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# To Publish or Not to Publish - that is the Question

*by Geoff Alford,*

**Research Editor**

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The **amj** mainly publishes refereed research papers, although more topical papers, industry cases and contemporary debates are also sought for the "Marketing Forum" section of **amj**. The acceptance of papers for Marketing Forum is at the discretion of the Syme Department of Marketing. The following comments mainly concern research papers submitted to **amj** for formal referee.

Academic business journals fulfil several important functions:

- \* The public dissemination of new knowledge, ideas and research relevant to business theory and practice.
- \* The stimulus provided, both to the authors, and to colleague-readers, to undertake further research extending current business knowledge and to participate in promising research programs.
- \* The enhancement to the reputation of the authors among their academic peers, university employers and industry stake-

holders, with important and legitimate consequences for promotion and reward.

There are also (hopefully!) benefits to business educators and business practitioners, whether directly or indirectly, over time.

The function of an academic business journal is somewhat different from that of an industry or trade journal. In an academic business journal, the standard of the theoretical development of ideas and of the research is expected to be higher, and to have been judged so by peer referees, by the fact of being accepted for publication. There should also be a contribution to business knowledge in the form of new ideas and/or new understandings.

In principle, an industry journal can perform all of these functions and meet the same criteria, but this is not necessarily expected, nor desired. For instance, in an industry journal, an author may expound on practical extensions to existing business ideas, or describe a novel

approach to solving a business problem - all of which may be very useful and valuable to readers of the industry journal - but without it being necessary for the author to reference or acknowledge important sources, provide rigorous argument and empirical support for key claims, or demonstrate that the ideas are indeed new and have not been described before.

In an industry journal, the main expectation is that the author has something interesting and contemporary to communicate to readers in a user-friendly manner, whether a personal viewpoint, an experience or an idea, whether it be original or derived. In an academic business journal, that is not sufficient - a higher degree of rigour is expected, the contribution must be original, and it should also add to new business knowledge.

Of course, that may not prevent some academic business journals and their contributing authors from becoming too focussed on method-

ological issues and publishing mainly incremental research of interest among themselves, to the extent of forgetting how to communicate, and losing touch with important and contemporary business issues - concerns expressed by the Journal of Marketing Research in its editorial self-criticism of January 1992. Methodological research is legitimate and important, and often progress is incremental (we cannot hope to always make great strides). However, one would hope that any main-stream academic business journal like the **amj**, unless highly specialised, would publish a significant number of papers making a substantive contribution to the further knowledge of business theory and practice, would be readable by business academics and informed business practitioners, and would regularly tackle important and contemporary business issues.

What, then, is required in order for a paper to be published in an academic business journal, such as the **amj**?

The main requirement is that the paper be "good"; it can be based on quantitative or qualitative research, and it can also be theoretical - indeed, we would welcome substantive reviews of previous research and marketing theories. However, in order to answer that question in more detail, it may be useful to describe why some contributions to **amj** have been rejected. As in life, we all learn by our mistakes. Typical reasons include the following:

\* Literature Review

In some cases, no literature review was undertaken by the authors, or the review was not comprehensive; e.g. it was main-

ly based on industry publications or marketing textbooks, neither of which are primary sources.

The purpose of a literature review is to establish the state of previous knowledge, ideas and research, up to the most current published ideas, as well as fairly acknowledging the relevant contributions of previous authors. It also places the current paper or research study in context, so that its originality and contribution to furthering business knowledge can be evaluated relative to previous work, and useful ideas for future research directions can be suggested. A literature review must therefore be based on primary sources.

In some papers submitted to **amj**, the authors have undertaken a research study, which may have been of a high standard and may well be interesting to **amj** readers, but the absence of a literature review has made it impossible for the reviewers to establish whether the paper is original, contains new ideas or extends existing business knowledge.

Other authors have undertaken a limited literature review, mainly relying on industry publications or marketing textbooks. Industry publications can be useful sources of contemporary business information and opinion, but such business information (often derived from secondary data sources, with the attendant problems of such sources) and business opinion (often personal or anecdotal, and sometimes deliberately self-promotional) is usually difficult to verify, and is usually coloured by "what is newsworthy", and certainly should not

be taken at face value.

Marketing textbooks, often written as teaching guides and learning tools for business students, suffer similar criticisms as to their reliability as secondary sources; e.g. while describing or being written around previous research, they may include the personal opinions and interpretations of the authors; they may contain misquotations and misinterpretations of the original sources referenced; and inevitably, they are to some extent incomplete and out-of-date with the most current published research. Academic contributors, often themselves teachers and hence familiar with certain favourite textbooks, need to be aware of the limitations of textbooks in conducting original research; as with reading tea leaves or chicken entrails, textbooks can provide ideas, but you must go back to the original sources for verification.

One particular problem arises with research studies of, or comparing, different marketing cultures and countries; e.g. researchers investigating marketing practices or consumer decision-making in different Western and/or Asian countries. It is recognised that there may not be a lot of directly-relevant "marketing" literature available on particular countries. However, a search of electronic information databases on CD-ROM, which are widely available in university libraries, will usually reveal that useful literature is available (often, quite a lot) on the histories, economies and cultures of those countries. This literature should be considered, where relevant to the

author's current study; e.g. where cultural factors are necessary, or are used, to explain differences in the behaviour of a country's consumers. A useful approach is to widely search the databases (business, economic, marketing, sociological, psychological, etc.) for the name of the country (e.g. Indonesia), and then cull out those references which are of no interest.

As an example of some problems in cross-cultural research, **amj** has had to reject several papers comparing consumer perceptions and behaviour in different countries. This was because it was not demonstrated that the country differences were "truly cultural" and could not be explained by standard lifecycle or income variables; or indeed, were not simply artefacts of translation defects in the questionnaires. As a caution to unwary colleagues, we have also received several invitations to participate in international studies, where it has become apparent that the originator has designed a local country study and then decided to "internationalise" it by also asking academic colleagues to use the same questionnaire and collect similar data in their country; but without any consideration of cultural factors, and with little attention being given to the somewhat important issue of comparable sampling designs!

\* **Industry Practices**

In certain submissions received by **amj** and rejected, it was apparent that the researchers had adopted a simple "market research" model as with conducting market research in industry; i.e. they had first

undertaken qualitative group discussions or in-depth interviews, followed next by a quantitative survey. This, by itself, is not acceptable for publication in **amj**, without proper demonstration - by a review of primary sources in the literature - that the author's research is not a re-invention of some previous wheel, already published elsewhere. In all cases, the academic contribution of the work must be evident, and its relationship with previously published research must be demonstrated. In other words, the fact that "industry does it", is not sufficient for publication in an academic business journal.

It is worth noting that this qualitative-quantitative model is the standard market research practice in industry, only because, and while, industry clients are prepared to pay for it. Industry clients, if they were more aware of electronic information databases on CD-ROM (such as ABI-Inform, Sociofile, Psych Lit, etc.), would find that a thorough search of the academic and business literature can frequently (and cheaply) throw useful light on marketing problems, which obviates the need to spend large sums on unnecessary further data collection, or allows that research to be better focussed. For example, pharmaceutical companies are facing the problem that their unique prescription medical drugs are coming off patent, opening them up to generic competition; close analogies of the same marketing problem can be found in the agricultural chemical literature, Monsanto's Roundup being an example.

This issue of "industry prac-

tice" can be a particular trap when the academic research paper is based on prior industry consulting done by the authors; e.g. a research study has been undertaken for an industry client, which the authors have later tried to turn into an academic research paper. It is always better, for the purposes of later publication, if the literature review is undertaken first; indeed, your industry client may also benefit! One of the more difficult aspects of academic research is identifying new questions about, or gaps in, existing knowledge, which the authors can then address in their research. Again, this is a role of the literature review. It is getting a little too late to first conduct the research and collect the data to answer the industry client's question, and then to expect to be able to look around for some new question relating to the academic research literature which that same data can also answer!

In addition, there are certain things which industry does and apparently accepts, which are actually invalid on measurement and statistical criteria, and therefore are not acceptable in an academic research publication; e.g. perceptual maps based on aggregate data; multi-variable profiles of the typical consumer, based on eye-balling several demographics in cross-tabulations; drawing conclusions based on simple inspection of the data, without carrying out appropriate statistical tests; doing the statistical tests, but confusing "statistical" and "practical" significance as mentioned later, and so on.

Finally, research papers based

on "we can also do conjoint measurement studies in Australia" will not usually be accepted unless they contribute to new knowledge, although the local market research industry may find them useful in order to better understand the technique and may publish such papers in their industry journal or magazine.

On the other hand, significant replications in Australia of original overseas studies (e.g. extending SERVQUAL to other service industries), and cross-cultural replications (e.g. applying SERVQUAL in Asian cultures) are acceptable, so long as the appropriate literature review has been undertaken, and the rationale for and contribution of the current replication is made clear.

#### \* Study Objectives and Theoretical Framework

A number of authors have submitted research papers where (a) there was no clear statement of the objectives of the research, (b) there was a clear statement, but the objectives were not linked to previously published research in the literature review, or (c) the stated objectives were broader than the actual study, or were not fully addressed in the research undertaken and in the concluding discussion in the paper.

As an example of a particular trap, some authors have described all of the "processes" which they undertook in their research; e.g. how they tried to collect data, the difficulties met, the final compromise, etc. Rather than discuss objectives and processes in detail, where no real data was able to be collected, it would be better to

simply note that an objective was intended to be researched but this proved too difficult, and omit the superfluous discussion about "how we tried hard", unless it has particular methodological interest. Research papers are primarily about "what you found", not about "how hard you tried".

A similar criticism applies to the scope of the research, as described in the paper; e.g. a study in one particular Asian country does not make for a study of "Asian Business Culture"; nor does the simple adjustment of market research methods to accommodate local conditions make for "Acculturation by Overseas Market Researchers in Asia".

With any research study, it is imperative that there be a clear and accurate statement of objectives for the current study; that they be linked to previously published research, so that the particular problem being addressed and the contribution to further knowledge can be evaluated; that the research undertaken and discussed in the current study can be shown to meet those objectives; and that any limitations and/or areas for future research can be identified.

Indeed, we would strongly recommend that authors include a formal model or theoretical framework in their paper - e.g. a diagram or flowchart, with boxes and arrows, etc. - which encapsulates the main variables and relationships in the research, and whence the various objectives and linkages can be better appreciated. This will not only assist readers of the paper (both reviewers and sub-

scribers), but will also help authors themselves to clarify their thinking. Obviously, it is always better to develop this framework before collecting the data; e.g. it might reveal undetected assumptions, defects and omissions in the research design!

#### \* "Research" vs "Essay" Papers

Several authors are confused about the distinction between "research" and "essay" papers.

With "essay" papers - such as those which students may submit for university course assignments - it is sometimes permitted to include slabs of quotation from marketing texts, to express personal opinions based on the material read, to include anecdotal information from industry "experts", to make generalisations based on "common knowledge", etc. When saying that these things are "permitted", this will vary by subject and how advanced the student is; i.e. what is permitted for a 1st year student in Introductory Marketing will be different from a Masters student in Advanced Market Research.

However, these things are not acceptable in an academic research paper, unless - for instance, the example of industry experts - this is integral to the objectives and methodology of the research. Authors should generally avoid sweeping generalisations, unsupported references to "common knowledge", expressions of personal opinion and the inclusion of unverifiable anecdotal information.

Slabs of quotation from marketing texts should also be avoided; marketing texts are not as reliable as original literature sources, and "slabs of quota-

tion" are superfluous anyway. If it is important, briefly make the point and reference the source. Readers can follow up if they so desire, but do not need photocopying of slabs of texts.

#### \* Methodology

The description of the methodology used in the study should be clear (so reviewers and readers can follow it) and succinct. Some authors have not clearly described their methodology, or have included an account which is transparently aimed at minimising methodological weaknesses and justifying decisions after the event.

Extensive discussion of "processes" - e.g. attempts made to collect secondary data, how the interviewers were trained, the procedures adopted in group discussions, etc. - should also be avoided, unless these have a bearing on relevant methodological issues or affect the interpretation of the data. For example, with cross-cultural research, it would be appropriate, even critical, to describe what was done to ensure accurate translation and comparable understanding of the survey questions. Similarly, if researching sensitive issues, it would be important to discuss whether a direct questioning or empathetic interviewing style was used in the qualitative research.

The description of the methodology should also be objective and balanced. For example, if non-probability "quota" or "convenience" samples have been used, this should be clearly stated, together with a balanced rationale as to their appropriateness, given the current study's objectives. Phrases

usually associated with probability sampling methods should then be avoided; e.g. "stratified" instead of "quota", or "selected at random" when it was "haphazard". Note that there is nothing intrinsically wrong with non-probability sampling if done carefully; it is simply that one cannot use statistical sampling theory to calculate confidence intervals for sample estimates in respect of population parameters.

The same applies to justifications for the use of questionnaires, group discussions or other techniques for data collection. The rationale should be balanced, not hide weaknesses and not over-claim doubtful strengths. In particular, authors should note that the lack of time or money is not a valid justification; **amj** sympathises, but this may be an important limitation of the study which needs to be acknowledged. Even if it means that the paper cannot be accepted as a full paper, it may be acceptable as an interesting contribution for a Research Note.

#### \* Data Analysis

In the data analysis, some authors have not carried out a proper analysis, have not described their results in a clear and precise way, have claimed "significance" for results without carrying out appropriate statistical tests, or - conversely - have used sophisticated statistical analysis techniques without understanding their assumptions and limitations; e.g. have applied factor analytic techniques, which assume metric data, to nominal data, such as the simple mention of the reasons for purchase.

Generally, it is not acceptable to simply eye-ball the results and make claims that X is an important issue. One should state precisely what the result was (with quantitative data, this means stating the precise percentage or estimate), and then draw out the implication.

If claims are made that "X is important", or "Y is greater than Z", these should be justified. The fact that X is mentioned "frequently" does not necessarily mean that X is "important". That Y is really greater than Z (and not a sampling artefact) should be demonstrated by an appropriate statistical test or estimation of likely errors.

If mean scores on rating scales (e.g. Likert scales) are the data, then these should usually be placed in perspective by referring to the percentage agreeing or disagreeing; e.g. "the mean was 4.2, with 40% of respondents agreeing and 30% disagreeing". For instance, although a mean score of 4.2 on a 7-point "agree-disagree" rating scale (mid point = 4) is higher than 3.8, the latter could have more respondents "agreeing", depending on the relative mix of "disagree" and "neutral" answers. In other words, the distribution of responses may be very informative, even more so than the "mean". This issue becomes especially important when the scale is measuring "change"; e.g. an experimental treatment may have increased the probability of purchase by 0.5 scale units, and this difference may be statistically significant, but it may mean very little in practical terms if the change was mostly from "definitely not

buy" to "very probably not buy"!

Sophisticated data analysis techniques require sophistication in the user. For example, the correct interpretation of a multiple regression requires consideration of the correlations between the predictor variables, and also, of the range of values pertaining to each predictor variable. The choice of such techniques should always be dictated by the research objectives and the type of data, and these techniques always require careful thought and caution in their use. As a particular example, cluster analysis is fashionable in the market research industry. However, statistical tests for differences (e.g. T-test, F-ratio, etc.) cannot be validly applied to cluster analysis solutions, because cluster analysis algorithms use an analogue of the F-ratio to develop the cluster solution in the first place; i.e. such practices violate the first principle of statistical testing, namely that the method of analysis or solution and the statistical test should be independent of each other.

With quantitative analysis of essentially qualitative or nominal data - e.g. respondents' simple mentioning of the 2, 3 or 4 main reasons for purchase - consideration needs to be given as to whether the association or matching coefficient should be based on only "strong" matches (the attribute present in both cases), and whether "weak" matches (the absence of the attribute) can be validly included or should be excluded. Certainly, the potential for misleading results and the limitations of calculating the correlation coefficient for such data, or

of using metric factor analytic techniques, should be appreciated.

A particular trap for authors is the intrinsic interest in (obsession with?) "segmentation", and in comparing demographic differences; e.g. males versus females. These may indeed be interesting, but first, one should discuss the overall results and what they mean; e.g. firstly "the sample group as a whole prefers X to Y" and secondly, "males prefer X significantly more than females". The latter statement, without the former, could mislead readers into the false conclusion that "females do not like X". As a general principle, the overall results should always be discussed first, and any demographic or other differences discussed second.

That last example deliberately raises another confusion, namely with the use of the word "significant". The fact that a finding is "statistically significant" does not mean that it is "important" or that the observed difference is "large"; it simply means that the finding cannot be explained away as a sampling artefact, given the size of the sample. In other words, finding that a difference is "statistically significant" does not mean that one has found a "significant difference". Academic and industry colleagues should be very wary of the "large sample" trap; e.g. given a random sample of 1,000 males and females, even small differences of 5% - "50% of males prefer red cars compared with 45% of females" - can be statistically significant, although such small differences would have no relevance for management decision-making. Whether a finding has "practi-

cal significance", in the sense of "being an important finding" or one that management should take note of, needs to be further argued from the size of the effect or difference, and the "benefits versus costs" of alternative decisions which may result.

As an interesting aside, my students recently investigated how marketing managers assess "practical significance" in their market research, and found that many simply rely on what their market research supplier says is "significant"; pursuing it further, they then found that certain (many?) market research suppliers simply rely on what the statistical software package says is "statistically significant" in order to write their reports and advise clients on what are the important findings!

It is hoped that this critique of papers rejected by **amj** will help intending authors to avoid some of the traps. It is not our intention to discourage authors from submitting papers, but rather, to encourage quality submissions which get accepted first up. Writing research papers is a skill which has to be learned.

The following check-list offers some practical advice, which (believe it or not!) the editors personally follow. The odds are that if any answer is a "No", the current draft of your paper is not ready for submission. Item 10, which we call the "critical spouse test", is particularly important; if an intelligent colleague or spouse cannot understand your paper, it is equally likely that our poor reviewers will not understand it either!

## Check-list for Submission of Papers to amj

	Circle your answer	
1. Have you, the author(s), undertaken a comprehensive and up-to-date review of original research papers in academic journals, and (if relevant) of industry sources?	Yes	No
2. Have you done a general search using electronic information data bases; e.g. ABI-Inform, Sociofile, Psych Lit, etc.?	Yes	No
3. Are the objectives of your research clearly stated, linked to the literature review and clearly addressed in the final discussion and conclusion?	Yes	No
4. Did you, or can you now, develop a formal model or theoretical framework which encapsulates the main variables and their relationship in your research?	Yes	No
5. Is there a clear and succinct description of your methodology; and is that description balanced and objective in respect of the strengths and weaknesses of your chosen methods?	Yes	No
6. Was the data analysis systematic and thorough; are your results clearly, precisely and accurately described, and are they clearly linked to your objectives?	Yes	No
7. Are your inferences and conclusions clearly described; are they well-supported, including relevant statistical tests to warn against sampling artefacts; have you also distinguished what is of "practical significance" or an important finding, from what is merely "statistically significant"?	Yes	No
8. Have you described the bounds or limitations of your current research study, and mentioned directions for future research?	Yes	No
9. Have you re-read your paper and carefully checked for unsupported generalisations, inappropriate expressions of personal opinion, typing mistakes, poor grammar, etc.?	Yes	No
10. "Critical spouse test": have you had an intelligent colleague or spouse (who is not a specialist in your area) critically read your paper for flow, ease of understanding, points of confusion, etc.?	Yes	No

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# General Perception of Word-of-Mouth Communication as a Source of Information: The Case of Singapore

*by Chow Hou Wee, Seck Luan  
Lim and May Lwin*

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## **BIBLIOGRAPHY:**

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## Abstract

Word-of-mouth (WOM) is a powerful communications tool which is often beyond the control of the marketer. This study used a survey to examine WOM as a source of information by consumers. The survey involved 896 respondents of 3 different age groupings and examined three distinct areas: the importance of WOM as an information source, perception of WOM versus other sources of information, and the importance of WOM in the selection of three product types.

Results obtained from the survey showed that WOM sources were generally considered to be reliable and influential. Differences in perceptions of WOM were observed among the subsamples when one-way ANOVA was applied; for example, in different situations, the various age groups placed different emphasis on WOM.

## Introduction

In the United States, marketers have long recognised interpersonal "word-of-mouth" (WOM) communication as an important medium for influencing consumer behaviour (Arndt 1967c; Beal and Rogers 1957; Fisk 1959; Kiel and Layton 1981). In health care, WOM influence was found to be even more pronounced (Gombeski, Jr., Carroll, and Lester 1990; Murray 1992), and more important in recent years (Fisher and Anderson 1990; Williams and Hensel 1991). Thus in a society such as Singapore, there is reason to believe that consumers will be equally susceptible to WOM. This empirical research therefore aimed to better understand WOM in the Singapore context.

Little is known about the details of WOM influence at the micro-

level; for example, where there are strong interpersonal ties or sources, and which of these are likely to be perceived as more credible. Previous research has been more concerned with communicators or influencers (eg. Holmes and Lett 1977; Richins 1983) than with communication receivers or those influenced. As researchers have sought to understand the motivations of the influencer, the impact of WOM messages on the receiver have tended to be neglected. In addition, the scope of interest in WOM has been relatively narrow, with little attempt to examine the differences in perception of receivers in various demographic groups, such as in different age or lifecycle groups.

The research objectives of this study focus on several important issues, namely:

- a) *WOM as a source of information*
- b) *Consumers' perception of WOM, compared to other sources of influence*
- c) *The influence of WOM on purchasing choices across different product or service categories, and*
- d) *differences in WOM across different age or lifecycle groups.*

In answering these objectives, we hoped to provide a general understanding of consumers' perception of the relative importance of WOM communication.

## Literature Review

### Definition

WOM can be defined as "oral, person-to-person communication between a receiver and a communicator whom the receiver perceives as being non-commercial, concerning a brand, a product or a service" (Arndt 1967c). The communicator should be independent of the manufacturer for the recommendation to be considered WOM. This recommendation may be positive or negative depending on the

past experience of the influencer. WOM may also be "random" and simply based upon one's own experiences; or "systematic", as when a large number of customers share similar experiences, indicating potentially major product/brand flaws (Richins 1984). In this study, only random WOM applying to individuals was considered.

### Importance of WOM

In one of the earlier studies, Katz and Lazarsfeld (1955) found that WOM was the most important source of influence in the purchase of household goods and food products. It was estimated to be seven times as effective as personal selling, four times as effective as newspapers and magazines and twice as effective as radio advertising in influencing customers to switch brands. Fisk (1959) also found friends, family and neighbours to be the most important source of information about new food products for household meal planners. Similarly, King (1963) noted personal influence to be the most important variable in adopting new fashions. In the years ensuing, and despite the advent of television as a major medium of promotion with the era of mass communication and mass advertising, it was estimated that as much as 80% of all buying decisions were still influenced by someone's direct recommendations (Voss 1984). In the health care industry, WOM influence was found to be increasing in importance over the years (Williams and Hensel 1991).

The specific importance of WOM is further evident in the assertion that while mass media were broadly effective in generating product awareness, it was the WOM source which was mostly utilised by the buyer at the critical stages of evaluation and actual

purchase decision (Arndt 1967b; Rogers 1962; Fisher and Anderson 1990). Several studies found that WOM was more influential than promotional methods on many occasions; and that friends and relatives were perceived as more capable of providing impartial information than advertising sources (Arndt 1967c; Atkins 1962; Engel, Kegerreis and Blackwell 1969; Feldman and Spencer 1965; Sheth 1971; Udell 1966), and also, of providing independent judgments (Feldman 1966). Furthermore, in their attempt to explain the importance of WOM sources using the criteria of "exposure" and "effectiveness", Arndt (1967c) concluded that while consumers generally had a greater tendency to be exposed to marketer-dominated sources, personal WOM sources were usually the more effective. Enis and Paul (1970), however, found that impersonal sources such as advertising were more influential for high priced and technical products such as televisions; but at the same time, they found WOM sources were especially influential for an expensive utilitarian item such as a shirt. In another study, Herr, Kardes and Kim (1991) found that face-to-face WOM communication was more persuasive than printed formats.

The business community has also been keenly aware of the power of WOM. Firms compete to become official sponsors of events such as the Olympics (Alsop 1984). Peters and Waterman (1982) cite several companies which had built their reputation around providing services to customers, their rationale being to capitalise on favourable WOM. At the same time, other companies have found research support to use

celebrities and drama to leverage the effects of WOM (e.g. McCracken 1989; Deighton, Romer and McQueen 1989).

### **Participants in WOM**

Much of the literature distinguishes between "receivers", the participants to whom advice is passed, and "influencers" (or opinion leaders) who originate and transmit information to others.

The intensity of everyday WOM lies in the influencer's motivation, whether based on his/her own personal experiences or hearsay of others' experiences. Arndt (1967a and 1967b) suggested six possible influencer motivations: instrumental (the desire to appear well-informed), altruistic, ego-defensive, ego-involvement, to establish cognitive clarity in ambiguous situations, and to reduce cognitive dissonance. Dichter (1966), on the other hand, used an involvement framework and identified four motivations for WOM initiation: "product involvement", where experience with the product produces a tension which the consumer must channel through talk; "self involvement", where WOM is used to meet the consumer's need to assure him/herself in front of others; "message involvement", where the WOM is mainly stimulated by advertisements; and "other involvement", where consumers engage in WOM with the intent to help others. Another motivation was the possibility of risk reduction after the purchase of an innovation (Cunningham 1967; Richins 1983).

Other researchers have focussed on how certain characteristics of the communication, such as its credibility and trustworthiness, could affect receivers (eg. Bearden

and Etzel 1982; Bearden, Netemeyer and Teel 1989; Price, Feick and Higie 1989), and the effect of the manner in which the information was presented (Herr, Kardes and Kim 1991).

### **Receivers**

Dichter (1966), in his analysis of purchase behaviour ensuing from WOM, found that in weighing the value and validity of a recommendation, the receiver was primarily concerned with the trustworthiness and competence of the influencer. Trustworthiness relates to the presence or absence of manipulative intent on the part of the influencer. Competence refers to the expertise and knowledgeability of the source. This was supported by McGuire (1964) and Wilkie (1986) as components of source credibility. According to Wilkie (1986), the power of WOM arises because of high source credibility and the effect of two-way communication. Two recent studies by Keith, Jackson Jr. and Crosby (1990), and Moorman, Deshpandè and Zaltman (1993) confirm the findings of these earlier studies.

The receiver's use of WOM has also been found to depend on aspects of the product involved and of the purchase decision, such as the compatibility of the product with the expectations of the individual (Rogers 1962); the level of dissatisfaction with presently owned products of the same class (Mueller 1958); the level of conspicuousness of the product, which relates to both visibility and exclusivity (Bearden and Etzel 1982); and the amount of risk perceived by the individual (Cunningham 1967; Rogers 1962; Sheth 1971; Taylor 1974).

Another receiver characteristic

that has been found to affect the impact of WOM is the level of a person's involvement with the product or service class (Richins 1984). Social judgment theory (Sherif and Sherif 1967) suggests that individuals with high involvement with the topic of a message (i.e. with the particular product or service class) are less likely to be affected by that message, presumably because they have a more firmly fixed attitude than those who have lower involvement. This may explain why in the health care industry, patients rely heavily on the recommendation of their doctors, as the service provided is of a highly involved nature (Williams and Hensel 1991; Fisher and Anderson 1990).

Since WOM is a social phenomenon, properties of social relations are likely to play an important role in WOM behaviour. This is because such behaviour arises from, and is constrained by, an individual's social relations with others. This highlights yet another important factor that affects the influence of WOM on receivers. Ironically, most previous work on WOM has had a weak focus on such relational data. In fact, few studies done on WOM have presented a network analysis of WOM referral behaviour in a natural environment and utilising relational properties (Reingen and Kernan 1986; Brown and Reingen 1987). An individual's social relations with others typically include a spectrum of ties from "strong primary" (such as spouse, parent) to "weak secondary" (such as seldom-contacted acquaintances). Individuals with strong ties tend to interact more frequently than those with weak ties (e.g. Leonard-Barton 1985; Foxman, Tansuhaj and Ekstrom 1989). The few

research studies undertaken, with direct focus on communication flows in interpersonal networks, have obtained positive WOM results for only strong ties (Brown and Reingen 1987).

### **Impact of WOM**

Several studies have documented the pervasive influence of WOM. Katz and Lazarsfeld (1955) found that positive interpersonal communication had a greater impact than the mass media in brand switching for small consumer and household goods. Whyte (1954) also supported this finding for air-conditioners. Cox (1967) found that one company, in a highly competitive consumer arena, spent little on advertising compared to its competitors, yet achieved higher sales due to positive WOM. In addition, research on retail strategy has shown that retailers rely heavily on favourable WOM (Price, Feick and Higie 1989). Indeed, one study has estimated that 40% of a retailer's clientele may be the result of positive WOM (Samli 1970). Other studies which have led to similar conclusions about WOM's influence include durable products (Katona and Evalueller 1955), dental products and services (Silk 1966), razor blades (Sheth 1971), automobiles (Newman and Staelin 1972) and even flea market sales (Sherry 1990). In a more recent study, Keith, Jackson Jr. and Crosby (1990) showed that behaviour can be significantly affected as a result of the direct interactions between two channel members.

On the reverse side, several researchers have found negative WOM to have even greater impact on attitudes towards products than positive WOM (Lutz 1975; Mezerski 1982; Weinburger, Allen

and Dillon 1981). In a study of diffusion of new food products, Arndt (1967a) reported that negative WOM retarded sales of food products twice as strongly as positive WOM promoted product sales. Weinburger, Allen and Dillon (1981) attributed this to the fact that there were generally more positive cues in the environment, thus making negative cues attract more attention. Mezerski (1982) also came to the same conclusion, reasoning that, given societal pressures to express positive feelings, a person who expressed negative feelings might be considered more likely to be sincere.

In terms of motivations for providing negative WOM, Knapp (1944) found negative influencers often attempted to get back at the offending marketing institution. Diener and Greyer (1978) found that 34% of the customers dissatisfied with a personal care product told others about their dissatisfaction. Likewise, Richins (1984) found this figure to be 57% for customers of clothing or appliance products. In Singapore itself, it has been claimed that only 10% of dissatisfied customers ever come back (The Straits Times, November 1989), and that "poor services get more publicity than good services".

## **Research Methodology and Design**

The overall perception of WOM as an information source concerning products and services was examined using a general survey across three different types of "younger to older" sample, namely a secondary student sample, an undergraduate sample and a working person sample. Specifically,

the research objectives were:

1. To determine consumers' general perception of WOM as a source of product/service information in terms of its extent of exposure, reliability and ability to influence purchasing choices. An attempt was also made to develop an overall "importance" index of WOM as a source of product or service information.
2. To examine the relative exposure, reliability and influence of WOM as a source of product or service information as compared to other possible sources, such as the commercial promotional sources and neutral sources of information.
3. To understand specifically the extent in which WOM as a source of information can influence purchasing choices in selected product and service categories.
4. To explore any differences in the perception of WOM among the three subsamples.

### **Research Methodology**

A questionnaire survey was selected as the most suitable approach since the objective was to seek a general understanding of WOM and to undertake quantitative measurements. A non-probability sampling method, namely judgemental sampling, was used, and care was taken to ensure that each age or lifecycle subsample was fairly homogenous in composition and differed from the others. The three subsamples selected comprised secondary students from four closely comparable secondary schools (around 15 years old), undergraduates from the university (around 20 years old) and a working person sample who were members of a club (mostly adults,

with ages ranging from 16 through to over 50 years).

### **Selection of Products and Services**

The selection of different product and service classes (in terms of involvement levels) for closer examination in the survey was based on their availability to the three subsamples in the marketplace. To ensure that the products and services selected for the survey were both salient and differentiated by the respondents as high/medium/low involvement, a preliminary informal questionnaire presenting 30 products was distributed to 51 respondents who were from the three types of respondent group to be sampled. In addition, three focus groups were carried out with representatives of each group to allow further clarification of issues with the researcher.

This led to a selection of nine products and nine services for the main survey. The selected products and services were divided into three levels of respondent involvement: high (products -- computer, hi-fi stereo, designer watch; services -- medical specialist, packaged tour, dental specialist); medium (products -- denim jeans, running shoes, perfume; services -- discotheque, hotel restaurant, haircut) and low (product -- shampoo, toothpaste, instant noodles; services -- shoe repair, movie, photo studio).

## **Results and Analyses**

### **Sample Characteristics**

The total sample size for the survey was 896, of which 290 (32%) were secondary students, 310 (35%) undergraduates and 296 (33%) working persons; 428 (48%) were males and 468 (52%) were females. The secondary stu-

dent sample was mainly in the age group of 15 years, as only third year secondary students were selected. This was to ensure a reasonable age gap between the secondary student sample and the undergraduate sample (most common age was 20 years) so that meaningful comparisons could be carried out. For the working person sample, there was a relatively uniform distribution of respondents across all different age groups from 16 through to over 50 years. Over 90% of all three groups were Chinese.

Out of the 296 working respondents, 53% and 47% were single and married respectively. Just under half (40%) were GCE 'O' level holders, 27% were GCE 'A' level holders and 23% were diploma holders and graduates. Most working respondents (82%) had English as their main education stream.

### **General Perception of WOM**

The general questionnaire was divided into three sections. All of the variables in each of the three sections were analysed using one-way analysis of variance (ANOVA). Since one-way ANOVA treats each dependent variable separately, this technique enabled tests for the differences between the means of the three subsamples for each of the dependent variables, namely of exposure, reliability, influenceability and overall importance. A posteriori multiple comparisons based on the Scheffe method were used to determine which of the subsamples were significantly different in a statistical sense from each other. The Scheffe method was used because it is suitable for all comparisons (not just pairwise) and is exact even for unequal cell

sizes.

### Importance of WOM as Source of Information

According to Arndt (1967c), the importance of WOM can be examined by looking at the extent of its exposure, perceived reliability and influenceability. An overall importance index was also established by Arndt using the following equation:

$$\begin{aligned} \text{IMPORTANCE} &= \text{EXPOSURE} \times \text{EFFECTIVENESS} \\ &= \text{EXPOSURE} \times [ (V1 + V2) / 2 ] \end{aligned}$$

where V1 = reliability and V2 = ability to influence (influenceability)

Table 1 shows the results when the individual variables of WOM exposure, reliability, influenceability and overall importance (computed from the equation) were investigated among the three subsamples.

The ANOVA results found that undergraduates were different from the working person subsample. Undergraduates achieved the highest mean score on all the individual and overall perception measures, and the differences were statistically significant when compared to the other two subsamples which had lower mean

TABLE 1

## ONE-WAY ANOVA AMONG SAMPLES ON EXPOSURE, EFFECTIVENESS AND OVERALL IMPORTANCE OF WORD-OF-MOUTH AS A SOURCE OF INFORMATION

Items Test	M E A N S				
	Overall Means	Sec Student Sample(A)	Undergraduate Sample(B)	Working Sample(C)	Posteriori (Scheffe) *
A: EXPOSURE	4.56	4.41	4.88	4.38	A & C from B
B: EFFECTIVENESS					
Reliability	4.61	4.39	4.87	4.55	A & C from B
Influenceability	4.77	4.61	5.08	4.59	A & C from B
C = A * B:					
OVERALL IMPORTANCE	21.95	20.52	24.59	20.60	A & C from B

\* : Significant at 0.05

Note : All items are measured on a 7-point scale where:

EXPOSURE: 1 = very infrequent & 7 = very frequent

EFFECTIVENESS:

a. Reliability

1 = not at all reliable & 7 = very reliable

b. Influenceability

1 = not at all influential & 7 = very influential

scores. This could be attributed to undergraduates being relatively higher in susceptibility to interpersonal influences and being more prone to engage in product or service information discussions. Generally, the mean scores for the perception measure of WOM exposure, reliability and influenceability were above the mean score of 4 on the 7-point scale. In particular, the scores for the influenceability variable were the highest across all subsamples, meaning that WOM sources are often very

influential on consumers' purchasing choices.

In conclusion, WOM as a source of information was found to be rather important (relatively high mean scores) with the undergraduates perceiving it to be more important compared to other subsamples. When t-tests were conducted across gender, female respondents were found to be more exposed to WOM than males ( $\bar{X}_f = 4.71$  and  $\bar{X}_m = 4.40$ ). Also, females found WOM more reliable ( $\bar{X}_f = 4.64$  and  $\bar{X}_m = 4.58$ ).

Again, these differences were statistically significant.

## WOM versus Other Sources of Information

Tables 2 through 4 present the mean scores and rankings of 11 sources of product and service information which included six commercial promotional sources, four WOM sources and one neutral source, in terms of exposure, reliability and influenceability.

TABLE 2

### ONE-WAY ANOVA AMONG SAMPLES ON THE EXTENT OF EXPOSURE OF THE MAJOR SOURCES OF PRODUCT/SERVICE INFORMATION

Sources	EXPOSURE								Posteriori Test (Scheffe)*
	Overall		Sec Student Sample (A)		Undergraduate Sample (B)		Working Sample (C)		
	Means	Rank	Means	Rank	Means	Rank	Means	Rank	
<b>COMMERCIAL</b>									
1. TV Ads	2.69	1	2.67	1	2.42	1	3.00	1	B from C
2. Radio Ads	5.57	6	5.27	4	5.71	6	5.70	6	N.S.
3. Newspaper Ads	3.23	2	3.92	2	2.51	2	3.31	2	A from B & C B from C
4. Magazine Ads	5.09	4	5.42	5	4.45	4	5.43	5	B from A & C
5. Salesmen	8.19	8	7.99	9	8.47	8	8.09	10	N.S.
6. Catalogs & Brochures	6.76	7	7.26	7	6.67	7	6.38	7	A from B & C
<b>WORD-OF-MOUTH</b>									
7. Family members	5.22	5	5.48	6	5.05	5	5.16	4	N.S.
8. Close friends	4.71	3	5.16	3	4.22	3	4.79	3	B from A & C
9. Neighbours	8.43	11	7.98	8	9.12	11	8.16	11	A & C from B
10. Relatives	8.21	9	8.03	10	8.65	9	7.92	8	B from C
<b>NEUTRAL</b>									
11. Consumer Reports & Rating Services	8.32	10	8.18	11	8.70	10	8.04	9	B from C

Kendall's Coefficient of Concordance (W) = 0.9475\*\* (Significance = 0.0015)

\* : Significant at 0.05

N.S. : Denotes "Not Significant"

\*\* : Kendall's Coefficient of Concordance (W) ranges from 0 to 1 where 0 means no concordance and 1 means complete concordance.

All items (sources) measured by respondents rankings from 1 (most) to 11 (least).

Table 2 reveals that, in terms of perceived exposure to various sources of information based on rankings of 1 (most exposed) to 11 (least exposed), the top information sources for "exposure to" were TV advertisements ( $\bar{X} = 2.69$ ), newspaper advertisements ( $\bar{X} = 3.23$ ) and close friends ( $\bar{X} = 4.71$ ), in that order. This is expected as Singaporeans watch television frequently.

In addition, when perceived exposure to the various sources of information was examined, the three subsamples differed significantly on several aspects. Firstly, undergraduates were found to be more exposed to television ( $\bar{X} u = 2.42$ ) than working people ( $\bar{X} w =$

3.00). Secondly, undergraduates were more exposed to newspaper advertisements, followed by working people, and then secondary students. Thirdly, undergraduates were found to be less exposed to relatives' comments ( $\bar{X} u = 8.65$ ) than working people ( $\bar{X} w = 7.92$ ); and also less exposed to neighbours' comments ( $\bar{X} u = 9.12$ ) than working people or secondary students ( $\bar{X} w = 8.21$  and  $\bar{x} - s = 7.98$  respectively). Fourthly, in terms of magazine advertisements and close friends, undergraduates were more exposed to these sources ( $\bar{X} u = 4.45$  and  $\bar{X} u = 4.22$  respectively) than the other two subsamples. Finally, secondary students were found to be less exposed to cata-

logues and brochures for product or service information.

In summary, undergraduates differed significantly from the student and working person subsamples in terms of their perceived exposure to the various information sources. It is also interesting to note the ranking order among the subsamples. In fact, Kendall's concordance test showed that there was overall concordance, the ranking of the different sources of information not being that different between the three subsamples. This suggests that the order of perceived exposure to various sources of information - i.e. television, followed by newspapers, then close friends, and so on - is a general

phenomenon across different age groups.

Based on Table 3, describing the "reliability" sub-component of effectiveness, the overall more reliable information sources were perceived to be family members, close friends and television advertising, in that order. On a scale of 1 (most reliable) to 11 (least reliable), their

scores were  $\bar{X} = 3.71$  and  $\bar{X} = 4.79$  respectively. This shows that while television advertising scores highly on exposure (Table 2), consumers do not rank it as highly on reliability (Table 3). WOM sources such as family and friends were judged to be more reliable.

The younger subsample of secondary students perceived televi-

sion advertisements to be more reliable ( $\bar{X} = 3.90$ ) than did undergraduates ( $\bar{X} = 4.82$ ) and working people ( $\bar{X} = 5.63$ ). Conversely, secondary students thought family members, close friends and consumer reports/rating services to be less reliable sources of information for them than did older sample groups.

TABLE 3

## ONE-WAY ANOVA AMONG SAMPLES ON THE RELIABILITY (EFFECTIVENESS) OF THE MAJOR SOURCES OF PRODUCT/SERVICE INFORMATION

### EFFECTIVENESS: RELIABILITY

Sources	Overall		Sec Student Sample(A)		Undergraduate Sample(B)		Working Sample(C)		Posteriori Test (Scheffe)*
	Means	Rank	Means	Rank	Means	Rank	Means	Rank	
<b>COMMERCIAL</b>									
1. TV Ads	4.79	3	3.90	1	4.82	4	5.63	4	A from B A & B from C
2. Radio Ads	6.75	6	5.74	6	7.19	9	7.28	10	A from B & C
3. Newspaper Ads	4.88	4	4.68	3	4.49	3	5.47	3	A & B from C
4. Magazine Ads	6.21	5	5.73	5	5.69	5	7.22	9	A & B from C
5. Salesmen	8.85	11	8.58	11	9.16	11	8.79	11	N.S.
6. Catalogs & Brochures	7.03	9	7.30	8	6.94	7	6.87	7	N.S.
<b>WORD-OF-MOUTH</b>									
7. Family members	3.69	1	4.57	2	3.31	2	3.24	1	A from B & C
8. Close friends	3.71	2	4.82	4	2.95	1	3.42	2	A from B & C
9. Neighbours	7.37	10	7.39	9	8.00	10	6.70	7	B from C
10. Relatives	6.82	8	7.29	7	7.06	8	6.10	5	A & B from C
<b>NEUTRAL</b>									
11. Consumer Reports & Rating Services	6.81	7	7.49	10	6.36	6	6.62	6	A from B & C

Kendall's Coefficient of Concordance (W) = 0.8493\*\* (Significance = 0.0045)

\* : Significant at 0.05

N.S. : Denotes "Not significant"

\*\* : Kendall's Coefficient of Concordance (W) ranges from 0 to 1

where 0 means no concordance and 1 means complete concordance.

All items (sources) measured by respondents' rankings from 1 (most) to 11 (least).

The generally older subsample of working persons perceived print advertisements (i.e. newspaper and magazine ads) to be less reliable sources of information for them compared to the student subsam-

ples. Conversely, working people thought relatives ( $\bar{X} = 6.10$ ) and neighbours ( $\bar{X} = 6.70$ ) to be more reliable sources of information.

Kendall's concordance test

showed that there was concordance among the three subsamples in their ranked perceptions of the reliability of the various sources of information (w = 0.849, sig. level at 0.005). Generally, the more inti-

mate WOM sources of family members and close friends were perceived to be more reliable sources of information, followed by television advertising and print advertisements. The main difference was that secondary students thought television advertising was

more reliable for them, whereas undergraduates and working people emphasised close friends and family members. All three subsamples agreed that salespeople were the least reliable source ( $\bar{X}_s = 8.58$ ,  $\bar{X}_u = 9.16$ ,  $\bar{X}_w = 8.79$ ), which could be attributed to con-

sumers' perceiving salespeople to stand to gain materially from product-related recommendations, whereas friends and family are likely to share the consumer's perspective.

TABLE 4

## ONE-WAY ANOVA AMONG SAMPLES ON THE INFLUENCEABILITY (EFFECTIVENESS) OF THE MAJOR SOURCES OF PRODUCT/SERVICE INFORMATION

### EFFECTIVENESS: INFLUENCEABILITY

Sources	Overall		Sec Student Sample (A)		Undergraduate Sample (B)		Working Sample (C)		Posteriori Test (Scheffe)*
	Means	Rank	Means	Rank	Means	Rank	Means	Rank	
<b>COMMERCIAL</b>									
1. TV Ads	4.35	3	3.44	1	4.62	4	4.95	3	A from B & C
2. Radio Ads	6.81	6	5.84	6	7.19	8	7.37	10	A from B & C
3. Newspaper Ads	4.74	4	4.52	3	4.46	3	5.25	4	A & B from C
4. Magazine Ads	5.91	5	5.54	5	5.53	5	6.66	6	A & B from C
5. Salesmen	8.27	11	7.92	11	8.66	11	8.20	11	A from B
6. Catatogs & Brochures	7.06	8	7.36	9	7.04	7	6.80	7	A from C
<b>WORD-OF-MOUTH</b>									
7. Family members	3.71	2	4.62	4	3.23	2	3.32	1	A from B & C
8. Close friends	3.51	1	4.50	2	2.63	1	3.46	2	A & C from B A from C
9. Neighbours	7.48	10	7.35	8	8.18	10	6.89	9	A & C from B
10. Relatives	6.99	7	7.25	7	7.37	9	6.34	5	A & B from C
<b>NEUTRAL</b>									
11. Consumer Reports & Rating Services	7.11	9	7.70	10	6.94	6	6.72	7	A from B & C

Kendall's Coefficient of Concordance (W) = 0.8788\*\* (Significance = 0.0033)

\* : Significant at 0.05

N.S. : Denotes "Not Significant"

\*\* : Kendall's Coefficient of Concordance (w) ranges from 0 to 1

where 0 means no concordance and 1 means complete concordance.

All items (sources) measured by respondents' rankings from 1 (most) to 11 (least).

Table 4 describes the "influenceability" sub-component of effectiveness, Overall, on a scale of 1 (most influential) to 11 (least influential), close friends ranked highest ( $\bar{X} = 3.51$ ), followed by family members ( $\bar{X} = 3.71$ ), and then television advertising ( $\bar{X} = 4.35$ ). This is in line with the previous findings for "reliability" (Table 3), where the same sources

were ranked highly, but the order was family first, followed by close friends and television advertising. Again, salespeople were perceived to be least influential ( $\bar{X} = 8.27$ ) as well as least reliable.

Among the three subsamples in Table 4, secondary students felt that television and radio advertisements were more influential ( $\bar{X}_s = 3.44$  and  $\bar{X}_s = 5.84$  respectively)

than did undergraduates ( $\bar{X}_u = 4.62$  and  $7.19$ ) and working people ( $\bar{X}_w = 4.95$  and  $7.37$ ). Conversely, secondary students felt that family members, close friends and consumer reports/rating services were less influential than did the older subsamples. This pattern was consistent with secondary students' rankings of reliability (Table 3).

Working people felt that print



advertisements (newspaper and magazine ads) were less influential as sources of information compared to the two younger subsamples, while they perceived relatives to be more influential. Working people also found catalogues and brochures to be more influential, whereas secondary students found them to be less influential.

The undergraduate subsample mainly differed in emphasising the influence of close friends ( $\bar{X}_u = 2.63$ ), both first in rank order and more highly than did working people ( $\bar{X}_w = 3.46$ ) and secondary students ( $\bar{X}_s = 4.50$ ).

The rank order for influenceability also showed concordance. Kendall's ( $w$ ) was fairly high at 0.879 (sig. level 0.003), suggesting that the rankings of the influenceability of the information sources in each of the three subsamples did not differ substantially.

Because of previously noted similarities, the rankings for both reliability (Table 3) and influenceability (Table 4) were further examined for strength of association. Cross-tabulations of the two variables were obtained for each of the three subsamples, and the resulting Kendall's Tau B measure of rank association was found to be 0.48 (secondary students), 0.60 (undergraduates) and 0.60 (working people). All instances were significant at the 0.01 level. Likewise, when the Spearman rank order correlation was calculated between the two variables across the 11 sources of information, nearly all values of the correlation coefficient were greater than 0.40 and statistically significant. In summary, the reliability and influenceability of information sources are positively associated. A probable explanation is that when consumers judge sources to be highly

reliable, they are more likely to be influenced by them.

From Tables 2, 3 and 4, it was found that while television advertisements were rated by all subsamples as the information source to which people were most exposed, television advertising was not ranked first on the reliability and influenceability variables, except by the secondary students (mean age of 15 years). The WOM sources of family members and close friends were perceived by the older undergraduate and working person subsamples as both more highly reliable and influential sources than television advertising. This is consistent with previous research findings (e.g. Katz and Lazarsfeld 1955, King 1963) that, while consumers may become aware of (exposed to) product and service information through the mass media, WOM sources were often more critical in affecting purchasing decisions. The reasoning for such a WOM influence was that consumers tended to perceive communication about a product or service, based on recommendations from friends, as not likely to be biased against their own value systems or welfare. The further finding that only such WOM sources as family and friends were perceived to be highly reliable, as opposed to other WOM sources with weak ties such as neighbours and relatives, is also consistent with earlier findings (Arndt 1967a; Brown and Reingen 1987; Reingen and Kernan 1986).

The exposure, reliability and influenceability data (Tables 2, 3 and 4) were used to compute the Arndt "importance index" (as in Table 1), but this time, separately for each of the 11 information sources. The index is a product of a source's "exposure" score, multi-

plied by the average of its "reliability" and "influenceability" scores; both exposure and effectiveness are given equal weight. The results are shown in Table 5.

On a scale where lower scores indicate greater "importance", television advertisements achieved the overall top ranking (average "importance" of 14.72), followed by newspaper advertisements (17.89), close friends (20.12) and family members (22.32). Then followed magazine advertisements (35.41), radio advertisements (41.71), catalogues & brochures (50.25), consumer reports (61.33), relatives (62.39) and neighbours (68.92); predictably, the bottom position went to salespersons (73.75).

In terms of the Arndt index and comparing across the subsamples in Table 5, working people appear to assess television advertisements to be of less importance to them than do the younger secondary student and undergraduate subsamples. All three subsamples perceived themselves to be exposed to television advertisements most, but working people perceive television advertisements to be not as reliable or influential compared to other sources.

Undergraduates appear to be different in finding newspaper advertisements to be more important sources of information to them than do the other subsamples. Secondary students, on the other hand, mainly differ in assessing close friends and family members (and also catalogues & brochures) as less important information sources to them than do the older subsamples.

Although there were these differences in the apparent importance of the various sources of information across the three sub-

TABLE 5

# ONE-WAY ANOVA AMONG SAMPLES ON THE IMPORTANCE OF THE MAJOR SOURCES OF PRODUCT/SERVICE INFORMATION

## I M P O R T A N C E \*\*\*

Source	Overall		Sec Student		Undergraduate		Working		Posteriori Test (Scheffe)*
	Means	Rank	Means	Rank	Means	Rank	Means	Rank	
<b>COMMERCIAL</b>									
1. TV Ads	14.72	1	12.71	1	12.74	2	18.75	1	A & B from C
2. Radio Ads	41.71	6	36.27	5	43.81	6	44.85	6	N.S.
3. Newspaper Ads	17.89	2	20.86	2	12.51	1	20.61	4	A & C from B
4. Magazine Ads	35.41	5	39.46	6	27.15	5	40.08	5	N.S.
5. Salesmen	73.75	11	72.22	11	77.21	11	71.63	11	N.S.
6. Catatogs & Brochures	50.25	7	55.04	7	49.11	7	46.76	7	A from B & C
<b>WORD -OF -MOUTH</b>									
7. Family members	22.32	4	28.49	3	19.11	4	19.64	3	A from B & C
8. Close friends	20.12	3	28.61	4	13.18	3	19.07	2	A from B & C
									B from C
9. Neighbours	68.92	10	71.88	10	75.76	10	58.87	10	N.S.
10. Relatives	62.39	9	69.78	9	64.80	9	52.61	8	N.S.
<b>NEUTRAL</b>									
11. Consumer Reports & Rating Services	61.33	8	64.47	8	61.44	8	58.15	9	N.S.

Kendall's Coefficient of Concordance (W) = 0.9245\*\* (Significance = 0.0023)

\* : Significant at 0.05

N.S. : Denotes "Not Significant"

\*\* : Kendall's Coefficient of Concordance (W) ranges from 0 to 1 where 0 means no concordance and 1 means complete concordance.

\*\*\* : Importance variable calculated from equation : importance = exposure x effectiveness = exposure x (reliability + influence)/2

samples, Kendall's concordance test indicated high overall concordance ( $w = 0.925$ , significant at 0.023). Generally, television and newspaper advertisements (both commercial sources) appear to be the most important sources of information, followed by WOM sources based on strong ties; i.e. family members and close friends. This appears to be because, whereas both WOM sources were found to be more reliable and influential than television or newspaper advertisements, the latter have much higher exposure to consumers. This suggests an impor-

tant marketing implication, namely the possibility of improving the exposure factor of WOM sources (especially with strong ties) in order to obtain the maximum power from WOM

### WOM Influence in Specific Product and Service Categories

Table 6 presents an analysis of the perceived influence of WOM among various product and service categories. The power of WOM to influence respondents' purchasing decisions for the listed products and services was measured on a 7-

point scale ranging from 1(not at all influential) to 7 (very influential); i.e. higher scores indicate that WOM is likely to have a greater influence on purchase decisions.

Based on Table 6, the product or service found to be most likely to be influenced by WOM was movies, which received the highest average "WOM influence" score ( $X = 5.28$ ). This result may be partly attributed to cinema going more often being a group activity, compared to personal activities such as visiting a shoe repairer (ranked last,  $X = 3.31$ ). Other

TABLE 6

## ONE-WAY ANOVA AMONG SAMPLES ON THE SPECIFIC PRODUCT AND SERVICE CATEGORIES

Product/Services	Overall		Sec Student Sample (A)		Undergraduate Sample (B)		Working Sample (C)		Posteriori Test (Scheffe)*
	Means	Rank	Means	Rank	Means	Rank	Means	Rank	
<b>PRODUCT</b>									
<b>A) High Involvement</b>									
Computer	4.49	7	3.95	9	4.87	6	4.61	7	A from B & C
Hi-fi stereo	4.67	5	4.45	3	4.87	5	4.66	6	A from B
Designer's watch	4.00	11	4.26	5	3.95	13	3.82	14	A from C
<b>B) Medium Involvement</b>									
Denim jeans	3.77	15	3.93	10	3.73	15	3.64	16	N.S.
Running shoes	4.52	6	4.67	2	4.58	9	4.32	9	A from C
Perfume	3.97	13	3.72	11	4.27	11	3.92	12	A from B
<b>C) Low Involvement</b>									
Shampoo	4.19	10	3.97	8	4.24	12	4.34	8	A from C
Toothpaste	3.37	16	3.51	14	2.81	18	3.80	15	A & C from B
Instant Noodles	3.36	17	3.50	15	3.00	17	3.60	18	A & C from B
<b>Overall Product</b>									
Involvement	4.04		3.99		4.04		4.08		N.S.
<b>SERVICE</b>									
<b>A) High Involvement</b>									
Medical specialist	4.79	3	3.63	12	5.27	3	5.41	1	A from B & C
Packaged tour	4.78	4	4.04	7	5.25	4	5.02	3	A from B & C
Dental specialist	4.29	9	3.48	17	4.59	8	4.76	5	A from B & C
<b>B) Medium Involvement</b>									
Discotheque	3.98	12	3.49	16	4.52	10	3.90	13	A from B & C B from C
Hotel Restaurant	4.88	2	4.20	6	5.39	1	5.01	4	A from B & C B from C
Hair cut	4.40	8	4.26	4	4.69	7	4.22	11	A & C from B
<b>C) Low Involvement</b>									
Shoe repair	3.31	18	2.81	18	3.48	16	3.61	17	A from B & C
Movie	5.28	1	5.43	1	5.36	2	5.05	2	A & B from C
Photo studio	3.91	14	3.52	13	3.95	13	4.26	10	A from B & C
<b>Overall Service</b>									
Involvement	4.40		3.88		4.72		4.58		A from B & C

Kendall's Coefficient of Concordance (W):

among A, B & C = 0.7529\*\* (Significance = 0.0022)  
 between A & B = 0.7721\*\* (Significance = 0.0700)  
 between A & C = 0.7193\*\* (Significance = 0.1076)  
 between B & C = 0.9528 \*\* (Significance = 0.0134)

\* : Significant at 0.05

N.S. : Denotes "Not Significant"

\*\* : Kendall's Coefficient of Concordance (W) ranges from 0 to 1  
 where 0 means no concordance and 1 means complete concordance.

All items (products/services) are measured on a 7 point scale: 1 = not at all influential; 2 = uninfluential;  
 3 = slightly uninfluential; 4 = neither influential nor uninfluential; 5 = slightly influential; 6 = influential; 7 = very influential

products and services which received high rankings, indicating WOM's potential power to influence, were hotel restaurants ( $X = 4.88$ ), medical specialists ( $X = 4.79$ ), packaged tours ( $X = 4.78$ ), hi-fi stereos ( $X = 4.67$ ), running shoes ( $X = 4.52$ ) and computers ( $X = 4.49$ ). At the other extreme, WOM was less likely to influence purchase decisions for such things as toothpaste, instant noodles and shoe repairers.

Generally, the products and services which were more susceptible to WOM influence were not confined to specific involvement levels; for example, movies were classified as low involvement, and medical specialists and hi-fi stereos as high involvement, but all were susceptible to the influence of WOM.

Looking at the different subsamples, secondary students indicated less WOM influence on "their" purchase of computers, medical and dental specialists, and packaged tours compared to the older subsamples. This could be due to this young subsample (mean age 15) not normally purchasing these products and services on their own accord. Shoe repair and photo studio services were also found to have lower mean scores for secondary students when compared to the other two subsamples, probably for similar reasons.

For hi-fi stereos and perfumes, undergraduates perceived WOM's influence on their purchase choices for such products to be higher, in contrast to secondary students. Table 6 also shows that while secondary students perceived a higher WOM influence for their purchase of designer watches and running shoes, working people seemed to

be less influenced. However, the reverse situation was true for the purchase of shampoo, working people being more likely to be influenced by WOM. On the other hand, undergraduates perceived a lower WOM influence on their purchase of toothpaste and instant noodles.

With discotheque and hotel restaurant services, undergraduates had higher mean scores for both categories, indicating a higher WOM influence, whereas working people and secondary students had lower mean scores. Undergraduates were also found to be rely more on WOM for their selection of haircutting services. Both secondary students and undergraduates were more influenced by WOM in their selection of movies, in contrast to working people.

The results in Table 6 further suggest that respondents from the three subsamples tend to rely more heavily on WOM, or be more affected by WOM sources, for purchases of those products and services which they are more interested in; e.g. designer watches and running shoes for secondary students, discotheques and haircutting services for undergraduates, and medical and dental services for working people. However, although there were these differences, there was overall concordance among the three subsamples in their ranking of the products and services more likely to be influenced by WOM (Kendall's  $w = 0.753$ , significance at 0.002). The concordance between the rankings of undergraduates and working people was especially high at 0.953 (sig. level 0.013).

Also in Table 6, the undergraduate and working person subsamples indicated a greater WOM

influence in their selection of services as compared with products. This is in line with previous research findings that consumers generally rely on WOM for services selection (eg. Silk 1966).

## Conclusions and Implications

### Summary of Major Findings

In terms of consumers' general perception of WOM as a source of product and service information, WOM, especially from family members and close friends, was found to be a more reliable and influential source of information compared to commercial sources such as television and print advertising. This is despite the fact that respondents did not perceive themselves to be as exposed to those WOM sources compared to television and newspaper advertisements, ranked first and second respectively in terms of the extent of exposure. The two variables of reliability and influenceability were also found to be positively associated, so that sources which were perceived as more reliable were also perceived as more influential.

In further comparing the various sources of information, importance indices for each source were computed using the Arndt equation. Based on this index, television and newspaper advertisements were found to be generally more important than family members and close friends as sources of information. This could, however, be due to the much greater exposure of the sample to television and newspaper advertisements.

Differences were found to exist between the three subsamples of secondary students, undergraduates and working people in their perceptions of the extent of expo-

sure and effectiveness (reliability and power to influence) of WOM as a source of information. However, all three subsamples agreed that WOM (especially from family members and close friends) ranked highly among the various information sources in terms of exposure, effectiveness and importance.

In studying WOM across various product and service categories, the influence of WOM was found to be category specific. Purchase decisions for such things as the movies or hotel restaurants were rated as being highly influenced by WOM, whereas toothpaste and shoe repairs were rated as being less influenced. Among the subsamples, secondary students reported higher WOM influence in their purchase of running shoes and designer watches, while undergraduates and working people relied more on WOM in selecting hotel restaurants, medical specialists and packaged tour services. There was evidence that respondents tended to rely more heavily on WOM, or be more affected by WOM sources, for purchases of those products and services which they were more interested in.

### **Implications**

The results presented may have important implications for marketing strategy. It was confirmed that respondents perceived WOM to be important in affecting their purchase decisions. Marketers should therefore consider adjusting their marketing efforts to take advantage of WOM. Qualitative consumer research, such as focus groups, may provide useful insights into the consumer's world of WOM influences and effects.

Television advertisements (and to some extent, newspaper adver-

tisements) were calculated to be more important than WOM sources, mainly due to their high exposure levels. This suggests the important implication that marketers should consider methods to increase favourable WOM conversations about their products and services (i.e. increase consumers' exposure to favourable WOM), which should increase the importance of WOM in affecting consumers' purchase decisions. In this aspect, instead of salesmen as sources as information, firms may be able to use positive "rumour mongers" (Arndt 1967a).

When marketing to specific consumer segments, WOM can be deployed where appropriate. For example, since secondary students found television advertisements to be most influential, marketers should concentrate on this medium to reach to this particular age-group. However, undergraduates and working people perceived WOM sources to be more reliable and influential, which suggests the use of consumer testimonials in advertising to stimulate positive WOM communications. Indeed, Engel and Blackwell (1969) recommend an integrated view of mass media and personal influences taken together.

### **Areas for Future Research**

There is a need for better understanding of how individual factors can affect the potential of WOM to influence consumers' purchase decisions. Factors which may affect WOM's influence include personality variables (e.g. sociability), situational variables (e.g. familiarity with a product or service category) and attitudinal variables (e.g. attitudes towards a business supplier) need investigation. In addition, other demographic

variables such as income and education level could be studied as factors which may cause variation in the perceptions of different sources of information about products and services.

In addition to the levels of involvement used to classify products and services, other consumer classifications could be explored; e.g. whether a first time purchase or repeat purchase, and how this affects WOM's potential to influence decisions for that product or service.

Research into communication strategies, which are effective in neutralising the effects of negative WOM information, is also needed, especially empirical research to test alternatives for confronting the negative WOM situation. This research may need to use several brands from different product and service categories in diverse market situations, since this study has found that WOM's influence may be specific to particular products and services.

Finally, it is suggested that a longitudinal approach may offer the greatest promise in assessing the relative impact of communication over time, leading to a cumulative understanding of WOM behaviour.

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# Using the Juster Scale to Estimate the Demand-Price Relationship

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## **Biography**

Mike Brennan and Don Esslemont are Senior Lecturers, and Clarence U was a graduate student, in the Department of Marketing, Massey University, New Zealand.

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## Abstract

The Juster scale was used to estimate the price-demand relationship for two branded products, Coca-Cola in cans, and Campbell's Red and White Label soup. For each product predictions were obtained of the number of items that would be purchased, during the following four weeks, at each of two hypothetical prices, one above and one below the current retail price. Predictions were obtained using two variations on the Juster procedure: the multiple question method and the constant sum method. Actual numbers purchased were obtained in follow-up interviews. Actual purchases of Coca-Cola were almost exactly at the predicted level, but purchases of the soup brand were less than a third of those predicted. This is the first reported use of the Juster Scale to predict purchases of brands as opposed to products, or to estimate price-demand relationships.

## Introduction

Forecasting consumer purchases has traditionally involved the use of purchase intention scales. However, such scales are generally poor predictors, in part because a significant proportion of respondents who say they have no intention of buying, end up making a purchase. Juster (1966) demonstrated that significant improvements in predictive accuracy could be achieved by using purchase probabilities rather than purchase intentions, and developed what has become known as the Juster Scale.

Although various forms of the Juster Scale have been used (see Day, Gan, Gendall & Esslemont 1991, for a review), the standard form consists of an eleven point numerical scale, ranging from 0 to

10, each point associated with both a numerical probability and a verbal label (see Figure 1). Evidence to date suggests that, overall, the standard form provides more accurate predictions, and results in lower non-response, than other scale forms (Juster 1966; Gendall, Esslemont & Day 1991).

The Juster Scale is used in conjunction with a question such as: "What are the chances that you personally will buy a (product) at some time during the next (so many) months?" Each respondent thus estimates the probability that he or she will, during the period specified, make the purchase in question. The mean of these probabilities is the estimate of the proportion of consumers who will make the purchase.

Until recently, most of the studies using the Juster scale (Juster 1966; Gabor & Granger 1972), or variations of it (Clawson 1971; Pickering & Isherwood 1974; Isherwood & Pickering 1975), have used it to predict purchases of cars and other durables, although Clawson (1971) examined cars and low-priced frequently purchased services. In these studies it was shown that the Juster Scale can produce quite accurate estimates of car purchase, but the accuracy of estimates for other goods varied widely.

More recently, experiments in New Zealand have used the Juster Scale to predict purchases of durables, services and fast-moving consumer goods (Day, Gan, Gendall & Esslemont 1991). Of 21 predictions, nine (43%) were within 20% of actual purchase rate, five of these within 10%. As in other studies, predictions of car purchases were more accurate than those for other products.

In all of these studies, the Juster

Figure 1

## *The Juster Scale*

- 10 Certain practically certain (99 in 100)
- 9 Almost sure (9 in 10)
- 8 Very probable (8 in 10)
- 7 Probable (7 in 10)
- 6 Good possibility (6 in 10)
- 5 Fairly good possibility (5 in 10)
- 4 Fairly possible (4 in 10)
- 3 Some possibility (3 in 10)
- 2 Slight possibility (2 in 10)
- 1 Very slight possibility (1 in 10)
- 0 No chance, almost no chance (1 in 100)

Scale has been used to predict purchase rates, that is, the proportion of people likely to buy a particular product. But for many products and services, some consumers are likely to buy several items during even quite a short period. Heavy users of goods such as butter, pasta, or cheese, and so on, may buy varying amounts at a time, and may do so several times during the chosen period. For such products it is not enough to predict the proportion of consumers who will buy. It is necessary to predict the mean purchase level, that is, the average number of units bought. A method of using the Juster scale for this purpose was developed by Hamilton Gibbs (Esslemont, Hamilton-Gibbs, & McGuinness 1992).

In a ground-breaking study, they examined two ways of administering the standard Juster Scale to obtain estimates of purchase levels. One method, called the multiple question method, simply asked for separate probabilities for each level of purchase. The second method, called the constant sum method, required respondents to allocate 10 tokens, each representing a purchase probability of 0.1, over different levels of purchase in proportion to the probability of purchase.

Each method allowed the calculation of the expected number of items to be bought by each respondent as the sum of the probabilities of buying each number, weighted by that number.

Thus

$$E = \sum_{n=1}^k p_n n$$

where E = expected number of items to be purchased by respondent

$n = 0, 1, 2, \dots, k$

$p_n$  = probability of buying exactly  $n$  items

$k$  = largest value of  $n$  with non-zero  $p_n$

The mean value of E for the sample is an unbiased estimate of the population mean value.

They concluded that the constant sum method was superior to the multiple question method. It produced more accurate predictions for five of the seven items tested, generally gave much lower predictive error, and was apparently easier and less tedious for respondents to use. In most cases the predicted purchases were within about 10% of the actual level. In all cases, the multiple question method underestimated purchases, whereas the constant sum method overestimated purchases and, in general, the constant sum method produced the more accurate predictions.

Evidence to date thus indicates that the Juster Scale gives more accurate predictions of purchase than other forms of scale, and can be used to obtain accurate estimates of purchase quantities as well as purchase rates. However, all of these previous studies have used the Juster Scale to estimate purchase rates or purchase levels of **product classes**. Furthermore, these estimates have typically been obtained without reference to price. Often, however, a marketer is interested in predicting purchase rates or purchase levels for individual brands, and for branded products, price may be a critical factor in the purchase decision.

The present study extends previous work in two ways. First, it examines the effectiveness of the Juster Scale for predicting purchases of branded items, and second, it uses the Juster Scale at dif-

ferent price points so that simple demand curves can be constructed.

## Method

The purchase probability data for this study was obtained from the 1991 Palmerston North Household Omnibus survey. This is an annual project conducted by the Department of Marketing at Massey University. The interviewing is done by second year students, supervised by members of staff. The students receive several hours training, spread over four weeks. The interviewing is face-to-face, and is conducted in the last week of April.

The survey covers households within the Palmerston North city boundary, and the sample is based on clusters of four interviews (two with males and two with females, aged 15 years or older) around randomly selected starting points. Substitutions are made for households where an interview is refused or households where no contact can be made with the respondent after three attempts.

At the end of the interview, respondents were asked for their consent to be re-interviewed, although no indication was given as to the subject of the further research. Of the 427 respondents to the survey, representing a response rate of 54%, 323 (76%) agreed to be re-interviewed. Four weeks after the omnibus survey, interviews were successfully obtained with 302 (94%) of these individuals. The re-interviews were conducted by telephone, by professional interviewers.

## Procedure

The two products used in this study were Campbell's Red and White Label canned soup and Coca-Cola in cans. For each product it was intended to estimate the

demand curve, that is, to obtain a prediction of how the mean purchase level would vary, *ceteris paribus*, if the price were to vary. This is equivalent to estimating the mean value of E, the expected level of purchases, at various prices.

Before obtaining the purchase probability data for the two products, respondents were introduced to the Juster Scale, in the manner used by Juster (1966), using the prospects of moving house as a practice exercise. The instructions were as follows:

"We would like to know what the prospects are of you personally moving to another residence sometime during the next four weeks."

**HAND RESPONDENT SHOWCARD G (See Figure 1). UNDER NO CIRCUMSTANCES SHOULD YOU SUGGEST AN ANSWER TO THE RESPONDENT. IF RESPONDENTS REPLIES WITH A WORD DESCRIPTION SUCH AS "GOOD POSSIBILITY", ASK "What number is that?". READ OUT**

"The answers you may give are on this card, arranged on a scale a bit like a thermometer. If you are certain or practically certain that you personally will move to another residence during the next four weeks, choose the answer '10'. If you think there is no chance or almost no chance of moving, the best answer would be '0'. If you are uncertain about the prospects, choose another answer as close to '0' or '10' as you think it should be."

"What answer would you chose for the prospect that you personally will move within the next 4 weeks, in other words, between

now and the end of May?"

Respondents were then asked about the two branded products.

For each respondent the expected number of items that would be purchased over the following four weeks was elicited at each of two prices: one above the current retail price, the other rather below it.

Although there was some variation between outlets, at the time of the research the average retail price of Campbell's Red and White label soup was \$1.90. The prices used in the questioning were \$2.25 and \$1.59.

The price of the canned Coca-Cola varied rather more, but the average was estimated to be approximately \$1.00. The prices used were \$1.20 and 90 cents.

Respondents were therefore asked, using either the constant sum method or the multiple question method, their probability of buying various numbers of cans over the following four weeks. This period was chosen because it was thought to be long enough to provide an adequate level of variance in purchase levels while still being short enough to permit reasonably accurate subsequent recall of actual purchases. A shorter period, for example seven days, or even one day, would have provided more accurate recall, but very few respondents would have made any purchases during the period.

The instructions for obtaining the purchase rate data, using Coca-Cola to illustrate, were as follows:

"The first product is Coca-Cola in a can."

"Imagine the price is \$1.20 a can. Taking everything into account, what are the prospects that you personally will buy at least one can of Coca-Cola sometime in the next four weeks;

between now and the end of May?"

The answer obtained was a number from the Juster Scale, ranging from 0 (no chance, almost no chance: 1 in 100) to 10 (certain, practically certain: 99 in 100). These replies correspond to estimates of the probability (ranging from 0 to 1) of buying any cans of Coca-Cola during the following four weeks. The mean of these individual probabilities is the estimated proportion of the sample who would buy during this period, if the price were actually \$1.20.

Respondents were then asked, using either the constant sum or multiple question method, the probabilities of buying various numbers of cans during the following four weeks, and the whole procedure was repeated at the lower price.

The proportion of the sample who will actually buy the product is estimated by interpolating between the proportions at the two prices.

### **The Multiple Question Method**

The **multiple question method** requires respondents to state the probability of their household purchasing one unit of a given item, then two, and so on, until a number of units is reached for which the purchase probability is zero. With this method, it is possible, and very likely, that the sum of the reported probabilities of purchasing different amounts of an item may be greater than one. To compensate for this, the probabilities are subsequently adjusted so they do sum to one.

The procedure for the multiple question method, again using Coca-Cola to illustrate, was as follows:

"What are the prospects that

you personally would buy just one can of Coca-Cola in the next four weeks if the price was \$1.20 a can?" RECORD RESPONSE.

"What would be your answer for 2 cans, 3 cans.....?"

REPEAT FOR 3, 4, 5 CANS, AND SO ON, UNTIL THE PURCHASE PROBABILITY IS ZERO. N.B. ALSO ASK THE PROBABILITY OF BUYING NO CANS. RECORD RESPONSES.

The above procedure was repeated for the second price, then the whole procedure repeated for the other brand.

### **The Constant Sum Method**

The **constant sum method** requires respondents to indicate the probabilities of purchasing various quantities of an item, in such a way as to force the sum of the probabilities to one. This is achieved by providing the respondent with a board on which a grid is printed, and 10 counters. On the grid, the rows represent different quantities of items purchased, from 0 to 12, while each column represents a point, from 1 to 10, on the Juster Scale. Each counter represents a purchase probability of 0.1.

For each item in turn, respondents are asked to place all 10 counters on the grid to show the probabilities associated with each level of purchase. For example, if there is a 6 in 10 chance they would purchase 3 units of an item, and a 4 in 10 chance they would purchase 4, they would put 6 counters in the row representing 3 units and 4 counters in the row representing 4 units of that item.

The procedure and instructions for the constant sum method, using Coca-Cola to illustrate, were as follows:

"Now we would like you to

think about how many cans of Coca-Cola you personally are likely to buy in the next four weeks if the price was \$1.20 a can."

"Here are 10 counters; use 1 counter to represent a 1 in 10 chance, 2 counters to represent a 2 in 10 chance, and so on"

"Please place the counters on this board to show the prospects of buying different numbers of cans of Coca-Cola at this price."

"You should have at least one counter on the maximum number of cans you think there is even a 1 in 10 chance of buying in the next four weeks."

As with the multiple question method, this process was repeated for the second price of 90 cents, then for the other brand; ie Campbells soup at \$2.25 and \$1.59.

### **Demand Curves**

The responses were used to calculate the expected number of items, E, for each respondent at each price. The mean value of E at the higher price (E<sub>high</sub>) and at the lower price (E<sub>low</sub>) were calculated for the whole sample. These values (the predicted mean number of cans to be bought at each price) were then plotted against their respective prices.

An estimated demand curve was then constructed by drawing a straight line through these two points. There is of course not a prior reason for supposing that the curve in this region will in fact be straight, but the error introduced by any departure from linearity cannot be large in comparison to other potential errors.

The predicted mean number of cans purchased during the four-week period can be obtained by finding the value of E corresponding to the average retail price. In

practice this was done by interpolation, rather than by reading from the graph.

### **Actual Purchases**

Four weeks after their initial interviews, the respondents were re-interviewed, by telephone. They were asked whether they personally had purchased either of the two products, and if so, how much they had purchased in the previous four weeks, since the last interview.

While relying on recall as a surrogate measure of actual purchase, we acknowledge that there is considerable evidence that recall data obtained from single interviews typically provides over-estimates of actual purchases (Sudman & Bradburn 1974; Neter & Waksberg 1964; Parfitt, 1974). However, there is also evidence that this 'telescoping', as it is called, is effectively reduced by using a bounded recall procedure (Neter & Waksberg 1964), where the beginning of the recall period is bounded by a previous interview. Although our previous interview gathered purchase probability data rather than recall data, we would expect the effects to be similar, although this remains to be confirmed. The alternative of using diary panels was not feasible, because of time and cost constraints.

## **Results and Discussion**

### **Predicting the proportion of the sample who will buy**

Although the respondents were assigned to one of two sample groups (constant sum method or multiple question method), the questions they were asked to obtain the purchase rate data were identical, and so their responses have been combined. The estimat-

Table 1

## Predicted and Actual Mean Purchase Rates (Proportion of Buyers)

	Campbell's Soup			Coca Cola		
	High	Low	Average <sup>1</sup>	High	Low	Average
	(\$2.25)	(\$1.59)	(\$1.90)	(\$1.20)	(\$0.90)	(\$1.00)
Total Sample <sup>3</sup>						
Predicted %	11.7	21.6	17.0	26.4	34.0	31.5
Actual %			6.6			33.1
Error % <sup>2</sup>			+158			-5
Main Shopper <sup>4</sup>						
Predicted %	13.6	25.2	19.8	16.6	23.1	21.0
Actual %			8.6			25.2
Error %			+130			-17
Non Shopper <sup>5</sup>						
Predicted %	7.0	15.1	11.3	38.6	47.1	44.3
Actual %			3.8			43.8
Error %			+197			+1

Note. 1. Estimated average market price. The predicted mean purchase level at this price was obtained by interpolation using the high and low price data.

2. Error of Prediction =  $[(\text{predicted} - \text{actual})/\text{actual}] \times 100$

3. N = 302 (includes 46 people who share shopping responsibilities)

4. N = 151 (excluding those who share shopping)

5. N = 105 (excluding those who share shopping)

ed and actual proportions of purchasers for the two products, based on the responses of the total sample, and separately for the grocery shoppers and non-grocery shoppers in the sample, are shown in Table 1.

The predicted number of buyers for Coca Cola was very accurate, particularly for the non-grocery shoppers, which was only 1% above the actual purchase rate. In contrast, the predicted purchases of Campbell's Red and White label soup were highly inaccurate for both shoppers and non-shoppers, with the numbers of buyers being only a third or a half of those pre-

dicted.

It may seem strange that the Coca Cola predictions should be more accurate for non-shoppers than shoppers, but this makes sense when one considers that Coke is typically an individual purchase. Campbell's Soup, on the other hand, is a household purchase, so it not surprising that for this product the accuracy of prediction was greater for the grocery shoppers.

There are several possible explanations for the gross over-estimation of the purchase rate for Campbell's Soup. One possibility is that respondents may have

ignored the variety of Campbell's Soup being used (Red and White Label), in spite of the repetitive use of the variety name, and instead simply considered any variety of Campbell's Soup, or even canned soup in general. In a subsequent omnibus survey of the same population, we found that approximately 23% of the sample bought canned soup, and 4.6% specifically bought Campbell's Soup. These figures suggest that respondents in the present study may have included all brands of canned soup when providing purchase probabilities, but only included Campbell's soup, of

whatever variety, when reporting actual purchases. Alternatively, given that relatively few of the respondents are likely to be regular users of Campbell's Red and White label, or even any brand of Campbell's Soup, given the small market share, it could be that some respondents simply answered the question as if they were Campbell's soup users. Of course, this is only speculation, but the possibility of question misinterpretation when using the Juster Scale requires further investigation because of the significant impact it could have on the accuracy of predictions.

Other possible explanations can be drawn from the literature pertaining to research on recall error. For example, on the basis of previous research (Sudman & Bradburn 1974), one might expect the results to be affected by an interaction between the type of product being considered, and the nature of the task required to gather the purchases probability data. It is well known that recall of purchases typically results in substantial overestimation of actual purchase rates (Sudman & Bradburn 1974), particularly for less frequently purchased items (Cook 1987; Parfitt 1974), and those attracting low brand loyalty (Parfitt 1974). In this study, the errors in prediction can not be attributed to telescoping of the recall data, since the effect of that would be in the opposite direction to that observed. But perhaps telescoping did occur when the purchase probabilities were obtained. This is what one would expect if the predictions are based on recall of past behaviour, which is likely to suffer from telescoping. Due to the relatively infrequent and low level of purchases of the brand, Campbell's Soup would be

particularly vulnerable to this effect.

It is also possible that the predictions could have suffered from another effect, called averaging (Cook 1987). This effect has been noticed with recall of infrequently or irregularly purchased items. Averaging occurs when respondents regularise or average their purchases over a time period, thereby inflating the reported purchase rate. Averaging could have occurred if the predictions were based on recall of previous purchases.

It should also be pointed out that, for products with low purchase rates, the error of prediction is effectively inflated because, as the number of purchasers decreases, the effect of any incorrect prediction is magnified. That is, the size of the error of prediction tends to be inversely proportional to the size of the purchase rate. This effect has been noted by Day (Day, Gan, Gendall & Esslemont 1991) and is apparent for Campbell's Soup.

There are also other possible explanations for the results. For example, it is possible that sales of canned soup were affected by the weather during the study, and or discounting of other brands that could have occurred. Unfortunately, it was not possible to control for or measure these possible influences, but clearly these variables could and should be controlled for in a more tightly designed experimental study.

While a number of possible reasons have been offered to account for the poor purchase rate predictions for Campbell's Soup, these are mere speculation at this stage, and simply serve to highlight the need for further investigation of the reliability of both recall and

purchase prediction data over different time-frames, with different types of product, under different circumstances. The results suggest that future research should take care to obtain estimates from the people who are actually responsible for purchasing the products under investigation. In addition, previous research on accuracy of recall suggests that it may be sensible to take into account factors such as frequency of purchase, relative market share, brand loyalty and respondents' previous experience of the product. Further investigation is also required into the extent to which telescoping and averaging actually do affect both the recall and purchase probability data, and of alternative techniques for minimising these effects if present.

#### **Predicting the number of cans bought**

To obtain estimates of purchase levels, that is, of the quantity of product purchased, one sample group was exposed to the multiple question method, while the other was exposed to the constant sum method. The predicted and actual mean purchase levels for the two methods are shown in Table 2 for Campbell's Soup, and in Table 3 for Coca Cola.

As with purchase rates, the estimates of purchase levels for Coca Cola are very accurate, and, as found by Esslemont et al. (1982), for the total sample, the multiple question method resulted in a small underestimation, while the constant sum method resulted in a slight overestimation, although there was a slight under-estimation by non-shoppers.

In contrast, the estimates of purchase levels for Campbell's Soup, particularly those of the

Table 2.

## Predicted and Actual Mean Purchase Levels (Number of Cans Bought) for Campbell's Soup

	Multiple Question Method			Constant Sum Method		
	High (\$2.25)	Low (\$1.59)	Average <sup>1</sup> (\$1.90)	High (\$2.25)	Low (\$1.59)	Average (\$1.90)
<b>Total Sample</b>						
Predicted	.418	.638	.535	.337	.706	.533
Actual			.084			.125
Error <sup>2</sup>			+536			+326
N	154			144		
<b>Main Shopper</b>						
Predicted	.550	.777	.670	.312	.616	.473
Actual			.117			.178
Error			+473			+166
N	77			73		
<b>Non Shopper</b>						
Predicted	.241	.494	.375	.275	.719	.510
Actual			.019			.082
Error			+1873			+522
N	52			49		

Note. 1. Estimated average retail price. The predicted mean purchase level at this price was obtained by interpolation using the high and low price data.

2. Error of Prediction = [(predicted - actual)/actual] x 100

non-shoppers, are very inaccurate and grossly over-represent actual quantities purchased. Of course, this is not surprising, given the large error in the purchase rate for Campbell's Soup. The predictions for Campbell's Soup are more accurate when the data from the grocery shoppers only is used, but even these over-estimate purchases by 2.5 to 5.5 times.

One possible explanation for the differing degrees of accuracy may lie in the extent to which potential buyers of the products perceive them to be different from substitutes. It is well known that buyers of cola drinks tend to be

loyal to their brand, but it could be that buyers of soups do not make clear distinctions between the different varieties of Campbell's soup, or even between different brands of soup. If this is so, respondents answering the Juster question about Campbell's Red and White label soup may have been thinking about soup in general. A reanalysis of the data provided some support for this hypothesis, but the findings could be spurious. Research using the method developed by Belson (1981) could establish the extent to which this is the case. And of course, the effects of telescoping and averaging dis-

cussed in relation to purchase rates could equally apply to the purchase level estimates.

While both the multiple question method and the constant sum method produced fairly similar results, the constant sum method consistently produced more accurate predictions of mean purchase levels, a result consistent with that reported by Esslemont et al. (1992).

Esslemont et al. suggested that respondents found the constant sum method easier to use, but feedback from interviewers in the present study indicated that some respondents, particularly among



Table 3. Predicted and Actual Mean Purchase Levels (Number of Cans Bought) for Coca-Cola

	Multiple Question Method			Constant Sum Method		
	High Low Average <sup>1</sup>			High Low Average		
	(\$1.20)	(\$0.90)	(\$1.00)	(\$1.20)	(\$0.90)	(\$1.00)
<b>Total Sample</b>						
Predicted <sup>1</sup>	.632	2.124	1.960	.939	1.728	1.465
Actual			2.214			1.451
Error <sup>2</sup>			-12			+1
N	154			144		
<b>Main Shopper</b>						
Predicted	1.147	1.616	1.460	.678	1.188	1.018
Actual			2.000			.877
Error			-27			+16
N	77			73		
<b>Non Shopper</b>						
Predicted	2.395	2.950	2.765	1.233	2.359	1.984
Actual			1.792			2.102
Error			+54			-6
N	52			49		

Note. 1. Estimated average retail price. The predicted mean purchase level at this price was obtained by interpolation using the high and low price data.

2. Error of Prediction = [(predicted - actual)/actual] x 100

the elderly, found the method quite confusing. This confusion was largely overcome by providing a demonstration, and could almost certainly be further reduced by using more experienced interviewers. Even so, there is a clear need for further investigation and development of the procedures for applying the constant sum method.

In theory, the sum of the purchase probabilities that an individual assigns to alternative quantities of a product should equal one. This was mostly the case with the constant sum method, since the procedure is designed to force the probabilities to sum to one. With

the multiple question method, however, this outcome was the exception rather than the rule. The proportion of people whose purchase probabilities summed exactly to one for a particular product ranged from 48% to 70% across the six product-price combinations. For between 5% to 18% of respondents, the sum of the purchase probabilities was less than one, while for between 15% to 46%, the sum was greater than one. In absolute terms, the sums ranged from .1 to 5.8 for Campbell's Soup, and from .1 to 15.0 for Coca Cola.

To deal with this anomaly, each

respondent's purchase probabilities were weighted so that the probabilities did sum to one. However, the finding that people were quite happy to assign high probabilities of purchasing different numbers of items raises questions about their understanding of the concept of "odds" or "chances out of 10". This phenomenon might also help explain why the predictions produced by this method are less accurate than those produced by the Constant Sum method. Further research is currently investigating alternative ways of employing the multiple question method to minimize this problem, and to reduce

the demands it makes on respondents who have purchased large quantities of product.

A further point to note is that the estimates of purchase levels were derived from demand curves constructed using data from just two price points and estimates of the "average" prices for the products. This procedure rests on the assumption that the demand curve over the price range under consideration can be approximated adequately by a straight line, and whether this is so requires further investigation.

### Conclusions

The purpose of this study was to examine the accuracy of the Juster Scale for predicting purchase rates (number of purchasers) and purchase levels (number of purchases), of branded products, at various prices. The accuracy of prediction was very different for the two products. The predictions of both purchase rate and purchase level for Coca Cola were very accurate, while those for

Campbell's Red and White label soup were very inaccurate.

Although the accuracy of predictions was assessed for only two products, the study has demonstrated that both methods can be used to accurately predict purchase levels for at least some branded food products. While the constant sum method produced the more accurate predictions, the results from the two methods were comparable, and it would be premature to ignore the multiple question method, particularly since the use of the tokens in the constant sum method rules it out for telephone surveys.

A major concern is that the accuracy of predictions varies greatly from product to product, regardless of which method is used. Further research is required to more fully define the situations in which predictions of either purchase rate or purchase level can be accurately made. There is some evidence that predictions are greatly affected by whether a product is

a regular or irregular purchase, whether the product has a relatively high or low market share, and whether the respondent is the main purchaser of the product. The effects of each of these factors requires further investigation.

In spite of all of the limitations to the results obtained from this small preliminary study, the methods used do hold promise. While they have not yet been shown to be reliable methods for estimating actual purchase rates or actual purchase levels, it is worth remembering that managers often do not require accurate estimates of either purchase rates or purchase levels, but are confronted by the need to choose between alternative decision options. An alternative use for the methods examined in this study could be to provide data for ranking alternatives on the basis of estimated sales volume or market size, and this possibility also deserves further investigation.

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# Comparative Analysis of a Global Product

*by Richard Alan Kustin*

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**Biography:**

Richard Alan Kustin was Assistant Professor of Marketing in the School of Business at the Australian Catholic University in Sydney, Australia; he is now based at Atlanta, Georgia, in the USA.

## Abstract

Limited empirical studies have been published on the potential marketing of global products and fewer on cross-cultural comparisons of global product performance. The present study empirically tests consumer perception of a nondurable product in two markets: Israel and Australia. The study does not support all aspects of globalization theory, but does consider the possibility of a global product. The results indicate there can be pronounced differences in international consumer perceptions, which global marketers need to be aware of in considering a global marketing strategy.

## Introduction

Global product development, and strategy standardisation in particular, have been popular topics among researchers for more than thirty years (Jain 1989). However, much of the assessment regarding globalization theory has been anecdotal. Prior to 1986, the lack of empirical research made support and implementation of global product strategies difficult. Since 1986, there has been a significant increase in the number of empirical studies investigating various aspects of globalization theory, including product standardisation. However, these empirical studies are providing an accumulation of evidence suggesting global products and standardisation are limited, and that global homogeneity has not yet arrived (Akaah 1991).

A key point in Levitt's (1983) original thesis was his contention that the world is converging into worldwide homogenised markets, and therefore standard global products and brands are possible in all markets. "Corporations sell standardised products in the same way

everywhere..." (Levitt 1983, p93). He further states that world competitors "compete on the basis of appropriate value - the best combinations of price, quality, reliability, and delivery for products that are globally identical with respect to design, function and even fashion" (Levitt 1983, p94). However, Levitt's claims ignore consumer influences on the product's function in the marketplace. They also override the strength of cultural differences within and between borders (Cateora 1990). Indeed, consumer interpretation of a product's function can influence the way the product is used, positioned and perceived in the marketplace. In particular, consumer nondurable products tend to be culture-bound and less conducive to standardisation (Boddewyn, Soehl and Picard 1986; Huszagh, Fox and Day 1986). In summary, Levitt's position assumes consumers in all markets will respond similarly to the same product, based on a standardised strategy. If consumers were found to respond differently to the same product and strategy, then questions arguing against globalization theory, or at least for some limitations on it, would result.

The purpose of this study is to make a modest attempt at empirically investigating whether a global product is perceived equally in diverse markets. The study examines consumers' perceptions in respect to brand recognition, price and preference for a nondurable branded product. For this purpose, a test was devised to investigate these three variables in two diverse markets, Israel and Australia.

Markets can be described as diverse or homogeneous (Cateora 1990) based on a number of criteria. In this study, private consumption expenditure per capita and per

capita consumption of major consumer items (e.g. telephones, automobiles and television), as well as national GNP and culture, were considered. For 1989, Israelis had a private consumer expenditure per capita of A\$8,553; 507 telephones per 1,000; 164 autos per 1,000; and 261 TVs per 1,000 people. Among Australians in 1989, their private consumption expenditure per capita was A\$13,894; 742 telephones per 1,000; 744 autos per 1,000 and 805 TVs per 1,000 people (World Bank 1993; Europe Publications 1993). The Israeli GNP in 1989 was A\$63 billion compared to an Australian GNP of A\$346 billion (World Bank 1993). Culturally, Israel is predominantly composed of descendants from Eastern Europe, North Africa and Middle East Jewry, with 25 percent of the population of Muslim heritage. Australians are mainly composed of descendants from the United Kingdom, Western and Southern Europe, and more recently, from Asian countries of Christian, Hindu and Buddhist beliefs. These two countries are clearly different.

For the study a nondurable branded product was selected from the United States, namely Weight Watchers frozen prepared entrees (FPE). Although the brand "Weight Watchers" has been present in both countries for at least fifteen years (Heinz 1990), the specific FPE product has not. Therefore, the study asks respondents to base their perceptions of the Weight Watchers' FPE product based on their prior knowledge of the Weight Watcher brand.

## Background and Research Focus

The study differs from previous research in two respects. Firstly,

typical consumers were the focus rather than corporate marketing executives, graduate business students or advertising agencies. Secondly, few studies have been conducted which focus on such broad cross-cultural marketing issues as global products and marketing program standardisation. Most cross-cultural research has investigated specific areas, such as international product promotion (Kashani and Quelch 1989; Hill and James 1991) or transnational advertising practices and theme messages among multinationals (Synodinos, Keown and Jacobs 1989).

Zaichkowsky and Sood (1989) have studied the cross-cultural perspectives of "consumers" in 15 countries. However, their sample of "consumers" consisted of 592 business students in those 15 countries, all relatively equivalent demographically. Using one-way analysis of variance, they nonetheless found statistically significant variations among the respondents' perceptions of products and services.

Rosen, Boddewyn and Louis (1989) focused their study on empirically evaluating globalization of US brands in foreign markets. They selected the ten most heavily advertised US brand categories, from which 651 specific brands were chosen. Responses to the brand standardisation questions seemed to indicate that brand standardisation was about 85% in foreign markets. However, they later determined that a small number of brands was distributed to a large number of countries. After a careful evaluation of the results, they concluded that the majority of the 651 brands achieved much less extensive foreign market penetration than originally anticipated.

Ozsomer, Bodur and Cavusgil (1990) have investigated standardisation of marketing programs and processes among multinational corporations (MNCs) operating in a single developing country. Thirty-three US and European MNCs operating in Istanbul, Turkey comprised the sample. The results indicated a relatively low level of marketing standardisation by those MNCs when comparing their home and host country market conditions and marketing elements.

Synodinos, Keown and Jacobs (1989) researched transnational advertising practice in 15 diverse countries, including Australia and Israel. Their study directed questionnaires to 484 advertising managers of durable and nondurable products in these countries. They concluded that differences in advertising practices were mainly due to differences in the availability of electronic media, in production costs and cultural factors.

How then does the published research compare with Levitt's thesis? In general, the above studies offer little support for Levitt's globalization thesis, at least in its simple form. Differences were found in perceptions of products and services among business students in different countries; US branded products achieved less penetration of foreign markets than originally anticipated; MNCs operating in a developing country implemented a low level of marketing program standardisation when compared to their home countries; and transnational advertising practices needed to be modified to adjust for local conditions.

On the other hand, an argument could still be made in support of Levitt's thesis; namely that, over time, global markets are showing,

and will continue to show, more signs of developing market commonalities. In particular, the "yuppie" segment appears to have some global consistency (Ohmae 1985). Countries may retain certain individual cultural characteristics, while their "marketing and consumer cultures" tend to converge. For example, Chadraba and Czepiec (1988) administered a questionnaire to university business and economic students in three European countries, Austria, France and Switzerland. The 314 students were asked to evaluate five products (all present in each country), together with alternative features or enhancements which were to be added to each product. They found that the student respondents perceived the twelve enhancements similarly, and concluded that "... common value perceptions increase with product ownership. Therefore, it is likely that the opportunities for marketing standardisation will increase dramatically in the future as ownership of basic products continue to grow" (Chadraba and Czepiec 1988, p73).

The present study attempts to provide further insight into the possibility of a global product by examining two of its implied propositions:

**Proposition 1:** Marketing of global products implies that consumers in diverse markets should not have that different perceptions of the global product with respect to such variables as recognition, preference and price.

**Proposition 2:** The strategy for marketing global products, including product positioning for a consumer nondurable product in diverse markets,

should not need to be that different.

## Methodology

Using the mall intercept method (Churchill 1991), 79 grocery shoppers in the greater Tel Aviv area of Israel were stopped outside major supermarkets and interviewed using a closed-end questionnaire. A similar sample of 77 Australian consumers was obtained from the greater Sydney area, again using the mall intercept method at various supermarket locations.

Both questionnaires covered identical questions, with the Israeli

questionnaire and interview being conducted in Hebrew, and the Australian equivalents in English. The questionnaire was developed from two focus group sessions, one conducted in Israel and one in Australia. Prior pretesting of the questionnaire was undertaken by administering it to 30 consumers, also using the mall intercept method. Consumers in both countries responded to questions concerned with their perception of an international nondurable consumer branded product (Weight Watchers' frozen prepared

entrees), including its recognition, price and preference.

In general, consumers in both countries appeared to be fairly knowledgeable of the Weight Watchers' brand, and the product line of frozen prepared entrees (FPE). In all, 51 of 79 Israelis and 26 of 77 Australians rated the Weight Watcher brand as "one of the most recognised". Regarding FPEs, 28 of 79 Israelis and 17 of 77 Australians had purchased this type of product. (See Table 1).

TABLE 1

## CROSS-TABULATION OF CONSUMERS' PERCEPTION OF WEIGHT WATCHERS BRAND AND FPE

### PURCHASE AND NONPURCHASE OF FPE

	ISRAEL		AUSTRALIA	
	YES	NO	YES	NO
<b>V1. MOST PREFERRED FPE PRODUCT?</b>				
MOST	18	24	3	17
LEAST	10	26	6	29
NEUTRAL	0	1	8	14
	—	—	—	—
	28	51	17	60
<b>V2. MOST RECOGNISED NAME BRAND?</b>				
MOST	16	35	5	21
LEAST	6	11	6	30
NEUTRAL	6	5	6	9
	—	—	—	—
	28	51	17	60
<b>V3. PRICE OF FPE PRODUCT?</b>				
LEAST EXPENSIVE	16	32	10	14
MOST EXPENSIVE	8	10	6	31
NEUTRAL	4	9	1	15
	—	—	—	—
	28	51	17	60

*Note: Questions were rated on a scale of 1-5, with 1,2 = Most; and 4,5 = Least; and 3 = Neutral. All figures represent actual responses.*

## Results and Analysis

Table 1 provides a cross-tabulation of Israeli and Australian consumers' responses to questions concerning the Weight Watchers' brand name and the FPE products. Consumers from both countries have been divided into two sections, "FPE purchase" and "FPE nonpurchase". Both groups were asked to rate Weight Watchers' FPE, among other similar brands, on a scale of 1-5, with "1 = the most" and "5 = the least" associated value for three questions: 1) most recognised brand name, 2) pricing of the FPE product and, 3) the most preferred FPE product.

In order to test for the significance of any country associations (Table 2), chi-square tests were administered. The first variable asks consumers to rate their preference for Weight Watchers' FPE among other FPE products. The resulting chi-square had a value of  $X^2 = 26.98$ , d.f. = 2 at  $p < .001$ , indicating that differences between the Israeli and Australian groups were statistically significant; a higher proportion of Israelis (42 out of 79) indicated it was their most preferred product than did Australians (20 out of 77).

The second variable asks consumers in both countries to rate Weight Watchers' FPE as a recognised brand. Brand awareness, knowledge and recognition have been of frequent research interest among marketers (Corfman 1991). In the context of this study, brand recognition is assumed to indicate

prior experience (Hoyer and Brown 1990). Testing for chi-square indicates a statistically significant difference in perceived brand recognition between Israelis and Australians, was  $X^2 = 15.52$ , d.f. = 2 at  $p < .001$ . More Israelis (51 out of 79) recognised the Weight Watchers brand name than did Australians (26 out of 77).

The third remaining variable investigated consumer perception of the FPE product based on price. Consumers were asked to rate Weight Watchers' FPE brand on the basis of price compared to other FPE products. There is the contention that successful brands have a differential advantage and can justify higher prices than lesser brands (Doyle 1990). Product preference and brand recognition are also correlated with higher prices (Corfman 1991; Barnard and Ehrenberg 1990). Therefore, Israelis should associate higher perceived prices with greater brand recognition, and Australians should have the reverse perception of lower perceived prices and lower brand recognition. The results indicate that, although this was the direction of both groups, the differences were not statistically significant ( $X^2 = 2.57$ , d.f. = 2, at  $p < .020$ ). This suggests Israeli and Australian consumers do not have significantly different associations regarding price for the Weight Watchers' FPE brand.

The study provides support for consumer differences in perceptions of product preferences and

brand recognition for a consumer nondurable branded product (Weight Watchers' FPE) in two diverse countries. With regard to price, the study was not able to demonstrate significantly different perceptions.

Because of the low chi-square score for the three-category price variable, a test for partial correlation was administered using the full scale. Pearson's product-moment correlation (Churchill 1990) was calculated separately for each sample group (Table 3), while keeping most preferred product constant as the control variable. The results for the Israeli group indicate that most recognised brand and product price are partially correlated ( $r = .3733$ ,  $p < .000$ ). For the Australian sample, most recognised brand and product price are also partially correlated ( $r = .2338$ ,  $p < .020$ ), indicating a lower correlation, but still a definite relationship independent of brand preference. These findings suggest that the two variables, most recognised brand and product price, are independent of joint relations with the variable most preferred product, although Israeli and Australian consumers hold different perceptual relations. Hence, the study provides support for the proposition that consumers' perceptions of product preference, brand recognition and price - for a consumer nondurable branded product (Weight Watchers) in two diverse countries - can be quite different.



TABLE 2

## CHI-SQUARE FOR COMBINED VALUES OF CONSUMERS' PERCEPTION OF WEIGHT WATCHERS BRAND AND FPE

	ISRAEL	AUSTRALIA	X <sup>2</sup>
<b>V1. MOST PREFERRED FPE PRODUCT?</b>			
MOST	42	20	
LEAST	36	35	
NEUTRAL	1	22	26.978
<b>V2. MOST RECOGNISED NAME BRAND?</b>			
MOST	51	26	
LEAST	17	36	
NEUTRAL	11	15	15.522
<b>V3. PRICE OF FPE PRODUCT?</b>			
MOST EXPENSIVE	48	24	
LEAST EXPENSIVE	18	37	
NEUTRAL	13	16	2.572

NOTE: X<sup>2</sup> with d.f.= 2 for each variable; p <.001 for V1 and V2; and p <.020 for V3.

TABLE 3

## PEARSON'S PRODUCT MOMENT TEST FOR PRODUCT PREFERENCE FOR ISRAELI AND AUSTRALIAN SAMPLES

### ISRAEL

	MOST PREFERRED	MOST RECOGNISED	PRICE
V1. MOST PREFERRED PRODUCT?	1.0000	.0583 P=.305	.0233 P=.421
V2. MOST RECOGNISED BRAND?		1.0000	.3733 P=.000
V3. PRICE OF FPE PRODUCT?			1.0000

### AUSTRALIA

	MOST PREFERRED	MOST RECOGNISED	PRICE
V1. MOST PREFERRED PRODUCT?	1.0000	.1557 P=.088	.0311 P=.394
V2. MOST RECOGNISED BRAND?		1.0000	.2338 P=.020
V3. PRICE OF FPE PRODUCT?			1.0000

## Discussion

Overall, the study provides support for the contention that consumer differences can exist in diverse countries with regard to perceptions of new nondurable branded products. Chadraba and Czepiec (1988) demonstrated the possibility of testing consumer perceptions of a new (currently non-existent) product. Consistent with their procedures, the actual Weight Watchers' FPE product was not present in either country, although examples of Weight Watchers' products other than FPE have been present in Israel and Australia for the past fifteen years. It was apparent that consumers in both countries had different prior perceptions of such a product, which might affect its successful adoption. The results suggest that global marketing companies would be wise to evaluate consumers' perceptions of new branded products, prior to introducing them to a new country.

The results of the study are not overpowering in either direction of accepting Weight Watchers as a global product, or rejecting Weight Watchers' FPE as allowing a standardised product strategy. The possibility of Weight Watchers as a potential global branded product appears reasonable. However, as a standardised product, further research would appear to be necessary. Levitt's (1983) thesis of "a standard product in global markets" cannot be totally refuted on the basis of this study alone. However, sufficient evidence was found to provide a warning for global marketers, particularly if marketing to consumers in different countries is based on unsupported assumptions regarding global products and strategy standardisation.

This suggests there are indeed

limitations to Levitt's global theory, and therefore, previous information regarding a branded product's performance in one market should not be naively transferred to another country. The study only partially investigated globalization by empirically testing product standardisation, one of several aspects of globalization theory. The study was directed toward consumers' perceptions of branded product recognition, price differences and brand preference as purchase choice characteristics (Hoyer and Brown 1990). Local differences, as evidenced by Israelis perceiving FPE as a diet food product compared to Australian perceptions of FPE as a health food product (Kustin 1993), support this contention. Local differences aside, many other marketing elements are needed in supporting a global product.

Cross-cultural consumers' perceptions of brand recognition, price and preference, while different toward this nondurable product, do provide some support for a global standard product. Consumers in Israel and Australia indicated they were aware of the Weight Watchers brand. Both consumed "FPE" products and both equated some criteria to its consumption. Their differences are based on the criteria they equate with their product purchase. Although it is possible to introduce a Weight Watchers' FPE product from the US into these two markets, the study suggests the results would be less than optimal. If consumer differences are significant enough, then market research in each country is necessary in order to distinguish marketing support and product positioning strategies.

Both markets could also require a different approach in the program

strategy (Akaah 1991). Without further consumer testing, it would be impossible to predict whether Weight Watchers' FPE would have to be reformulated to account for market demand. If the changes are slight and required no economic impact on costs, the product could become standardised (Takeuchi and Porter 1986). Otherwise, any significant changes relating to market influences will result in a product quite different from the original. These questions remain unanswered for the Israeli and Australian markets.

## Managerial Implications and Research Limitations

From the perspective of the global marketer, the study attempted to test some aspects of globalization theory. Based on the test results, some limitation on global theory and product standardisation is appropriate. Levitt (1983) held that the same product could be sold in the same way, everywhere. However, the study results are not consistent with this view. Regarding recognition, price and preference, Israeli and Australian consumers perceived the Weight Watchers and FPE product differently.

Two additional cultural factors for Israeli and Australian consumers have to be considered (Kustin 1993). First, Australians categorise their food courses as entree, main course and dessert. Therefore, Australians would regard FPE as an introduction to their main course, as an appetiser. Israelis use the term entree in the same context as in the US, and would accept the FPE as a main course. If the product were an entree in Israel, its weight, price and market position would differ

considerably from an Australian product introduced as an appetiser (in Australia, an entree). Second, product positioning would also change if Israelis considered the FPE a diet food product, rather than a health food product as with the Australians. Collectively, these are critical factors which must be determined within each market. Articulating a global product introduction based on information found in the home market for product export to a new and different host country could prove to be less than successful.

Regarding the issue of converging homogenous markets, and the idea that "commonality of preference leads inescapably to the standardisation of products" (Levitt 1983, p93), the study clearly does not support this view. There are sufficient differences, not only in consumer perceptions, but in per capita income, consumer consumption, hours worked per week,

national GNP and a wider range of legal, cultural and political issues between countries. Based on this study's results, there appears to be need for further research into the area of global marketing and product standardisation. Marketing in a diverse global environment suggests that different marketing strategies are essential to at least consider. Further investigation would help clarify the necessary research to answer such questions, and also provide practical directions for the global marketer.

The study had a number of limitations. First, both samples were relatively small and drawn from shopping malls; although Tel Aviv and Sydney are the largest cities in both countries, they may not totally reflect the values of the entire population. Second, the actual product, Weight Watchers' FPE, was not present in either market; its presence might have affected some of the outcomes. Third,

although appropriate to use and often more practical, nonparametric testing has a lower power than other statistical methods; for this reason, Pearson's product-moment and partial correlation test was also used to determine if there was any relationship between the test variables.

Despite these limitations, the study demonstrated that there can be differences in consumers' perceptions in different countries; specifically, differences were found in consumers' recognition, preferences and price perceptions for a branded nondurable product. These are some of the factors which marketers should consider before implementing a strategy of product globalization. Without first determining the possible effects of differences in consumer perceptions, the marketer cannot anticipate potential difficulties in launching a successful product into the global marketplace.

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# What Industrial Buyers Prefer Salespeople to Know and Do and What Salespeople Believe They Prefer

*by Graham W. Pascoe*

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## **Biography:**

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## Abstract

An exploratory study of industrial buyers and sellers in Australia reveals some discrepancies between what buyers prefer salespeople to know and do and what salespeople believe buyers prefer. Individual, in-depth personal interviews were conducted with 53 buyers and 42 sales representatives. Three aspects of salespersons' on-the-job behaviour were investigated: knowledge, behaviour and competence. Results are reported for three categories of industrial selling situations: selling to supermarkets, selling to the trade (excluding supermarkets), and new business and technical selling situations. The research suggests that salespeople may have some inaccurate beliefs about buyers' preferences. Sales representatives who sell to in-store supermarket buyers seem especially to suffer from this problem. On the other hand, salespeople engaged in new business and technical selling seem to have correct beliefs about buyers' preferences.

## Introduction

The attention which has been given to marketing and marketing strategy has not detracted from the old adage "Nothing moves until the sale is made".

In many respects, an organisation's salespeople are its revenue producers. The sales team's performance is critical to the success of most organisations. Much attention has been given to consideration of the factors which determine sales force performance and contribute to salespersons' success or failure. Those factors have been classified as environmental, organisational or personal variables (Churchill, Ford, Hartley and Walker 1985).

With respect to the personal

variables which account for salespersons' performance, some are of the nature of physical characteristics, mental abilities, personality characteristics and experience or background. A meta-analysis of previous research found that '...the strength of the relationships between some personal characteristics and sales performance varied widely across studies' (Churchill, Ford, Hartley and Walker 1985). Other studies have suggested that what salespeople do, as distinct from what they are, distinguishes the strong and weak performers. Salespersons' behaviours may relate to their behaviour in the actual selling situation or behaviours such as time and territory management (Smith 1991) or 'good work habits/hard work' (Ingram, Schwepker and Hutson 1992).

Interest in the behaviour of salespeople is not new. For many years, various models or theories of selling, such as AIDA, stimulus-response and need-satisfaction, have suggested what salespeople should do to sell successfully.

Since 1977, readers of *Purchasing* magazine in U.S.A. have been invited to report on the three top characteristics of outstanding sales representatives who call on them. The attributes of salespeople are divided into ten categories. The most frequently mentioned set of attributes is, and has been, (1) thoroughness and follow through, (2) knowledge of the sales representative's product line, and (3) 'willingness to go to bat for the buyer within the supplier's firm' (Williams and Seminerio 1985).

Gellerman (1990) concluded that a critical factor in the success of an industrial salesperson is the focus of discussion with the buyer.

He spent one full day with each member of a 25-person sales team selling automobile parts to repairers and managers of parts departments, observing the sellers' and buyers' behaviour. Calls in which the discussion was sales-focussed 'tended to produce the largest orders'. Calls which dwelt on other matters such as small talk and customers' complaints were less successful in terms of orders generated. He concluded:

*The focus of discussion seemed to depend on how seriously the customer took the seller. It was a matter of whether a seller had demonstrated both competence and usefulness to the customer.*

Weitz (1978) examined the way in which salespeople influence customers' choice decisions. He investigated salespersons' ability to form accurate impressions about their customers' beliefs and attitudes and its relationship to sales strategy and salesperson performance. Impressive relationships were found and he concluded that salespeople might improve their performance if they improve their understanding of their customers' needs and beliefs.

The virtue of salespeople adapting their sales approaches according to the nature of the customer (buyer) to whom they are selling has been advocated by Weitz, Sujana and Sujana (1986).

Their model of an adaptive selling framework identified certain skills and capabilities of a salesperson and proposed that they are related to the practice of adaptive selling, which leads in turn to performance. They defined adaptive selling as 'the altering of sales behaviours during a customer interaction or across customer interactions based on perceived information about the selling situa-

tion'. Extremely adaptive salespeople, for example, use unique sales presentations for each customer and alter their behaviour during the presentation. At the other extreme, the use of the so-called 'canned' presentation is not at all adaptive.

Thus, Sujan, Weitz and Sujan (1988) concluded that better salespeople work smarter: 'the performance of industrial salespeople is more strongly related to what salespeople do rather than how hard they work'. Specifically, they urged sales managers to foster an environment conducive to adaptive selling.

Adaptiveness in salesperson behaviour has been proposed specifically as a contributor to customer satisfaction. Factors such as the type and strength of the message in the sales presentation and the credibility of the salesperson affect customer expectations with respect to product performance; these expectations, in turn, affect customer satisfaction (Grewal and Sharma 1991).

Castleberry and Shepherd (1993) proposed a model of adaptive selling, broadly similar to that developed by Weitz, Sujan and Sujan (1986), which addresses specifically the salesperson's perception of the customer's beliefs and values as antecedents of adaptive selling behaviour. However, little empirical research has focussed on this particular topic, from the perspective of salespeople or buyers.

*Hayes and Hartley (1989) proposed that: Ideally, a comprehensive model of personal selling behaviour would indicate how buyer preferences might vary as a function of the buyer's situation, and would provide guidance to the salesperson for every selling situation.*

They investigated the preferences of buyers for salesperson behaviour, knowledge and competence. The buyers were from three functional areas - purchasing, engineering and operations - in 136 privately owned electric utilities in U.S.A. Data was collected by means of structured, self-administered questionnaires. They found that buyers from the three functional areas vary significantly in their preferences for salesperson behaviour. For example, buyers in the purchasing function regard price and the terms and conditions of sale as the most important matters for discussion with salespeople. Those in engineering and operations functions are more concerned about discussing product matters including product detail, application and operation. The strong variation in preference between buyers in the three different functions was not found with respect to salespersons' knowledge or competence.

In view of the increasing interest in adaptive selling, the lack of research information on what buyers prefer salespeople to do in selling situations needs to be addressed. This study is a move in that direction. It explores buyer preferences for salesperson behaviour in Australia. It is similar to the study by Hayes and Hartley (1989) in that it investigates selling to industry and it examines buyers' preferences with respect to salespersons' knowledge, behaviour and competence. However, apart from the fact that this study was conducted in Australia, it investigates not only what buyers prefer but also what salespeople believe buyers prefer.

## Research Objectives and Method

The objectives of the research were to gain insights into (1) what industrial buyers' preferences are with respect to the knowledge, competence and behaviour of the people who sell to them, and (2) whether salespeople in different types of industrial selling situations have correct beliefs of those buyer preferences. The research does not examine retail selling to consumers for their personal use.

The research examines the preferences of buyers in different buying/selling situations. These situations are based on the classification of industrial selling situations which was developed by Newton (1973). The types of selling situations investigated are:

1. Trade selling, where the sales force's primary responsibility is to increase business by providing customers and prospects with merchandising and promotional assistance (e.g. selling to retailers). Two types of trade selling situations were investigated: supermarket and other ie. non-supermarket;
2. Technical selling, where the main responsibility of the sales force is to increase business from existing and prospective customers by providing them with technical and engineering information;
3. New business selling, in which the salesperson's primary responsibility is to identify and obtain business from new customers.

Individual, in-depth personal (face-to-face) interviews were conducted in September and October, 1993, with 53 buyers and 42 sellers in each of the above categories. The composition of the sample is summarised in Table 1. Further

TABLE 1

## Number of Buyers and Salespeople Interviewed in Each Category

Category	Buyers	Sales Reps
Supermarkets (Store level only)	18	12
Trade (Independent stores and outlets, not supermarkets)	19	14
New business and technical materials, equipment and services	16	16
Total Interviews	<u>53</u>	<u>42</u>

information is included in appendix A. Within each category, a convenience sample was selected. The research is of an exploratory nature, investigating buyer preferences for three dimensions of salespersons' selling activities: knowledge, behaviour and competence. The definitions of those dimensions which had been adopted by Hayes and Hartley (1989) were used in this study:

1. Knowledge was defined to include salient dimensions of the salesperson's job-related knowledge, both product and non-product related.
2. Behaviour was defined to include those aspects of the salespersons' behaviour that typically occur in the buyers' premises.
3. Competence was defined to include skills with which various activities are actually carried out.

## Results

The results of the research are reported separately for three categories of selling situation: supermarket, trade (excluding supermarket), and technical / new business. (The findings with respect to technical and new business selling situations are combined in this report.) Within each category, the preferences expressed by buyers are described first, followed by the sellers' beliefs about those preferences and, finally, the two are compared. In the conclusions section, the findings are generalised.

### Supermarket Buyers' Preferences

#### Supermarket buyers' preferences with respect to what salespeople should know

At store level, as distinct from head office or central buying level, supermarket buyers' preferences

dictate that salespeople who sell to them should be well informed on matters such as:

- salesperson's own company's products, including shelf-life, turnover rates, shipper contents, availability, out-of-stocks, new products and deletions;
- supplier's current and planned promotions;
- supplier's policies and capabilities in respect of buyers;
- market trends in the supplier's industry;
- products which are competitive to the supplier's products.

Additionally, buyers who work in supermarkets expect the salespeople to be knowledgeable about the supermarket to whom they are selling: its policies, its target customers and those customers who will buy the supplier's products. Many buyers expect the salespeople to be sensitive to their individual, as distinct from organisational,



needs such as what the buyer must know to make the correct purchase decision.

### **Supermarket buyers' preferences with respect to how salespeople should behave**

Whilst this exploratory study found a considerable degree of uniformity in supermarket buyers' preferences for knowledge, there was some variation in their preferences for salesperson behaviour.

At the beginning of each call, buyers expect salespeople to open the call in an appropriate manner, for example, by advising the buyer or store manager of their presence in the store. Many buyers expect that the salesperson will then routinely check and adjust displays of the supplier's own products, rotating stock and removing out-of-date stock. Some buyers wish to give express permission before any displays are adjusted and there is a strong feeling amongst buyers that salespeople should not re-arrange displays of their competitors' products.

Buyers expect that the sales call will involve a discussion about the supplier's products and promotions so that they learn about new products and forthcoming promotions by the supplier and about planned product deletions.

Although supermarket buyers expect salespeople to know about competitive products, several stated specifically that they do not wish salespeople to discuss either them or general industry matters. It might be presumed that buyers belonging to supermarket chains prefer to get their information on any such matters from other sources, such as their own head offices and trade magazines.

Some buyers expressed a preference for discussions to include matters such as prices, and terms

of sale, whilst others prefer not to discuss such things, noting that they were matters to be determined at head office level. This may reflect differences in what the store buys directly and what is supplied from chain warehouses.

'Pushy' and arrogant salespeople are encountered from time to time. Not surprisingly, buyers disapprove of this behaviour.

Some supermarket buyers value regular contact with salespeople, although it may be time-consuming. Calling at a convenient time and advising the likely date of the next call is often a preferred salesperson behaviour.

### **Supermarket buyers' preferences with respect to the competences of salespeople**

It will not be surprising that buyers prefer salespeople to be skilled at verbal communication, reliable (e.g. fulfilling promises they make, calling when expected), and trustworthy. They expect them to be able to answer, or get answers to, questions on matters such as product availability, supplier promotions, etc.

They expect, generally, that salespeople will be able to set up displays which are appropriate for the store. As salespeople come into contact with shop-floor staff as well as buyers, salespersons need to be able to get on well with those staff if they are able to meet the buyers' preferences.

Supermarket buyers are busy people. They prefer salespeople to deal with them quickly and efficiently so that they can get on with the job. Few prefer to deal with salespeople who engage them in irrelevant 'small talk'.

### **Salespersons' beliefs about supermarket buyers' preferences**

Planning and making effective sales presentations and particularly the application of the principles of adaptive selling, require that salespeople understand their customers' needs and preferences. Does this exploratory research indicate that salespeople who sell to supermarket buyers at store level have correct beliefs about those preferences? Yes and No! Yes, because many of the preferences which buyers have are known to salespeople; no, because salespeople did not mention some of the supermarket buyers' preferences.

The research suggests that the salespeople who deal with supermarket buyers do have correct beliefs of buyers' preferences with respect to their knowledge and their competences. When asked 'What do your customers believe is important for you to have knowledge about?' and 'What skills do your customers value in a salesperson?', the salespeople generally described similar matters to those mentioned by the buyers. However, one skill which few sellers mentioned, but was important to almost all buyers, was the salesperson's ability to answer, or to get answers to, buyers' questions.

As noted earlier, supermarket buyers' preferences with respect to the behaviour of the salespeople varied considerably. One would expect that this would be reflected in the responses of salespeople to the question: 'I'd like you to tell me the way your customers like salespeople to behave during sales calls. For example, what kinds of matters do they like (or don't like) you to discuss with them?' Whilst this expectation was fulfilled, it is noted that only two salespeople

referred to the etiquette of the entry to the store and the introduction to the manager. (Perhaps they regard the correct procedure as automatic or perhaps they underestimate its importance to buyers.) Furthermore, not one salesperson referred to the practice of adjusting

displays of competitors' products; buyers had stated their strong disapproval of that practice.

It is possible that people who sell to in-store supermarket buyers are not sufficiently sensitive to the buyers' aversion to 'pushy' salespeople. Only one salesperson sug-

gested that buyers have a distaste for 'pushy' purveyors but this was mentioned frequently by buyers.

Table 2 summarises the most important similarities and differences between supermarket buyers' preferences and salespeople's beliefs about those preferences.

TABLE 2

### **Supermarket Situations: Buyers' Preferences and Salespeople's Concordance**

<b>Salespeople should:</b>	<b>Buyers' Preference</b>	<b>Salespeople's Concordance</b>
Know their products and promotions	Yes	Yes
Know the buyer's needs	Yes	Yes
Advise buyer or store manager of presence	Yes	May underestimate importance of this etiquette
Not change competitors' displays	Yes	No, often interfere with competitors' displays
Discuss new products & promotions	Yes	Yes
Avoid 'pushy' behaviour	Yes	No, may not be sensitive to this
Answer buyer's questions	Yes	No, underestimate importance of this skill
Be reliable and trustworthy	Yes	Yes

Summing up, whilst there were few discrepancies in the information received from the buyers and the sellers about supermarket buyers' preferences for knowledge and competences in salespeople, that could not be said about their preferences for salespeople's behaviour.

## **Trade (Excluding Supermarket) Buyers' Preferences**

### **Trade buyers' preferences with respect to what salespeople should know**

Trade buyers in outlets other than supermarkets expect salespeople to be knowledgeable about the products they sell: their attributes, their benefits (to both the seller and the end user) and, where appropriate, how they should be used by the end user. Salespeople are expected to have information about product availability and about the past and projected sales of the products they sell. Buyers expect them to be well informed about competitive products.

Salespeople who sell to the trade are expected to have knowledge of the buyers' industry and the individual buyers' needs. In addition, buyers expect them to know about needs and demand at the end user level.

Trade buyers' preferences with respect to how salespeople should behave

Trade buyers expect salespeople to discuss several important matters with them during the sales call, reflecting the fact that these buyers make most of the purchase decisions for their outlets. Specifically, they expect discussion of:

- prices, including price changes and discount structures (by far the most commonly mentioned topic for discussion);
- the benefits and uses of the supplier's products (the buyers expect to make use of this supplier information when they and their staff, in turn, sell to their store's customers);

- terms of sale, such as policy on returns, guarantees;
- promotional support offered by the supplier;
- recent sales history of the supplier's products;
- product availability.

A discussion of industry matters and end user requirements is expected by many trade buyers (more so than supermarket buyers), reflecting the buyers' need to be well informed on the saleability of the products, and not having the supermarket buyers' chain support. Some buyers also wish trade salespeople to provide advice on the merchandising of their products.

Trade buyers appear to be concerned about what their competitors are doing but have differing views on whether sales representatives should discuss those activities with them: some buyers prefer that they do, others regard such matters as confidential and prefer that salespeople do not discuss them.

Almost one half of the buyers prefer salespeople to call by appointment. 'Pushy' or hard-sell sales techniques are strongly disliked and many buyers prefer sellers to engage in a minimum of small talk and then to get straight to the point of the call.

### **Trade buyers' preferences with respect to the competences of the salespeople**

As in the supermarket situation, trade buyers prefer strong verbal communication skills, reliability, and trustworthiness in the sales representatives with whom they deal. Unlike their supermarket buying counterparts, they do not expect salespeople generally to be skilled at merchandising or display of the products they sell, although any advice is welcome.

### **Salespersons' beliefs about trade buyers' preferences**

This exploratory research indicates that sales representatives who sell to the non-supermarket trade have accurate beliefs about many but not all of their customers' preferences. Matters such as product knowledge; recognition of the buyers' needs; discussion of policies; terms of sale, promotional support and industry matters; communication skills and trustworthiness, are correctly regarded by sellers as being important to buyers.

However, salespeople appear to over-emphasise the importance to buyers of knowing and discussing new product developments. They seem to believe that buyers want to learn about new products from them more than buyers say that this is so. This may reflect the concern of these non-supermarket trade buyers with moving their existing stock rather than relying on new products for their turnover.

In addition, salespeople selling to the trade seem not to recognise sufficiently the preferences of buyers with respect to:

- making appointments for sales calls;
- getting quickly to the point of the visit;
- knowing about their competitors' products;
- not being 'pushy' during sales presentations.

A summary of the most important similarities and differences between trade buyers' preferences and salespeople's beliefs appears in Table 3.

TABLE 3

## Trade Situations: Buyers' Preferences and Salespeople's Concordance

Salespeople should:	Buyers' Preference	Salespeople's Concordance
Know their products, benefits and end use	Yes	Yes
Know buyer's industry and needs	Yes	Yes
Know competitors' products	Yes	No, may not be recognised sufficiently
Discuss prices, terms of sale and promotional support	Yes	Yes
Discuss sales trends	Yes	Yes
Discuss new products	Not of major importance	Appears to be over-emphasised
Avoid 'pushy' behaviour	Yes	No, may not be sensitive to this
Be reliable and trustworthy	Yes	Yes
Get to the point quickly	Yes	No
Make appointments	Yes	No

### Buyers' Preferences in New Business and Technical Selling Situations

Many industrial buyers, who are not buying products for resale but for their own use, cannot be separated satisfactorily into either the new business or the technical selling situation. Therefore, as noted earlier, the results for these two categories have been combined in this report.

#### New business and technical buyers' preferences with respect to what salespeople should know.

Buyers expect salespeople to have a detailed knowledge of their products: their attributes, benefits to them as the end customer, and

how they should use the product to obtain those benefits. Salespeople are expected to be well informed about product availability. It is axiomatic that these buyers believe that salespeople must be aware of their needs. Knowledge of the buyer's industry and its needs is considered to be important also.

#### New business and technical buyers' preferences with respect to how salespeople should behave

Buyers prefer that salespeople discuss a range of product-related matters with them, namely:

- product attributes and, benefits, and how the buyer should use the product;
- prices (however, not one buyer mentioned the on-going cost of using the product as distinct

from its purchase price);

- terms of sale, especially (where appropriate) warranties;
- availability and delivery arrangements;
- provisions for after-sales service, where applicable.

Discussion of the manner in which products will satisfy customers' needs is expected, and some buyers stated that they wish to be told of forthcoming new products which are relevant to their needs.

Once again, many buyers expressed a preference for salespeople to not try to sell what they do not need, that is, to avoid being pushy.

Several buyers also volunteered the opinion that they do not wish sales representatives to comment

adversely on competitive products, that is, 'hard sell' them.

### **New business and technical buyers' preferences with respect to the competences of salespeople**

Like the other categories of buyers interviewed in this research, new business and technical buyers prefer sales representatives with whom they deal to be effective communicators, reliable and trustworthy. With respect to communication skills, some buyers mentioned specifically written as well as oral communication and

some noted the need to avoid technical jargon.

They expect salespeople to be able to get answers to questions which buyers put to them and to be sensitive to the buyers' needs. In some instances, buyers prefer to deal with salespeople with a high degree of relevant technical competence.

### **Salespersons' beliefs about new business and technical buyers' preferences**

The beliefs of salespeople engaged in new business and technical selling about buyers' prefer-

ences are in accord with the preferences expressed by the buyers themselves. When asked to describe buyer preferences with respect to salespersons' knowledge, behaviour and competences, the salespeople who were interviewed mentioned the same matters as buyers.

Table 4 summarises the most important similarities between new business and technical buyers' preferences and salespeople's beliefs about those preferences.

TABLE 4

## **New Business and Technical Situations: Buyers' Preferences and Salespeople's Concordance**

<b>Salespeople should:</b>	<b>Buyers' Preference</b>	<b>Salespeople's Concordance</b>
Know their products.	Yes	Yes
Know buyer's needs and industry	Yes	Yes
Inform buyer of how to use products	Yes	Yes
Discuss prices, terms of sale and availability	Yes	Yes
Avoid the 'hard sell'	Yes	Yes
Be reliable and trustworthy	Yes	Yes
Get answers to buyer's questions	Yes	Yes

### **Limitations**

This research is mainly exploratory. Although 53 buyers and 42 sales representatives were interviewed, the small samples of buyers and sellers in each category do not enable firm conclusions to be drawn about what category buyers prefer and what category sellers believe they prefer. In addition, the true test of the accuracy of

salespersons' beliefs about buyers' preferences would require a dyadic investigation; the salesperson and his/her specific customer would have to be the subject of investigation. This research did not attempt to match specific sellers and buyers to determine whether a salesperson's judgements about the preferences of particular buyers were correct.

### **Conclusion**

Successful selling to industrial markets requires, among other things, that salespeople adjust their behaviour according to buyers' preferences. This paper provides evidence which suggests that (a) some, but not all, buyers' preferences vary by category of selling situation, and (b) salespeople may have some inaccurate beliefs about

buyers' preferences.

Some preferences are common to all three categories of industrial buyers. In general, industrial buyers expect that salespeople who call on them will know their products and their customers. Buyers

expect salespeople to be well-informed about competitive products, also. Buyers prefer to deal with reliable and trustworthy sales representatives. They have a strong aversion to 'pushy' salespersons who try to sell them products

which they do not need. Not all categories of industrial salespeople have accurate beliefs about these preferences which are common to all categories of buyers, as shown in Table 5.

TABLE 5

### Industrial Buyers' Preferences for Salesperson's Selling Activities

Salespeople should:	Salespeople's Concordance
Know their products	Yes
Know the buyer's needs	Yes
Know competitors' products	Yes, except for trade (non-supermarket) sellers
Avoid 'pushy' behaviour	Not in supermarket and trade situations.
Be reliable and trustworthy	Yes

A comparison between the categories suggests that:

1. Sales representatives who sell to in-store supermarket buyers may underestimate buyers' preferences with respect to:
  - etiquette for entry into the store and dealing with store personnel;
  - getting answers to buyers' questions;
  - not being pushy in their sales presentations;
  - the practice of adjusting displays of competitors' products.
2. Sales representatives who sell to the trade other than supermarkets:
  - over-estimate the extent to

- which the buyers prefer them to discuss new products;
  - under-estimate the extent to which buyers prefer them to make appointments, get to the point quickly, not be pushy, and have knowledge of competitors' products.
3. Technical and new business salespeople in general have fairly accurate beliefs about what buyers prefer them to know, how they prefer them to behave in the selling situation, and the competences they prefer them to have. Further research is needed to elaborate and confirm these conclusions, especially within

individual buying and selling categories. However, there are clear implications for sales managers and salespersons alike, particularly with respect to sales training and the need to develop sales representatives' ability to practice the old adage of 'know your product and know your customer' and to adapt their behaviour accordingly. There may also be implications for motivating and rewarding sales representatives; that is, some methods may be fostering inappropriate behaviour.

## Appendix a : Details of the Sample

### Supermarket Selling

Eighteen supermarket buyers were interviewed at supermarkets in urban and rural centres in New South Wales. Stores represented included well-known chains such as Coles, Woolworths, Payless and Bi-Lo and some independents. All of these interviews were conducted at store level; central office buyers in supermarket chains were not included.

Twelve people who sell at store level to supermarket buyers were interviewed. Most are employed by large, national marketers; others by small distributing firms specialising in sales to the grocery industry.

### Trade (Excluding Supermarket) Selling

Interviews were conducted with nineteen non-supermarket buyers who engage in the purchasing of products for resale to consumers and other end users such as primary producers. A diverse range of products is involved, including beverages, appliances, clothing, farm equipment and herbicides.

Fourteen representatives who sell to the trade were interviewed in depth. Products sold include consumer non-durables (such as beverages and foodstuffs), consumer durables (including audio equipment) and office products.

### New Business and Technical Selling

Sixteen buyers whose purchasing responsibilities fall into the new business and/or technical categories were interviewed. Products purchased include raw materials, parts and equipment. Some buyers were employed in large organisations whilst others were self-employed in small businesses.

Sixteen salespeople were interviewed in this category. The range of products sold includes materials, parts and equipment, and industrial services.

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