the warranties to find flaws in certain products like digital cameras. When those products malfunction, it is harder for customers to dispute the issue with online vendors and have their products replaced or repaired.

A complete consumer decision-making process includes several steps: Need recognition, information search, pre-purchase evaluation of alternatives, actual purchase, consumption, post-consumption evaluation, and divestment (Blackwell et al., 2006). Once consumers recognize their needs, they begin searching for information about alternative products that may satisfy those unmet needs. In many situations, information search is the key step in determining a purchase decision. Online shoppers, like their offline counterparts, need to collect information about alternative products. Due to the earlier-mentioned higher risk and the lack of direct access both to the products and sellers, online shoppers tend to base their purchase decisions more often than not on information provided online unlike traditional shoppers who can visit a store and see a product directly (Dellarocas, 2003).

There are three different, but major, types of product information available to prospective online buyers of a product, i.e., product and transaction clause information provided by the sellers, reviews created by professional reviewers (e.g. *Consumer Reports*), and reviews posted by previous buyers. Since the last type of information is provided by other customers rather than by the sellers, it is called electronic word of mouth (eWOM).

eWOM is somewhat similar to the more traditional word of month concept, a typical example of which is to listen to one's neighbors or friends about a product or service, such as a new car or an unknown restaurant. However, since eWOM is distributed online, it is very different from traditional WOM in several ways. First, eWOM offers a larger number of reviews than does traditional WOM (e.g. verbal face-to-face conversation among several friends or family members). Often, a product is rated by hundreds or even thousands of customers since it has been sold online. Second, eWOM lasts longer and may reach a much larger audience than traditional WOM, since it can remain posted on online marketplaces for a longer period of time and can be read by all online shoppers interested in the product. For example, on Amazon.com, it is not unusual to find reviews that have been posted for more than 5 years. Therefore, eWOM may have a much greater long-term impact on prospective customers' choices. Third, eWOM is typically anonymous. For example, customer reviewers on Amazon often identify themselves with nicknames or initials from their names, plus the names of their presumable locations, such as "Nightwing, St. Louis, Mo., USA". Fourth, eWOM, particularly narrative reviews, can be highly detailed and comprehensive. Many reviewers go to great lengths to report all the pros and cons of a product and will carefully document everything they have experienced with the product. Many reviews on Amazon are longer than 500 words, and some even run to 1000 words. Finally and most importantly, eWOM is more quantitative in most cases than is traditional WOM.

Many major online market places, such as Amazon, eBay, and websites run by major brick-and-mortar retailers such as Wal-Mart and Best Buy, have adopted the same 5-point scale for their product rating system. This rating system allows customers who have bought and used a product to review it quantitatively by selecting a category on a 5-star scale to communicate their personal usage experience. These online reviews such as the example shown in Figure 1 can then be viewed by potential buyers when gathering information about a product or brand.

Figure 1: Sample Quantitative Product Review on a 5-star Scale on Amazon.com

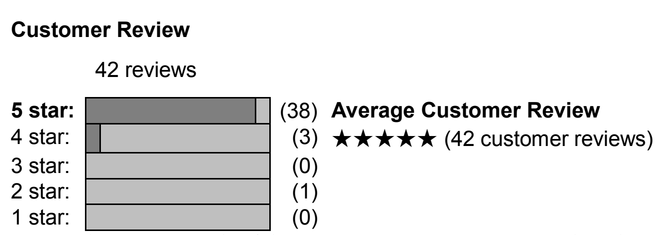

Figure 1 shows an example of these quantitative reviews on a product shown on Amazon.com. This specific product has 42 reviews in its history with an average of 4.9 (when the customer's mouse points on or clicks on the 5 stars on the right side of the screen, a pop-up window shows the average), with 38 customers selecting 5-star, 3 customers 4-star, and 1 consumer 2-star. When a new review is added, Amazon automatically updates the total number of the reviews and the average rating.

The introduction of the 5-point scale has successful transformed eWOM from collections of unstructured, qualitative opinions into structured, quantitative surveys with large and continuously increasing sample sizes. As the example in Figure 1 demonstrates, by showing number of reviews, average review and distribution of reviews, this new 5-point rating system clearly delivers the three major characteristics of WOM- volume, valence and consensus- in a highly effective way. According to Khare, Labrecque, and Asare (2011), volume is defined as the number of reviews provided by consumers; valence conveys an aggregate opinion (positiveness vs. negativeness) of the quality of a target to the WOM user; and consensus refers to the level of agreement in reviewers' ratings for a target product.

When a prospective customer is searching for information about alternative products at these online marketplaces, she can easily read these quantitative reviews on the products. When comparing multiple alternatives, these quantitative peer reviews should influence her choice of brand, because these quantitative ratings provide her with a more seemingly precise measure of the products, and very importantly, facilitate direct and relatively easier comparison among multiple brands. For example, an online shopper who wants to buy a MP4 player for the first time may find one brand has 120 reviews with an average of 4.0 out of 5 with 50 5-star, 40 4-star, 20 3-star, 5 2-star, and 5 1-star reviews; another brand offers 60 reviews with an average of 4.3 out of 5 with 30 5-star, 20 4-star, and 10 3-star reviews. These two products have different eWOM in terms of volume, valence, and consensus. So an interesting question arises: How does she make her choice based on these quantitative reviews? So far, this important question remains largely unanswered.

Despite the increasing popularity and proliferation of this new 5-star product rating system described above, this new element of the promotion mix has not received academic attention. This study's goal is to empirically measure how this rating system affects customer's perceived product quality. Specifically, we begin the paper with a current literature review of WOM and present our research objectives. We then introduce the research methodology, followed by analysis of the results. In the last section, we summarize the findings and analyze the managerial implications and limitations of this study.

LITERATURE REVIEW AND RESEARCH OBJECTIVES

Past research has shown that traditional WOM can significantly influence consumer choice of products (Katz and Lazasfeld, 1955; Engel et al., 1969; Richins and Root-Shaffer, 1988). Consumers tend to believe that their peers' reviews are more credible and trustworthy than messages from marketers (e.g., Day, 1971) because these reviews are independent of marketer selling intent (Silverman, 1997) and more influential than neutral print sources, such as *Consumer Reports* (Herr et al., 1991).

Recently, online consumers were found to rely on eWOM to make their buying decisions. A survey conducted by Opinion Research Corporation in 2008 suggests that 83% of respondents indicated that online product evaluations and reviews had at least a certain level of influence on their purchasing decisions, and about 70% of respondents had sought information online for a product or service before a purchase. Chevalier and Mayzlin (2006) found that eWOM has had a significant impact on sales of books at Amazon.com and BN.com. Liu (2006) found that eWOM also determines box office movie revenue. Korgaonkar and Karson (2007) found that even people's preference for online retail format is influenced by eWOM.

In the WOM literature, a variety of different facets of WOM have been studied. Prior studies have examined non-message characteristics, including provider characteristics (Bone, 1995; Hu, Liu, and Zhang, 2008), recipient characteristics (Bansal and Voyer, 2000), situational and product characteristics (Hogan, Lemon, and Libai, 2004), and message characteristics including volume (Chevalier and Mayzlin, 2006), valence (Liu, 2006; Duan, Gu, and Whinston, 2008), and consensus (West and Broniarczyk, 1998).

Relatively fewer studies have looked into the interaction between these WOM characteristics, particularly the three important message characteristics of volume, valence, and consensus. West and Broniarczyk (1998) conclude that people evaluate a target more favorably when WOM consensus is high and valence is higher than their aspiration level. Khare et al. (2011) show that when WOM consensus is high, high-volume WOM worsens the evaluation of an already negatively-rated WOM target and improves the evaluation of an already positively-rated WOM target, because volume in WOM is a high-scope, decision-making cue.

However, for a brand under review by a 5-star system, when the number of ratings at different categories (stars) changes, its total number of reviews, average of reviews, and distribution of reviews will all change. Thus, the three important characteristics of WOM, namely, volume, valence, and consensus, will also change simultaneously. Research has yet to examine how the interaction of these three major WOM characteristics using the new 5-star rating system affects individual perceptions of product quality.

In this empirical study, the following research questions regarding the 5-star scale were addressed: (1) Are the 5 different categories equally important in determining people's perceived quality? If not, which categories are more important than others? (2) When the number of reviews at different categories/stars varies, what is the overall effect of all of the quantitative reviews on a product?

RESEARCH METHOD

Conjoint Analysis

We used conjoint analysis as the primary data analysis technique for this study. Conjoint analysis is a widely used marketing research multivariate technique and particularly suitable for investigating how consumer preferences are determined via different categorical independent variables, such as product attributes and price levels. Conjoint analysis assumes that people's preference or utility of a product can be broken into separate amounts of utility or disutility for each separate attribute of that product, a concept called part-worth. To do conjoint analysis, typically researchers first create a set of hypothetical product profiles with their attributes at different levels; then these product profiles are presented to and evaluated by participants who either rate or rank these profiles according to their preferences. The preferences are then be decomposed into different part-worths to determine how important each product attribute actually is. The greatest advantage of conjoint analysis is that it mimics actual decision- making in the real world where people will select among multiple products, with none being the perfect option, by forcing participants to trade off product attributes in the same way consumers presumably do in the real world.

Conjoint analysis is particularly suitable for examining the effect of quantitative reviews on consumers' perception of quality. A given quantitative review with different numbers (such as 10, 20, or 50 reviews) at 5 different stars is essentially like a product with 5 different attributes (such as size) at different levels (e.g., small, medium, and large). By manipulating the numbers at different stars, we can create hypothetical quantitative review profiles. Comparing these reviews entails a trade-off among different attributes (categories or stars) which mimic what online consumers do in the real world. Therefore, we can ask people to rank these review profiles according to the perceived quality of them and then use conjoint analysis to analyze the ranking data to determine how important each attribute (star) and each of its different levels is to their perceived quality of the product.

Table 1: Attributes and Levels

Rating	Number of Reviews
5-star	30, 50
4-star	20, 40
3-star	0, 30
2-star	0, 20
1-star	0,10

Table 1 shows the attributes/categories and their corresponding levels taken into consideration for the conjoint analysis. Each attribute/category has two levels. For example, 5-star has two levels, i.e., 30 or 50 reviews.

To create hypothetic review profiles, we select two different selected levels (number of reviews) for each of the 5 different attributes (categories or stars) as shown in Table 1. These 5 attributes and the 2 levels for each will generate 2×2×2×2×2×2=32 profiles with averages varying between 3.4 and 4.7. A general search on major online marketplaces, such as Amazon.com, revealed that review averages of most products sold online will vary between 3 and 5 with a significant portion of them scoring higher than 4 (it is intuitive because sellers are more likely to drop the unpopular products that earn low average reviews), so our selection of levels actually reflects this reality.

Table 2 shows the hypothetical brand review profiles whose design closely resembles that of the reviews posted on most online marketplaces. We decided to select 11 of the 32 possible brand profiles with averages of reviews varying between 4.0 and 4.4, for three reasons. First, ranking all 32 profiles is simply too burdensome for most average participants. Second, we tried to avoid those profiles with review averages that were too low or too high to better "force" participants to trade off among different categories that generate relatively similar review averages. Third, West and Broniarczyk (1998) show that when the valence of WOM is higher than people's expectation level, the same WOM influences their preference for the target in a different way than when the valence of WOM is lower than people's expectation level. By making the averages of all 11 profiles equal to or greater than 4, we expect participants to employ the same heuristic when they compare these review profiles.

Table 2: Hypothetical Brand Review Profiles

Brand	Number of Reviews					Volume: Total Number of Reviews	Valence: Average	Consensus: Standard Deviation
	1-star	2-star	3-star	4-star	5-star			
A	10	0	0	20	30	60	4.0	1.4
B	0	20	0	20	50	90	4.1	1.2
C	0	0	30	40	50	120	4.2	0.8
D	10	0	0	20	50	80	4.3	1.3
E	0	20	0	40	50	110	4.1	1.1
F	10	0	0	40	30	80	4.0	1.2
G	0	0	30	20	30	80	4.0	0.9
H	10	0	0	40	50	100	4.2	1.2
I	0	0	30	20	50	100	4.2	0.9
J	0	0	30	40	30	100	4.0	0.8
K	0	0	0	40	30	70	4.4	0.5

Table 2 shows the 11 hypothetical brands compared in the conjoint analysis. For each brand profile, we can see the number of reviews at each of the five rating categories, the total number of reviews of all of the five categories, the average of all of its reviews, and the standard deviation of its reviews. For example, Brand A has 30 5-star, 20 4-star, 0 3-star, 0 2-star, and 10 1-star reviews; its total number of reviews is 60 (=30+20+0+0+10); the average and standard deviation of its reviews are 4.0 and 1.4 respectively.

Subject and Data Collection

In total, 125 undergraduate students participated in this study, including 68 students from a private university in the U.S. and 57 from a public university in China. Additionally, 100% of the participants reported that they had shopped online at least once in the past 6 months.

The surveys were administrated on paper-based questionnaires during regular class time. The participants were asked to imagine that after they had decided to buy a hypothetical product online, they were browsing an online marketplace where they found 11 different alternative brands of the same product. These brands had similar features and prices. Each of these brands had been rated by previous buyers on a 5-point scale with 5 categories from 1-star to 5-star. The eleven brand profiles shown in Table 2 were presented to the participants on a single page of the questionnaire. For each brand profile, the participant could see the total number of reviews, the number of reviews for each of the 5 categories (stars), and the average of the reviews. Then the participants were instructed to rank the 11 brands in order according to their perceived quality of each brand based on these given customer reviews. In total, 123 of the 125 participants finished the task of ranking the 11 brands.

RESULTS AND DISCUSSION

The data were cleaned for outliers and missing data and analyzed using SPSS 16.0. The estimated relative importance of the 5 categories and the part-worths of different levels of the categories are shown in Table 3.

Table 3: Estimated Part-worths for Different Rating Categories

Rating	Levels	Part-Worths	Importance (%)
5-star	30	.000 (.000)	26.714
	50	4.467 (.192)	
4-star	20	.000 (.000)	10.486
	40	1.328 (.172)	
3-star	0	.000 (.000)	17.385
	30	-1.407 (.329)	
2-star	0	.000 (.000)	23.931
	20	-4.230 (.393)	
1-star	0	.000 (.000)	21.483
	10	-3.757 (.329)	
Pearson's R	.997***		
Kendall's tau	.991***		

*Table 3 presents the results of the conjoint analysis on the ranking data from all of the subjects. For each attribute/category, it shows how much utility the subjects attached to each of its two levels and how important this attribute is in determining the subjects' preference of the 11 brands. For example, 50 5-star reviews on average have a utility of 4.467 while 40 4-star reviews have a utility of 1.328. Overall 5-star reviews' importance is 26.714% compared to the 10.486% of the 4-star reviews. ***indicates that the coefficient is statistically significant at 99% level of confidence, suggesting high goodness of fit of the estimated conjoint model. Standard errors are in parentheses.*

According to Table 3, different rating categories (attributes) do have a significantly different impact on people's perceived product quality. Evidently, 5-star is the most important attribute/category (26.714%), followed by 2-star (23.931%), 1-star (21.483%), 3-star (17.385%), and 4-star (10.486%). However, taking into account the range of reviews (high number of reviews minus low number of reviews) of these attributes/categories, we reach somewhat different conclusions. Most noticeable is that for only half of the range of the number of reviews (0 to 10), 1-star is 80.4% (21.483% vs. 26.714%) and 89.8% (21.483% vs. 23.931%) as important as 5- and 2- star reviews, respectively. We can make a reasonable conjecture, therefore, that if we increase the range of 1- star reviews from 10 to 20, it is very likely that 1-star reviews will have a greater impact on product quality than 2- and 5- star reviews. With the same range of 20, 5-star (changes from 30 to 50 reviews) is 11.6% (26.714% vs. 23.931%) more important than 2-star (changes from 0 to 20). With a much greater range (from 0 to 30 reviews), 3-star is significantly less important than 1-, 2- and 5- star (have ranges of 10, 20 and 20 respectively). Four-star (changes from 20 to 40) is the least important factor with an importance of only 10.486%.

This evidence indicates that when forming their perceptions of these brands, people weighted extreme reviews (1- and 5-star) greater than median ones and weighted negative reviews more than they did positive ones (1- vs. 5-star and 2- vs. 4-star). In the marketing literature, this phenomenon is called extremity bias and negativity bias. Skowronski and Carlston (1989) and Lalwani (2006) summarize the four major explanations in the marketing and psychology literature. Expectancy-contrast theories argue that people's perceptual anchor is typically between a neutral point and the positive end of their judgment scale, i.e., people tend to think somewhat positively about most targets. Therefore, extreme or negative reviews will stand out because they deviate from this anchor. Frequency-weight theories contend that extreme or negative stimuli receive more attention because they are perceived to be more novel, different, or unique than the other stimuli. Category-diagnosticity theories suggest that people view extreme or negative information as being more helpful and diagnostic than other information. Range theories argue that different information cues will have different levels of ambiguity; extreme cues are perceived as less ambiguous than other cues and negative cues are less ambiguous than positive cues.

Assuming that customers will buy only one of these 11 brands, it is interesting to compare the "market share" of each brand (defined as the percentage of respondents who ranked that brand first) as shown in Table 4. Brand C, having an average review of only 4.2, is clearly the market leader, selected by 60.2% of the subjects. Brands K and D rank second and third, respectively, with much smaller shares (17.1% and 7.3%). A comparison of Table 4 with Table 2 shows that neither volume, valence, nor consensus can reliably predict people's preferences. With higher volume (120 vs.70), but lower valence (4.2 vs. 4.4) and lower consensus (0.8 vs. 0.5), Brand C is much more favored than is Brand K. However, with lower volume (70 vs. 80), but higher valence (4.4 vs. 4.3) and consensus (0.5 vs. 1.3), Brand K is more favored than Brand D.

Table 4: Percentage of Buyers Indicating They Would Select Different Products as Their First Choice

Brand	A	B	C	D	E	F	G	H	I	J	K
Percentage (%)	0.0	2.4	60.2	7.3	4.1	0.0	0.0	4.9	4.1	0.0	17.1

This table shows the "market shares" of the 11 brands among the subjects, assuming that the subjects will buy their first choice only. For example, 60.2% of the subjects should select Brand C over other brands.

Of our total number of 123 valid observations, 57 (46.3%) were from China and 66 (53.7%) from the United States. Although these two countries are both large ecommerce markets, they have very different economic, business, political, and natural environments. According to a report from BCG in 2011, there are also a number of differences between the online business environments of the two countries in terms of the number and growth rate of online shoppers, shopper familiarity with e-shopping, online shopping expenditures, consumer trust, delivery and logistics, etc. Thus, we felt it was important to analyze the two datasets from these two highly important and yet different markets independently and compare the results to uncover any differences.

Table 5: Comparison of Part-worths and Importance - U.S. vs. China

Rating	Levels	Part-worths		Importance (%)	
		American Participants	Chinese Participants	American Participants	Chinese Participants
5-star	30	0.000 (0.000)	0.000 (0.000)	26.067	27.399
	50	4.337 (0.219)	4.618 (0.268)		
4-star	20	0.000 (0.000)	0.000 (0.000)	10.657	10.252
	40	1.300 (0.196)	1.361 (0.240)		
3-star	0	0.000 (0.000)	0.000 (0.000)	18.632	16.039
	30	-1.439 (0.375)	-1.370 (0.460)		
2-star	0	0.000 (0.000)	0.000 (0.000)	23.178	24.826
	20	-4.293 (0.448)	-4.157 (0.549)		
1-star	0	0.000 (0.000)	0.000 (0.000)	21.466	21.484
	10	-3.738 (0.375)	-3.778 (0.460)		
Pearson's R		0.996***	0.994***		
Kendall's tau		0.964***	0.964***		

*Table 5 presents the results of the conjoint analysis on the ranking data from American and Chinese subjects respectively. For each attribute/category, it shows how much utility each of the two groups attached to each of its two levels and how important this attribute is in determining each group's preference of the 11 brands. For example, 50 5-star reviews on average have a utility of 4.337 and 4.618, and importance of 26.067% and 27.399% to the American and Chinese subjects respectively. ***indicates that the coefficient is statistically significant at 99% level of confidence, suggesting high goodness of fit of the estimated conjoint model. Standard errors are in parentheses.*

Table 5 compares the results of the conjoint analysis on the two datasets from China and the U.S. The results clearly show that the part-worths, reflecting the importance of the different stars or attributes, are highly similar across these two countries. To both groups, 5-star is the most important attribute/category (26.067% and 27.399%), followed by 2-star (23.178% and 24.826%), 1-star (21.466% and 21.484%), 3-star (18.632% and 16.039%), and 4-star (10.657% and 10.252%).

Table 6: Percentage of First Choices for Different Brands - U.S. vs. China

Brand	A	B	C	D	E	F	G	H	I	J	K
American Participants	0.0	3.0	59.1	9.1	4.5	0.0	0.0	6.1	3.0	0.0	15.2
Chinese Participants	0.0	1.8	61.4	5.3	3.5	0.0	0.0	3.5	5.3	0.0	19.3

This table compares the "market shares" of the 11 brands among the subjects from the U.S. and China, assuming that the subjects will buy their first choice only. For example, 58.2% and 61.4% of American and Chinese subjects should select Brand C over other brands.

Table 6 shows the first choice shares of the 11 brands among American and Chinese participants, respectively. Again the first-choice shares of these brands are highly similar. In both U.S. and China, Brand C is the most popular one with share of approximately 60%. Brand K is the second most popular choice to both groups with share of 15.2% and 19.3% respectively, followed by Brand D (9.1% and 5.3%). None in the two groups selected Brand A, F, G, or J as the first choice.

The results clearly suggest that the American and Chinese participants utilize the 5-star rating system to form their perceived product quality in similar ways. These findings indicate that the data are highly robust, and indeed, the validity of the data does not appear to depend on economic, social, cultural, or other environmental factors. In addition, these findings provide further support that consumers' preferences cannot be reliably predicted by volume, valence, or consensus.

CONCLUSIONS

eWOM is a relatively new phenomenon in marketing, and therefore, a rich field for consumer behavior research. This study examined how electronic word of mouth impacts individuals' perceptions of product quality using the new 5-star rating system. Survey data was collected from undergraduate students attending two different universities in the U.S. and China. Participants were asked to rank 11 brands according to their perceived quality of each brand based on given 5-star reviews.

A conjoint analysis of the data reveals different rating categories of the 5-star review do have a significantly different impact on people's perceived product quality. Specifically the results indicate that when individuals form perceptions of quality based upon the 5-star rating system, they weight extreme reviews (1- and 5-star) greater than median ones and weight negative reviews more than they did positive ones (1- vs. 5-star and 2- vs. 4-star). However, when examining overall ranking of brands, neither volume, valence, nor consensus can reliably predict people's preference. In addition, when comparing U.S. and Chinese participants, the analysis suggests similarities in how individuals utilize the 5-star rating system to form perceived product quality.

Managerial Implications

This study has significant practical implications for online marketing management in terms of customer relationship management and formulating target market strategies. For those marketers who sell their products online or whose customers can post product reviews online, this study illustrates the greater significance of customer satisfaction or dissatisfaction. Particularly, it is not only important to make customers satisfied, but it is even more important to address concerns of customers who are highly dissatisfied. This finding is especially important with eWOM given its prevalence, greater long-term impact, and easy accessibility for consumers.

When a marketer is targeting multiple market segments that are significantly different and cannot be simultaneously satisfied by the same product, it would be wise to design separate products for the separate segments or clearly communicate the value proposition to the intended target market through the product's marketing mix. A one-size-fits-all product may make some users in each or all of the segments highly dissatisfied, which may result in negative online reviews. Likewise, a confusing value proposition may lead to a very dissatisfied consumer spreading negative eWOM about a product that does not meet his needs. These negative online reviews may greatly deter prospective buyers and hurt the sales of the product overall.

From the prospective of managers of online marketplaces, this study suggests that the user online product review is highly important in terms of communicating to prospective buyers a perceived product quality. Therefore, customers should be allowed or even encouraged to post reviews of products online. Some online marketplaces only show total numbers and the average of quantitative reviews. Our findings suggest that this strategy is inadequate in aiding buyer purchase decisions. Thus full distribution of all quantitative reviews should be posted. Of even more interest, these findings are consistent across two of the world's major marketplaces, the US and China, suggesting that the study's implications have international applications.

Limitations and Directions for Future Research

Although participants from two different countries participated in this study, the generalizability of the results is somewhat limited due to the use of undergraduate students. However, this study provides a methodology that may be replicated in other populations with greater diversity in relevant demographics such as age and occupation. Future research is also needed to assess how additional online information may affect individual's perceived product quality. Participants in this study were given only the 5-star rating to determine product quality rankings. Specifically, research is needed that measures the potential impact of other informational cues such as price, brand names, product attributes, and seller reputation on online shoppers' purchase decisions. Future research should also measure how qualitative reviews affect perceived quality, when combined with quantitative reviews. It would be of particular interest to measure the relative importance of quantitative and qualitative reviews when these two types of reviews are not perfectly consistent with each other or when they are perceived to be unequally diagnostic about the quality of a product.

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SPATIAL PRICE ANALYSIS OF TOMATOES IN NIGERIA

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ABSTRACT

The study examined market integration in tomato markets in selected producing and consuming states in Nigeria. Secondary data on tomato prices spanning 2003 –2006 were sourced from National Bureau of Statistics. The data were analyzed using Augmented Dicker Fuller (ADF) and Granger Causality tests*. Results indicated that the maximum tomato price was recorded in Ekiti in November, 2006 while the minimum price was recorded in Kano state in August, 2006. The results also revealed that prices of tomato were not stationary in their level form but become stationary at the first difference level. Seven tomato markets rejected their respective null hypothesis of no granger causality. None of the markets exhibited bi -directional granger causality or simultaneous feedback relationships Seven markets exhibited uni -directional granger causality. The results also indicated that Ekiti and Katsina states occupy the leadership position in tomato price formation and transmission. We recommend there should be efficient flow of information and good access road and infrastructural development among the states to improve market performance.*

JEL: A11

KEYWORDS: Tomatoes, Market integration, Nigeria.

INTRODUCTION

Spatial market integration refers to co-movements or the long-run relationship among prices (Ghafoor et al, 2009). It is also the smooth transmission of price signals and information across spatially separated markets (Golleti, et al 1995). Spatial price analysis of markets improves understanding of price signals, direction of change and the transmission of same from food production centers to consumption zones.

Vegetables, including tomatoes, are highly perishable in nature due to their large water content. Efficient agricultural marketing is essential for the satisfaction of producers and consumers, as well as production and consumption. Agricultural marketing assumes greater importance in an economy when excess production from farms are disposed of in order to earn income with which farmers can purchase goods and services not produced by them (Adekanye, 1998).

In most Nigerian markets, price determination is accomplished by haggling. Commodities are not standardized and measures are not uniform. Farmers are affected by price volatility and hence may fail to specialize to gain a comparative advantage and gains from trade will not be realized (Chirwa, 2000). Favorable pricing stimulates more production; hence the co-movement and transmission of price signals and information across spatially separated markets are equally important in determining marketing performance (Yusuf *et al* 2006). Several studies address agricultural marketing margin and pricing efficiency on staple foods and animal products (Mafimisebi 2002). Few marketing studies have been conducted on horticultural crops. This study fills this gap in the literature.

This study examines trends in tomato prices in the selected states in Nigeria. We test for co integration of the price series in order to measure relationships in the price series and also determine the causal relationship between and among the price series. This will add to the body of literature on market integration, indicating the extent of price transmission in tomato markets in different producing and consuming states within Nigeria. The remainder of the paper is organized as follows: Literature Review, Data and Methodology, Results and Concluding Comments.

LITERATURE REVIEW

Bakucs and Ferto, 2005 examined marketing margins and price transmission in the Hungarian port meat market using cointegration analysis. They found that producer and retail pork meat prices are cointegrated. They concluded that price transmission in the Hungarian pork market is symmetric. Dawson and Dey, 2002 tested for the law of one Price in Rice Market Integration in Bangladesh. They proposed an integrated empirical framework which tests for long-run spatial market integration between price pairs using a dynamic vector autoregressive model and cointegration. Hypotheses tests of market integration, perfect market integration, and causality are conducted sequentially. Data on monthly prices from rice markets in Bangladesh since trade liberalization in 1992 were utilized. Results show that rice markets are perfectly integrated and that Dhaka dominates near markets but is dominated by more distant markets.

Uchezuba (2005) measured market integration for apples in the South African FPMs to determine the existence of long-run price relationships and spatial market linkages. Standard autoregressive (AR) and threshold autoregressive (TAR) error correction models were compared to determine whether transaction cost has significant effects in measuring market integration. The investigation revealed a statistically significant decline in real prices in six of eight markets investigated. Nkang *et al*, 2007 examined price transmission and integration of cocoa and palm oil markets in Cross River State, Nigeria using standard econometric techniques. Results indicated that cocoa markets are fully integrated in the long run, with price transmission elasticity of approximately 1.0 indicating that the law of one price holds in the markets. The study concluded that producers of cocoa and palm oil benefited from spatial arbitrage as suggested by the perfect integration of the market and the fulfillment of the law of one price.

Dittoh (2006) examined the Market integration of dry season vegetables in Nigeria. The objective is to obtain indices of marketing inefficiency through the market integration approach. Weekly price data for pepper (*tatashe*) and tomatoes were collected from eight locations in Nigeria, four producing areas, two production/consuming areas, and two consuming areas, for 34 weeks (November 1991 to June 1992). The data were analyzed using a Ravallion-type model. The results indicated that there is little, and a low degree of, integration of pepper and tomato markets in the study area as a whole. Some market integration however exists between major producing and major consuming areas. The results also indicated that good access roads are important for markets to be integrated. He concluded that a major determinant of market integration in the study area was information flows between producing and consuming areas and those assemblers of the produce, primary wholesalers, and transporters are currently the major sources of the information.

DATA AND METHODOLOGY

The study covers 2003 to 2006 using monthly prices (48 months). Secondary data on prices of fresh tomatoes on state basis were collected from National Bureau of Statistics on a monthly basis. The study covered Lagos, Oyo, Ekiti, Kaduna, Kano and Katsina states using the prices of fresh tomatoes. The selection of the states was based on the fact that Kano, Kaduna and Katsina are producing areas whereas Lagos, Oyo and Ekiti state are consuming points. The choice of tomato is due to its daily variation in prices and its importance in diet of households. The study made use of a combination of analytical tools. These include trend analysis, cointegration and Granger causality procedures. The first step in carrying out a time series analysis according to Masliah (2002), is to check for stationarity of the variables or price series. A price series is stationary if its mean and variance are constant over time. Non stationary stochastic series have varying mean or time varying variance. The price series in this study were first tested for stationarity. The purpose was to overcome the problems of spurious regression. The Augmented Dickey Fuller (ADF) was adopted to test for stationarity. This involves running a regression of the form:

$$\Delta \mathrm{P}_{it} = \partial \mathrm{P}_{t-1} + \sum_{i=1}^{P} \beta_1 \Delta \mathrm{P}_{t-1} + \ell_{it} \tag{1}$$

Where Δ = first difference operator, ∂ = 0, implies the existence of a unit root in $P_{i\,t}$ or that the price series is non-stationary, i = commodity price series, i.e. tomatoes, t = time indicator, e_{it} is the error term. The process is considered stationary if $/\partial$ / < 1, thus testing for stationarity is equivalent with testing for unit roots (∂<1). Therefore:

H_o: ∂ = 0 indicates the price series is non stationary or existence of unit root
H_1: ∂ < 0 indicates the price series is stationary

Johansen Tests were carried out using a linear deterministic trend in order to know the number of co-integrating vectors. The Johansen testing procedures have the advantage that they allow for the existence of more than one co integrating relationship (vector) and the speed of adjustment towards the long-term equilibrium is easily determined (Bakucs and Ferto, 2005). The model is:

$$\Delta \mathrm{X}_t = \mu_t + \sum_{i-1}^{k} \Gamma \mathrm{X}_{t-1} + \Pi \mathrm{X}_{t-k} + \varepsilon_t \tag{2}$$

where X_t = an n x 1 vector containing the series of interest (tomatoes spatial price series), Γ and Π = matrices of parameters, K = number of lags, that should be adequately large to capture the short-run dynamics of the underlying VAR and to produce normally distributed white noise residuals, ε_t = vector of white noise errors. The Johansen test provides insight into the number of estimation equations to be fitted. The presence of one cointegration relationship is necessary for the analysis of the long run relationship of the prices to be plausible.

The Granger causality test determines the direction of causality. When two price series are co-integrated and stationary, one may use the granger causality test. One granger causal relationship must exist in a group of co integrated series (Chirwa, 2000). When Granger causality runs one way (uni-directional), the market, which Granger-causes the other is tagged the exogenous market. Exogeneity can be weak or strong. Hendry (1986) observed that weak exogeneity occurs when the marginal distribution of $P_{i\,(t-1)}$ and $P_{j(t-1)}$ was significant, while strong exogeneity occurs when there is no significant Granger-causality from the other variable. It could also be bi-directional which indicates that both series influence each other (X causes Y, and Y also causes X). The Granger model used in this study can be represented by:

$$\Delta \mathrm{P}_{it} = \sum_{i=1}^{m} a_i \Delta \mathrm{P}_{j(t-1)} + \sum_{j=1}^{n} a_j \Delta \mathrm{P}_{j(t-1)} + \ell_t \tag{3}$$

Where m and n are the numbers of lags determined by a suitable information criterion. Rejection of the null hypothesis indicates that prices in market j Granger-cause prices in market i.

H_o: price of tomato in one market does not determine (granger cause) the other market.
H_1: price of tomato in one market determine the other market (not granger cause)

RESULTS

The maximum price of fresh tomato ever attained in Lagos state was N121/kg in August 2005 (Figure 1). The minimum price was N46.16kg recorded in September 2003. The maximum price of tomato ever attained in Oyo state was N104.97/kg in 2005 (Figure. 2). The peak price ever attained in Lagos and Oyo state was 116.90/Kg (July 2005) and 106.95/kg (March 2006) respectively (Figure 1 and 2). In the same vein, the highest price ever attained at Kano, Kaduna and Katsina were 112.47/kg (July, 2005), 100/kg (March, 2005) and 114.62/kg (August, 2003) respectively. The maximum price attained for tomato in the study area was N145.52/kg occurred in Ekiti state in November, 2006 (Figure 3), whereas the minimum price of N27.06/kg occurred in Kano state in August, 2006 (Figure 4). Figure 5 and 6 show the 2005 price of tomato in other states varied from N27.57/kg to N116.9/kg depicting seasonal variations.

Figure 1: Monthly Retail Price of Tomatoes in Lagos state

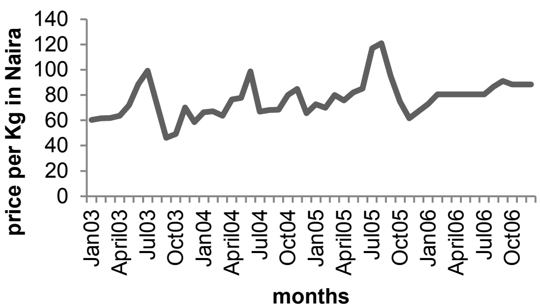


Figure 2: Monthly Retail Price of Tomatoes in Oyo State

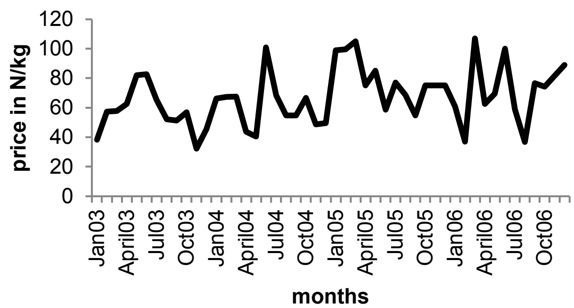


Figure 3: Monthly Retail Price of Tomatoes in Ekiti State

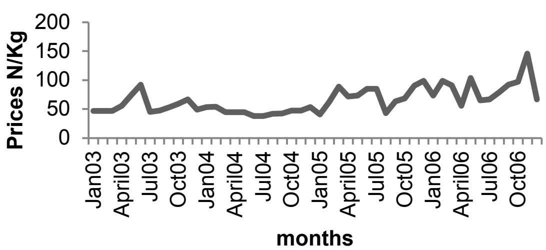


Figure 4: Monthly Retail Price of Tomatoes in Kano State

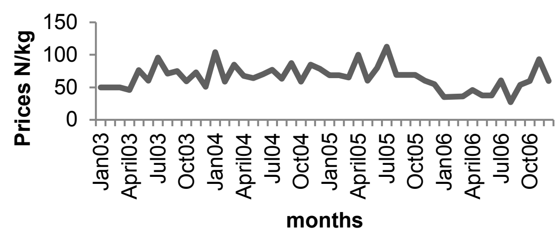


Figure 5: Monthly Retail Price of Tomatoes in Katsina State

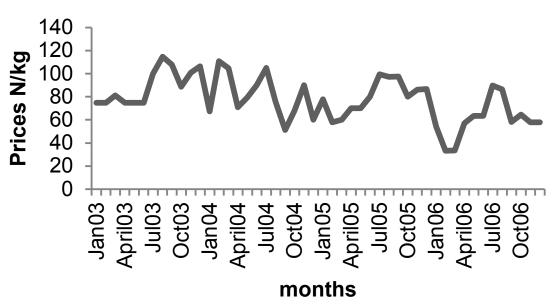
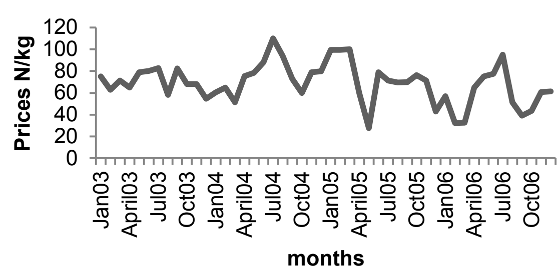


Figure 6: Monthly Retail Price of Tomatoes in Kaduna State



The price of tomato was not stable across seasons and states. The peak price was always in the second and third quarters of the year while the least price was observed in the first quarter of the year. The reason for the price variation can be attributed to the economic principle of supply and demand. The second and third quarters coincide with the period of high rainfall. Tomato does not grow well during this period and therefore the supply will be greatly reduced in the markets. Thus, these quarters of the year are regarded as off season and the resultant effect is the high prices of tomato fruit. The first and fourth quarters are the harvesting season for tomatoes justifying low prices.

The result in Table 1 shows the stationarity test for tomato using ADF procedure. The results indicate that all variables are not stationary in their level form. Therefore, the null hypotheses of non-stationary series were accepted for all the variables in their level form. The null hypotheses were however rejected for the first differences. This agrees with the findings of Alexander and Wyeth (1994), Chirwa (2000), Yusuf *et al* (2006) that commodity prices are stationary at the order of first difference. Thus, the test of cointegration could be applied, as all the tomato price data series were integrated of the same order, i.e. I (1) and did not have unit root.

Table 1: Stationarity Test of Tomato in Nigeria

Market	ADF(Level form)	Remark	ADF (first difference)	Remarks
Lagos	-3.268	Non stationary	-6.337	Stationary
Oyo	-5.542	Non stationary	-8.171	Stationary
Ekiti	-2.318	Non stationary	-7.337	Stationary
Kaduna	-3.935	Non stationary	-7.823	Stationary
Kano	-2.459	Non stationary	-14.440	Stationary
Katsina	-3.432	Non stationary	-7.229	Stationary

This table shows the stationarity test for tomato using ADF procedure. The results indicate that all the variables are not stationary in their level form.

In Table 2, the maximum Eigen value test shows that out of the 30 tomato market pairs investigated only 3 are co integrated at 10% level of significance. The trace test shows all the 30 tomato market pairs are co integrated at the 5% level of significance. Therefore using the trace statistics, it can be inferred that the entire tomato markets investigated are co integrated of the order (1, 1). This is the proportion of tomato market pairs which prices are tied together in the long run.

Thirty tomato market links were investigated for evidence of granger causality (Table 3). Seven tomato market links rejected their respective null hypothesis of no granger causality. From the results of the analysis, none of the market links exhibited bi directional granger causality or simultaneous feedback relationships. Seven market links exhibited unidirectional granger causality. These are Ekiti-Lagos, Ekiti-Oyo, Oyo-Kaduna, Katsina-Oyo, Katsina-Ekiti, Ekiti-Kaduna, and Kano-Katsina. Ekiti market has a strong exogeneity over Oyo and Kaduna markets but exhibits weak exogeneity over Lagos market. Similarly, Oyo market exhibits a strong exogeneity over Kaduna. Katsina exhibits strong exogeneity over Oyo markets and Kano exhibits weak exogeneity over the Ekiti market. Weak exogenity was also observed in the Kano/Katstina markets. It can therefore be said that Ekiti and Katsina tomato markets are in the leadership position in tomato price formation and transmission among the tomato markets investigated. Furthermore, from the result of the analysis, few of the markets are spatially linked by trade. Therefore, there is low market integration between producing and consuming states. This implies that price changes in one market are not manifested to an identical price response in the other market (Goletti et al, 1995, Barrett, 1996). There is also inadequate free flow of goods between markets and the markets are not linked by efficient arbitrage.

Table 2: Cointegration Test for Tomato in Nigeria

Spatial Market pairs	Maximum Eigen value Test			Trace Test		
	Hypotheses			Hypotheses		
	Null	Alternative	Test statistics	Null	Alternative	Test
Ekiti – kad	r=0	r=1	0.4057	r=0	r=1	28.409**
	r<1	r=2	0.0926*	r<1	r=2	4.469**
Ekiti-kano	r=0	r=1	0.2217	r=0	r=1	15.593**
	r<1	r=2	0.0845*	r<1	r=2	4.062**
Ekiti-Kats	r=0	r=1	0.2413	r=0	r=1	18.023**
	r<1	r=2	0.1091	r<1	r=2	5.317**
Ekiti-Lagos	r=0	r=1	0.3066	r=0	r=1	20.851**
	r<1	r=2	0.0833*	r<1	r=2	4.004**
Ekiti-Oyo	r=0	r=1	0.3794	r=0	r=1	27.766**
	r<1	r=2	0.1188	r<1	r=2	5.819**
Kad-kano	r=0	r=1	0.2795	r=0	r=1	21.166**
	r<1	r=2	0.1238	r<1	r=2	6.082**
Kad-Katsina	r=0	r=1	0.2518	r=0	r=1	22.790**
	r<1	r=2	0.1855	r<1	r=2	9.440**
Kad-Lagos	r=0	r=1	0.2881	r=0	r=1	28.571**
	r<1	r=2	0.2451	r<1	r=2	12.939**
Kad –Oyo	r=0	r=1	0.3306	r=0	r=1	30.165**
	r<1	r=2	0.2246	r<1	r=2	11.701**
Kano-Katsin	r=0	r=1	0.2625	r=0	r=1	20.386**
	r<1	r=2	0.1294	r<1	r=2	6.378**
Kano-Lagos	r=0	r=1	0.2704	r=0	r=1	20.304**
	r<1	r=2	0.1184	r<1	r=2	5.797**
Kano-Oyo	r=0	r=1	0.3337	r=0	r=1	24.495**
	r<1	r=2	0.1187	r<1	r=2	5.816**
Kats- Lagos	r=0	r=1	0.2909	r=0	r=1	22.612**
	r<1	r=2	0.1373	r<1	r=2	6.797**
Kats-Oyo	r=0	r=1	0.4258	r=0	r=1	33.455**
	r<1	r=2	0.1584	r<1	r=2	7.933**
Lagos-Oyo	r=0	r=1	0.4298	r=0	r=1	37.435**
	r<1	r=2	0.2226	r<1	r=2	11.586**

*The table shows that out of the 30 tomato market pairs investigated only 3 are cointegrated at the 10% level of significance. The trace test shows all 30 tomato market pairs are cointegrated at the 5% level of significance. **sig at 5% * sig at 10%. Note: r= number of cointegrating vectors.*

CONCLUSION

The study examined price transmission in tomatoes markets in Nigeria. The study covers the time period 2003 to 2006. Secondary data on prices of fresh tomatoes on a state basis were collected from National Bureau of Statistics on a monthly basis. The study covered Lagos, Oyo, Ekiti, Kaduna, Kano and Katsina states using the prices of fresh tomatoes. The study made use of a combination of analytical tools including trend analysis, cointegration and Granger causality procedures.

The price of tomato was not stable across seasons and states. The peak price occurred in the second and third quarters of the year while the lowest price was observed in the first and fourth quarter of the year. The entire tomato markets investigated are co integrated of the same order. Seven tomato market links rejected their respective null hypothesis of no granger causality. None of the market links exhibited bi directional granger causality or simultaneous feedback relationship. Seven market links exhibited unidirectional granger causality. The major limitation of the study is that data could not be obtained from 2007 and later periods. Based on the study findings, there is need for a policy that will keep the prices of tomato constant throughout the year. The following are recommended: preservation of tomato at harvest; provision of processing plants; upgrading of markets/marketing facilities; and market information centers should be established to facilitate adequate communication and flow of information between markets. There is need for similar studies on other horticultural crops that have a perishable nature.

Table 3: Granger Causality Test for Tomato Markets in Nigeria

Null Hypothesis	Observations	F-Statistic	Probability
OYO does not Granger Cause LAGOS	46	0.9095	0.4106
Lagos does not granger cause Oyo		0.7203	0.4926
EKITI does not Granger Cause LAGOS	46	2.8110	0.0717*
Lagosdoes not Granger Cause Ekiti		1.4450	0.2475
KANO does not Granger Cause LAGOS	46	0.3372	0.7157
Lagos does not Granger Cause Kano		0.1605	0.8522
KADUNA does not Granger Cause LAGOS	46	0.4989	0.6108
Lagos does not Granger Cause Kaduna		0.1675	0.8463
KATSINA does not Granger Cause LAGOS	46	1.860	0.1685
Lagos does not granger cause Katsina		1.471	0.2414
EKITI does not Granger Cause OYO	46	4.875	0.0126*
Oyo does not Granger cause Ekiti		1.399	0.2583
KANO does not Granger Cause OYO	46	0.3725	0.6913
Oyo does not Granger Cause Kano		0.7387	0.4839
KADUNA does not Granger Cause OYO	46	0.0505	0.9508
Oyo does not Granger cause Kaduna		5.415	0.0081**
KATSINA does not Granger Cause OYO	46	4.044	0.0249**
OYO does not Granger Cause KATSINA		0.9849	0.3821
KANO does not Granger Cause EKITI	46	2.691	0.0797*
EKITI does not Granger Cause KANO		0.0916	0.9126
KADUNA does not Granger Cause EKITI	46	0.6308	0.5372
EKITI does not Granger Cause KADUNA		3.459	0.0408*
KATSINA does not Granger Cause EKITI	46	0.7150	0.4951
EKITI does not Granger Cause KATSINA		0.4017	0.6717
KADUNA does not Granger Cause KANO	46	0.3731	0.6908
KANO does not Granger Cause KADUNA		1.455	0.2452
KATSINA does not Granger Cause KANO	46	0.1831	0.8333
KANO does not Granger Cause KATSINA		2.671	0.0812*
KATSINA does not Granger Cause KADUNA	46	0.0247	0.9756
KADUNA does not Granger Cause KATSINA		0.5079	0.6055

*The table shows that seven tomato market links rejected their respective null hypothesis of no granger causality. Also, from the table none of the market links exhibited bi directional granger causality or simultaneous feedback relationship. *significant at 10%, ** Sig at 5%.*

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THE IMPACT OF BRAND PLACEMENT AND BRAND RECALL IN MOVIES: EMPIRICAL EVIDENCE FROM MALAYSIA

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ABSTRACT

Brand placement in movies is an emerging marketing dimension and strategy. These strategies are currently widely applied in films. The aim of this research is to explain the relationship between the acceptance of brand placement based on consumers' perception and the brand recall towards brand preference, loyalty and intention to purchase among Malaysian young movie viewers. Surveys are conducted randomly and questionnaire distributed to undergraduate students of Malaysian universities. Five-hundred questionnaires were distributed with an 80 percent response rate. Two propositions and three hypotheses were developed and tested using mean and regression analysis. The result indicated that the acceptance of brand placement based on consumers' perception and brand recall have a significant relationship with brand preference, loyalty and intentions to purchase. These findings indicate to brand managers that brand placement has become an important marketing tool to reach emerging younger generation consumers. It also indicates that brand placement acceptance and recall plays a vital role in influencing marketing activities, enabling marketers to impact younger generations brand preference in either a gross or subtle manner. This research provides a guideline for global brand players in considering marketing activities using commercialized movies as a medium.

JEL: M3

KEYWORD: Brand Placement, movie, attitude, preference, intentions to purchase, loyalty

INTRODUCTION

In recent years, there has been an increase in the practice of product placement (McKechnie & Jia, 2003), which is defined as 'the planned entries of products into movies or television shows that may influence viewers' product beliefs and/or behaviors favorably' (Balasubramaniam, 1994). Considerable research indicates that firms' advertising and marketing communication decisions have strong influences on firms' stock prices (Wiles & Danielova, 2009). This is done by product placement, also sometimes referred to as brand integration, to include of branded products or identifiers through audio or visual means within mass media programming (Balasubramanian, 1994). Product placement is the inclusion of product, package, signage, a brand name of the firm in a movie or in a television program for the intent to deepen the brand image and instant recognition at the point of purchase. Placements can be in form of verbal mentions in dialogue, actual use by character, visual displays such as corporate logos on vehicles or billboards, brands used as set decorations, or even snatches of actual radio or television commercials (Mandal, 2008). The key advantages of brand placement range from cost-effectiveness to positive audience-accepted and easier for delivering brand spirit (DeLorme, Denise E., & Reid, 1999). Therefore, marketers are increasingly using brand placement to reinforce brand awareness and create favorable attitudes especially in movies. Garrett Hedlund, the heroic of Tron Legacy in the recently popular movie in 2010, uses a Nokia N8 to access a high tech security door. The Nokia N8 is shown to provide high functionality and become a central of focus, to some consumers, for a few seconds in the movie. Brand placement in movies is a common practice around the globe and it appears often in blockbuster films (Gregorio & Sung, 2010). Brand placement is not a new form of advertising strategy in marketing yet it has a unique position in advertising and has become a focus of study for researchers in the marketing field.Brand placement occurs regularly in movies. Consumers in Malaysia have similar behavior to consumers from different countries. However, national differences impact the effect of brand placement.. Several studies have been conduct on the acceptance of brand placement in America and other countries (Gould, Gupta, S. J., P. B., & Krauter, S. G, 2000).

However, none report the acceptance of brand placement in Malaysia. Since there are differences between countries, the attitude towards brand placement is different. This research paper servers highlights consumer behavior toward brand placement in Malaysia. Besides cultural differences, past research shows that individual difference might affect attitudes and behaviors toward the effect of brand placement (Balasubramanian, S. K., Karrh, J. A., & Patwardhan, H., 2006). This article examines the role of brand placement acceptance and recall influencing consumers brand preference, loyalty and intentions to purchase. The remainder of the paper is organized as follows. In section 2 there will be literature review, section 3 describes the theoretical framework highlighting research questions and hypotheses, section 4 explains the research methodologies used in the study followed by presentation of results and analysis. Finally, the paper is concluded with a discussion, limitation of the study and description of future work in Section 5.

LITERATURE REVIEW

The early study of brand placement provides an understanding of the effect of brand placement for marketing purposes. Research done on brand placement in past two decades is relatively little but has become an interesting topic in marketing (Balasubramanian *et al.,* 2006). The role of brand placement has become more important because of evolving traditional and digital media. Brand communication plays as a key component of branding. It determines if a brand is successfully established and ultimately turns a profit (Conchar, M. P., Crask, M. R., & Zinkhan, G. M., 2005). Conventional forms of brand communication via advertising, and public relations have achieved success but their effectiveness is declining due to growing consumer resistance to traditional broadcast advertising (Elliott, 2008). Therefore, brand placement through digital technology has been widely expanded and attracted the attention from academics (DeLorme & Reid, 1999).

A growing stream of product placement research has conducted surveys of consumer and practitioner views to gauge product placement's impact on brand awareness, attitudes, and purchase intent (Wiles & Danielova, 2009). Consumers connect the film world to their own, mapping their aspirations onto the products placed in the film, which in turn influences attitudes and consumption norms (DeLorme *et al.,* 1999). This research contributes to a better understanding of the brand placement perception toward consumer behavior from the perspective of consumers.

In customer-centric markets, the basic concept of brand placement is to place a particular brand of product, integrated seamlessly into the media content to target potential consumers. Particular placement was positively assessed when the principal actor was present, when the placement was noticeable, and when the brand was integrated well in movie scene (Chartier & D'Astous, 2000). Advertising Age, perhaps the most visible industry publication, has termed the power play between marketing and Hollywood "Madison & Vine," granting frequent coverage to the topic. Despite the burgeoning popularity of product placement as a marketing tool, there is limited substantive empirical evidence regarding whether and how it is effective in influencing consumer responses (Miles, 2009).

The literature imitative on brand placements is divided into two major characteristics, prominence and plot connection. According to Lehu and Bessoud (2009), prominence is defined as the ability of the brand to create a centre of attention from spectator. This capacity is linked to the size and duration of the placement on the screen, the amount of brand appearances in the scene and its location on the screen. On the other hand, plot connection defined as the involvement or degree to which the brand closely related to the film's story. This variable is close to the concept of centrality and conceptualized by the role of the product in the intrigue, as described by Lehu and Bessoud (2009).

There are two terms, often used interchangeably, in placements: product and brand placements (Lehu & Bessoud, 2009). Product or brand names are, in many cases, used to show the relationship between product and movie producer. For this reason, given brands often appeared on the screen and/or are mentioned in the movie dialogues. According to Thomas and Kholi (2011), three dimensions measure the effectiveness in brand placement: reach, impact, and frequency. Reach, as a function of audience size, refers to the total number of people exposed to the brand. Impact is defined as the extent to which an advertisement has the impact on audience impression. Frequency is defined as how often the brand is shown in the program. In practice, it is uncertain whether movies use various dimensions of reach or impact or frequency. Different movies target different dimensions of brand placement and the plot of the movie will affect the impact dimension of brand placement.

Relationship between Brand Placement Brand Recall

As product placement continues to grow in media markets, research has demonstrated that viewers recognize and recall brand/product placement. D'Astous and Chartier (2000) found that product placement not only increases brand recognition; it is also efficient for brand recall. A telephone survey conducted in 2002 by Morton and Friedman interviewed respondents to assess "day-after" recall of feature films. The results show approximately 38% of respondents correctly recalled brands appearing in films. Brand recall improved when product placement were visibly with a virtue of size, correct position on the screen or centrality to the action in the scene. It is a way of evaluating brand placements in research when consumers can describe the features of brands seen in films without additional descriptions, or can be known as spontaneous recall (Lehu & Bessoud, 2009). Longer duration for brand placement in film is optimal as repetition leaves more space for consumer to access and capture the information in brand memory (Reijmersdal, E. V., Neijens, P., & Smit, E. G*.,* 2009). Brand placement was ideal and leads to better brand recall when it lasted for 15 minutes (Reijmersdal *et al.,* 2009).

Brand memory or recall increases when brands are placed prominently or were mentioned and shown by the actor (Reijmersdal *et al.,* 2009). Gupta and Lord (1998) revealed prominent placement tends to influence people to recall the product mentioned. Jin and Villegas (2007) found different types of product placement impacts consumer recall. Types of product placement include "prominence/subtlety" and "audio only" or "visual only" presentations. Their research indicates those product placements increase the attention of viewers and improve the memory of viewers to recall the product. The result of this research revealed that consumer recall is higher when featured prominently compared to product appearance in television commercials (Jin & Villegas, 2007). Variety of products with high involvement featured in film results in greater brand recall (Pokrywczynski, 2005). He points out high viewing conditions offer the opportunity for more brands to appear in the viewer's sight and draws attention from the audience.

Brand Placement and Consumer Behavior

To understand how product placement affects a consumer's buying behavior, consumers connect the world of movies with their social life (DeLorme *et al.,* 1994). Their buying behavior is affected by their everyday life. How they perceive products placed in movies or how a movie carries out a product strongly affects buying decision. For instance, if ones do not like smoking in daily life, one most probably would ban the idea of cigarette placement in a movie although it occurs with his or her favorite actors (Gould *et al.,* 2000). Many movie product placement studies have been performed in the past twenty years. Baker and Crawford (1996) used a self-completion survey combined with oral questions after participants viewed a movie containing several brands. The study found high levels of aided and unaided recall of product placement. Sixteen percent of the sample reported preference for featured products. There was generally a neutral attitude towards product placement, though viewers recognized it as a type of promotion. While we investigate consumer's behavior towards brand placement, one study showed the level acceptance by consumers towards use of brand placement in media. The research compared audience acceptance towards product placement in the United States, Austria, and France. The results show Americans accepted product placement more readily, and were more likely to report a favorable purchase intentions of placed brands (Gould *et al.,* 2000). Although the research are done within United

States, Austria and France, this research also indicates that these individual variables may be influenced by cultural differences, but their impact may the same or vary on a cross-cultural basics.

Some evidence shows that product placement would be efficacy when using positive positioning and/or linking with an attractive character (McKee & Pardun, 1998). From a movie viewer's perspective, a product that appears with a celebrity actor in a scene can enhance the persuasiveness of the product and placement message. The relationship between character and the placed product, viewer and the character, and interaction between viewer, character and placed product can influence consumers' attitudes toward placed products (Su, H. J., Huang, Y.-A., Brodowsky, G., & Kim, H. J., 2011). This phenomenon is similar to advertising. The product's association with an actor in movie bolsters its credibility, defined as "audience's" perceptions regarding the brand or product (McDonald, 2000). In addition, evidence from Gupta and Lord showed that prominent placement performs better than advertising (Gupta & Lord, 1998). People recognize and recall the brands promoted.

Based on Gould, Gupta and Sonja (2000), consumer behavior is affected by individual differences, also known as non-cultural variables based on factors other than national culture. It is too plays an important role in predicting consumer response to brand placement. These variables include attitudes towards product placement, frequency of viewing movies and gender. This research paper examined for those who have positive attitudes towards placing products in movies, as a promotional tool, have more favorable or positive acceptance toward the specific products mentioned. Those who are resist such product placements reported as less favorable in accept such placement in movies. Those who watch movies more frequently are more favorable in accepting product placement and ethically charged products. Gould, Gupta and Sonja also determined the effects of frequency of movies watched. The theory is based on self-congruity theory. For example, if one watches movies frequently, it is more likely one will like them and aspects of them including product placement. Gould, Gupta and Sonja's (2000) find men have attitudes more favorable towards product placement in movies as accounted for accepting ethically charged products than females. This is because of women are more sensitivity to such products.

Brand Placement and Loyalty

Brand placement is an important medium that can shape the consumer way of thinking, point of view and loyalty (Saladino, 2008). Saladino argues loyalty is important which can help the company maintain market opportunities. Celebrity product placement is one of the ways to influence consumers loyalty towards the product. McKee and Pardun (1998) implied the efficacy of brand placement when combining celebrity or artist with a brand to highlight the value of the product. Indeed, by using the samples or artist, it influences consumer loyalty where the consumer perceives the product as a choice of the celebrity when the celebrity is seen wearing or using the product (Saladino, 2008).

Sadino showed that product loyalty influences the reverse product placement strategy. Reverse product strategy allows consumers to translate the game world back into real life (Edery & Mollick, 2009). For instance the player is given the chance to create their own character's wardrobe. They can also create their own apparel and sell it to others and can place it in their blog or website. This can help the manufacture gain free product placement strategy and consumer loyalty (Saladino, 2008).

Brand Placement Intentions to Buy

Brand placement affects recall and attitude among consumers but marketers must exercise caultion because incongruent and congruent placements have different impacts on consumers (Henrie & Taylor, 2009). Incongruent placements can enhance recall for a visual placement. This is because consumers note the incongruent nature of the placement, start thinking about it, and generate counterarguments. Meanwhile, congruent placements can lead to increasing of consumer persuasion (Wise, K., Bolls, P. D., Kim, H., Venkataraman, A., & Meyer, R. (2008). An example of congruent placement can be gleaned from the 1982 movie, *ET: The Extra Terrestrial*. In the film, Elliott successfully attempts to make friends with the alien by offering him Reese's Pieces; following this brand placement, Hershey reported a 65% increase in the sales of Reese's candy (Wise et al, 2008)

When viewers are exposed to a certain brand in a particular context, it influences memory about the brand message by adding or reinforcing links to the associate memory network (Cornwell, T., Humphreys, M. S., Maguire, A. M., Weeks, C. S., & Tellegen, C. L. (2006). Hence, the context and nature of brand placement may create brand associations that shape brand image. For example, Ray Ban Wayfarers (sunglasses) became hip when Tom Cruise wore them in the Risky Business movie, while Mini Cooper benefitted from its placement in The Italian Job movie.

Further studies convinced one of the goals of brand placement is to obtain attention from the audience to look forward to their placed brand in movie. For example, BMW promoted their new product, the Z3 Roadster, in Golden Eye with dealer promotion before and after the film (Fournier, S. & Dolan, R. J., 1997). The principle of brand placement in cinema is a matter of "placing" a product or a brand in one or more scenes of a film, in one form or another, in return for payment (Steven, 1992). Brand placement must be able to earn attention from the audience because it can create implicit memory in the audience's mind. The brand or product in the movie can automatically convert audience and increase the likelihood of purchase without awareness (Balasubramanian *et al.,* 2006). Therefore, designers and writers brands often use brand as a tools to communicate specific meaning to audiences. More commonly, marketers and creators use movie or television shows to promote their brand.

In addition, positive brand associations can change consumer response by influencing liking and purchase behavior. For instance, the aforementioned boost of Reese's Pieces sales from placement in *ET*. Besides that, when television character Ally McBeal wore Nick & Nora pajamas, the brand witnessed a 35% increase in sales over a 3-year period (Thomas & Kohli, 2011). There is evidence to show that greater recall, increased liking, and higher sales are possible via brand placements, although practitioners are not typically clear on how to achieve these outcomes on a consistent basis.

DATA AND METHODOLOGY

In this section we describe the research framework. Figure 1 indicates the relationship in between Brand Placement and Brand Recall towards brand preference, loyalty and Intentions to purchase.

Figure 1: The Impact of Brand Placement and Brand Recall towards Brand Preference, Loyalty and Intentions to Purchase

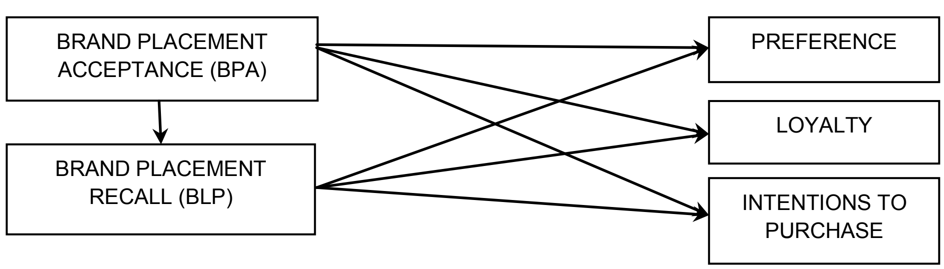

Figure 1: The Impact of Brand Placement and Brand Recall towards Brand Preference, Loyalty and Intentions to Purchase

Therefore, the following propositions and hypotheses emerge. Our research propositions are: 1. Malaysians can accept brand placement in movies. 2. Malaysians can recall brands placed in movies. Our Research Hypotheses are as follows:

H1: Movie viewers' acceptance of Brand placement has a significant influence on Brand Recall.

H2: Movie viewers' acceptance of Brand placement has a significant positive influence on their behavior and attitude toward a brand (preference, loyalty and intentions to purchase).

H3: Movie viewers' brand placement recall has a significant positive influence on their behavior and attitude towards a brand (preference, loyalty and intentions to purchase).

Samples of undergraduate students representing the population of young adults in Malaysia are collected. The questionnaire was administered to a convenience sample of 500 students at Malaysian universities both in the peninsular and Borneo with a response rate of 80%. The questionnaires were distributed to undergraduate students who come to the selected lecture halls. They were asked to complete the survey in their regularly scheduled classes. The subjects were given as much time as needed to complete the questionnaire. A pre-screening of the subjects was undertaken to ensure that no respondent completed the survey more than once. The sample included 40% of male respondents and 53% percent females with the average age of 22 years. The research used self-administered structured questionnaire as research instrument. Definitions of product placement given were on the front page of the questionnaire in the following terms: "The practice of placing brand name products in movies as props is called *product placement."* The respondents asked to rank their reaction of consumer behavior towards the effects of brand placement, by responding to a 5-point scales as well as categorical questions. The scale ranges from (1= Strongly Disagree 2= Disagree 3= Neutral 4= Agree 5=Strongly Agree).

There are three parts in the questionnaire; Part (A) examines the acceptance of independent variable, which involves brand placement perception. Part (B) questions the effects of brand placement towards consumer behaviors, which are brand recall, preference, brand loyalty, and intention to buy. Part (C) examines the characteristic and demographics of respondent. The questionnaire was developed by adapting the instrument used by Morton and Friedman (2002).

RESULTS AND FINDINGS

Table 1: explains the frequency of movie watched within a month and movies watched by ethnicity of students. The results showed that most respondents watch movies 1 – 4 times per month with 52.0 % (n=248).

Table 1: Frequency of Movie Watched

Movies Watches per Month	
1-4 times/ month	52.0 % (n=248)
5-9 times/ month	20.5 % (n=82)
10-14 times/ month	5.8 % (n=23)
Almost everyday	10.0 % (n=40)

This table shows the frequency of movies watched within a month and movies watched by ethnicity of students.

Table 2 shows types of movies preference among students. The results showed that most respondents would prefer more than two choices stated in the list with 55.5 % (n=222).

There are two independent variables, acceptance of brand placement and recall measured by using a series of five-point Likert scale questions. The three variables were preference, brand loyalty and intention to buy. Cronbach's alpha test is used to test the reliability coefficient of the questions for each variable in order to ensure the reliability of the questions used.

Table 3 shows students preference to go with to watch movie. The results showed that most respondents would accompany by friends with 54.3 % (n=217). Table 4 shows the reasons students watch movies. The results showed that most respondents watch movies as entertainment with 41.5 % (n=166).

Table 2: Types of Movie Preference

Romantic Movie	**5.0 % (n=20)**
Action movie	14.5 % (n=58)
Horror movie	6.8 % (n=27)
Comedy movie	14.0 % (n=56)
Others	4.3 % (n=17)
More than two choices stated above	55.5 % (n=222)

This table shows types of movies preference among students.

Table 3: Preference of Person to Go with to Watch Movie

Alone	**5.8 % (n=23)**
Accompanied by friends	54.3 % (n=217)
Accompanied by family	3.3 % (n=13)
Accompanied by boy/ girl friends	9.0 (n=36)
Others	1.5 % (n=6)
More than two choices stated above	26.3 % (n=105)

This table shows students preference to go with to watch movie.

Table 4: Reason to Watch Movies

Entertainment	**41.5 % (n=166)**
Director of the movie	0.3 % (n=1)
Family influence	0.3 % (n=1)
To appreciate effort that put in the movie	1.5 % (n=6)
Peer influence	2.8 % (n=11)
Others	5.8 % (n=23)
More than two choices stated above	48.0 % (n-192)

This table shows the reasons of student to watch movies.

Table 5 explains the reliability analysis using the indication of Cronbach's Alpha for the five variables of study. Section A was the Brand Placement Acceptance items. The reliability of the test was 0.686 on Cronbach's Alpha assessment. For section B (1), the reliability test of the Brand Placement Recall was accepted as the value of Cronbach's Alpha which about 0.798. Section C for Brand Preference, shows the reliability value was 0.848, which indicating the items and combination of the question as one whole section is accepted, and was valid. Section D for Brand Loyalty, the value for the Alpha's analysis is 0.651. Finally, Section E for Intention to Purchase, the reliability value was 0.858. The reliability value exceeding 0.6 for all the variables and its items shows that the items are valid and reliable for further statistical analysis.

The data presented in Table 6 explains viewers agreement of the five research variables based on a five-point scale with the total mean score for each variable. Results show agreement in acceptance of brand placement in movies with a mean of 4.16. This finding shows Malaysians have positive attitudes toward brand placement in movies. Respondents can recall brands placed in movies with mean of 4.35. The mean score for brand preference is 4.18 indicating agreement. Respondents brand loyalty mean is 3.93 = 4.00 (agree) indicating that they are loyal to brands they see in movies. Respondents also have the intention to purchase brands they see in movies with mean of 3.72, which is close to 4.00 indicating agreement.

Table 5: The Cronbach's Alpha for Each Variable

Section	Variables	No. of Item	Cronbach's Alpha
A	Brand Placement Acceptance (BPA)	A1 + A2 + A3 + A4 + A5 + A6 + A7 + A8 + A9 + A10	0.686
B	Brand Placement Recall (BPR)	B1 + B2 + B3 + B4 + B5 + B6	0.798
C	Brand Preference (BPRF)	C1 + C2 + C3 + C4 + C5	0.848
D	Brand Loyalty (BL)	D1 + D2 + D3 + D4 + D5	0.651
E	Intention to Purchase (ITP)	E1 + E2 + E3 + E4 + E5 +E6	0.858

Table 5 explains the reliability analysis using the indication of Cronbach's Alpha for the five variables of study.

Table 7 indicates the correlation between brand placement acceptance and brand recall in movies. The first figure in each cell is the regression coefficient. The second is the t-statistics. * indicate significance at 0.05. The analysis indicates that 44% of the variance of acceptance of brand placement recall in movies is explained by the significant influence on brand recall. At a 5% significant level, with F=79.126; Sig.=.000, the F value shows that the acceptance of brand placement in movies contributed positively to viewer's brand recall. A major objective of this research is to test the impact of brand placement acceptance and recall on Malaysian consumers brand preference, loyalty and purchase intentions. Here a series of multiple regression analyses is used to examine these relationships. Three multiple regression models are estimated as the equation below:

$$V_d = \alpha + \beta_1 i \text{ BPA} + \beta_2 i \text{ BPR} + E,\ _d = {}_{\text{brand preference, loyalty, intentions to purchase}} \quad (1)$$

Table 6: Mean For Total Brand Placement Acceptance, Recall, Preference, Loyalty and Intentions to Purchase

Variables	Mean	Std. Deviation
Brand Placement Acceptance	4.16	0.4573
Brand Placement Recall	4.35	0.6371
Preference	4.18	0.7498
Loyalty	3.93	0.5836
Intentions To Purchase	3.72	0.7031

**Scale: (1) Strong disagree to (5) strongly Agree*

The regression coefficients are presented in Table 8. The first figure in each cell is the regression coefficient. The second figure in each cell is the t-statistics. * indicate significance at 0.05 respectively for Results for Model 1, 2 and 3 are presented in Table 8. All regressions are estimated by ordinary least square (OLS). The dependent variable is preference, loyalty or intentions to purchase. The Collinearity Statistics indicates that all models do not have a collinearity problem with VIF=1.

Model 1: $V_{(Brand\ Preference)} = \alpha + 0.298*_{BPA} + 0.470*_{BPR}$ shows the regression was positively related with Brand Placement Acceptance and Recall. These two independent variables contribute significantly and predict 47.5% of the variation and significant change in viewer's Brand Preference. The same results are found for Model 2 and 3 predicting 39.2% of the variations and significant change in Brand Loyalty and 37.9% of the variations and significant change in Intentions to Purchase. In other words, the consumers' brand preference, loyalty and intentions to purchase for the brands placed in movies is positively related with their acceptance of the placement of the brands and recall of the brands placed in movies.

Table 7: Regression Model between Brand Placement Acceptance and Brand Placement Recall

	Model 1	
Explanatory Variable	**Brand Placement Recall**	
(Constant)	B	t
	6.059	4.822*
Brand Placement Acceptance	0.493	11.302*
R Square	.443	
F-Statistics	79.126	
Sig.	0.000	
Number of Observations	397	

*This table indicates the correlation between brand placement acceptance and brand recall in movies. Note: Significance * at 0.05*

Table 8: Regression Model on Preference, Loyalty and Intentions to Purchase Brand Placements in Movies with Brand Placement and Brand Recall

	Model 1		**Model 2**		**Model 3**	
Explanatory Variable	**Preference**		**Loyalty**		**Intentions to purchase**	
(Constant)	**β**	**T**	**β**	**T**	**β**	**t**
	2.689	6.165	6.286	6.427	4.687	3.150
Brand Placement Acceptance (BPA)	0.298	3.990*	0.148	2.885*	0.127*	2.422*
Brand Placement Recall (BPR)	0.470	9.561*	0.426	8.607*	0.346*	6.614*
R Square	0.475		0.392		0.379	
F-Statistics	75.376		70.588		43.198	
Sig.	0.000		0.000		0.000	
Number of Observations	397		397		397	

*Regression Model on Preference, Loyalty and Intentions to purchase *Note: Significance p at 0.05* respectively*

CONCLUSION, LIMITATION AND FUTURE IMPROVEMENT OF THE RESEARCH

This research examined the effectiveness of brand placement in movies in terms of acceptance and recall on consumer behavior and responses through consumer brand preference, loyalty and intentions to purchase. The result indicates Malaysians have a high level of acceptance and recall for brands placed in movies. The study also reveals the impacts of brand placement in movies are possibly measured through acceptance and recall among Malaysian movie viewers. The five propositions of this research were answered. The result indicated that Malaysian accept product placement more readily and perceive brand placement in movies in a very positive way. These studies have added to the validity of the idea that Malaysian young adult recall product placements in films well in line with the findings of (Babin &

Carder, 1995; Babin & Carder, 1996; Gupta & Lord, 1998; Nebenzahl & Secunda, 1993). This research also indicates consumers' acceptance and recall of brand placement in movies have a substantial effect on their behavior pattern as revealed by the regression analysis showing the variations in preference, loyalty and intentions to purchase those brands seen in movies.

This agrees with the work of Saladino (2008) explaining brand placement as an important medium that can shape the consumer way of thinking, point of view and their loyalty (Saladino, 2008).

This study also determines that brand placement is effective across cultures such as in Malaysia as part of the Asian market. The current research also indicates that product placement offers a new strategic and efficient way to promote brands across culture especially brands from North America through the brand placement in North American movies into the Asian market. These finding contribute to brand managers in the world that brand placement has become a significant marketing tool in reaching the emerging younger generation of consumers. It also indicates that brand placement acceptance and recall plays a vital role in influencing marketing activities, enabling marketers to create impact towards the younger generations brand preference in either a gross or subtle manner.

This research provides a guideline for global brand players in considering marketing activities using commercialized movies as a medium. As long as these brands appear in popular cinema, brand placement will continue to be a desirable area of study. This research is based on the experience of the respondents and answering a close-ended questionnaire rather than a stimulus based experimentation, which gives more room for research reliability. The study was limited to only few Malaysian university students and graduates, so there is some degree of locality to the results. Based on the results, it would be interesting to compare the effects of brand placement in English movies from USA, Asian movies and local movies. This could influence the attitude toward a brand. Some people may favor a brand in the American movies, and others may favor a brand from Asian movies and local movies. Therefore, cultural difference can be important to future researchers. Since the products in this study involved different brands, it would be interesting to discover if domestic and foreign brand placement has any effect on attitude toward a product.

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APPENDIX

List of questions based on research variables

Brand Placement Acceptance

I noticed that is a lot of brands appear in movies I watched.
I accept the existence of brand and product in movies.
The products/brand that appear in movie make me feel that it is another form of advertisement.
The placement in movies provides me information, especially for new products/ brands.
I feel the placement in movies is quite interesting and entertaining
I like it when brand-name products are shown in movies.
Real product should put into movie to make it more believable.
I feel it is disturbing when movies shown are interrupted by brands placement.
Brand placement in movies is an unethical form of advertising.
I feel the brand placement strategy should be restricted.

Brand Recall

I more likely to remember a brand placed in movies than placed in commercial formats (example: advertising).
I can remember what was said by the product that appears in movie/ what was done with the product/ where the product scene located.
I can recall at least one brand placement in the movie I watched on the following day.
I can remember the product / brand placement(s) a few weeks after I have seen the placements.
When a character that I like uses the product in a movie, I am more likely to remember the product.
When I see a particular brand at a store or supermarket that had appeared in a movie, I would think of that placement scene in the movie.

Preference

I look for the brand that appeared in movie after watching it.
I have searched for information about brands after seeing them in movies.
I try the brand that appeared in movie after watching it.
I want to use a brand that using by the attractive character in movies.
I prefer the brands that appeared in movies as my choice in future.

Loyalty

The products that appear in movie changed my feeling toward it. movie to others.
I want to switch product/ brand use in a movie after watching it due to social/ group norms.
I will recommend the product using by me which appeared in movies
I more likely to purchase brand that I think suitable for myself,irrespective of influence of other sources.
I choose to stick to brands I like which less influenced by placements in movie.

Intentions to Purchase

I would purchase brands I have seen in movies.
Brand placements in movies make me want to buy the products being shown.
I started using brands after seeing them in movies.
I stop using the brand that appeared in movie after watching it.
I buy brands I see movie stars using or holding in movies.
I would like to buy the brands that appeared longer in length/ frequency in movies.

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COMPONENTS OF MEDICAL SERVICE USERS' DISSATISFACTION: A PERCEIVED CONTROL PERSPECTIVE

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ABSTRACT

Studies across cultures have consistently reported significant levels of dissatisfaction among medical service users. However, there is a surprising paucity in literature dealing with the nature and structure of dissatisfaction among them. This study attempts to examine the components of dissatisfaction among medical service users. The study utilizes the tripartite characteristics of personal control (Averil 1973) to scrutinize the dissatisfactory medical service incidents. Data were collected from individuals who had experienced varying degrees of dissatisfaction with medical services. Data analysis reveals that medical users' dissatisfaction can be effectively classified into the three types of control proposed. The study also confirms that medical service users' dissatisfaction with medical services is strongly influenced by their perception of low control during the medical service encounters. Managerial implications and future research directions are provided.

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KEY WORDS: marketing, customer dissatisfaction, medical services, perceived control

INTRODUCTION

Contemporary medical practitioners are under constant pressure to deal with a variety of challenges in their environment including deregulation, new technologies, skyrocketing costs, and stiff competition. Hospitals are no longer contended with their traditional role as not-for-profit organizations but have adopted business perspectives for their operation. Market-driven business models developed in commercial sectors have been actively applied to the medical industries to deliver quality service and win customer satisfaction. Patients nowadays are viewed as customers and medical service providers are required to understand and conform to expectations that their clients bring to the service encounters.

In spite of such industry-wise efforts, there is a general tendency that customers of the medical industry experience a high level of dissatisfaction with medical practices. Reports by American Customer Satisfaction Index have indicated that American consumers' satisfaction with medical services has been consistently below median among industries compared over years (Fornell et al. 1996). Such tendency of poor rating on medical services has also been observed across cultures including Canada, South Korea, Sweden, Trinidad and Tobago, Ukraine, among others (Fornell 1992; Lee 2006; Phillips 1996; O'Neil 2009; Yi et al. 1996). Medical services have several characteristics that harbor a potential of dissatisfaction among their customers. Medical services can be characterized as having credence qualities (Darby and Karni 1973), which make their customer have difficulties in evaluating the quality of services before, during, and even after the service encounter. Naturally, customers of medical services were reported to have a high tendency of experiencing powerlessness during their service encounters (Beinstock and Stafford 2006; Lee 2010). It is not a coincidence to observe research findings maintaining that medical service customers have a high propensity to experience negative emotions such as stress, anxiety, and frustration during their interaction with medical service providers (Kolodinsky 1993). Ware and Davies (1983, p. 292) summarized that "consumer behavior in the medical marketplace is substantially related to dissatisfaction with doctors and health care services."

Regardless of such a pervasiveness of dissatisfaction among medical service users, there is a surprising paucity in literature dealing with it. Generalizing findings from literature dealing with customer satisfaction, while available, to the context of customer dissatisfaction may be misleading because dissatisfaction is not simply opposite of satisfaction (Bluel 1990). Although both the credence qualities of services and the structural matters inherent in the medical industry cannot be changed, taking customer dissatisfaction as a natural phenomenon is disturbing. Dissatisfaction with medical service system is related to negative behavioral consequences including an increase in doctor shopping, searching for changes in delivery system, in addition to avoiding the health care system itself (Ware and Davies 1983). A missing piece in the literature seems to be studies focusing on identifying the nature, causes, and cures of customer dissatisfaction with medical service systems.

There are several strategies that may help medical customers overcome their negative emotions, reduce dissatisfaction, and ultimately experience satisfaction. The purpose of this paper is to propose perceived control as a critical factor affecting customer dis/satisfaction. To be specific, it proposes that one of the main causes of dissatisfaction among medical service customers is a lack of perceived control, and empirically examines the effects of the perception of control on customer dissatisfaction. The paper is organized in the following fashion. It first provides a literature review on the concept of perceived control with specific emphasis on dissatisfaction-reducing effects of perceived control. Then, it presents a set of hypotheses, followed by methodology used to test the hypotheses. The results are reported and scrutinized before the conclusions are presented.

LITERATURE REVIEW

Perceived control can be defined as one's perceived competence, superiority, and mastery over an environment (White 1959). Studies in environmental psychology have examined the effects of perceived control on one's stress, performance, satisfaction, and well-being in a variety of environments including workplaces, nursing homes, schools, supermarkets, and so on. One's perception of control over an environmental event is known to produce a number of positive consequences such as self-efficacy, competence, satisfaction, and psychological and physical well-being (Goldstein 1989; Greenberger et al. 1989; Tetrick and LaRocco 1987; Thompson and Spacapan 1991). On the other hand, when one feels no control in dealing with an event, one has a high propensity to experience negative consequences such as depression, burnout, helplessness, dissatisfaction, meaninglessness, and even intention to abuse substances (Greenberger et al. 1989; Melamed et al 1993; Mullarskey et al. 1997; Schat and Kelloway 2000). Literature in marketing also maintains that customers' perception of control mediates their satisfaction/dissatisfaction in dealing with professional services, crowded service environments, fitness services, and self-service technologies (Bateson 1985; Dellande et al. 2004; Hui and Bateson 1991; Lee 2008; Lee and Allaway 2002). Perceived control has been conceptualized by Averill (1973) as being composed of three interrelated beliefs: behavioral, cognitive, and decisional. In the following each type of control is reviewed in conjunction with customer dissatisfaction.

Behavioral control, the most popular conceptualization of perceived control, deals with one's ability to objectively change the nature of an impending event. When one believes that one possesses a set of response (avoid, escape, attack, withdraw, and so on) that can effectively modify the objective nature of an environment that one is dealing with, one's satisfaction with the environment is enhanced. According to this perspective, when one is capable of exercising effective influence over events, things, and persons, one deals with them with more confidence and less concern (Sutton and Kahn 1986). On the other hand, when one feels being incapable of making influences on an event, one has a high propensity to experience role ambiguity, role conflict, helplessness, and dissatisfaction (Barling and Kelloway 1996; Litt 1988; Schat and Kelloway 2000). Thus, a lack of opportunity to exercise influences on one's environment is likely to foster a league of negative consequences including dissatisfaction. For example, Langer and Rodin (1977), in their nursing home experiment, have demonstrated the importance of having an opportunity to make changes in one's environment to one's physical and psychological well-being in that environment. In this context, when a customer of a medical service feels that s/he does not possess any means to take actions against the medical services rendered for them but take whatever is provided by the medical service practitioners, s/he may have a high potential to experience negative emotional consequences including dissatisfaction.

Cognitive control deals with one's perception that one understands and predicts the nature of an impending event. Averill (1973, p. 287) specified that cognitive control is "the way in which an event is interpreted, appraised, or incorporated into a cognitive plan." Studies have reported that it is not necessarily the actual ability to influence (*i.e.*, behavioral control) but a thorough understanding and predictability of the event that makes one to become less averse to a stressor (Miller 1979; Seligman and Miller 1979). Langer and Saegart (1977), in a seminal study involving a crowded supermarket setting, observed a significantly high level of perceived crowdedness, difficulty in shopping, and dissatisfaction with the shopping experience from a group that was not informed about the crowded condition of the supermarket before their shopping, compared to a group that was informed regarding the condition prior to their shopping at that supermarket. From this perspective, one's perception of cognitive control is largely dependent upon the extent to which one feels that one is adequately informed regarding an event that s/he is facing. When one believes that one has a thorough understanding of an impending event, one tends to deal face it with less stress. On the other hand, when one is presented with a potentially stressful event without enough information, one is likely to experience a significant amount of stress, negative emotions, and frustration (Langer and Saegart 1977; Spada et al. 2008). In a medical service encounter, when a customer feels that s/he is presented with the service without being informed adequately, s/he has a high potential to experience risk and stress before, during, and even after the service, making his/her dissatisfaction with the service highly likely.

Decisional control can be defined as one's generalized expectations that one can gain a personally desirable outcome after dealing with an event (Chapman et al. 1985; Skinner et al. 1988; Thompson et al. 1993). In this perspective, control is conceptualized as one's expectation that one's action would produce a personally preferable outcome (Kelley 1955). Even in a situation when neither a set of choices nor information (*i.e.,* neither behavioral nor cognitive control) is provided, one may still maintain a sense of control and perceive less stress when one is certain that one would eventually gain a positive outcome from that situation. For decisional control, Averill (1973, p. 300) explained that "it is not the objective range of choices which determines whether or not a person experiences… control; rather it is the degree to which he agrees or identifies with the choices he does have, no matter how limited." A person's high expectancy for positive outcome from one's action is known to motivate one to exert more cognitive effort in dealing with it (Hill et al. 1987). On the contrary, when one is in a situation where one's expectancy to gain personally desirable outcome is low, s/he has a high potential to experience meaninglessness, stress, frustration, and eventually dissatisfaction with the situation (Boech 1976). Similarly, in a medical service encounter, a customer is likely to have a high chance of experiencing dissatisfaction when his/her expectancy to get the desired medical treatment is low.

HYPOTHESES

This study posits that a high level of customer dissatisfaction with medical services is likely to be associated with the lack of perceived control among medical service users. Characterizing a medical service encounter as an involving, and potentially stressful event, the study attempts to examine the role of perceived control in cultivating customer dissatisfaction. Adopting the tripartite characteristics of perceived control proposed by Averill (1973), a set of hypotheses has been developed to investigate the effects of each type of perceived control on customer dissatisfaction.

Perception of cognitive control over an event essentially deals with the extent to which one understands and predicts the nature of the event. In a service encounter, cognitive control is perceived when we are knowledgeable about the way the service is delivered, and are thus able to anticipate the personal benefits and responsibilities associated with it. Service customers generally prefer to know in advance what they are buying and surprises and uncertainty are not popular (Lovelock 1983). When a customer feels that s/he is inadequately informed about the service being rendered, the customer is not likely to feel cognitive control. In the context of medical services, because the service is rendered by certified professionals with expertise, skill, and experience, most customers would have limited capability of fully understanding medical practices. When a customer has unclear understanding of the specific nature of services during a service encounter, that customer has a high potential to experience dissatisfaction with the services rendered (Surprenant and Solomon 1987). In dealing with a potentially stressful event, one's perception of threat is escalated when one believes that one has been inadequately informed of how to meet the demands caused by the event (Lazarus 1999; Vollrath and Torgerson 2000). Thus, one's inability to develop understanding and predictability (*i.e.*, cognitive control) about the medical services may be one of the main causes of dissatisfaction among medical service customers.

Hypothesis 1: The lower the perception of cognitive control, the greater the customers' dissatisfaction will be.

Behavioral control is perceived when we believe that we are able to exercise influence on the way we interact with an event, which allows us to modify its objective nature (Averill 1973). In dealing with a medical service, a customer may perceive behavioral control when s/he is provided with an opportunity to determine/design the service for her/him rather than uniformly take what is offered by the service provider. In most medical service encounters where medical doctors are under the pressure of processing patients for the sake of operational efficiency, customer's individual preferences are not highly regarded during the service procedure. Because customized offerings, in general, have a positive influence on both perceived quality and satisfaction (Naisbitt 1985; Pine 1993; Vavra 1992), a lack of behavioral control (*i.e.*, a sense of inability to incorporate one's preference into the service interaction) during the medical service encounter is likely to increase the likelihood of fostering dissatisfaction among medical service users .

Hypothesis 2: The lower the perception of behavioral control, the greater will the customers' dissatisfaction be.

People perceive decisional control in dealing with an aversive stimulus when they expect that their action in dealing with that stimulus will result in personally desirable outcomes (Averill 1973; Boech 1976; Kelley 1955). Within a context of medical service encounters, decisional control is likely to be perceived among customers when the use of the medical service is expected to result in personally desirable benefits. When a medical service is evaluated as having personally desirable properties, a patient is likely to sense the instrumentality belief which is known to have a positive influence on one's satisfaction (Gutman 1982; Speng and Olshavsky 1993). On the other hand, when one is not convinced of the usefulness of a medical service (*i.e.*, lack of decisional control), s/he may neither be motivated to exert cognitive effort in learning it nor be willing to cooperate with requests from the service provider. In such a context, the customer is likely to have a higher chance of experiencing dissatisfaction.

Hypothesis 3: The lower the perception of decisional control, the greater the customers' dissatisfaction will be.

DATA AND METHODOLOGY

Data for this study were collected via a self-reported questionnaire administered to medical service customers in Korea. Participants of the study were selected from medical service users who had experienced dissatisfaction with a medical service practice during the last year. The questionnaire was composed of three sections: independent measures (*i.e.*, perception of each types of control), dependent measures (*i.e.*, dissatisfaction), and demographics. A seven-point Likert scale was used as a response category for independent measures. Cognitive control was measured by using a five-item scale, which includes the medical service customers' understanding, capability of predicting, familiarity with the medical service procedure, and ability to tell strengths and weaknesses of the medical services providers. Behavioral control was incorporated into the questionnaire by using a five-item scale that includes the ability to exert influence on the service procedure, the availability of choice in service selection, the availability of exercising influence on administered service, and the availability of trying out services before taking them. Decisional control was measured by a five-item scale, addressing the desirability of being served by the service provider, perceived benefits of the medical services, appropriateness of costs, and overall efficiency. The dependent measure (*i.e.*, dissatisfaction) was measured by using a 4-point scale ranging from 1 (not dissatisfied at all) to 4 (extremely dissatisfied).

Table 1: Demographic Characteristics of the Sample

		Frequency	Percentage
Gender	Male	70	49.6
	Female	71	50.4
Age	25 and younger	28	19.9
	26-40	60	42.6
	41-55	35	24.9
	56 and older	18	12.8
education	high school graduate or less	38	26.9
	Some college education	34	24.1
	College graduate	60	42.6
	Postgraduate education	9	6.4
incolme	Less than $20,000	40	28.4
	$20,000 – 49,999	76	53.9
	$50,000 – 99,999	15	10.6
	$100,000 and over	4	2.8
	Missing	6	4.3

A total of 141 useable responses were collected. Characteristics of the survey participants are summarized in Table 1. A review of demographic characteristics of the sample was performed by a hospital administrator who confirmed that the sample appropriately represented the medical service users.

RESULTS

A preliminary data analysis was conducted to examine the measurement properties of scales used in this study. Measurement properties were evaluated by examining reliability, convergent validity and nomological validity. Reliability of the scale for cognitive control, behavioral control, and decisional control was 0.74, 0.76, and 0.80, respectively, deemed to be appropriate for an exploratory study (*cf.* Nunnally, 1967). One item pertaining to the behavioral scale was removed because it was cross-loaded over both behavioral control and decisional control. The remaining items of each construct had significant factor loadings greater than 2, indicating significant convergent validity (Anderson and Gerbing 1988). Constructs used in this study were estimated to be consistent with pertinent theories and findings in existing marketing and psychology literature, as evidenced by the significant correlations among the three independent variables. In summary, the measures used in this study were deemed to have adequate measurement properties for theory testing. For the hypothesis testing, average scores of items making up the constructs were used. The results of hypotheses testing are summarized in Table 2.

Table 2: Effects of Perceived Control on Dissatisfaction

	Standardized Beta (T)	Hypothesis
cognitive control	-0.323 (-3.56)*	supported
behavioral control	0.327 (3.28)*	not supported***
decisional control	-0.211 (-2.15)**	supported
adjusted r^2	0.37	

*: $p < 0.01$ **$p < 0.05$ *** statistically significant, yet the direction is opposite

Table 2 shows the regression estimates of the equation:

$$Dissatisfaction = \beta_0 + \beta_1(Cognitive\ Control) + \beta_2(Behavioral\ Control) + \beta_3(Decisional\ Control). \quad (1)$$

Ordinary Least Squares estimates were obtained. The results are presented in Table 2. The first figure in *Standardized Beta* column represents the standardized beta of each independent variable while the figure in the parenthesis shows the *t*-statistic. The last column presents the result of the hypothesis testing. The signs of * and ** indicate the significance of the *t*-statistic at .01 and .05, respectively.

The results imply that dissatisfaction experienced by medical service customers was significantly affected by the lack of both cognitive (H_1) and decisional control (H_3). Surprisingly, their dissatisfaction was negatively affected by their perception of behavioral control (H_2). Although all three types of perceived control are known to reduce stress dealing with a stressful event, the regression analysis suggested that the data failed to support that behavioral control has a significant influence on a customer's dissatisfaction with medical services.

Table 3: An Examination of Group Difference on Dissatisfaction and Perceived Control

	Gender			Income		
	Male	**Female**	***(t)***	**Low**	**High**	***(t)***
dissatisfaction	2.46	2.44	(.17)	2.49	2.31	(.98)
cognitive control	3.99	3.72	(1.59)	3.84	3.80	(.15)
behavioral control	3.37	3.56	(-1.02)	3.53	3.24	(1.12)
decisional control	3.45	3.47	(-.08)	3.53	3.04	(1.84)

This table shows an examination of group differences on dissatisfaction and perceived control.

To further scrutinize the nature of the dissatisfaction, two waves of *t*-tests were additionally performed to see if there were any differences in terms of dissatisfaction, cognitive control, behavioral control, and decisional control across important demographic variables such as gender and income (Table 3). As expected, there were no meaningful differences between male and female users, nor were there discrepancies between high and low income individuals in terms of both dependent and independent variables, indicating that both the extent of dissatisfaction and the perception of control were homogeneous across the groups. Thus, the findings of the study can be generalized into a larger population with less restriction in terms of demographic variables.

DISCUSSION

The findings of this study suggest that perceived control is an important factor in affecting the extent of dissatisfaction. A questionnaire survey involving those who have experienced dissatisfaction with their medical service providers reveals the significant influence of perceived control on their dissatisfaction. Results of the regression analysis indicate that the low level of perceived control cultivates dissatisfaction among medical service users. This finding is consistent with literature in psychology that notes the mediating role of perceived control in dealing with a potentially stressful event.

As far as the effects of the three types of perceived control on dissatisfaction are concerned, cognitive control and decisional control, but not behavioral control, were found to have significant influences. The most important control factor affecting dissatisfaction is found to be the cognitive control. The medical service users were found to be concerned about receiving adequate information before they receive the service; otherwise the extent of their dissatisfaction would go up. In addition, decisional control is found to be an important variable affecting the extent of dissatisfaction. The mindset that one is not likely to receive personally desirable service seems to lead one to indeed experience dissatisfaction.

Behavioral control, one's belief that one can effectively modify the nature of the event, however, was found to have a negative influence on customer satisfaction. The regression analysis indicates that one's perception of behavioral control increases the extent of one's dissatisfaction with medical service practices. This phenomenon can be interpreted as heightening behavioral control (*e.g.*, asking them to choose one among alternative means to obtain the medical service, inviting patients' opinion on selecting the type of medical services, and so on) makes one feel uncomfortable and dissatisfied. In a medical service encounter, the availability of a large choice of assortments may have little to do with a customer's sense of control, confidence, and satisfaction (Chernev 2003; 2006).

CONCLUDING COMMENTS

The medical service sector is going through a significant transformation as medical service users are viewed as customers, and their satisfaction becomes an important strategic goal. Regardless, research findings consistently indicate that customers of medical services have a tendency of experiencing dissatisfaction. Such a tendency of dissatisfaction with medical services is known to result in behavioral consequences that are not desirable either personally or socially. While seemingly important, there has been limited attention in literature addressing customer dissatisfaction in medical services sector. This research represents a response to such needs. The significant relationship between perceived control and dissatisfaction among medical service users should provide important managerial implications and an impetus for future research. Dissatisfaction experienced by medical service customers was found to be largely affected by the lack of cognitive and decisional control. Administrators of medical service institutions need to pay attention to such psychology of their customers and provide service arrangements enhancing perceived control among medical service users.

Findings from this study would suggest several research venues. First, it would benefit to study strategies that medical service users may employ to reduce their chance of experiencing dissatisfaction. Research pursuits for identifying factors enhancing perceived control among medical service users are highly expected. Second, it would be interesting to study coping strategies adopted by medical service users before and after experiencing dissatisfaction. Third, a more thorough understanding of the role of perceived control and dissatisfaction is likely to be achieved by incorporating the service providers' perspectives. Finally, there is a need to incorporate the interaction among goal attainment, perceived control, and dissatisfaction. Just as the fairness of officiating in a ball game is perceived differently whether one's team has won or lost, the effect of the lack of perceived control on customer dissatisfaction may be escalated when a customer did not get the desired treatment or vice versa.

In conclusion, this article presents a perspective in diagnosing dissatisfaction involving medical services. Although the literature on services marketing has made significant progress over years in furthering our understanding on service exchange, dissatisfaction among medical service users has been receiving limited attention. There are high expectations of future research that would enhance our understanding of the psychology, behavior, dis/satisfaction among medical service users.

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PREFERENCES FOR PERFORMANCE BASED EMPLOYEE REWARDS: EVIDENCE FROM SMALL BUSINESS ENVIRONMENTS

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ABSTRACT

Rewarding and motivating employees is extremely important to organizations because employees are a critical resource for success. The primary objective of this study was to determine if there are gender based employee preferences for performance rewards in small business environments. The study was conducted using surveys provided to employees and supervisors at small business establishments in Western New York State. The employee survey asked subjects to rank motivational items, situational reward/consequences, and social and economic aspects of work environments based on their preferences. The survey provided to supervisors asked them to rank the same items based on what they thought their employees would prefer. The results of the study indicated that there was no significant difference between male and female employees in terms of reward and motivational preferences. However, there were differences between what supervisors thought employees wanted and what employees actually valued. This study included results from 135 employee and 28 supervisor surveys were distributed, with 100 (74%) employee and 18 (64%) supervisor surveys returned. The results of this study indicate that social rewards were more valuable than economic rewards that would be valuable to small business owners and managers to develop programs to reward and motivate their employees.

JEL: M10

KEYWORDS: Small Business, Rewards, Gender, Employee, Manager

INTRODUCTION

Employees are a critical resource for small business owners and managers. They need to be motivated and rewarded so they recognize how vital they are to the organization. This in turn will inspire employees to contribute to the company's ability to grow and expand; increasing retention and decreasing turnover. However, small businesses typically have limited resources for providing incentives and performance rewards for their employees. The opportunity for an employee's advancement may also be constrained in a small business because there is typically no organizational chart or corporate ladder to climb.

The combination of a small business owner's limited resources and their dependence on highly motivated employees makes it extremely important that the employer provide incentives and rewards that the employee values. Understanding gender influences in this respect can assist in developing reward and incentive programs that are of value to the employee. According to Thomas (2009), extrinsic rewards; such as salary is a significant motivator for workers. In the same thread, unfair salary can be a strong de-motivator to employees. There have been several studies conducted over the past 50 years that explored the differences between male and female perceptions regarding work satisfaction, work-related rewards and values (Kovach, 1995; Marini, Fan, Finley, and Beutel, 1996; Mottaz, 1986; Ross and Mirowsky, 1996; Schul, Remington, and Ben, 1990). This topic was first considered due to the increase in the number of females in the workforce during the post-World War II era. During the feminist movement of the 1960's and 1970's, the driving force behind these studies was the lower-paying positions afforded to most females. As women continued to attain higher level positions and commensurate higher pay, the focus shifted to potential differences in leadership styles of female managers in contrast to their male counterparts, as well as motivational factors for female employees as compared to those for males. The primary objective of this study was to determine if there are gender based employee preferences for performance rewards in small business environments.

All of the studies referenced focused on larger companies or specific sectors of industry. There is limited research that looks at how gender influences employee preferences for performance rewards and motivational incentives in the small business environment. In addition, the information available is not current with the most recent studies occurring during the late 1990's. Since small business as a vital part of the United States (US) economy, additional current data to assist small business owners and managers related to reward programs is needed. The remainder of the paper is organized as follows. In section one, we discuss the relevant literature. Section two discusses the data and methodology utilized for the survey, data collection and data analysis. Section three presents the survey results. The paper closes with a discussion of some organizational implications related to employee rewards.

LITERATURE REVIEW

In evaluating intrinsic and extrinsic rewards, organizations need to understand that "to change employees' behavior and motivate them to improve their performance, you must influence their perception of how you reward them for their behavior and performance" (Bragg, 2000). The relationship between what employees (of either gender) value and consider motivational versus what supervisors believe should motivate the employee is also important to consider. Kovach (1995) compared results of three surveys distributed to industrial employees concerning employee and supervisory rankings of ten motivational items. This study was originally conducted in 1946, repeated in 1981, and conducted again in 1995. Differences were noted in the rankings for employees between 1946 and 1995, as shown in Table 1. In 1946, US citizens had recently experienced a depression and war. In 1995, after 35 years of relative prosperity, the list of what workers wanted from their work had changed significantly.

Table 1: Results of Study Surveying Employee Rankings of Ten Motivational Items (1946 and 1995)

1946	1995
1. Job Security	1. Good Working Conditions
2. Good Wages	2. Job Security
3. Good Working Conditions	3. Good Wages
4. Full Appreciation of Work	4. Full Appreciation of Work
5. Promotion & Growth in the Organization	5. Personal Loyalty to Employees
6. Personal loyalty to employees	6. Promotion & Growth in the Organization
7. Interesting work	7. Interesting Work
8. Tactful Discipline	8. Tactful Discipline
9. Feeling of Being in on Things	9. Feeling of Being in on Things
10. Sympathetic Help with Personal Problems	10. Sympathetic Help with Personal Problems

This table shows a comparison between the 1946 and 1995 surveys. The data from 1946 reports "job security" as most important to employees, where the 1995 survey reports that employees rank "good working conditions" as most important to their job satisfaction.

As part of the same survey, supervisors were asked to rank the list of job rewards as they believed the employees had ranked it. There was virtually no change in the responses from the 1946, 1981, and 1995 surveys. The supervisor rankings were:

1. Good wages
2. Job security
3. Promotion and growth in the organization
4. Good working conditions
5. Interesting work
6. Personal loyalty to employees
7. Tactful discipline

8. Full appreciation of work done
9. Sympathetic help with personal problems
10. Feeling of being in on things.

Based on the responses from the supervisors and employees, it was clear that there was a significant disconnect between what employees valued and what supervisors believed employees valued. It appeared that rewards and incentives supervisors offered did not correspond with what workers desired. Kovach (1995) also looked at several subgroup comparisons, including male versus female responses. He found that there was no significant statistical difference in the ranking of rewards found between men and women. In terms of the actual ranking of values, females ranked "full appreciation of work" in first place while men ranked it in second place. "Sympathetic help with personal problems" was ranked seventh by females and tenth by males. The author suggested that female employees may place greater importance on interpersonal relationships and communication than male employees. The conclusion drawn by Kovach (1995) was "Employee motivation is a key factor in determining long-term employer success levels. Yet, ironically enough, it is an area overlooked by many organizations . . . in most organizations, the time to address this issue was yesterday" (p. 107).

Schul, Remington, and Ben (1990) examined potential gender differences in an industrial sales force and the relationship between a set of supervisory behaviors (i.e. reward and punishment behaviors) and three key performance outcomes: job satisfaction, organizational commitment, and work motivation. Work motivation was analyzed in terms of extrinsic and intrinsic motivation. The influential factors for extrinsic motivation included money, promotions, and praise from a supervisor. Intrinsic motivation came from the satisfaction a person gets from the task itself, or in completing the task successfully. Schul et al. (1990) found that for both males and females, supervisory contingent reward (CR) behavior positively affected job satisfaction and organizational commitment. Supervisory CR behavior consisted of giving praise, recognition, and acknowledgement to employees based on effective performance of the task. CR behavior positively influenced females' extrinsic work motivation, but had no effect on either the male salespeople's extrinsic work motivation or the intrinsic work motivation of either gender.

According to Schul et al. (1990) non-contingent reward behavior had no effect on male or female salespeople's' job-related outcomes. This type of behavior (granting of approval and recognition without making it contingent on performance) was not viewed as overly negative by either male or female respondents. The authors also found that contingent punishment positively influenced male salespeople's' extrinsic and intrinsic work motivation, while it had little effect on females. However, supervisory non-contingent punishment negatively influenced male salespeople's' job satisfaction, work motivation and organizational commitment, with only limited effects on female salespeople's' work-related attitudes. The authors believed that when a manager exhibits arbitrary behavior (non-contingent reward and/or punishment), the employee's identification with the job, relationships with people on the job, and the organization were weakened. Ultimately, the study conducted by Schul et al. (1990) identified more similarities than differences among male and female industrial salespeople in terms of how they respond to supervisory reward and punishment behavior.

Mottaz (1986) conducted a study that focused on the following related issues: (a) the extent that men and women differ in overall work satisfaction, (b) possible gender differences in perceived work rewards, (c) possible gender differences in work values, and (d) possible gender differences in the determinants of work satisfaction. Based on his study, Mottaz (1986) concluded that there was no significant difference between men and women in their rating of overall work satisfaction. With regard to work related values, men assigned greater importance to promotional opportunities while women regarded task involvement along with friendly and supportive supervision as more important. He also found that there was a difference in the determinants of work satisfaction for men and women. For men, task autonomy was a significant predictor of overall work satisfaction; for women friendly and supportive relationships with supervisors were significantly more powerful determinants. However, he qualified the results of his study with the following statement, "It is clear that the pattern of gender differences in work is considerably influenced by the type and sample studied and the area of work considered" (p.374).

Ross and Mirowsky (1996) conducted a study to examine interpersonal work rewards as potential alternatives to economic rewards. The purpose of the study was to determine if the theory of compensating differentials, which was used to explain why women choose jobs that pay less, was valid. The theory suggested that subjective utility, measured as psychological well-being and personal control of earnings, was greater for men, whereas interpersonal rewards were of greater importance for women. The researchers tried to understand if non-economic rewards, rather than earnings, contributed significantly to the work satisfaction of women, knowing working women earn approximately 70% of the salary of working men. According to the theory of compensating differentials, the employer must offset the negative effect of working conditions with sufficient pay to make the overall utility of the job positive for men. However, because women were willing to accept lower paying jobs, it was believed that these jobs must offer benefits other than high pay. It was concluded that men must value money more than women if the theory is true. However, the results of the authors' study did not support the theory of compensating differentials. Their study found that men and women valued pay equally highly, and that men and women agreed on the characteristics of a good job. Both men and women ranked the feeling of accomplishment, high income, chance for advancement, job security, and short working hours identically (most to least preferred). They also concluded that women value money slightly more than men, not less; men value fewer work hours slightly more than women, not less. Ross and Mirowsky (1996) concluded that although women did not value economic rewards less or noneconomic rewards more than did men, women get economic rewards less and noneconomic rewards more than men do. Compared to men, women received more appreciation for their work and more recognition from others while getting lower earnings.

Marini, Fan, Finley and Beutel (1996) conducted a study to explore the premise that males and females differed in the rewards they sought from work and these differences in job values had implications for gender differences in occupational attainment. In their study, Marini et al. (1996) examined gender differences in the job values of US high school seniors from 1976 to 1991. Based on the research, the authors found that intrinsic rewards were the most important job attribute for both sexes. Neither sex sought to maximize extrinsic rewards, including earnings, irrespective of other job attributes. One of the gender differences noted was that intrinsic, altruistic, and social rewards of work were valued more highly by young women than by young men. Females attached greater importance to jobs that provided an opportunity to be helpful to others, and jobs they felt were worthwhile to society, than did males. The authors also found a significant gender difference in the importance of social rewards. Females placed a higher value on a job that provided an opportunity to make friends, and a job that permitted interaction with many people, than did males.

Marini et al. (1996) also found that young men attached greater importance to leisure-related aspects of jobs than young women did. Young men preferred jobs that left plenty of time for non-work-related activities; jobs that offer more than two weeks vacation, jobs with an easy, slower pace, and jobs with minimal supervision by others. The studies regarding motivational factors and potential differences for female and male employees have produced mixed results. Some of the studies found virtually no difference based on gender (Schul et al., 1990; Ross and Mirowsky, 1996). Other studies found that women tended to be more socially oriented with regard to rewards and incentives, while men tended to be more interested in power, status, autonomy, and leisure time (Mottaz, 1986; Marini et al., 1996). The somewhat inconsistent results of the studies may be based on several factors, including the type of participants in the study (high school students, professionals, blue or white collar workers), and the type of industry studied (industrial sales force, universities, health care, public grade schools, law enforcement, factories, financial services, banking). The results also varied based on the time period in which the studies were conducted (from 1976 through 1996). Cultural changes during these time periods may have significantly influenced the results of the studies.

As can be determined from the existing literature, not only have the studies of gender influences on reward and motivational preferences provided mixed results, but there is a notable lack of recent research in this area, limiting the applicability of early research in today's workplace. Further, the subjects used in the research were primarily from large companies or institutions. It is not clear if the results and conclusions presented in these studies will hold true in the small business environment. All of the studies referenced focused on larger companies or specific sectors of industry. There is limited research that examines how gender influences employee preferences for performance rewards and motivational incentives in the small business environment. In addition, the majority of information available is not current. While small business is a vital part of the US economy, more current data to assist small business owners and managers with reward programs for their employees is needed. It is clear that additional research is needed in the area of gender preferences for rewards in the small business environment. Since the resources available to small businesses are more limited than for larger organizations, a better understanding of the effect of gender on reward and incentive preferences may assist with the development of a targeted and effective reward and incentive program for employees.

DATA AND METHODOLOGY

The primary objective of this study was to ascertain if gender influenced employee preferences for rewards and motivational incentives in the small business environment. For this research study, small businesses consisted of businesses of 250 or fewer employees. A secondary goal was to determine whether or not managers and supervisors of small businesses understand what their employees' value in terms of rewards and incentives. Data analysis was completed utilizing averages, rankings, and two-sample t-tests.

Data was collected through the use of surveys provided to males and females employed by small businesses in Western New York State. The surveys were distributed utilizing two methods; an e-mail link allowing the subject to complete the survey on-line and a hard copy given directly to subjects, collected, and returned to the researcher. No information was requested that would denote subjects' personal information, both methods assured the anonymity of the subjects. Two separate surveys were used, one for employees and another for supervisors. The surveys were divided into four sections: (a) general demographic information, (b) ranking of job reward factors using the survey employed by Kovach (1995), (c) situational ranking of reward/consequences, and (d) scalar ranking of responses to work related statements. The purpose of the sections was to determine the subject's general preferences regarding performance rewards and the work environment. Although the surveys were very similar, the survey provided to the employee was answered from the employees' perspective (i.e. what the employee preferred).

The surveys provided to the supervisors were answered based on what the supervisor believed the employee preferred. The use of two types of surveys allowed comparison between what employees preferred and what supervisors thought the employees wanted. The first section of the supervisor survey (general demographics) provided information about the subject's sex, age range, and the number of employees at the respondent's company. Subjects working at companies with more than 250 employees were excluded from the survey because they were deemed to work for medium or large size corporations, which is outside the scope of this study. This section also provided for determining if gender influenced preferences for rewards and incentives. The second section of the survey asked respondents to rank job reward factors based on importance to the employee, or based on what the supervisor thought would be most important to their employees. This portion of the survey was based on studies conducted previously (Kovach, 1995). The purpose of this section was to compare the results to the previously published study and confirm the validity of the results to the current work climate. The third, or situational, section of the study provided specific work-related examples of positive and negative situations, and asked the subject to rank the suggested rewards and consequences, respectively. This section was intended to provide preference data on identifiable rewards for a particular situation to determine if gender influenced the type of reward or consequence preferred. The final section of the survey provided statements about the work environment and asked the subject to rate the degree to which they disagreed or agreed with the statement. The statements were directed towards the social and economic aspects of the work environment to determine if there was a preference based on gender.

RESULTS

A total of 135 employee and 28 supervisor surveys were returned to the researchers. After initial review of the submitted surveys was completed, 100 (74%) employee and 18 (64%) supervisor surveys were determined to be complete and usable for this research paper. The remaining surveys were deemed unusable due to missing information or multiple answers (where one answer was requested). The employee respondents were 55% female and 45% male, while the ratio for supervisors was 50% female to 50% male. The ages ranged from 18 – 69 years old for the employees and 40 – 69 years old for supervisors. While the sample sizes are too small to make statistically sound judgments, several insights can still be gained. The data was analyzed in a similar manner as the 1946 data to allow for comparison.

The results of the employee ranking of job reward preferences based on importance are provided in Table 2. Employees (male and female), when totaled, ranked job security as the most important job reward and sympathetic help with personal problems the least important. Comparing male and female rankings, females noted "good working conditions" as most important and male respondents noted "job security as most important. Both males and females noted "sympathetic help with personal problems" as least important.

Table 2: Results of Survey of Employee Rankings of Ten Motivational Items Based on Importance

Total	Female	Male
1. Job security	1. Good working conditions	1. Job security
2. Good wages	2. Job security	2. Good wages
3. Good working conditions	3. Good wages	3. Promotion & growth in the organization
4. Full appreciation of work	4. Full appreciation of work	4. Full appreciation of work
5. Promotion & growth in the organization	5. Personal loyalty to employees	5. Good working conditions
6. Personal loyalty to employees	6. Promotion & growth in the organization	6. Interesting work
7. Interesting work	7. Interesting work	7. Personal loyalty to employees
8. Tactful discipline	8. Tactful discipline	8. Feeling of being in on things
9. Feeling of being in on things	9. Feeling of being in on things	9. Tactful discipline
10. Sympathetic help with personal problems	10. Sympathetic help with personal problems	10. Sympathetic help with personal problems

This table shows the results of the survey completed in 2011 by the researchers regarding the employee rankings of ten motivational items based on importance. 1=most important and 10=least important. Female respondents ranked "good working conditions" as most important, males reported "job security" as most important. Both males and females ranked "sympathetic help with personal problems" as least important as a motivational factor.

The results of the supervisors' ranking of what they believe was most important to employees are presented in Table 3. The supervisors' believed their employees would consider good wages to be most important and sympathetic help with personal problems least important. Comparing this to the results in Table 1, supervisors were incorrect in their ranking of what motivated employees in all areas except for the tenth ranking for males, "sympathetic help with personal problems". However, when comparing male and female employees, their rankings were very similar. In evaluating the data from all of the survey questions, this held true; that male and females ranked items in a similar manner. This was not what was expected when the research was begun; the researchers expected significant differences in male and female respondents. The differences between what the "employees", as a whole, and what the supervisor "thought the employees wanted" was determined to be the difference in this research.

Table 3: Results of Survey of Supervisor Rankings of Ten Motivational Items Based on What They Believed Would be Important to Employees

Total	Female	Male
1. Good wages	1. Good wages	1. Good wages
2. Good working conditions	2. Full appreciation of work (tie with 1)	2. Good working conditions (tie with 1)
3. Promotion & growth in organization (tie with 2)	3. Promotion and growth in organization	3. Job security (tie with 1)
4. Full appreciation of work	4. Good working conditions	4. Promotion and growth in the organization
5. Job security (tie with 4)	5. Interesting work (tie with 4)	5. Feeling of being in on things
6. Personal loyalty to employees	6. Personal loyalty to employees	6. Personal loyalty to employees
7. Feeling of being in on thing	7. Job security (tie with 6)	7. Full appreciation of work (tie with 6)
8. Interesting work	8. Tactful Discipline	8. Tactful discipline
9. Tactful discipline	9. Sympathetic help with personal problems (tie with 9)	9. Interesting work
10. Sympathetic help with personal problems	10. Feeling of being in on things	10. Sympathetic Help with Personal Problems

This table shows the results of the survey of supervisor rankings based on what they believed would be important to employees. 1=most important and 10=least important. The "total" panel shows the "average" results from both male and female respondents. Supervisors reported in the survey that they thought "Good Wages" were most likely to motivate both male and female employees in the workplace.

Supervisors were asked to rank the same rewards based on what they believed their employees would want most. There were differences in the rankings between females and males as shown in Table 4. Both male and female supervisors believe a verbal thank you would be the most important to employees, and employee of the month would be the least important. The primary differences between male and female responses were in the middle rankings of the other rewards. Consequences based on a specific situation were ranked by employees. Males and females ranked the consequences identically.

Table 4: Supervisors' Rankings of Employee Rewards Based on What the Supervisor Thinks the Employee Would Want

Total	Female	Male
1. A verbal thank you	1. A verbal thank you	1. A verbal thank you
2. $25 gift card	2. Recognition and/or praise in front of their co-workers	2. $25 gift card (tie with 1)
3. Extra $25 in their next paycheck (tie with 2)	3. Extra $25 in their next paycheck	3. Extra $25 in their next paycheck (tie with 1)
4. Recognition and/or praise in front of their co-workers (tie with 2)	4. $25 gift card (tie with 3)	4. Recognition and/or praise in front of their co-workers
5. Employee of the month	5. Employee of the month (tie with 3)	5. Employee of the month

This table's first column shows the reward that ranked highest as to what the supervisor expected that employees would want as their highest ranked reward. 1 is ranked as highest, 5 as least. The second and third columns, respectively, indicate what the supervisor ranked as highest to lowest by gender.

Supervisors ranked consequences for the same situation based on what they believed the employee would find most appropriate. The results of this ranking are noted in Table 5. Both male and female supervisors believed that "a private conversation between the supervisor and the employee" would be most appropriate. However, females ranked "you should do nothing" last whereas males ranked that option third. Males ranked "public reprimand (in front of co-workers)" as the least appropriate consequence.

Table 5: Supervisors' Rankings of What Employee Thinks the Most Appropriate Consequence Would be Based on a Specific Situation

Total	Female	Male
1. Private conversation between you and the employee	1. Private conversation between you and the employee	1. Private conversation between you and the employee
2. One day suspension without pay	2. One day suspension without pay	2. Sarcastic comment about inability to be on time
3. Public reprimand (in front of co-workers)(tie with 2)	3. Public reprimand (in front of co-workers)(tie with 2)	3. You should do nothing
4. Sarcastic comment about inability to be on time (tie with 2)	4. Sarcastic comment about inability to be on time	4. One day suspension without pay
5. You should do nothing	5. You should do nothing	5. Public reprimand (in front of co-workers)(tie with 4)

This table shows what the supervisor believes the most appropriate consequence based on specific situation. This table's first column shows the consequence that ranked highest as to what the supervisor expected that employees would utilize or expect as a consequence. 1 is ranked as most expected, 5 as least. The second and third columns, respectively, indicate what the supervisor ranked as highest to lowest by gender.

The degrees to which employees disagreed or agreed with statements related to the work environment are provided in Table 6. Two-sample t-tests were also completed comparing these same questions related to male and female responses to agreement or disagreement with the statements related to the work environment. The results are provided in Table 6.

Table 6: Employees Disagreement or Agreement with Statements Related to the Work Environment

Statement	Female	Male	t Statistic
I should be able to confide in my boss about personal and business issues	3.65	3.82	0.797
I would be willing to earn less money to take a job that offers more interesting work	3.53	2.53	-4.867***
If my boss would listen to my ideas, we could improve the way we do things around here	3.42	3.42	2.552*
Recognition from my boss for a job well done is important to me	3.96	4.40	.577*
My boss should leave his/her personal problems at home when he/she comes to work	3.16	4.07	4.338***
I will keep a job that I don't like if I am making good money, rather than take a job where I don't make as much money that I would enjoy more	2.98	3.29	1.611
My co-workers should leave their personal lives at home	3.18	3.60	2.199*
I can do my job better when my boss leaves me alone	3.55	3.64	0.592

*This table shows employee agreement or disagreement with statements related to their work environment. The "Female" and "Male" columns show the rate of agreement to the statement by gender. P(T<t)two-tail results: *p<.05, **p<.01, and ***p<.001.*

There were some significant differences between female and male responses, especially with regard to the supervisor leaving his/her personal problems at home. The results of supervisors' responses to similar questions are made available in Table 7. All of the supervisors strongly agreed with the statement "I listen to my employee's ideas, to improve the way the job gets done." There were variations in how male and female supervisors responded to the other statements in the survey. Two-sample t-tests were also completed comparing these same questions related to boss/supervisor responses in regard to agreement or disagreement with the statements related to the work environment. The results are provided in Table 7.

Table 7: Supervisors' Disagreement or Agreement with Statements Related to the Work Environment

Statement	Female	Male	t Statistic
My employees should be able to confide in me about personal and business issues	4.56	4.56	0
I would be willing to earn less money to take a job that offers more interesting work	3.44	2.56	-2.971**
I listen to my employees ideas, to improve the way the job gets done	5.00	5.00	****
It is important to provide recognition to employees for a job well done	4.56	4.89	-1.604
My employees should leave his/her personal problems at home when he/she comes to work	3.89	4.11	0.970
Employees will keep a job they don't like if they're making good money, rather than take a job for less money, but they would enjoy it more	.67	4.33	0.031
Leaders/supervisors/bosses should leave their personal lives at home	3.44	4.33	2.359*
Employees do a better job when they have direct supervision from their supervisor/boss/leader	3.78	4.22	1.249

*Note. Rating on a scale from 1 to 5 where 1 = strongly disagree, 2 = somewhat disagree, 3 = neutral, 4 = somewhat agree, 5 = strongly agree. Results shown are an average of the survey results. This table shows employee agreement or disagreement with statements related to their work environment. This table shows employee agreement or disagreement with statements related to their work environment. The "Female" and "Male" columns show the rate of agreement to the statement by gender. P (T<t)two-tail results: *p<.05, **p<.01, ***p<.001, and ****no varience in samples.*

Table 8 provided a comparison between results obtained from the 1995 Kovach study and the surveys obtained in the surveys for this paper that noted the employee rankings of ten motivational items. The results present the response (1=most important and 10=least important). This provides a direct comparison from year to year.

Table 8 Results of Study Surveying Employee Rankings of Ten Motivators

1995	2011
1. Interesting work	1. Job security
2. Full appreciation of work done	2. Good wages
3. Feeling of being in on things	3. Good working conditions
4. Job security	4. Full appreciation of work
5. Good wages	5. Promotion and growth in the organization
6. Promotion and growth in the Organization	6. Personal loyalty to employees
7. Good working conditions	7. Interesting work
8. Personal loyalty to employees	8. Tactful discipline
9. Tactful discipline	9. Feeling of being in on things
10. Sympathetic help with personal	0. Sympathetic help with personal problems

Note: Adapted from "Employee Motivation: Addressing a Crucial Factor in Your Organization's Performance" by K.A. Kovach, 1995, Employment Relations Today, 22, p. 93

Again, Table 9 provides results from the Kovach (1995) study and the research completed for this paper in 2011. Supervisors ranked "good wages" as what motivated employees in both research studies, with many of the factors being similarly ranked.

Table 9 Results of Survey of Supervisor Rankings of Ten Motivational Items Based on What They Believed Would be Important to Employees in 1995 and 2011

1995	2011
1. Good Wages	1. Good wages
2. Job security	2. Good working conditions
3. Promotion and growth in the organization	3. Promotion and growth in the organization (tie with 2)
4. Good working conditions	4. Full appreciation of work
5. Interesting work	5. Job security (tie with 4)
6. Personal loyalty to employees	6. Personal loyalty to employees
7. Tactful discipline	7. Feeling of being in on things
8. Full appreciation of work	8. Interesting work
9. Sympathetic help with personal problems	9. Tactful discipline
10. Feeling of being in on things	10. Sympathetic help with personal problems

Note: Adapted from "Employee Motivation: Addressing a Crucial Factor in Your Organization's Performance" by K.A. Kovach, 1995, Employment Relations Today, 22, p. 93

CONCLUSION AND DISCUSSION

The primary objective of this study was to determine if there are gender based employee preferences for performance rewards in small business environments. Based on the data collected, there was not a significant difference in preferences between males and females in small businesses. This conclusion was based on analyzing the data collected in terms of economic versus social rewards (or consequences). Economic rewards involved factors such as job security, good wages, promotion opportunities, monetary or gift card rewards, and suspension without pay (consequence). Social rewards included full appreciate of work done, personal loyalty to employees, interesting work, issues related to personal problems, and verbal or other non-economic recognition.

The top three rankings for both males and females involved economic factors: good working conditions, job security and good wages for females; job security, good wages, and promotion and growth in the organization for males (shown in Table 2). Both females and males placed more socially oriented motivational items in the bottom half of the rankings.

Supervisors' ranking of what they believed would be important to employees was slightly different than the employee rankings. Job security, which was number one for employees, was tied for number four in the supervisor survey. Supervisors ranked good wages at number one. Good wages and good working conditions were in the top three rankings for both supervisors and employees. However, the results of the supervisors' survey were most likely skewed due to the small sample size.

A comparison of the employee rankings of ten motivational items from the Kovach (1995) study and this survey (2011) is provided in Table 8. The employee ranking of the top three items in 2011 was significantly different than the ranking provided in 1995, with job security ranked number one in the 2011 survey, and interesting work number in the 1995 survey. It is not clear if these results were due to the economic climate in 2011, following one of the deepest and longest recessions in the history of the United States, or if it was due to the subjects being employed in the small business environment.

The supervisor rankings of what they believed employees valued in 1995 and 2011 are presented in Table 9. As noted in the study by Kovach (1995) there was little change in the supervisor's perception of what employees valued from their work between 1946 and 1995. This study provided similar results: two of the top three rankings remained unchanged between 1995 and 2011. The sample size for supervisors was very small for this study, however, the results indicated that although employee preferences changed, there continued to be a disconnect between what supervisors believed to be most valuable to employees, and what their employees desired.

The situational analysis revealed that males and females ranked their preferences for rewards and consequences identically. In both cases, social based rewards or consequences were ranked number one: "thank you from your boss" for the reward preference and "private conversation between the boss and the employee" for the consequence. Economic rewards (extra $25 in your next paycheck) and consequences (one day suspension without pay) were ranked second. Both males and females ranked "Employee of the Month" last in the reward with "the boss should do nothing" last in the consequences situation.

Supervisors agreed with employees that "a verbal thank you" was an appropriate reward and that "Employee of the Month" would be least valuable. They also agreed with the consequence "a private conversation between the supervisor and the employee" being ranked number one. However, while female supervisors agreed that the option to "do nothing" should be ranked last in the consequences category, this consequence was ranked third by male supervisors. "Public reprimand (in front of co-workers)" was ranked last by male supervisors. The results indicated that male supervisors may be more reluctant to take consequential action against employees than female supervisors. This result may have been skewed by the small supervisor sample size.

Male and female employees generally agreed on social and economic work environments, based on the degree to which they disagreed or agreed with the statements presented in the survey. The only areas of significant difference were related to interactions with supervisors. The responses to these statements seemed to indicate that males' expect their supervisors to be strongly focused on work-related issues and interactions, whereas females appeared to be more accepting of the social aspects of interactions with their supervisors. There was not a significant difference between male and female supervisor ratings of similar questions with the exception of the statement "Leaders/supervisors/bosses should leave their personal lives at home." This correlated with the expectation of male employees to have their supervisors focus on work-related issues.

The study provided results that are useful to owners, leaders, and supervisors of small businesses. Generally speaking, both male and female employees were concerned with economic issues such as job security, good wages, and good working conditions. This may be a result of the current economic conditions. However, when discussing specific situational reward preferences, social rewards (thank you from the boss) consistently ranked higher than monetary rewards. This indicated that employees valued rewards that do not place an additional financial burden on the company.

It is important that supervisors develop a greater awareness of what employees want; they may be surprised to realize that actions can be taken to reward and motivate employees that have little or no economic costs. It is imperative that supervisors and organizations understand that what motivates one individual may not motivate another. They need to understand staff and their individual motivations. The results of this study demonstrated the need for future work. Some areas to consider include: Are the results of employee ranking of ten motivational items based on the small business environment, the current economic climate, or both? Are there significant differences between male and female supervisors' perceptions of employee reward preferences? The sample size in this study was too small to adequately address this question.

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RISK FACTORS INFLUENCING THE SURVIVAL OF STRATEGIC ALLIANCES: EVIDENCE FROM KENYA

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ABSTRACT

Between one-half and two-thirds of strategic alliances formed by Small and Medium Enterprises (SMEs) fail to realize their purpose due to unmitigated risk factors. Most studies on strategic alliances and associated risks focus on developed economies. Using the Kenyan case, this study sheds light on risk factors influencing the survival of SME alliances in the Sub-Sahara Africa (SSA). This study sourced primary data from 120 SMEs involved in strategic alliances. Quantitative and qualitative techniques were used to analyze the data. Results indicate that the survival of SME alliances is a function of factors including the proportion of skilled staff, explaining up to 8.7 percent of variance, transportation cost (8.1%), information sharing (7.5%), level of trust among partners (6.6%) and integration of computers to support business activities (5.5%). The results show that SME strategic alliances remain risky ventures, requiring a concerted effort of all stakeholders to initiate appropriate mitigative measures to avert economic losses resulting from alliance failure. The study underscores the need for SSA governments to provide tax incentives, improve infrastructure and explore cheaper energy alternatives.

JEL: O16

KEYWORDS: Risk, Risk Factors, Small and Medium Enterprises, Alliance Survival, Alliance Failure

INTRODUCTION

The role of SMEs in employment creation, poverty reduction and industrialization appears in economic blue prints and empirical research world over (Abaka & Mayer, 1994; Atieno, 2001). According to Olutunla and Obamuyi (2008), SMEs provide more employment per unit of capital investment than large-scale enterprises. In Kenya, recent statistics show that SMEs create employment for about 70 percent of the national workforce, contributing up to 22 percent of Gross Domestic Products (GDP) (Mbithi & Mainga, 2006; Atieno, 2009). However, globalization forces, technological advancement and competition constantly threaten the contribution of SMEs in national development. To secure their survival, SMEs are increasingly initiating strategic alliances, which enable them to reduce production costs, acquire knowledge, as well as access new technology, financial resources and labour (Das & Teng, 2001; Ireland, Hitt & Vaidyanath, 2002; Li & Malin, 2009; Alders, van Liere, Berendsen & Ineke, 2010).

Even though strategic alliances have been attractive to SMEs, between 50 and 60 percent often, fail to realize the expectations of their crafters (Reuer, 1999; Das & Teng, 2001; Alders *et al.,* 2010). High failure rates of SME alliances have been associated with various forms of risk factors, arising from inter-firm relations, firm capacity and firm-environment interaction (Das & Teng, 1998; 2001; Ireland, *et al.,* 2002; Chi, 2005; Li & Malin, 2009; Alders *et al.,* 2010; Long & Zhai, 2010). Most empirical studies on strategic alliances and inherent risks focus on developed economies of Western Europe, North America, Australia and South-East Asia. Crotts and Wilson (2005) noted that although risks form a crucial dimension for understanding strategic alliances, the subject is yet to receive adequate attention in academic research, particularly in developing economies.

This study determines the influence of risk factors on the intention of alliance partners to stay on or pull out of their alliances; the study also assesses mitigative measures to enhance the survival of SME strategic alliances. The paper has four key sections, including literature review, methodology, results and discussions, as well as conclusions, which culminates to recommendations and direction for further research.

LITERATURE REVIEW

In management, a risk is an unanticipated negative variation between set targets and actual achievement (Kogut, 1988; Das & Teng, 1998; 2001). According to Miller (1992), the concept of risk refers to factors that are either internal or external to alliance firms, which impede the realization of targets. Influenced by Miller's thoughts, Das and Teng (1998) came up with two broad categories of risks within the context of strategic alliances, viz. relational and performance.

Relational and Performance Risks

Relational risk is concerned with poor or non-adherence of alliance partners to documented regulations governing their behaviors and relations (Das & Teng, 1999; 2001; Elmuti & Kathawala, 2001). Perpetuation of opportunistic tendencies such as dishonesty, shirking, distortion of information, as well as poaching partners' skills, clients or personnel are manifestations of relational risk (Das & Teng, 1999; 2001; Elmuti & Kathawala, 2001; Alders *et al.,* 2010; Long & Zhai, 2010). Das and Teng (2001) assert that relational risk is inevitable in strategic alliances, but emphasize the importance of 'trust' and 'control' for strategic alliances to survive and realize their purpose. Whereas 'trust' is a means to reducing perceived risks, control is an active measure taken to reduce such risks. Similarly, Long and Zhai (2010) contend that trust and commitment form the foundation of strategic alliances, manifested through information sharing, technology; as well as equitable sharing of costs and profits.

Performance risk is the probability that an alliance may fail to achieve its targets even when partners commit themselves fully. Performance risk is a function of institutional capacity factors such as staff competency, capitalization level and integration of ICT; as well as business environmental factors such as competition, taxation, cost of raw materials, transportation and energy, among others (Das & Teng, 1998; 2001; Li & Malin, 2009; Alders *et al.,* 2010). Strategic alliances can distribute performance risk among partners, for instance, by sharing expenditure, resources, skills and technology (Das & Teng, 2001). Thus, the synergy created by strategic alliances is a partial remedy for performance risk. However, not all strategic alliances have the potential to create synergy, as some partners may be deficient in terms of institutional capacity, leading to poor performance (Das & Teng, 1998).

Unlike relational risk, performance risk exists in all business enterprises, irrespective of their involvement in strategic alliances. Besides, the two risk types are independent and have no specific pattern of correlation. Hence, alliance partners can enjoy good relations despite poor financial performance (Das & Teng, 1998; 2001; Alders *et al.,* 2010).

Resource-Based View of Strategic Alliances

The Resource Dependency Theory (RDT) postulates that a firm's competitive advantage is founded on its internally-available resources, including tangible assets such as premises, machinery, human and financial resources; as well as intangible assets such as technology, skills, managerial expertise and reputation, among others (Barney, 1991; Grant, 1995; Das & Teng, 1998). Das and Teng (1998) categorize firm's internal resources into four, viz. financial, technological, physical and managerial. Combinations of the four broad resource types are indispensable for firms to build competitive advantage (Chi, 1994). However, most firms are not self-sufficient; those experiencing a shortage of any form of strategic resources are likely to reach out to other firms holding complementary resources to secure their survival (Barney, 1991; Das & Teng, 1998; 2001). Strategic alliances permit firms to access resources, which they do not possess, but which are necessary for its performance and survival. However, firms can only realize synergy when they seek to combine complementary rather that supplementary resources (Harrison, Hitt, Hoskisson and Ireland, 1991).

METHODOLOGY

I sourced data from 120 SMEs involved in strategic alliances for at least 3 years. Inclusion in the sample was based on availability of complete accounting records for the immediate trading period; willingness of managers/owners to avail such financial records; and acceptance to be interviewed. I measured relational risk in terms of the willingness of partners to share information and share expenditure, extent of staff bonding and the level of trust between alliance partners. I also measured performance risk in terms of firm size, ownership structure and integration of computers to support business activities; as well as level of demand for alliance products/services, taxation level, transportation and energy costs. In addition, I measured intermediate risk factors such as prevalence of conflict between partners, availability of conflict resolution mechanisms, alliance age, change in revenue, type of business activities and the location of premises.

Bivariate analysis generated cross-tabulations with Chi-square (χ^2) statistic, while at the multivariate level; I applied binary logistic regression to determine the influence of individual risk factors on the alliance survival. The model takes the following form: -

$$Logit[\theta(Y)] = log\left[\frac{\theta(Y)}{1-\theta(Y)}\right] = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 \ldots + \beta_i X_i + \varepsilon \qquad (1)$$

Where: Y = the predicted variable *(alliance survival); θ(Y)* = the probability of an SME staying on; *one-θ(Y)* = the probability of an SME pulling out; α = constant term of the equation; $\beta_1, \beta_2 \ldots \beta_i$ = regression co-efficients associated with independent variables; $X_1, X_2 \ldots X_i$ = independent variables and ε = the error term.

Qualitative data analysis involved transcription of responses, creating thematic nodes and systematic interpretation. Publications such as Nachmias and Nachmias (1996), as well as Bryman and Cramer (1997) provide details of the design and approaches used in this study.

RESULTS AND DISCUSSIONS

Various types of organizations, including competitors (56%), customers (16%), suppliers (12%), financial institutions (8%), educational institutions (5%) and government research institutions (3%), initiated strategic alliances. In addition, up to 97 (80.8%) SMEs were collaborating with only one partner, 22 (18.3%) had two partners, while one SME had formed an alliance with more than two partners. This study focused on the most recently formed strategic alliances, aged at least 3 years. Furthermore, strategic alliances came into existence to serve various purposes, as listed in Table 1 below.

The longevity of strategic alliances is an important dimension of how well they are likely to achieve the expectations of collaborating firms. Alliances that fail to live up to the expected duration are less likely to be successful in realizing the purpose for which they existed. In view of this, 55 percent of the 120 SMEs intended to remain in their alliances for at least 5 years, while 45 percent intended to pull out within the same duration.

Table 1: Reasons for Engaging in Strategic Alliances

VALID RESPONSES	FREQUENCY	PERCENT OF CASES
Improve revenue	71	59.2
Access technology	11	9.2
Raise capital	79	65.8
Share distribution channels	29	24.2
Ensure steady flow of raw materials/supplies	43	35.8
Counter competition from larger firms	54	45.0
Reduce competition	22	18.3
Train staff	17	14.2
Develop more efficient production methods	11	9.2
TOTAL	**337**	**280.8**

This table shows the reasons why SMEs in Kisumu District, Kenya engaged in strategic alliances. It is a multiple response table, showing frequency distribution and corresponding percent of cases, which in this case, was 120 SME managers/owners. The main reasons why SMEs engaged in strategic alliances included the need to raise capital, improve revenue, counter competition from larger firms, ensure a steady flow of raw materials or supplies, and share marketing distribution channels.

Bivariate Analysis Results

Bivariate analysis determined the presence or lack of a significant relationship between alliance survival and selected risk factors. The results presented in Table 2 below, indicate that the survival of SME alliances was significantly associated with risk factors such as information sharing, sharing expenditure, extent of staff bonding and level of trust.

Table 2: Association between Alliance Survival and Risk Factors

RISK TYPE	RISK FACTORS	SUMMARY OF CHI SQUARE (χ^2) RESULTS		
		CALCULATED χ^2	DF	SIG.
Relational	Information sharing	6.742	2	0.034**
	Sharing expenditure	24.297	2	0.000***
	Extent of staff bonding	7.495	2	0.024**
	Level of trust	10.020	2	0.007***
Performance	Firm size	14.123	6	0.028**
	Ownership structure	8.243	2	0.016**
	Integration of computers	6.810	1	0.009***
	Proportion of skilled staff	16.186	5	0.006***
	Demand level	10.549	2	0.005***
	Taxation level	8.952	2	0.011**
	Transportation cost	9.001	2	0.011**
	Energy cost	6.059	2	0.048**
Intermediate	Conflict prevalence	11.870	2	0.003***
	Conflict resolution mechanism	7.129	1	0.004***
	Alliance age	2.081	3	0.556
	Change in revenue	58.204	2	0.000***
	Type of business activities	15.982	11	0.142
	Location of premises	0.825	1	0.364

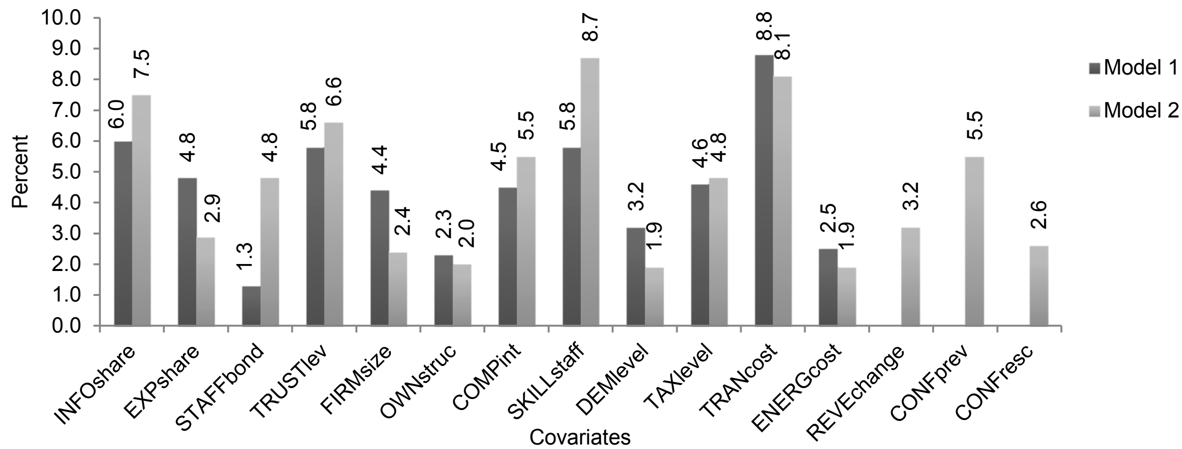
*This table presents a summary of χ^2 results, calculated from cross tabulation analysis between alliance survival and risk factors. The column labeled CALCULATED χ^2 is comparable to table χ^2 values. DF stands for degrees of freedom, while SIG. indicates the statistical significance of association between the risk factors and alliance survival. ***, ** and * shows the level of significance at 1, 5 and 10 percent respectively.*

The survival of SME alliances was also significantly associated with performance risk factors such as firm size, ownership structure, integration of computers, proportion of skilled staff, level of demand, taxation level, transport cost and energy cost; as well as intermediate factors, such as frequency of conflict, availability of a conflict resolution mechanisms and revenue change.

Multivariate Analysis Results

Appendix A presents the results on odds ratios or *Exp (β)* and partial regression co-efficients. The predictive power of binary logistic regression models is indicated by the -2Log Likelihood (-2LL) statistic. Each model generates an initial -2LL (chance model); the unit change in the value of -2LL statistic each time a covariate is added represents the proportion of variance in the dependent variable, explained by that covariate. Figure one shows the covariates included in models one and two, and the proportion of variance in the survival of SME alliances accounted for by each.

Figure 1: Proportion of Variance in Alliance Survival Explained by Risk Factors



The proportion of variance accounted for by each risk factor (covariate) results from the unit change in -2LL statistic corresponding with the addition of each covariate. INFOshare stands for information sharing between partners; EXPshare = expenditure sharing; STAFFbond = extent to which staff of alliance partners had bonded. TRUSTlev = level of trust among alliance partners; FIRMsize = number of paid workers; OWNstruc = ownership structure; COMPint = integration of computers; and SKILLstaff = proportion of skilled staff. DEMlevel = demand level for products offered by an alliance; TAXlevel = taxation level; TRANcost = transportation cost; ENERGcost = energy cost; REVEchange = change in revenue; CONFprev = prevalence of conflict, and CONFresc = availability of conflict resolution committee.

In model one, the willingness of partners to share information accounted for up to 6 percent of variance in alliance survival. However, when the model adjusts to include intermediate covariates, the proportion of variance accounted for by the covariate scales-up to 7.5 percent. Improvement in information sharing reduced the likelihood of partners pulling out, which in turn, increased the odds of alliance survival. However, most firms would not be free to share their critical information such as product formulae or marketing secrets, without guaranteed security of such information. Besides, protectiveness of information only reinforces distrust, which in turn, may constrain alliance survival.

The willingness of partners to share expenditure accounted for 4.8 percent of variance in alliance survival, as indicated by model one. However, the inclusion of intermediate variables reduced the proportion of variance accounted for by the risk factor to 2.9 percent. An increasing willingness of partners to share expenditure reduces the likelihood of SMEs pulling out; thus, increases the odds of alliance survival. Expenditure sharing is particularly important for enhancing commitment and SME managers/owners should consider it before initiating alliances.

Model two shows that the extent of staff bonding explained up to 4.8 percent, up from 1.3 percent in model one. As bonding improves among staff of alliance partners, the likelihood of SMEs pulling out reduces. Thus, the higher the bonding among staff, the better the survival chance of such alliances, and vice versa. Poor bonding among staff may be result from factors such as negative attitudes, gossip, stigmatization and competition. It must be noted that strategic alliances bring with it sudden changes, which may disrupt usual work routines. Establishing a strategic alliance is process of change that is associated with anxiety and uncertainty. Effective management of change is critical for helping staff of alliance partners to bond and work as a team, where members treat each other with respect and where members feel secure, respected and trusted. However, starting and sustaining change among staff members requires creative leadership that is able to inspire people through positive behaviour, ethics and values. Informal spheres where staff members can interact freely to water down communication and ideological 'glass walls' may expedite staff bonding.

Furthermore, Table 3 below summarizes the proportion of variance in the survival of SME strategic alliance, as explained by other covariates, including the level of trust; firm size, ownership structure, level of demand for alliance products/services, taxation level, transport cost and cost of energy.

Table 3: Covariates and Proportion of Variance in Alliance Survival

COVARIATES	MODEL 1	MODEL 2
Information sharing	6.0	7.5
Expenditure sharing	4.8	2.9
Staff bonding	1.3	4.8
Level of trust	5.8	6.6
Firm size	4.4	2.4
Ownership structure	2.3	2.0
Integration of computers	4.5	5.5
Proportion of skilled staff	5.8	8.7
Demand level for alliance products/services	3.2	1.9
Taxation level	4.6	4.8
Transportation cost	8.8	8.1
Energy cost	2.5	1.9
Change in revenue	-	3.2
Prevalence of conflict	-	5.5
Conflict resolution committee	-	2.6

This table shows the proportion of variance in the survival of SME strategic alliances, explained by each covariate. Model one includes relational and performance risk factors only (independent variables). However, model two incorporates both independent and intermediate variables.

The level of trust between strategic partners explained up to 6.6 percent of variance in alliance survival; up from 5.8 percent in model one. An increasing level of trust among alliance partners directly corresponded with the likelihood of SMEs pulling out. In other words, the higher the level of trust, the better the survival chance for such alliances, and vice versa. The challenge faced by alliance partners is how to nurture and sustain trust amongst themselves. In this regard, SME managers/owners face the challenge of balancing between alliance and firm-specific interests, without compromising trust. Opportunistic behaviors are the most common threats to trust levels between or among alliance partners, which in turn, reduces the odds of alliance survival.

Firm size, in terms of the number of paid workers, accounted for 4.4 percent of variance in alliance survival. However, when the model adjusts for intermediate variables, the proportion of variance accounted for in the survival of alliances reduced marginally to 2.4 percent. An increase in staffing level resulted to a stronger institutional capacity, which in turn, improved the odds of alliance survival. Although staffing level is an important risk factor influencing the odds of alliance survival in Kenya, other key parameters such as performance management, training and welfare remain critical for enhancing institutional capacity. Moreover, the proportion of skilled staff explained up to 8.7 percent of variance in alliance survival; up from 5.8 percent in model one. As the proportion of skilled staff increases, the level of performance risk reduces and so is the likelihood of SMEs pulling out of their alliances. Hence, the higher the proportion of skilled staff, the better the odds of alliance survival.

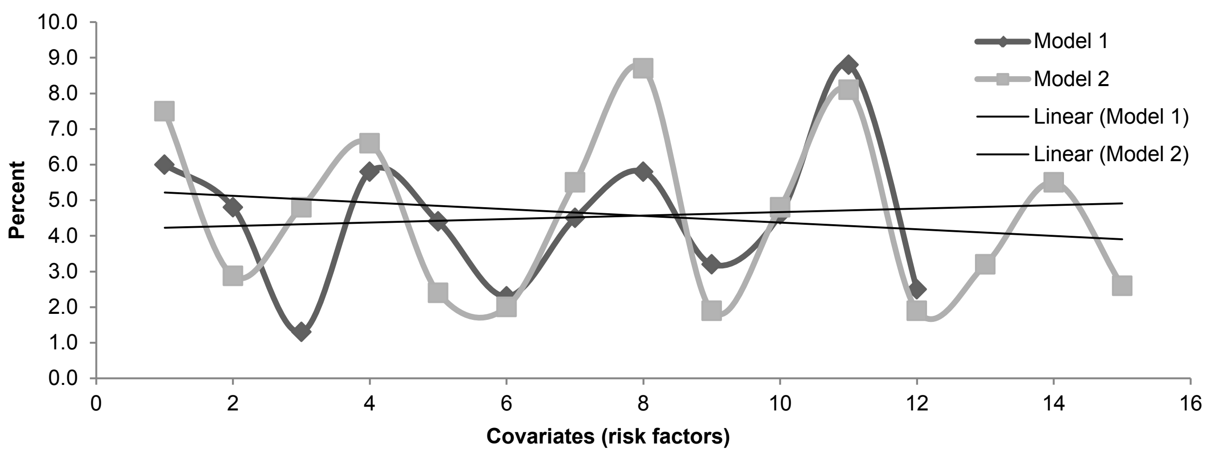
In model two, ownership structure explained up to 2 percent of variance in alliance survival; down from 2.3 percent in model one. Alliances crafted by sole proprietors had a lower survival chance than alliances involving limited companies, the main separating factors being capitalization and staffing level, as well as systems, structures and physical resource capacity. Hence, SMEs are better-off establishing strategic alliances with limited companies than sole proprietorships. Furthermore, SMEs should consider initiating alliances with firms that have integrated computers in their business activities. Model two shows that integration of computers accounted for 5.5 percent of variance in alliance survival. The initiative reduced performance risk, and by extension, increased the odds of alliance survival.

Furthermore, the level of demand for alliance products/services accounted for 1.9 percent of variance in alliance survival. An increasing level of demand inversely corresponds with the likelihood of SMEs pulling out and directly corresponds with the odds of alliance survival. Sustaining demand for alliance products/services through diversified marketing channels remains a critical option that SME alliances should consider to improve their survival chance. In addition, taxation level accounted for 4.8 percent of variance – a marginal increase from 4.6 percent in model one. The higher the perceived taxation level the lower the odds of alliance survival. Nevertheless, the perceived level of taxation depends on the extent to which products/services have established in the market. An established product/service is likely to defray taxation charges more than one that is yet to establish. Although SSA governments bear the responsibility of tax regulation, SME alliances should focus on establishing their products/services to improve returns; thus, lighten taxation burden and improve alliance survival chance.

In model one, transportation cost accounted for 8.8 percent of variance in alliance survival. However, this scaled down to 8.1 percent in model two. Increment in transportation cost resulted to a higher level of performance risk, which in turn, reduced the survival chance for SME alliances. Transportation cost remains a critical element influencing the survival of SME alliances in Kenya.

Model two shows that energy cost accounted for up to 1.9 percent of variance in alliance survival, down from 2.5 percent. As energy cost escalates, performance risks also increase, which in turn, reduces the odds of alliance survival. Plotting the covariates on a scatter-gram facilitates determination of the models' explanatory power, as indicated in figure two below.

Figure 2: Distribution of Covariates on a Scatter-gram



This figure shows the distribution of covariates on a scatter-gram, which was also used to generate best-fit lines and co-efficient of determination R^2, representing the predictive power of the model. The linear equation for model one is y=0.049x + 4.181, with R^2=0.540. For model two, the resultant linear equation was y=0.093x + 5.309, with R^2= 0.684.

The scatter-gram also provides best-fit lines and co-efficients of determination (R^2). In this regard, model one explained up to 54 percent of variance in the survival of SME alliances, while model two, which incorporated intermediate factors, predicted up to 68.4 percent of variance. This implies that up to 31.6 percent of variance may be due to other variables not included in model two.

Risk Management Practices

Table 4 below, presents the measures initiated by SMEs to manage as well as cope with relational and performance risks. In this regard, 73 percent of the respondents cited legalization as the most important mitigative measure. Legalization of SME strategic alliances came through contracts and memoranda of understanding; spelling out terms of engagement; responsibility, liability and profit sharing; as well as frequency of review meetings and follow-up mechanisms. Legalization of alliances was particularly useful in enhancing commitment among partners as well as regulating opportunistic behaviors. However, non-adherence to documented agreements by some partners was still a cause for concern. Consequently, up to 45 percent of the firms intended to pull out of their alliances.

Table 4: Risk Management Practices

VALID RESPONSES	FREQUENCY	PERCENT OF CASES
Diversification	18	15.0
Partner complementarity	27	22.5
Legalization of alliances	88	73.3
Regular review meetings	60	50.0
Cost-sharing	51	42.5
Joint planning	64	53.3
Competition reduction	14	11.7
Special management structures	21	17.5
Conflict resolution mechanisms	37	30.8
TOTAL	**380**	**316.7**

This table shows measures initiated by SMEs involved in strategic alliances to mitigate or cope with relational and performance risks. This is a multiple response table, showing the frequency distribution of responses and corresponding percent of cases. The study involved 120 SME mangers/owners.

Furthermore, 53 percent mentioned joint planning as the key strategy used to manage risks by watering down ideological ‘glass walls’, as well as filling up ideological gaps. Joint planning entailed activities such risk assessment, market surveys as well as analysis of strengths, weaknesses, opportunities and threats (SWOT). Joint planning also included projection of demand levels, market prices, market growth and revenues. Through joint planning effective financial control and reporting systems were established and so were exit strategies. Up to 50 percent of the firms initiated regular review meetings to share their experiences, monitor progress as well as address emerging risks to enhance the odds of alliance survival and excellence.

About 31 percent of the alliances established conflict resolution committees to address all forms of dispute and enforce behavior control. In the opinion of SME managers/owners, conflict resolution committees were most effective in curbing opportunistic behaviors among errant alliance partners. Partner complementarity was also one of the mitigative strategies against risks. In this regard, 23 percent of the SMEs were keen to select partners who were complementary in terms of resources, skills and technology to avoid overlaps or gaps. However, when requested to rate their satisfaction with their choice of partners, up to 67 percent expressed dissatisfaction, the reason being the difficulty of finding complementary partners among SMEs.

In addition, 18 percent of the alliances created special management structures run by a team of skilled and experienced staff selected by both partners. Besides, 15 percent of the SMEs initiated alliances with multiple partners to diversify risks by sharing the cost of projects, considered to be of high risk. Such alliances were instrumental in lowering a firm’s risk exposure. Finally, up to 12 percent of the alliances employed various measures to avoid competition between/amongst partners, including giving away some market areas, demarcating market boundaries, selling each other’s products and coming up with jointly branded products.

CONCLUSIONS

The goal of this study was to determine risk factors influencing the intention of strategic alliance partners to stay on or pull out of their alliances, as well as assess the mitigative measures in place to reduce the risks of alliance failure. To fulfill this goal, I obtained primary data from 120 SMEs involved in strategic alliances for at least 3 years. Bivariate analysis generated cross-tabulations with χ^2 statistic, while multivariate analysis obtained odds ratios and -2LL statistic. The analysis of qualitative data involved transcription, creating thematic nodes, followed by systematic interpretation.

The study found that the survival of SME alliances was a function of factors such as proportion of skilled staff, which explained up to 8.7 percent of variance in alliance survival, transportation cost (8.1%), information sharing (7.5%), level of trust among partners (6.6%) and integration of computers to support business activities (5.5%). In addition, model one explained up to 54 percent of variance in alliance survival, while model two, which incorporated intermediate factors, predicted up to 68.4 percent of variance.

The study concludes by noting that although strategic alliances are critical for the survival of SMEs, they remain risky ventures that require adequate preparation in terms of appropriate mitigative measures to avert losses that may occur in the event of failure. The failure of such alliances portends far-reaching economic consequences, not only for the firms involved, but also for SSA economies. In addition, SSA governments bear a big chunk of responsibility in mitigating risk factors emanating from the business environment, particularly, taxation, infrastructure and alternative energy sources.

In view of this, alliance SMEs should initiate a number of activities to reduce the risk of failure: firstly, they should establish joint secretariats to plan and execute partners' decisions. Secondly, the SMEs should improve information sharing by identifying and training specific staff to handle shared information, creating special security facilities for classified information as well as specifying penalties for non-adherence. Thirdly, the SMEs should initiate team-building activities such as games, tree planting and environmental cleanup, among others to expedite staff bonding and foster teamwork. Finally, the SMEs should recognize and reward staff members who perform exceedingly well in their work, leadership positions or in terms of behaviour. This ties up with the need to amplify small acts of positive behavior among staff to encourage emulation.

In addition, SSA governments should address various issues to enable alliance SMEs reduce performance risks: firstly, the governments should provide tax incentives through temporary exemptions or abolition of unnecessary taxes for SME alliances to improve production capacity and survival in hyper-competitive markets. Secondly, the governments should explore cheaper energy alternatives such as solar, wind and geothermal power to reduce overdependence on hydro-electricity, which is already too expensive. Thirdly, the governments should improve road network by increasing the coverage of all-weather roads and maintaining rural access roads to reduce transportation cost. Finally, the governments should establish SME assistance centres at the County level, with key functions such as promoting the development of SMEs, creating necessary linkages, training, research and dissemination.

At the time of this study, the idea of strategic alliances among SMEs was fairly a new concept in Kenya; hence, there was a difficulty in finding data on SME alliances registered by the government. This gap constrained the sample size used in this study. Also limiting the sample size was lack of complete and consistent accounting records among SMEs. Although the study was conducted nearly a decade ago, this paper serves as a stimulus for further research on the survival of SME alliances, not only in Kenya but also in other SSA countries. In this regard, future studies should focus on the dynamics of risk factors perceived by non-alliance SMEs. Besides, there is need for further research on risk factors influencing the survival and success of SME alliances in developed and developing economies.

APPENDICES

Appendix A: Summary Results of Binary Logistic Regression

COVARIATES	MODEL 1				MODEL 2			
	β	*S.E.*	*ρ*	*Exp(β)*	*β*	*S.E.*	*ρ*	*Exp(β)*
INFOshare								
Poor	1.82	0.02	0.00*	6.17	1.83	0.02	0.00*	6.23
Fair	1.57	0.00	0.00*	4.81	1.55	0.01	0.01**	4.70
Good (RC)	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx
EXPshare								
Poor	1.55	0.33	0.02**	4.71	1.53	0.23	0.01**	4.61
Fair	1.32	0.13	0.04**	3.74	1.30	0.12	0.03**	3.66
Good (RC)	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx
STAFFbond								
Poor	1.62	0.34	0.01**	5.05	1.60	0.34	0.01**	4.94
Fair	1.04	0.32	0.03**	2.83	1.02	0.30	0.03**	2.77
Good (RC)	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx
TRUSTlev								
Low	0.61	0.23	0.01**	1.84	0.59	0.22	0.01**	1.80
Fair	0.19	0.41	0.06***	1.21	0.17	0.41	0.17	1.18
High (RC)	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx
FIRMsize								
No paid workers	2.02	1.80	0.00*	7.51	1.99	1.79	0.00*	7.34
1 to 9 workers	1.49	1.26	0.00*	4.41	1.46	1.27	0.00*	4.32
10 to 19 workers	1.02	0.80	0.01*	2.78	1.00	0.80	0.01**	2.72
20 to 29 workers	0.77	0.55	0.04**	2.17	0.75	0.24	0.03**	2.12
30 to 39 workers	0.01	0.21	0.24	1.01	-0.01	0.21	0.12	0.99
40 workers+ (RC)	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx
OWNstruc								
S/ proprietorship	1.07	0.84	0.01**	2.90	1.04	0.71	0.08***	2.84
Partnership	0.03	0.19	0.42	1.03	0.01	0.19	0.37	1.01
Ltd company (RC)	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx
COMPint								
Using computers	-0.02	0.24	0.03**	0.98	-0.05	0.18	0.03**	0.96
No computers (RC)	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx
SKILLstaff								
<10%	2.13	1.90	0.00*	8.37	2.10	0.76	0.00*	8.19
10-29%	2.06	1.84	0.00*	7.85	2.04	1.84	0.00*	7.68
30-49%	1.67	1.45	0.00*	5.33	1.65	1.45	0.01**	5.21
50-69%	0.41	0.19	0.07***	1.51	0.39	1.19	0.04**	1.48
70% + (RC)	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx
DEMlevel								
Poor	1.38	0.31	0.01**	3.99	1.36	0.30	0.02**	3.90
Fair	1.06	0.48	0.03**	2.89	1.04	0.47	0.03**	2.82
High (RC)	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx
TAXlevel								
Too high	2.02	1.80	0.00*	7.52	2.00	1.82	0.00*	7.36
High	1.61	1.39	0.00*	5.01	1.59	1.39	0.01**	4.90
Fair (RC)	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx
TRANcost								
Too high	1.55	1.33	0.00*	4.70	1.53	1.32	0.00*	4.60
High	1.33	1.10	0.03**	3.76	1.30	0.10	0.01**	3.68
Fair (RC)	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx
ENERGcost								
Too high	1.15	0.93	0.00*	3.16	1.13	0.78	0.00*	3.09
High	1.00	0.78	0.03**	2.73	0.98	0.78	0.04**	2.67
Fair (RC)	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx

*This table presents the results of binary logistic regression, which generated two models, the first model incorporated relational and performance risk factors only, while model two included relational and performance risk factors as well as intermediate risk factors. The column labeled β represents the regression co-efficients, the column labeled S.E. represents the standard error associated with the regression co-efficients, ρ column represents the significance of variation between the co-efficients, while Exp (β) column presents the odds ratios. Furthermore, RC stands for Reference Category, while ***, ** and * shows significance level at 1, 5 and 10 percent, respectively.*

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VALUE EVALUATION OF CUSTOMER EXPERIENCE USING CONSUMER GENERATED CONTENT

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ABSTRACT

The value literature has emerged from the fundamental notion of a trade-off between costs and benefits. This evolution supports the current understanding that value resides in experience from consumption. However, less is known about how customer experiences derived from their consumption can be translated into customer value components. This study delineates the models used in understanding the experience realm and customer value to provide insights on customers' experience based vale. Consumer generated content in the form of blogs are used for analysis. These blogs provide textual artifacts of consumption experience. Using netnography as the main methodological tool, our results suggest two main findings. The first is related to the variation in value dimensions according to the realm of experience which supports the notion of value being idiosyncratic with different customers viewing the same experience differently. The second finding is related to the technical aspect of the study which suggests that consumer generated content or blogs can be used to examine the 'what of consumption.' However, it cannot be used to explain the 'why of consumption.' This suggests its potential as a preliminary research tool to complement other research methods.

JEL : M31; M39

KEY WORDS: Customer Value; Consumption Experience; Consumer Generated Content (CGC); Travel Blogs; and Netnography.

INTRODUCTION

Customer value emerged as one of the most important topics both in marketing research and practice during the 1990s. Holbrook (2003, p. 46) emphasizes the importance of value to today's marketers by stating "… if we accept the Kotler's definition of marketing as managerial activities that lead toward the facilitation and consummation of exchanges, and if we follow Kotler and Levy in regarding an exchange as a trading relationship between two parties in which each gives up something of value in return for something of greater value, it follows immediately that customer value is the basic foundation for everything we do in marketing". The current focus of value literature establishes that customer "value is now centered in the experiences of consumers" (Prahalad and Ramaswamy, 2004b, p. 137), rather than embedded in goods and services. Consequently, customers' experience is crucial as value resides in the experience (Bitner, 1992; Prahalad and Ramaswamy, 2004a, b; Woodruff and Flint 2006; Vargo and Lusch, 2008). Despite this shift in focus, there is very little evidence in the literature, of customer value evaluations being made based on experience.

Consumer generated content (CGC), also known as user-generated content (UGC) or user-created content (UCC) includes various kinds of media content such as blogs, wikis, e-review (www.pcmag.com) written by the general public and is publicly available on the web. The development of these technologies present today's customers as self-reflexive, narrative agents with a platform to tell their stories and explain their actions using their own words (Caru and Cova, 2008). Blogs are the most common CGC media, mostly used as online personal journals with reflections, comments and hyperlinks provided by the writer (Merriam Webster Online). Thus, blogs are naturally occurring data that can be regarded as textual artifacts of consumption (Bosangit et al., 2009). While extant literature has looked at customer value evaluations usually through surveys and/or interviews (Williams and Soutar, 2000; Sweeney and Soutar, 2001), the use of CGC in customer value evaluations is extremely limited.

To demonstrate value evaluation using CGC, travel blogs or blogs relating to consumer travel experiences was considered most appropriate. These blogs are generally travel diaries that are posted by bloggers to update family and friends of their whereabouts, to keep a record of their travels and to share their travel experience with others. Blogs of ecotourist experiences in Sagada and Banaue, in the Philippines was chosen for this paper. Sagada and Banaue are one of the ecotourism destinations in the Philippines known for their rice terraces and its rich tribal culture. Like any other ecotourism destinations worldwide, these areas too experienced a surge in their tourism over the past few years (Eagles, 2002). Moreover, as the aim of ecotourism is to promote conservation and community development through provision of economic and social incentives to local communities (Chapman, 2003), ecotourist blogs seemed an appropriate choice for this study.

To summarize, the primary aim of this paper is to evaluate customer value based on customer experience. In addition the paper attempts to provide empirical support to the customer value and customer experience frameworks that will be used in this study, namely, Smith and Colgate's (2007) customer value typology and Pine and Gilmore's (1999) framework on experience realm. Further, taking inspiration from the rich accounts of consumer value experiences that consumer generated content (CGC) provides, the paper also attempts to demonstrate the use of CGC, particularly travel blogs, as a research tool for evaluating value based on customers' experience as published in customer's personal blogs. To this end the paper is organized as follows; a brief review of the extant literature on customer value and customer experience is presented. Next, the research method and the approach to the analysis are described. Finally, the findings and implications are reported and the research contribution and directions for future research are outlined.

LITERATURE REVIEW

Customer Value

Customer value is an important concept in marketing and is an effective medium to understand customers (Durgee et al., 1996). An overview of the literature reveals that most research on perceived value has focused on definitions and operationalization of the concept (Woodruff and Flint, 2006). There are two approaches to the definition and operationalization of value. First, value is conceptualized as a uni-dimensional construct that can be measured by a self-reported item (or set of items) that evaluates the consumer's perception of value (e.g. Sweeney et al., 1999). Zeithaml's (1988 p.14) definition of product value - "consumers' overall assessment of the utility of a product based on perceptions of what is received and what is given" - forms the basis of this uni-dimensional conceptualization.

The second approach conceptualizes value as a multi-dimensional construct. This perspective regards value as a highly complex concept with many components (e.g. Babin et al., 1994; Holbrook, 1999; Sheth et al., 1991a; Sánchez-Fernández and Iniesta-Bonillo, 2007; Ruiz et al., 2008). Holbrook (1994) and Woodruff (1997) support this multi-dimensional view, suggesting that customer value incorporates both desired and received value and emphasizing that value stems from customers' learned perceptions, preferences and evaluations. The lack of agreement among researchers with respect to the definition and operationalization is a consequence of its somewhat abstract nature, which has been described as 'complex' (Lapierre, 2000), 'multifaceted' (Babin et al., 1994), 'dynamic' (Parasuraman and Grewal, 2000; Woodruff and Gardial, 1996), and 'subjective' (Zeithaml, 1988; Holbrook, 1999). Although the uni-dimensional approaches possess the merit of simplicity, they do not reflect the complexity of the value perceptions; in particular, they fail to account for the intangible, intrinsic, and emotional factors that form part of the construct (Sanchez-Fernandez and Iniesta-Bonillo, 2007). The multi-dimensional constructs, on the other hand, provide a more holistic representation of the complex phenomena of customer value. There have been various attempts at the operationalization of the multi-dimensional value construct (Park et al., 1986; Sheth et al.,1991; Holbrook, 1994; Lai, 1995; Smith and Colgate, 2007). Although the construct proposed by Sheth et al. (1991a, b) and Holbrook (1994) are probably better known and most frequently used, the construct proposed by Smith and Colgate (2007) will be used in this paper. Smith and Colgate's (2007) framework integrates, amongst others, the categorization by Sheth et al. (1991a, b) and Holbrook (1999) and proposes clearly delineated benefit and sacrifice components of value (see Table 1). Moreover, Sheth and Holbrook's frameworks have been empirically tested by numerous researchers (e.g. Sweeney and Soutar, 2001; Mathwick et al., 2001), so this paper provides an opportunity to empirically test the suitability of the Smith and Colgate framework.

Despite the growing body of research in the field of perceived value, there is a growing recognition and acceptance that there is more to value and that the existing knowledge base on value is not adequate and that the conceptualization of value still remains unclear (Woodruff and Flint, 2006; Sanchez-Fernandez and Iniesta-Bonillo, 2007). The current view in marketing literature is that value is a subjective process created and defined during use, the value-in-use notion, a view put forward by Holbrook (1994), Woodruff (1997), and more recently by Prahalad and Ramaswamy (2004a, b) and Vargo and Lusch (2004, 2008), to name a few. This establishes that customer value is at the core of all marketing activities; and that customer "value is now centered in the experiences of consumers" (Prahalad and Ramaswamy, 2004b, p. 137). Consequently, customers' experience is crucial as value resides in the experience (Bitner 1992; Prahalad and Ramaswamy, 2004a, b; Woodruff and Flint, 2006; Vargo and Lusch, 2008). This paper thus aims to evaluate customer value perceptions based on customer experience.

Table 1: Comparison of Smith and Colgate (2007) Value Framework against Other Popular Customer Value Frameworks

Smith and Colgate (2007)	**Park et al. (1986)**	**Sheth et al. (1991)**	**Heard (1993/94)**	**Holbrook (1999/2006)**	**Lai (1995)**
Functional / Instrumental Value - Correct / accurate attributes - Appropriate performance - Appropriate outcomes	Functional	Functional Conditional	Product Orders	Economic	Product benefits Logistic Benefits
Experiential / Hedonic Value - Sensory - Emotional - Social/ relational - Epistemic	Experiential	Epistemic Emotional Social	Experience	Hedonic Altruistic	
Symbolic / Expressive Value - Self-identity / worth - Personal meaning - Self-expression - Social meaning - Conditional meaning	Symbolic	Social		Social	
Cost / Sacrifice Value - Economic - Psychological - Personal Investment Risk					Cost / Sacrifice Monetary costs, time costs, risk & human energy costs.

Table 1 shows how the Smith and Colgate framework compares with the other available customer value frameworks (Iyanna, 2009).-

Consumption Experience

Customer experience was first addressed by Pine and Gilmore (1998, 1999) in their article "Welcome to the experience economy" (1998) and consequently in their book "The Experience Economy – Work is Theatre and Every Business a Stage" (1999). However, more than a decade later, research on customer experience still appears to be in its infancy (Johnston and Kong, 2011). Further, there is evidence in literature that the conceptualization of "experience" has always remained a fundamental issue (Caru and Cova, 2003). There have been numerous attempts at defining experience in terms of its elements, stages, or perspectives. These are seen in the works of Arnould et al. (2002), Holbrook and Hirschman (1982), Hirschman and Holbrook (1982), and Pine and Gilmore (1999), to name a few. The most common interpretation however is that, customer experience is the personal interpretation of a service process and the customer's interaction and involvement with the process during their journey or flow through a series of touch points, and how the interactions and involvement make them feel (Csikszentmihalyi, 2000; Ding et al., 2010; Johnston and Clark, 2008; Meyer, 2007; Pullman and Gross, 2004; Shaw and Ivens, 2002). The experience (and value, Vargo and Lusch, 2004) is perceived purely from the point-of-view of an individual customer and is inherently personal, existing only in the customer's mind. Thus, no two people can have the same experience (Pine and Gilmore, 1998).

The importance of "experience" to individuals and society is reflected in the concept of "experience economy" put forward by Pine and Gilmore (1999) that has attracted the attention of scholars from different fields over the past decade. The literature on this concept is abundant and is continuously evolving capturing changes in the society. Though the experience economy concept has been defined differently by scholars, it has been widely accepted in marketing and consumer research (see work of Kotler, 2003; Prahalad and Ramaswany, 2004b). Experiential consumption (Holbrook and Hirschman, 1982) and experiential marketing (Schmitt, 1999) are manifestations of how businesses acknowledged the existence of experience economy, i.e. how experience is a source of value creation and an economic offering (Pine and Gilmore, 1999).

Pine and Gilmore (1999) proposed four experience realms and is the most widely used framework for conceptualizing experience in the experience economy. The experience realms are based on the intersection of two dimensions: (1) customer's participation in the experience (weak/passive or active/strong); and (2) individual's connection with the environment of the experience or environmental relationship (from absorption/weak to immersion/strong). They posit that the coupling of these two dimensions results in four realms of mutually compatible experience domains that often combine to form uniquely personal encounters. The four realms are: entertainment, educational, esthetic and escapist.

The educational realm occurs when consumer absorbs the events unfolding before him (Pine and Gilmore, 1999). It involves active participation of the individual and usually an engagement of the mind and body. Consumers typically enhance their skills and knowledge either through general or specific educational experiences (Oh et al., 2007). Customers are engaged in this realm by acting on their desire to learn (Jurowski, 2009). Within the entertainment realm, consumer passively absorbs the experiences through their senses such as viewing performance, listening to music, and reading for pleasure (Pine and Gilmore, 1999). It includes momentary entertainment that make people smile, laugh or otherwise enjoy themselves (Jurowski, 2009). The escapist realm, on the other hand, involves greater immersion from individuals (Pine and Gilmore, 1999). Consumers are completely immersed in their environment and actively involved physically. This realm requires the consumers to affect actual performances or occurrences in the environment (Oh et al., 2007). Hence, individuals in this realm become actors who also interact with others (Jurowski, 2009). In the esthetic realm, individuals immerse themselves in an event or environment but they have little or no effect on it; leaving the environment or event essentially untouched but themselves (Pine and Gilmore, 1999). Consumers passively appreciate a destination and are influenced by it without affecting or altering the nature of the environment presented to them (Oh et al., 2007). Interests in Pine and Gilmore's concept have led research to focus on ways in which experiences are produced, narrated and mediated (Lofgren, 2008). Though it has been adopted in many contexts (Ek et al., 2008), it has recently been introduced to the tourism and hospitality literature (e.g. Gilmore and Pine, 2002; Oh et al., 2007; Jurowski, 2009; Morgan et al., 2009), as it adds dimension to interpreting tourist experiences (Oh et al., 2007). Having acknowledged that value is now in the experience, there is a need to understand experience from the perspective of the consumer. The use of CGC in evaluating customer value based on experience as published by consumers in their blogs, provides an ideal platform to analyze personalized consumer experiences. Thus, the present study aims to analyze consumer experience using Pine and Gilmore's four realms of experience.

METHODOLOGY

This study employs a new qualitative research methodology called netnography that adapts ethnographic research techniques to study consumer experiences through computer-mediated communications (Kozinets, 2002). Netnography is an interpretive method devised specifically to investigate the behavior of consumers present on the internet. Online communication between consumers has been studied by using netnography (Kozinets, 1998; Kozinets, 2002) for understanding their attitudes, perceptions, imagery, and feelings. Moreover, netnography as a research methodology is particularly useful to analyze communities where access based on conventional methods is difficult (Langer, 2003; Pires et al., 2003). Netnography as a methodological tool seemed most appropriate for our research as one of the aims of this paper is to demonstrate the use of CGC, particularly travel blogs, as a research tool for evaluating value based on consumers' experience as published in their blogs.

To select travel blogs for analysis, the most visited travel blog websites were identified, and subsequently, all the blogs on Sagada and Banaue published since 2007 to December 2010 were selected. Travelblog.org, travelpod.com and travbuddy.com are the most popular travel blog websites and receive maximum visitor traffic according to Alexa.com, a traffic monitoring website (Bosangit, et al., 2009). Alexa's ranking is considered to be a measurement of websites "relative popularity among the internet community". The measurement is based on data from over ten million Alexa toolbar users (www.homebizpal.com). A review of these websites showed that travelblog.org has more blogs published on the destination in the selected time frame and their narratives more detailed. A total of seven travel blogs, produced by bloggers of varying profiles, were downloaded and analyzed in this study. Two blogs were joint authored (one male, one female author) and the remaining five were single authored (one female bloggers, four male bloggers). Most bloggers were Europeans and North Americans, this is in line with the fact that the top three groups of travel bloggers are from English speaking nationalities (e.g. British, Americans, Canadians) (Bosangit et al., 2009). On an average, each blog had three pages of written text (approximately 1500 words). Permissions to use the blogs were requested and received from bloggers through emails. The profile of bloggers based on what they disclosed in their profile page is provided in Table 2.

Table 2: Profile of Bloggers and Their Blogs

Blogger	Nationality	Gender	Blog Ownership	Number of Words Per Blog Analyzed
Bem	Filipino	Female	Single	591
Dan and Kelsey	Canadian	Male/Female	Joint	1,187
Ed	British	Male	Single	1,319
James and Hannah	British	Male/Female	Joint	3,137
John	British	Male	Single	1,178
Josh	American	Male	Single	733
Ian	Undisclosed	Male	Single	570

Table 2 provides a brief summary of the data analyzed in this study

As prescribed by Kozinets (2002, p. 64), content analysis was used to expedite the coding and analyze the value perceptions embedded within each experience realm. The coding method chosen for this study was the "template analytic technique" (Miller and Crabtree, 1992), in which researchers use someone else's code or framework to process and /or analyze information. Thus, priori codes (Miles and Huberman 1994) identified and specified in the literature review was applied in this study. Two layers of coding were conducted - first, experience realms; and second, value perceptions. A coding manual was developed with codes defined and contextualized from tourism literature (e.g. Pine and Gilmore, 1999; Oh et al., 2007; Jurowski, 2009; Williams and Soutar, 2000; Smith and Colgate, 2007). Each layer of analysis was coded by a team of two coders independently. The text was 98% completely coded. Value codes were 98.1% comparable and appropriately labeled. Experience realm codes were 91.3% comparable and appropriately labeled. Overlaps were seen in coding educational and escapist realms, however, differences were resolved through discussion and joint agreement.

Findings and Implications

Results of the analysis confirmed previous work (Morgan et al., 2009 and Oh et al., 2007; Jurowski, 2009) on how Pine and Gilmore's four experience realms are evident in tourist experiences. The analysis of travel blogs indicated that the value perceived by bloggers differ by realm of experience. Empirical evidence in support of the realms of experience and the corresponding value dimension is provided in the following sections.

Educational Realm: Analysis indicated that this realm occupies a dominant part of tourists' narratives. Seven bloggers produced narratives that incorporated references to educational experiences. The content varied from advice regarding travelling, stories regarding the destination, for example, rice terraces, hanging coffins and indigenous cultures. Within the educational realm, the functional/ instrumental dimension and experiential/hedonic dimension of value were seen to be most dominant. This perhaps is not surprising as the educational realm concerns sharing of information about places of interest and/or individuals giving advice based on their experience.

Dan and Kelsey (2008) highlighted things they learned about rice terraces saying: "*here are a few interesting "tid bits" that we discovered about the rice terraces and local people ... I should note however that this is all hear say from our local guides and whether or not there is a little fiction mixed in with the facts, it all added to our experience*". The quote indicates that the experience relates to functional/instrumental value. This value dimension is concerned with the extent to which a service has desired characteristics, is useful or performs a desired function. In this instance, the commentary or interpretation of the tour guide added to the overall experience of Dan and Kelsey. Interpretation is not simply about informing people about the place; it requires creativity and skill (Newsome et al., 2002) and provides a crucial link between the consumer and the product (Williams and Soutar, 2000). Thus, encounters between the tour guide and customer are a key component of value, a fact that has been acknowledged by many (Williams and Soutar, 2000).

James and Hannah (2009) described their journey to the area as "... *was the (very long) day that will always be remembered as the time we experienced haphazard Filipino transport, and the substandard tourist infrastructure at its very worst.*" This account relates to both functional costs, in terms of substandard facilities, and cost/sacrifice value, in terms of personal time, effort and inconvenience. From a marketing perspective, this may influence consumer choice behavior regarding tourism destinations. However, considering that most bloggers are from North America and Europe, this may have added novelty to their experience as Dan and Kelsey (2008) state "*I must admit the crazy bus ride was definitely worth it*".

Edward (2009) writes, "*We had come here expecting to find the most diverse and colorful tribes of the Philippines but in reality found that the local people had preserved the visible aspects of their culture such as houses and clothing less than almost anywhere we had been in the country.*" The quote here relates to experiential/hedonic sacrifices as the novelty of their experience was lost as a result of lack of conservation. Edward goes on to say "*My heart sank. So this tradition had died out too. What we were looking at was no more than a museum.*" Considering Banaue and Sagada are marketed as eco-destination, conservation of local indigenous cultures and traditions is an important aspect to entice tourist to visit the destination.

Entertainment Realm: This experience realm relates to activities that make people smile, laugh and enjoy themselves. Text from four blogs was coded into this realm. Most bloggers merely enumerated their activities and did not describe it as richly as they described aspects of their trip within the educational realm. Within this realm there was strong evidence that experiential/hedonic value element such as fun, entertainment and recreation (Holbrook, 1994) are the only dominant perceptions. There was no evidence of other dimensions of value being present within the entertainment realm.

Bem (2008) talks about enjoying her dinner and mentioned how much a glass of red wine "*was perfect and the smell was just soothing*" and that after dinner everybody just needed to get to bed as they were dead tired from the trip. Here, entertainment is seen as something relaxing after a strenuous activity. Other activities that were included in this realm are: *watching band, drinking, listening to western music* (James and Hannah, 2009); *watching beauty parade and going through a street market* (Josh, 2009). The above mentioned quotes and reflections are indicative of experiential/hedonic value derived from appropriate experiences, feelings and affection for the customer in relations to the physical surrounding and activities they were involved in. As such this may involve epistemic value in the form of novelty as well as emotional value in the forms of pleasure and fun. It is clearly evident that apart from the extrinsic cues such as excellence and efficiency of the tourism products described in the educational realm as functional/instrumental value, intrinsic attributes (affective) such as play (fun) and entertainment are of equal importance too. Being an ecotourism destination, tourists may not expect Banaue and Sagada to provide them with a wide range of entertainment activities. From a marketing perspective, the contribution of this realm to the overall experience of the tourists may be seen as an opportunity for destination managers to offer more activities that will enhance the tourists' experiential/ hedonic value. This is important as experiential/hedonic value may be regarded as one of the key dimensions for post-consumption value perceptions (Williams and Soutar, 2000).

Escapist Realm: This realm is characterized by getting-away, immersing-into-destination, and partaking-a-different- tourism behavior. Banaue and Sagada are areas known to be remote and require tourists to be ready for inconveniences and adventure, thereby adding novelty to their experience. This is seen in their blogs, as activities that could be classified into this realm had the longest narratives as compared to other experience realms. Within this realm, it was seen that experiential/hedonic value dimensions, particularly the epistemic sub-component was most dominant, followed by functional/instrumental value.

Ian (2009) describes the road he biked through on his way from Banaue to Bontoc saying *"The road was awful! Rocks everywhere, deep mud, huge deep puddles stretching right across the "road", crazy!! ... I took the bike right to the summit of the peak .. I think it was the toughest ride yet. Big, sharp rocks everywhere. How I made it to the summit without getting a puncture or two just amazed me!"* Dan and Kelsey (2008), on the other hand, perceived it differently, and had this to say *"On the few occasions I did wake up it was enough to scare the living shit out of me... the gravel, washed out, single lane road (if that's what you want to call it but personally I thought it was more like a trail for moving livestock) snaked back and forth, over, around and through the mountains. Seeing a flipped over tour bus very similar to ours down the steep embankment around half way through the trip did nothing to ease my concerns... Though, I must admit the crazy bus ride was definitely worth it."* The concluding sentences in both quotes indicate that the overall ride was worth it. Though these quotes have relatively different perceptions towards the situation, they still share similar value perceptions. As such, they clearly indicate the existence of functional/instrumental value associated with the trip. In this instance, the evidence points towards features sacrifice or inappropriate performance of the physical surrounding. Bloggers showed their dismay mainly due to the condition of the road. However, despite the 'shocking' accounts they encountered at the beginning of the journey, such sacrifices were seen to have changed to feelings of pleasure - "worth the hassle" in getting through the hassle. Moreover, such experiences enhance symbolic/expressive value perceptions (self-worth or personal meaning) as James and Hannah (2009) state "*We collapsed in bed, after a long, hard day of obstacle-strewn travelling, we had made it against all the odds and were very chuffed not to have given up!*"

Caving activities in Sagada also required physical efforts from tourists. Josh (2009) writes "*It was amazing. We squeezed through holes that I had to twist and turn and scrape my head to get through. We walked barefoot up 45 degree rocks because they were just that "grippy"... There were also a lot of bats, but they didn't bother us. We did remember to close our mouths when we looked up at them though."* The presence of purely experiential/hedonic value stemmed from the feeling of adventure, pleasure, epistemic and humor, seemed to dominate in the caving activities. Trekking, caving and travelling to Banaue and Sagada demonstrate what Oh et al., (2007) described as a type of escape where tourists' active involvement in specific activities at the destination become instrumental in orchestrating an escapist experience. In addition to nature conservation and culture preservation, activities that provide an opportunity to do "something different" might be a major attraction that pulls tourists to destinations like Banaue and Sagada.

Esthetic Realm: This experience realm relates to how tourists enjoy being at the destination, i.e. they passively appreciate or are influenced by the destination. Within this realm, the experiential/hedonic dimension of value was most predominant. A notable pattern that emerged was that the sensory and emotional sub-components within this dimension seemed to occur simultaneously. Though there is evidence of other dimensions and sub-components of value, they almost always relate to sensory or emotional sub-components.

Rice terraces of Banaue were the main attraction with six blog narratives providing evidence for this experience realm. They were described as "*beautiful*" (Josh, 2009), "*centuries old terraces rise majestically hundreds of feet high, forming a stunning amphitheatre of giant, bright green steps*" (James and Hannah, 2009), "*the engineering of the ancient Filipino genius*" (Josh, 2009) and "*stunning*" (Ian, 2009). Bloggers expressed the feeling of "being there" by using words as "*wow*", "*overwhelming*" and "*awesome*". For example, Ian (2009) writes "*and wow you are confronted with an overwhelming view! Rice terraces covering every face of the surrounding hills. Simply awesome*." Dan and Kelsey (2008) echo a similar sentiment when they say *"... on numerous occasions I had to stop and gain my composure because the vastness and beauty of the terraces was simply overwhelming.* These quotes clearly indicate that value perceptions are based on sensory sub-components (such as aesthetics, ambiance, feel/tone), and emotional sub-components (such as pleasure/enjoyment; play/fun, excitement, adventure, and humor) of the experiential/hedonic dimension of value. The sensory and emotional sub-components are a key dimension to tourist value-in-use experience and contribute towards the post-consumption value perceptions of tourist experience (William and Soutar, 2000).

John (2007) writes that he found "*the best accommodation so far in Sagada – bright airy room with a great view of the surrounding countryside*". Though John's quote relates to functional/instrumental dimensions, value perceptions are enhanced by the sensory sub-component of the experiential/hedonic dimension of value. This highlights the fact that by focusing on functional or technical aspects of tourism only, marketers may overlook other nuances of value perceptions that are equally or more important. As manifested in the above discussions, value dimensions vary according to the realm of experience, with some dimensions being more dominant than others. Table 3 shows the dominant value dimensions within each realm of experience. Moreover, there was evidence of value perceptions being idiosyncratic with different customers viewing the same experience differently. However, knowledge of the experience realms and the perceptions of value within each realm offer valuable marketing information to destination marketers and tour operators.

Table 3: Dominant Value Dimension within Each Realm of Experience

Realm of Experience	Functional/ Instrumental Value	Experiential/ Hedonic Value			
	Features	Epistemic	Social	Sensory	Emotion
Educational	√	√	√		
Entertainment					√
Escapist	√	√			
Esthetic	√			√	√

Table 3 shows the dominant value dimensions within each realm of experience.

CONCLUSION

Customers cherish unique experiences; hence, market offerings that generate such experiences have sustainable competitive advantages over most other competing products/services (Gilmore and Pine, 2002). Acknowledging that value resides in customers' experience (Bitner, 1992; Prahalad and Ramaswamy, 2004a, b; Woodruff and Flint, 2006; Vargo and Lusch, 2008), this paper makes three contributions. First, this paper makes an important theoretical contribution by evaluating value perceptions based on experience realms. Second, the potential of using CGC in the evaluation of value perception based on consumer experience narratives was illustrated in this study. Third, this paper adds to prior research by providing empirical evidence in support of Pine and Gilmore's experience realms and Smith and Colgate's value framework in the context of tourism.

The study demonstrated that the most dominant value dimensions within the four experience realms were functional/ instrumental and experiential/ hedonic value implying the importance of these two to dimensions to destination marketers. The identification of value created in various experience realms may contribute to experiential marketing issue of understanding how to create emotional ties with consumers. Customers' emotional attachment is central to experiential marketing and has been explored for its full potential as a core element of business strategy (McCole, 2004). The analysis of CGC shows evidence of how specific experience realms may be used to create emotional attachments among consumers with respect to the consumption of the tourist destination. Likewise, it also shows those realms of experience that may need some input from the experience provider or destination managers to assist customers in creating emotional ties with the consumption experience associated with the destination.

Further work is needed to validate findings in other consumption contexts. Symbolic/expressive value has generated the least amount of attention in the discussion**.** However, marketing strategies that focus on the most dominant dimensions may result in overlooking other important perceptions that could provide sustainable competitive advantage. Thus research needs to examine strategies that could enhance value perceptions relating to symbolic/expressive value. It was demonstrated that CGC or blogs can be used to analyze the "what of consumption" (e.g. types of experiences and type of value perceived); however, it cannot be used to explain the "why of consumption" as there is little scope for probing. Suffice to say that for now CGC can be used as a preliminary research tool that can complement other research methods.

A limitation of the study was that it used blogs on a particular destination to analyze value and experience. This experience differs greatly from an everyday consumption; hence this study needs to be replicated to other contexts of consumption. There are consumption-oriented blogs such as trips to the mall, clothes, purchases and dinner in a fancy restaurant, that offer rich retrospective accounts of the blogger's everyday consumption (Zhao and Belk, 2007). Another area worthy of further research would be to focus on the photos and videos posted in the travel blogs which are rich sources of information on how tourists perceive the destination and re-present it to their audience, and are yet to be explored. The use of nethrography for analysis of these blogs is merely one of the many ways blogs could be analyzed. Content analysis and narrative analysis are the most commonly used methods in studies on travel blogs

(Banyai and Glover 2011); blog analysis using other methods may provide interesting insights on the concept customer value and experience. Acknowledging that more work is required to understand the full potential of CGC, it is hoped that this study can be viewed as an important step in a long campaign.

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