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Proceedings of the Academy of Marketing Studies

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GEOGRAPHIC PREFERENCE FOR FAST FOOD

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ABSTRACT

One need not look far to observe that demographic differences are apparent in various parts of the country. The question that this paper seeks to answer is if these demographic differences have impacted the distribution of fast food restaurants. Do different areas of the country have differing densities of certain types of fast food restaurants? Answers to these questions are of interest to both academicians and to practitioners. Understanding the distribution of types of fast food restaurants may demonstrate historic preferences for certain foods by certain population groups. By comparing this with demographic migration patterns, one might be able to determine in which areas of the country certain types of fast food restaurants might be either saturated or under-represented. Under-representation of one type of restaurant may reveal locational opportunities for fast-food restaurant decision makers.

INTRODUCTION

Food consumption patterns have changed considerably in the latter part of the 20^{th} century in the U.S. Over the past century, consumption of beef and poultry has increased while consumption of pork has declined (Page & Friend). Particularly in the post war era, we have seen a growing consumption of "fast food", as lifestyle patterns have changed (Lohof). More women working, more meals consumed outside the home, the growing affluence of teenagers (and even pre-teens) are just some of the trends that have led to the increase in fast food consumption. Virtually every Principles of Marketing textbook chronicles the changes in society that have led to the growth of fast food restaurants.

According to a survey of almost 3,500 readers of the USA Weekend, hamburgers are the most popular food in the U.S. If self reported food preferences reflect buyer behavior, then one could assume that hamburger fast food restaurants would be the most prevalent of all the types of fast food restaurants. Casual observation would seem to support this idea - with the ubiquitous McDonald's restaurant on what sometimes seems every corner. Currently the world's largest restaurant chain, with over 24,500 restaurants in 116 countries, McDonald's serves 40 million customers a day. The USA Weekend poll, while quite unscientific, did point out that more than half the "votes" for hamburgers came from the western states.

The second favorite fast food was pizza. Although USA Weekend reported no geographic trend in those who chose pizza, it did indicate that pizza was the winner among the school-aged group. The USA Weekend article led to the current study, where the authors sought to determine the relative popularity of various types of fast foods in different areas of the country.

METHODOLOGY

Methodologically, the researchers reviewed Yellow Page telephone directories of a number of communities from differing parts of the country. While admittedly selecting a convenience set of telephone directories from those available in our University library, the number of directories reviewed provided a broad sampling of cities in different parts of the US.

The number of entries were tallied for fast-food restaurants listed in the Yellow Pages directory in the following categories - hamburgers, pizza, chicken, fish and "other" (which includes hot dogs, barbeque, etc.. It was decided to omit restaurants with a decidedly ethnic appeal - Mexican (Taco Bell, etc.) Italian and Chinese for example. Pragmatically, it was also more difficult to determine if some restaurants in these latter categories were "fast-food" or more formal types of restaurants.

It was generally assumed that restaurants that primarily sold hamburgers, pizza, fried chicken and hot dogs could generally be classified as "fast food". Fish restaurants were more difficulty to classify. Long John Silvers and Captain D's were easily identified as "fast food", while other fish restaurants were more difficulty to classify. Omitting some fish restaurants may have resulted in the under-counting of these kinds of outlets, but not to a sufficient level to impact the trends that are reported later in this paper. In cases where a fast food restaurant sold products that fit into a number of categories - such as Jack in the Box, which sells hamburgers, chicken and fish - the primary selling item was assumed to be hamburgers, and it was classified that way. Roast Beef restaurants - such as Arby's - while selling beef, were not classifieds as hamburger restaurants. These were in the "other" category.

RESULTS

Overall, it was estimated that about 30 percent of restaurants listed in the Yellow Pages were clearly fast food restaurants. However, this percentage showed some regional differences. In the industrial mid-west/Great Lakes area, approximately one half of all restaurants listed in the Yellow Pages were clearly of the fast food type. Likewise, fast food restaurants represented between 30 and 50 percent of all restaurants in the traditional "deep South" and the lower mid-west/upper south/"greater Texas".

A much lower proportion was observed in east coast (New England and the New York/Washington D.C. megalopolis) and west coast areas, where in some cities the percentage of fast food restaurants dropped into single digits. Thus there is a clear difference between the density of fast food restaurants in various parts of the country. In part, this may be explained by land cost. In the areas of the country where the cost of land is relatively lower, fast food restaurants seem to have grown. In areas where land costs were higher, such as New York, Boston, Los Angeles and San Francisco, fewer fast food restaurants have been built. This may also be a function of national roll-out trends, where newer fast food chains have started in lower cost areas and have are just now expanding into higher cost areas. As well, in lower cost areas, marginally profitable restaurants may survive, but similar establishments in "high rent" areas would have a difficult time surviving.

In looking at fast food overall, hamburger restaurants were the most common nationwide. However, regional difference were clear. However, when one separates the country into regions, a clear pattern emerges. The clearest division is evident in the eastern part of the country, where the more northerly states have proportionally more pizza restaurants, while the southern part has more hamburger restaurants.

In the megalopolis region of the east coast, between 60 and 80 percent of all fast food restaurants are pizza restaurants. A somewhat similar pattern was observed in the upper mid-west area. Ethnic settlement patterns may be a possible explanation of this trend.

In the lower mid-west, the south and virtually all the west, hamburger restaurants outnumbered the pizza restaurants. The popularity of hamburgers in the sun-belt and the west may be attributed to a combination out-door lifestyles where barbequing, and consequently hamburgers became a diet preference, and the importance of the beef cattle industry in much of these areas.

While the results indicated that the "North" had a relatively high number of pizza restaurants, the south had proportionally more chicken and "other" (mainly barbeque) restaurants, although hamburgers were still the dominant fast food restaurant type.

The west reflected the most diverse pattern of all the regions. Although hamburger restaurants are the most popular, proportionally a greater number of "other" restaurants were popular in this region. Chicken, fish and sandwich restaurants were far more popular here than in other parts of the country. Somewhat similar to the west, the south reflected a greater variety of restaurant types. Here chicken and barbeque restaurants were popular, but again not as popular as were hamburger restaurants.

SUMMARY

Although the research methodology was far from rigorous, the convenience sampling of telephone directories from many of the larger cities across all regions of the US did reveal some clear differences in the densities of various restaurant type, and even of fast-food restaurants in total. The patterns which emerged from this study would tend to be logically supported by expectations based on ethnic patterns, land cost, climate and lifestyle differences from one region to another. To the extent that ethnic patterns and lifestyle are important, one might be able to track migration patterns and determine areas of the country where certain fast food types may be under-represented. Identifying such regions of under-representation may provide geographic expansion opportunities for decision makers in various fast food chains.

The usual caveat attached to all such preliminary research efforts applies here - more research may be done to substantiate and refine these trends. However, the results reported here indicate such pronounced tends that there can be little doubt as to the patterns identified by this research.

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THE CHANGING ROLE OF MARKETING ASSOCIATIONS IN THE INTERNATIONALIZATION OF THE FINNISH FOREST INDUSTRY

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ABSTRACT

This paper analyzes a major strategic change process in a single industry, the Finnish forest industry. The primary change is one of gradual shift from joint marketing practice to one, in which every company within the industry is operating a wholly-owned channel through which its products are moved to the markets outside of Finland.

INTRODUCTION

In the course of Finnish history, the forest industry is the one single industry on which the development and prosperity of Finnish society has relied the most. This has led to the prevailing situation in which Finnish society and the sentiment of the nation has taken the forest industry as "their own", something to take care and nurture for. It is the general view in Finland that the interests of the Finnish forest industry and of the Finnish state converge. This belief, in fact, can be accounted for by the fact that Finland is, of all industrialized countries, the one that depends on its forest industry exports the most (Raumolin 1990). Compared with other major forest-industry product exporters, Sweden and Canada, the share of forest industry products of all exports is in Finland some ten percentage units higher (FFIF 1999). This heavy forest industry dependency of Finland makes the development paths of Finnish companies worthy of study.

The devaluation policy of the Finnish government in the past illustrates the forest-industry dependency of Finland most strikingly. For decades the business cycle of the forest industry seemed to govern the devaluations of the Finnish markka: As the cycle went into its slump, the government was forced to devalue the markka, thus giving some relief to the Finnish forest industry in the world market, helping it regain its competitiveness.

The forest industry, being of such importance to Finland, has raised the interests of Finnish scholars in many different fields of sciences and disciplines. Although their interest in the forest industry is wide-ranging, overall descriptions and analyses concerning the development of the industry are surprisingly few (see Näsi, Sajasalo & Sierilä 1998). In the international science arena, considering Finland's status as the leading exporter of printing and writing paper grades, studies of the Finnish forest industry have remained so far under-represented.

When discussing the Finnish forest industry in the following sections, by definition, only the chemical forest industry (paper, paperboard and pulp industries) is considered. This leaves the mechanical forest industry outside the scope of the current paper.

AIMS OF THE PAPER

The aim of this paper is to describe some of the major changes which have affected the Finnish forest industry in past decades and to present a preliminary analysis of some effects of the most noticeable changes at the different levels of the industry's operating environment. The emphasis shall be on the role of jointly-owned marketing associations in the internationalization process of the Finnish forest industry companies. The role of the associations in the internationalization process has by and large remained unstudied.

METHODOLOGY AND DATA

This paper follows the basic ideology of case research (Yin 1994). The data used are based primarily on archival sources of three origins. First, annual reports of Finnish forest industry companies; second, magazine and newspaper articles dealing with the industry; and third, publications provided by the Finnish Forest Industries Federation, mainly as a source of statistical information.

In this paper, the notion of change is important and central. Descriptions of internationalization processes, as well as descriptions of any other strategy processes, as Melin (1992) states, include information about change, and thus always need be understood within a process context. It is the very process of internationalization, or an epoch (Melin 1992) within it, that is the current paper's subject of interest.

ERA OF MARKETING ASSOCIATIONS' DOMINANCE

The mission of the associations were based on the idea of uniform prices for products of the same grade of the member companies. The marketing associations functioned as the world-wide outlet for their member companies' production, and as such, reduced the cost of marketing for individual companies. The use of jointly-owned marketing associations by the Finnish forest industry may be considered as an original and unique way of operating in the international markets. The arrangement survived for 77 years before its cessation.

In a sense, the associations performed the task of making a market within a firm (Rugman 1981) for the forest industry companies, as suggested by internalization theory (Buckley & Casson 1976), without them actually having to be involved in other than the joint financing of the associations. The forest industry marketing associations' member companies could thus reap the benefits of internalized markets with a cost substantially lower than operating on markets internalized solely by themselves. Thus, in the value maximizing spirit, as argued by Morck and Yeung (1992) - engaging in foreign direct investment takes place, if the expected gains of applying company-held intangible assets abroad exceed the expected cost of running a foreign subsidiary - the forest industry companies were able to utilize scale economies by being able to operate simultaneously in more markets than would have been possible if one company had had to weigh the benefits and costs associated in running a foreign subsidiary on its own.

The marketing associations promoted Finnish paper, paperboard and pulp explicitly as Finnish, not as a product of one individual company or its mill. The job description of the associations consisted, not only of promoting and selling the products of the member companies, but also other tasks performed in their behalf, such as market research, technical support, handling the monetary transactions, and various others.

For the association members, operating through marketing associations had its merits as well as drawbacks. It was the traditional and prevalent way of conducting business in the international export markets until the late 1980s, when the membership-counts of the marketing associations started showing first signs of eroding. This development was caused primarily by the changes in the strategies of the member companies, as well as numerous mergers within the industry. Nevertheless, until the year 1987, of all Finnish paper exports, 80 percent were handled by Finnpap. It was the single largest paper exporter in the world (Paper and Timber 2/1988).

MAJOR CHANGES AFFECTING THE ROLE OF THE ASSOCIATIONS

The changes that took place in the operating environment of the Finnish forest industry over the decades, namely: the economic integration; globalization; the threat posed to established producers by emerging forest industry regions; the increasing volatility of the industry's business cycle; the concentration of the industry through series of mergers and acquisitions, both world-wide and in Finland; the shift towards higher value-added grades; the changing, previously sphere-dominated, ownership structure of the Finnish forest industry companies; and their increasing and deepening internationalization led to changes in the role of marketing associations as an export outlet for the companies within the industry.

As a result of these changes, company after another adopted a more customer oriented approach in their operation. They were aiming at more direct and close contact with their customers, especially in the converted products of paper and paperboard. This development was mainly driven by the change towards higher value-added products that required more tailoring for individual customers. As the degree of tailoring and customization to individual customers increases, a more direct relationship with the customer is the natural, and sometimes, the only viable alternative for operating in the market (Anderson & Catignon 1986).

In reaction to the chances, the marketing associations also aimed for more customer oriented mode of operation. Finnpap, the paper exporters' association, launched a development program in mid 1980s to enhance the flow of information between the member companies, their customers, and the association. It created a mode of operation allowing the member companies as direct contact with their customers as possible through the association (Metsäteollisuus 2/1985). Prior to the reform marketing association and their sales subsidiaries acted as intermediaries between the companies and their customers.

In the end, a structural change process of the Finnish forest industry initiated by the tightening international competition, the growing trend towards economic integration (Ojainmaa 1994), the recession, and growing external pressures in the early 1990s ceased the losing-battle of the associations. The structural change reorganized the map of the Finnish forest industry through mergers in a way seen only once before in the history of the Finnish forest industry, when the major Finnish forest industry companies were formed (Raumolin 1990). As a result of numerous mergers, the number of members of the associations declined. Smaller companies relying on the associations as their export outlet merged with companies that were relying in their international operations on organizations of their own.

RESULTS AND DISCUSSION

The central change that took place within the Finnish forest industry was the termination of joint marketing, which was eventually ended by the European Union's competition legislation. The European Commission required cessation of joint marketing in conjunction with the merger of United Paper Mills and Kymmene, the two largest forest industry companies in Finland at the time of the merger in the year 1995.

What are the implications of the change described above from joint marketing practices to wholly-owned marketing organizations in the Finnish forest industry? The Finnish forest industry companies will, as will the rest of the forest industry companies world-wide strive for continued growth to sustain their competitiveness in the more global competitive setting, to increase the economies of scale, and to lower their unit cost. One powerful factor contributing to the growth aspirations is the magnitude of required investments in the industry. A green-field papermill investment is typically an investment of US$0.4 billion; a green-field pulpmill an investment of US$0.5 billion.

Especially in the Central Europe there are a number of small-scale forest industry companies, and the preconditions of their operation are narrowed by the continuing growth of company size. It is becoming ever more expensive to stay in the competition, which leaves the strategic options available for the small-sized companies, unable to grow, scarce. Thus, the structural change has not run its course yet, on the contrary, there is still potential for acquisitions within the European forest industry.

At the moment, as well as for the visible future, the Finnish forest industry companies are financially strong enough to engage into substantial acquisitions without being dragged into the besetting sin of the industry in recent history, getting overly indebted. In fact, it seems that the markets are anticipating future structural arrangement to take place since forest industry shares have gained in popularity.

When considering globalization and deepening internationalization, the Finnish forest industry has internationalized over the years, not only in the commercial sense (Reinikainen 1991), but also from 1980s on production-wise through foreign direct investments in a fast pace. It seems that the Finnish forest industry companies have been following more pluralistic motives for global involvement in the geographical direction and modes of the involvement, as suggested by Dunning (1993) as a trend of globalization. Seen against this background the diminishing role of marketing associations becomes even more understandable. As the companies are integrating more closely to their principal markets in Europe through their wholly-owned marketing and sales subsidiaries, maintaining two parallel channels, one of which in non-direct control, is not in the best long-term interest of the individual companies.

Addressing the issue of globalization in the way that Alahuhta and Lahdenpää (1991) define the concept - as limited globalization - in which it is less a question of covering world-wide presence in the markets, instead, more of taking advantage of the similarities of areas and regions, not their differences. Globalization seen this way, it may be inferred that the Finnish forest industry companies are in good positions in areas set as their focal areas, both geographically and business-wise.

The Finnish forest industry companies have put special emphasis on the expansion of production of printing and writing papers close to the markets in which these grades are mostly consumed, namely outside Finland. Recent statements by some of the top mangers of the industry are illustrative of the development. As there are no realistic opportunities for new, large-scale units to be located in Finland, in the future most investments will be made outside Finland,. In fact, for the first time in the history, in year 1997 two thirds of the total investments of US$3 billion of the forest industry were made outside Finland (FFIF 1999). Also, what was once considered to be the location advantage for the Finnish forest industry, the closeness to the raw material, especially the primary fiber source, is in the new operating environment proving to be a location disadvantage (Ojainmaa 1994) as the demand for the use of recycled fiber in both printing and writing papers is increasing. To be able to meet the need for increased use of recycled fiber, the Finnish forest industry companies had to go where the recycled fiber is in abundant supply, namely the Central Europe.

In the year 1997 one third of the paper and paperboard production capacity of Finnish forest companies was located abroad (FFIF 1998). The Finnish forest industry companies owned eighteen printing and writing paper production units abroad. Sixteen of those units were in Europe and two in United States. Historically considered, the countries in which the production units were located have been the countries of most importance as export target markets. In a sense, the development has progressed its "natural" path towards deeper internationalization and more demanding modes of operation reflecting higher commitment to international business activities as the internationalization process model (Johanson &Vahlne 1977) would suggest.

How do the changes that have taken place within the Finnish forest industry and in its operating environment affect the future strategy-making of the companies then? One strategic implication of the development has been the diminishing of the role of the marketing associations. This was a result of number of strategic decisions made in the companies related to their international operating modes to be pursued. The role of distribution channel is growing in importance as a competitive weapon in the forest industry, making the joint marketing of rival companies a non-viable solution for the future. The control over the distribution channel brings the customer in closer contact with the companies and enables the companies to more accurately track and monitor the existing and rising needs of the customers, and to respond to them.

The abandonment of joint marketing practices yield also total strategic freedom to the individual companies as compared with the need to reconcile the contradictory interests often present in the cooperation of rivals. In the prevalent situation, each company acts according to its strategies in the focal areas chosen, relying on its core competencies (Prahalad & Hamel 1990). It may be said that the Finnish forest industry companies are on their way towards, not only limited globalization, but towards a status of genuinely global actor with covering world-wide presence in the global market place. The Finnish forest industry companies have been present in the global market place for quite some time, but only through their representatives of jointly-owned marketing associations. In the new competitive setting, the strategic challenges facing the companies are ever more complex, and as the rate of change is accelerating the need for flexibility and holistic approaches increases. What will assume the central role in the strategy-making of the forest industry companies, is the strategic vision (Mintzberg 1994).

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ADVERTISING BY NON-PROFIT ORGANIZATIONS

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ABSTRACT

Research has revealed that Americans feel less of a need for charitable organizations today and the percentages of households that contribute to charities have decreased by five percent (Slagle 1999). Contrary to this statement, public confidence in most non-profit institutions is increasing and better economic conditions will allow for an increase in donations if potential donors can be reached. The purpose of this paper is to examine the current role of advertising by non-profit organizations and offer suggestions for the future use of advertising.

Paid advertising is almost non-existent among nonprofits. Most nonprofits solicit free public announcement time and actively recruit celebrities, both national and local, as spokepersons. The reluctance of nonprofits to use advertising is based on the issue of accountability of its donors. An advertising medium that has not been fully exploited which fits perfectly the mode of nonprofit operation is the Internet. The challenge will be obtaining funds to expand Internet advertising without alienating their donors.

MARKETING CHALLENGES

Non-profit organizations face a number of other distinctive characteristics that pose interesting marketing challenges. The first is the lopsided exchange process (Martin 1999). In most circumstances, financial support received from donors represents an uneven exchange. Donors are expected to give more than they receive. This creates the challenge of how to encourage donors to give more when they receive much less. Donors may also feel the need to question the spending habits of non-profit organizations wanting to know what percentage of donations go directly to end user benefits. Donors may feel that being a contributor gives them the right to dictate how the organization is run and how funds are allocated.

The second challenge is the indirect and lagged nature of benefits offered (Martin 1999). Many of the benefits from non-profit organizations will not be realized by those who contribute. For example, the campaign Astop smoking and live longer benefits are long-term and not realized immediately. Campaigns such as this one hope to promote healthier lifestyles in future generations.

The third challenge is the dominance of non-financial objectives (Martin 1999). Non-profit organizations are not driven by profits. When the organization has multiple objectives to juggle, dilemmas are created. For example, a disease-fighting non-profit organization must decide how much of its budget should go to treatment programs, researching a cure, or prevention programs.

Choosing whether it is more valuable to treat 200 disease-stricken individuals, grant 80 more hours of research or teach 5,000 people how to avoid disease is not an easy decision.

The fourth challenge is dealing with multiple markets (Martin 1999). Non-profit organizations must appeal to donors, supporters and users - which may require very different marketing mixes. In some cases, appeals used by non-profit organizations to reach each market may conflict.

A final marketing challenge for non-profit organizations is that they do not have the luxury of segmenting user markets (Martin 1999). If they do target specific groups, they are accused of discrimination or exclusionary practices. Non-profit organizations face the marketing problem of having to be all things to all people, which is a demanding challenge for any type of organization and would spell almost certain disaster for most business organizations. Even segmentation for the purpose of attracting donors can be a risky venture.

ADVERTISING AND PROMOTIONAL PRACTICES

Most non-profit organizations do not use traditional advertising. Instead, they seek other communication techniques with the goal of maximizing visibility. The few who do use advertising have the goal of maximizing the impact of the message while avoiding any controversial issues. (Marchand and Lavoie 1998). A common complaint of non-profit advertising is the lack of professional courtesy (Symchak 1998).

Non-profits must be innovative due to the shortage of funds allocated for advertising. The portion of their operating budget used for advertising is usually quite small compared to the total budget dollars. Since most non-profit organizations depend upon donors to complete their mission, visibility is essential. People need to know what the organization does and how well they do it. The focus of local organizations is to be understood and recognized locally, whereas those with a national or international mission must broadcast to a wide audience (Ray 1998).

In most non-profit organizations, the donor is viewed as the customer. Questions which may not be asked, but is in the mind of donors include: Will my giving generate publicity? Will I be associated with a good name, i.e. a good organization? From a business donors, typical questions may include: Is there opportunity for employee involvement? Is there opportunity for the donor=s customers to give and become involved? Will the cause create a base for future customers?@ (Nucifora 1998)

Habitat for Humanity is an example of one Adonor@ success story. It gives the perfect product B homes for the needy. It offers immediate gratification B watching the house being constructed. It offers a great connection for the sponsors B banks and building suppliers. Habitat for Humanity also provides the setting for employee involvement and brings the community together in the process. (Nucifora 1998)

Successful organizations develop and cultivate their donors on a continual basis. Obtaining enough visibility, however, is a little more difficult. In a for-profit service organization, marketing programs that gain visibility can be judged on a return-on-investment basis. This is not true in non-profit organizations, where the Abottom line@ is fulfillment of the organization=s mission, which is seldom measured in dollars and cents. (Ray 1998)

Because of limited funds, organizations are reluctant to invest in paid advertising and tend to look for free communication techniques such as public relations and personal contacts (Marchand and Lavoie 1998). For this reason, recruiting celebrity spokespeople is increasingly popular in non-profit organizations. Using volunteer celebrities can save organization money. Celebrity spokespeople have clout and their association with a non-profit organization gives an Ainvaluable and inexpensive boost to the organization=s visibility@ (Ray 1998). Celebrities draw supporters that would otherwise be too busy to attend organization-sponsored events.

Some non-profit organizations are using Ashock ads@ to get the attention of consumers and make them aware of the problems their organization addresses. For example, the Media Foundation, based in Vancouver, designed Ashock ads@ to make people aware of the effect of smoking and alcohol. In one particular advertisement the familiar shape of a vodka bottle is outlined in chalk at the bloodstained site of an automobile accident. The caption at the bottom of the ad reads AAbsolute End@. This ad is obviously a parody of the Absolute Vodka campaign with the goal of informing readers that nearly 50 percent of automobile deaths are related to alcohol. In another ad, the Marlboro man is shown with half of his face a skeleton. The strategy behind these types of advertisements is to grab the attention of the public using the very generated image that it pumped millions of dollars into tobacco (Greenhouse 1996).

The use of promotional products in non-profit advertising can help boost volunteerism and participation in charity events, while serving as reminders and a thank-you for donors. Some advantages of promotional products as a means of advertising are their practicality and versatility. Since items such as key chains, coffee mugs, and T-shirts are useful to the recipient; they are kept and appreciated. These items then become virtual Amoving billboards@ or desktop advertisements of the organization=s campaign. Promotional products can fit into almost any size budget and can be distributed to a specific audience with little added cost. The Alliance for Lung Cancer Advocacy used a unique promotional campaign to boost lung cancer awareness and increase donations. They launched a ribbon campaign that involved mailing information cards bearing a clear ribbon pin to people who registered for a free pin on the organization=s website. The idea behind the clear ribbon pin is that lung cancer is invisible. The ribbons generated a 150 percent increase in donations (Slagle 1999).

Recently, some non-profit organizations are taking the Arisk@ of lending their names to products. Groups that depend upon donations for survival are licensing their names to corporations and taking a share of the royalties for their efforts (Smyth 1995). One example is the Arthritis Foundation=s relationship with Johnson & Johnson=s McNeil Consumer Products unit to sell a pain reliever bearing the foundation=s name. McNeil Consumer Products guaranteed more than $1 million in annual proceeds to the foundation for arthritis research. These ads are no longer used due in part to the involvement of state regulators. The regulators fear that the public will mistakenly infer that these non-profits groups, as experts in certain diseases, are backing some products over others (Abelson 1999). A group of attorney generals proposed six guidelines to guide businesses and non-profits in such situations. These guidelines state that both sides are prohibited from false advertising, unfair or deceptive trade practices and consumer fraud. The for-profit company must say that the non-profit has not endorsed its product, the for-profit company cannot claim that their product is better than a competitor=s product, advertisements must clearly and conspicuously disclose that the for-profit company has paid for the use of the non-profit=s name. Advertisements cannot mislead the public about how buying the products will affect charitable contributions and advertising partnerships between a for-profit and non-profit should avoid exclusive product sponsorships (Abelson 1999). Because of the danger of lawsuits and legal action by the FTC, this approach to advertising by nonprofits has not gained strength.

Media coverage can generate donor awareness like advertising but without the direct cost. Winning the attention of the press often requires a specific business strategy in media relations. The press release can be an offensive tool that can be sent to the general media or to industry-specific trade publications (Polyack 1999). A common strategy of non-profit organizations is to use the press release to mention large donations that have been made and how they plan to utilize the funds. This brings free attention to the non-profit group and their cause(s).

Newspapers are another method of distributing advertisements for non-profit organizations. The Wall Street Journal (WSJ) introduced AEndowments & Donations@; a direct-response advertising section designed to make universities, hospitals and other non-profit organizations more noticeable to the journal=s influential and decision-making corporate audience. The section, scheduled to run about four times a year, was started after several non-profit groups inquired about full and half-page ads. The non-profit groups did not have the funds available to pay for large expensive ads, but wanted the exposure the Wall Street Journal could provide.

The Internet is also reaching out to non-profit organizations. According to the Ad Council, $5.2 million was spent on online public service announcement campaigns in 1997, a forty-nine percent increase over 1996. Many industry leaders agree that the Internet is excellent for public service announcements because the Web pages are inexpensive to produce and easy to distribute. Non-profit campaigns can also afford to add some creativity, i.e. pop-up windows, to get the attention of consumers online. The Internet Advertising Bureau, partnering with the Ad Council, pledged to donate 5% of its ad inventory for public service advertising. The Ad Council=s website also offers banners and ad buttons that can be previewed and downloaded (Riedman 1998). HBN/FBN B an online guide to hunting - offers to list conservation or hunting related non-profit organizations on their website at a 10% discount.

CONCLUSIONS

Non-profit organizations face many marketing and advertising challenges. A couple of key success factors seem to be how innovative and creative the organization is with its advertising methods. Inexpensive promotional item campaigns and a strong media relations strategy are good choices to gain visibility and promote donor awareness. Because of budget constraints and criticisms by donors of paid advertisements, non-profits will have to continue using low cost communication techniques such as public service announcements and volunteer celebrity spokes people. Effort, however, should be made towards educating the public towards paid advertising and the benefits it can bring.

The biggest advertising weapon for non-profit organizations is the Internet. The Internet continues to grow and is an ideal method for distributing advertisements. It can be used by non-profits for publicity, public education, fundraising, volunteer recruitment, service delivery, advocacy, research and communication. No other advertising medium offers this power to the non-profit. The best news is, except for free public announcement time, the Internet is the cheapest mode of delivery for advertisements.

The second advertising weapon which few non-profits have capitalized upon is cause-related marketing. Businesses want more from their donations than just a thank you and a listing on some brochure. They want it to impact their bottom line. This change in philosophy is being spurred by increased competition among firms for the same set of customers. Few markets are growing. Recent research by Roper has indicated that consumers like firms which demonstrate social responsibility and are willing to financially support companies that do something positive. The synergy between corporate brands and a charitable organization are achievable. Cause marketing is different than putting a non-profit organization=s name on a company=s product. It involves a company doing something positive for a community such as helping to restore the Statue of Liberty, cleaning up a local stream, protecting wildlife and so on (Gaines 1998).

Because non-profit organizations are accountable to donors for the use of their money, paid advertising will remain difficult to achieve. While working on the publics opinion of paid advertising, non-profits need to invest heavily in Internet advertising and build alliances with businesses interested in cause-related marketing.

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FRANCHISEES' SATISFACTION: PRELIMINARY FINDINGS FROM NATIONAL STUDY

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ABSTRACT

The paper examines franchise owners' satisfaction with their businesses. Job satisfaction, its antecedents and outcomes have been a popular topic in organizational studies while few investigations have focused on entrepreneurial satisfaction. This is rather surprising since satisfaction has been emphasized as a fundamental measure for individual entrepreneurs (Cooper & Artz, 1993). Distinctively in franchising, satisfaction is a key concept in understanding channel member behavior (Robicheaux & El-Ansary, 1975).

A questionnaire of six pages was mailed to 815 franchisees representing thirty-six retail, service, and restaurant, café & fast food franchises. A nationwide sample represented more than forty percent of the total amount of franchisors and over half of all franchisees in Finland. Response rate of forty-two percent (n=339) was obtained after two mailings and a reminder post card. Subsequently, data were enlarged and non-response bias was investigated by conducting 143 phone interviews. After careful examination of the data sets no significant bias was discovered. Consequently, data sets were combined (n=482). The final response rate was nearly sixty percent.

Analysis centers on questions as follows: (1) How satisfied franchisees are with their businesses?; (2) What factors explain their satisfaction?; and (3) Does satisfaction or dissatisfaction affect franchise owners' commitment to their businesses? On the basis of past literature, two single item measures and set of multiple item measures for quantifying satisfaction were developed. Single item variables measured franchisees' overall satisfaction and their post engagement intentions. Four multiple item scales pertaining to franchise owners' business domains and one multiple measure tapping to franchisees' business environment were created by principal component analysis. Reliability and validity of the measures were evaluated. Employed statistical methods included multivariate analyses like a regression analysis and logistic regression.

Franchisees were found to be fairly satisfied with their businesses. The conclusion was also supported by the scores of the particular satisfaction. Also, franchisees appeared to be committed to their franchises. Particular satisfaction components explained some forty percent of the total variance of franchisees' overall satisfaction. Moreover, it is suggested that franchisees' satisfaction is not only firmly associated with their post engagement intention, i.e. proclivity to join up with the same franchise if given the opportunity, but also a causal relationship exists between satisfaction and commitment to franchise system. Implications for both franchisors and franchisees are presented. Also, propositions for future research are given.

INTRODUCTION

Few investigations on entrepreneurs' satisfaction have been made. This is rather surprising, since satisfaction and its antecedents and organizational outcomes have been a popular topic among organizational behaviorists. "Push", like a job dissatisfaction from the former place of employment has been frequently proposed as weighty factor in the self-employment decision process (see e.g., Cooper, 1971; Shapero, 1975; Brockhaus, 1980a). Also, numerous studies have been done to determine reasons for employee turnover.

In his empirical research, Brockhaus (1980a) found that entrepreneurs generally tended to be significantly less satisfied with their past job than normative population. According to his results prior dissatisfaction not only affected establishing a firm, but may also indirectly contribute to its success (Brockhaus, 1980b). Later, Brockhaus and Dixion (1986) examined job satisfaction that New Zealand entrepreneurs had with their past jobs. Entrepreneurial education and its impacts on job satisfaction were researched by Hornaday and Vesper (1982). They concluded that those who were "working for myself" and had entrepreneurial education, had higher general job satisfaction than those with the same education but who were "working for others." Cooper and Artz (1993) focused on the determinants of satisfaction of entrepreneurs in their longitudinal study. They emphasized satisfaction as a fundamental measure for individual entrepreneurs. They found the causal relationship between the performance and satisfaction - the higher the levels of performance, the higher the levels of satisfaction. In addition, they stressed the connection between satisfaction and intention to continue: "...entrepreneurial satisfaction bear upon decisions by individual entrepreneurs about whether to continue or close down their ventures,..."

More recently, Jamal (1997) and VandenHeuvel and Wooden (1997) have conducted research dealing with entrepreneurial satisfaction. Jamal did not find expected difference in job satisfaction between the self-employed and salaried people, although the self-employed experienced significantly higher job stress and reported more psychosomatic health problems than did their non-self-employed counterparts. The findings of the study conducted by Vanden Heuvel and Wooden provided a more sophisticated picture of the job satisfaction of self-employed people. They concluded that self-employed contractors were not generally found to be significantly more satisfied with their jobs than wage and salary earners, but this result hinges on the degree to which contractors are independent of the hiring organization. The higher the perceived independence was, the greater was satisfaction experienced and vice versa. Thus, self-employed people are not a homogenous population as past research has implicitly assumed.

While there is dearth of research on the small business owners' entrepreneurial satisfaction in the field of entrepreneurship, plenty of inquiries on the franchise owners' satisfaction have been made in the field of marketing. Latter orientation has developed from the management needs of the channel of distribution. This study derives theoretical framework from both research orientations. Satisfaction is researched in the franchising context. Specifically, the analysis centers on franchisees' overall satisfaction, and explaining their overall satisfaction via particular components of satisfaction pertaining the business domains. Finally, the relationship, that is a potential dependence and causality, of the satisfaction and commitment is examined.

BACKGROUND

The notion of job satisfaction has been defined by Locke (1976, 1300) as a pleasurable or positive emotional state resulting from the appraisal of one's job or job experiences. By using a theoretical framework based on discrepancy theory, the entrepreneurial satisfaction is shown to be related to a gap between actual rewards or performance and the individual's goals or expectations.

The discrepancy theory is well-established among the body of literature organizational behavior and psychology dealing with determinants of job satisfaction. Past empirical findings provide a strong support to discrepancy theory, since nine out of ten studies which applied it found a significant relationship between subjects' satisfaction levels and a perceived gap between what they currently have versus what they anticipated to have (Michalos, 1986). Therefore, in this study, franchisee's satisfaction is defined as a fit or perceived congruence between franchisee expectations and experience.

Satisfaction is one of the key concepts in understanding channel member behavior (Robicheaux & El-Ansary, 1975). Walker (1971) found that satisfied franchisees had the following characteristics: (1) they expressed a favorable attitude towards both the various controls in their agreement and the income/inputs ratio associated with their operations; (2) they were working fewer hours and earning more money than they had expected; and (3) they perceived the parent company as fair-dealing and their unit as successful. In similar vein, Hunt and Nevin (1974) suggested that franchisees' satisfaction may lead to higher morale, larger collaboration, rarer terminations of co-operation relations, fewer lawsuits, and decreased needs to seek protective legislation. According to Robicheaux and El-Ansary (1975) satisfaction among channel partners results in greater productivity within the channel of distribution. Likewise, Lusch (1976) proposed that satisfaction in the channel can reduce friction between parties, lower dysfunctional conflict, and increase channel efficiency. Also he argued that franchisee satisfaction is based on a domain of items over which the franchisee could be satisfied or dissatisfied with the franchisor.

Later, Hing (1995) applied a buying behavior theory in the franchising context. Her analysis centered on post-purchase franchisee satisfaction and intentions raising from satisfaction or dissatisfaction. According to her findings, satisfaction led to positive intentions, i.e. favorable word-of-mouth and attitude of purchasing the franchise again. Lately, Morrison (1996 & 1997) examined franchisees' job satisfaction, personality traits, organizational commitment and performance. She found that certain traits along with three job characteristic factor related to franchisor support, operational characteristics, and franchisor restrictions had significant influence on franchisee job satisfaction. Moreover performance, organizational commitment, congeniality of franchisor relations and intention to remain had significant positive correlation with satisfaction.

RESULTS

The demographic data of the respondents are given in Table 3. The participation rate of women in franchising, nearly fifty percent, appears to be much higher than in other self-employment. Slightly less than one third of the self-employed people are females in Finland. The service intensity of franchising may partly explain females' higher participation rate. Respondents' age ranged from 18 to 64, average being around 42 years. Mostly informants were married. Franchisees represented a highly-educated group, six out of ten had a college degree, compared to the average education level of Finnish small business owners. Some one third had previous self-employment experience when they entered into franchising, while a majority had a salaried job in the private sector. Interestingly, equal amounts of respondents were either unemployed or had a public sector job when they signed a franchise contract.. The length of franchise experience ranged from one month to twenty years, the average being four years and one month.

The majority of the franchisees' firms were limited companies. Also, they were micro-enterprises, employing less than ten employees and generating an annual turnover of 1.6 million Finnish marks (i.e. roughly $275,000) on the average. An extensive portion of the franchisees were single-unit owners.

Multiple item measures were extracted by employing principal component analysis with varimax rotations (SPSS 9.0). Five distinct and interpretable components emerged (see Table 4). Final solution covered 23 items out of 26 original ones. The reliability of the 23-item linear combination was .92, indicating coherent selection of the items. Two items which were omitted due their statistical properties were: "outlet's site" and "other franchisees' performance." The former appeared to be a unique variable which was not strongly loaded in any component. Top levels of satisfaction with outlet's sites was recorded (mean 5.70, SD 1.34). The latter had the lowest standard deviation of all variables, thus it had low discriminating power. Its mean score (4.79, SD 1.04) showed that a fair satisfaction exists. It also implies that free riding is generally not perceived as a prevalent problem in the sampled franchise systems. All variables had a loading exceeding .45 - and no cross loadings rose. Similarly, communality values were more than .55 giving the highly explanative outcome for the solution (71% out of the total variance). Factor scores of the components were saved as variables, as well as conventional sum-variables were compressed.

The convergent validity (i.e. correlations) and reliability (i.e. Cronbach's Alphas) of the created satisfaction measures were tested. All the correlations came out positive, as expected, and statistically significant. Results of the validity evaluation is presented in Table 5. Moreover, five measures of the particular satisfaction showed very sufficient reliability. High alpha values confirmed the internal consistency of the summed scales.

Even though, one fifth of the franchisees were somewhat dissatisfied with their businesses, mostly franchise owners tended to be relatively satisfied (see Table 6). A clear majority, six out of ten respondents were satisfied, while every fifth turned out be very satisfied indicating that their experiences of franchising had been unexpectedly positive.

The same amount of respondents who expressed that franchising had met their anticipation, inclined to commit to their current franchise, while seven percent were readily joining up with other franchise system. Fewer than every seventh informant showed that they were prone to establish an independent business in the future instead of continuing as a franchisee. Respectively, similar amounts of franchisees were hesitant of their decision. Less than five percent indicated that they would not be interested in any kind of self-employment. The smallest group were those who said that they wouldn't consider any franchise opportunity. The franchisees post engagement intentions are shown in Table 7.

The results of the logistic regression analysis should interpret cautiously and with restraints. Positive coefficients of the satisfaction indicate that the probability to join up with the same franchise increases. This impact is significant among all the satisfaction measures included in the model. While the goodness-of-fit-test indicates a proper model and the level of correctly classified cases is also good, the log likelihood refers to an inadequate model. However, cross tabulation analyses indicated again that strong positive and statistically significant (p <.000) dependence exists between the "Ongoing Support", "Finance", and " Work as a Franchisee" variables of particular satisfaction and intention to join up with the same franchise system. As assumed, those who wanted to join up with the same scored higher on these satisfaction measures than their counterparts who preferred other options. All the T-test results were significant at the .000 level. This does not apply to "Franchising Climate" and "Market Performance" which were excluded from the logistic regression model due to their insignificance.

DISCUSSION

The paper set out to explore three research questions. First, how satisfied are franchisees with their businesses? It was found that generally franchise owners tended to be rather satisfied with their businesses. While a whopping majority (60.7%) stated that franchising met their initial expectations, there was two groups of similar size, both accounted one fifth of the respondents, who had either unexpectedly positive or negative experiences. The mean, median and mode of the overall satisfaction was 3.00 indicating average satisfaction level on the scale varying from one to five.

The second research question penetrated to particular reasons which may explain franchisees' satisfaction or dissatisfaction. It was discovered that four out of five measures created to quantify franchisees' particular satisfaction explain significantly their overall satisfaction. In detail, linear regression pointed out that the components which accounted franchisees' overall satisfaction were as follows: *"Finance"* (i.e. profitability and financial standing of the franchisee's business, and his/hers personal income), and *"Ongoing Support"* (i.e. franchisor's services and their quality, franchisor's overall performance), *"Work as a Franchisee"* (i.e. franchisee's work load and tasks) and *"Market Performance"* (i.e. known brand, franchisor's market position, image, and franchisor's competitiveness). These particular components of satisfaction explained statistically forty percent of the total variance of overall satisfaction. Also, the mean scores of the particular satisfaction supported the conclusion that franchisees are mostly fairly satisfied. The mean scores varied from 3.90 (for "Work as a Franchisee") to 5.49 (for "Market Performance") in the scale of one to seven, indicating satisfaction levels of neutral to somewhat satisfied or satisfied.

The last research question was: "Does satisfaction or dissatisfaction affect on franchise owners' commitment to their businesses?" Results showed that a strong positive and statistically significant correlation exists between the satisfaction and post engagement intention, i.e. inclination to continue in the same franchise system. Thus, those who wanted to take up the same franchise if given the opportunity had significantly higher satisfaction scores than those who preferred other options instead of staying in the same franchise system. Also preliminary support was found that satisfaction indeed causes the increased probability to continue in the same franchise system. Distinctively, "Ongoing Support", "Overall Satisfaction", "Work as a Franchisee" and "Finance" were components of satisfaction which had considerable impact on the decision of whether to remain or turnover. Rather surprisingly, "Market Performance" did not contribute the model. Nonetheless, the empirical findings of Spinelli and Birley (1996, 324) may explain this observation: "Clearly, a principle reason for utilizing franchising as a growth mechanism is to build brand equity. Franchisees do not equate the relationship with an equity building exercise...These assets are less transferable than other assets and therefore if the franchise relationship is ended, these assets are lost (or diminished more than other assets which are more transferable)." To find more empirical evidence to verify the model, i.e. the causality between satisfaction and intention to continue with the same franchise, a discriminant analysis will be utilized in the further analysis.

By and large the results of this study are congruent with earlier findings regarding profiles of Finnish franchisees and their businesses (Koiranen, Hyrsky & Tuunanen, 1997a; 1997b). Only one earlier study on franchisees' satisfaction has been reported in Finland (Koiranen, Hyrsky, Tuunanen & Laakso, 1997). That exploratory inquiry was carried out with a much smaller sample. The results of the study have real value in Finland. Cross-cultural considerations should be done with some constraints. For instance, franchising culture is still in its infancy in Finland - the average starting year of franchise systems is 1989 (Tuunanen & Koiranen, 1998). This immature stage is revealed as short franchisee tenure of respondents or low portion of multiple-unit franchise owners (for the comparison see e.g. Gallup, 1998; Morrison 1996).

Implications of the study are interest to both of franchisees and franchisors. Franchise owners' satisfaction has an effect on the future success of franchising via desirability of career as a franchisee. Dissatisfied franchisees' post engagement intentions have at least dual consequences. First, the goodwill, like image and reputation of the franchise system, will be damaged and diminished. Less contented franchisees are not likely to recommend the franchise to others (Hing, 1995). Consequently, this will harm the recruiting future franchisees. In this study, respondents ranked current franchise owners the second most important information source when making the decision whether to take up this franchise. Nearly, six out of ten prospects did consult the current operating franchise owner. Second, a franchisee turnover is a costly and dysfunctional incident to franchisor. It may even temporarily disturb customer service at a certain location. The harmful consequences may accumulate now, when there is a tense competition of scarce qualified franchisee candidates. To sum up the discussion on implications concisely, it may establish that findings of this study pinpoint certain factors that are crucial in intensifying franchisees' commitment and avoiding their harmful turnover. Also, these results determine particular components of franchising relationship that potential franchisees should look into when considering entering into franchising.

Findings of this study can be verified through replicating the research. Cross sectional research design may be regarded a limitation of the study. Longitudinal research would be a fruitful avenue to reveal dynamics of franchisee satisfaction. Also, a follow up research would expose the reality of franchisees' post engagement, i.e. did those franchisees really resign who manifested that they would prefer other options instead of continuing in the same franchise system and vice versa.

Efforts were made in avoiding weaknesses that might considerably diminish the value and usefulness of the results. First, the study was made with a relatively large sample. Response bias was properly examined, although the initial response rate was high and suggesting minor bias. Created measures were based on extensive literature analysis. Also the validity and reliability of the scales were evaluated. Results can be generalized to the population of the study. Bearing in mind representativeness of the sample, findings portrait the actuality of Finnish franchisees' businesses and attitudes.

REFERENCES AND TABLES UPON REQUEST

MAIN MARKETING IMPLICATIONS OF THE EURO

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ABSTRACT

The Year 2000 Problem--or Y2k, as it has become known to some experts, is now upon us and nobody has any excuse for not being prepared for it. Enterprises worldwide have been forced to grapple with the millennium bug, a computer programming glitch that threatens to %Wipe out bank accounts, financial statements, and data bases when the year 1999 becomes the year 2000. The well-publicized millennium bug problem has its roots in the early stages of computer development. When the first computers were being developed, space was at a premium. In an effort to maximize scarce computer memory, programmers left the first two digits out of the year designation, so that 1997 reads merely 97. Theoretically, when the year 2000 arrives, 90% of the world's computers will think it is 1900, creating all kinds of chaos. According to most conservative estimates, fixing the millennium bug will cost American businesses between $50 billion and $150 billion.

While enterprises worldwide have been preoccupied with the millennium bug, they have paid scant attention to another event of much greater long-term significance. Exactly one year before the year 2000 blazes its trail over worldwide computer systems, enterprises worldwide are going to have to deal with another equally apocalyptic event that could affect many key software applications: Europe's new currency, called the euro The euro will replace the national currencies of the 11 countries that joined the European Monetary Union, or EMU, on January 1, 1999.

The emergence of a single currency inaugurates the new Europe. The euro will be the great lubricator of the European Union's "single market." It will affect companies Worldwide that do business in Europe, whether they are based in Strasbourg, France; Strausberg, Germany; or Strusburg, Virginia. Never before has a group of countries successfully attempted to introduce a common currency on such a scale without also forming a political union, nor have political leaders worked together so long to overcome historical divisions born of language barriers, cultural differences and war.

For the first time since the fall of the Roman Empire, these countries will come under the umbrella of a common currency. The creation of the EMU and the introduction of the euro will prove to be a remarkable development in international relations and carries far-reaching implications for the international monetary system. This opinion is echoed by observers around the world, including Mr. Larry Summers, United States Deputy Secretary of the Treasury, when he commented, "The EMU promises to be the most dramatic change in the international monetary system since the breakdown of the Bretton Woods system over 20 years ago."

Compared to the millennium bug, the euro is a far more complicated problem for the info-technology industry, Rather than merle converting code and date, the euro will require the ability to manage dual currencies. Many programs, files, data bases, screens and reports containing references to financial information will need to be modified, The euro implementation affects most,

if not all, aspects of a company's operation. Thus, the effects of the euro will be far-reaching, and the cost and complexities associated with conversion could exceed those of the millennium time bomb issue. It is estimated that the euro's introduction will cost companies as much as four-to-five times that required for the year 2000. This is because technology and personnel costs would mount over a longer time frame. This expense is not just ***a*** *European problem. It affects any company with division, partners, or customers in Europe.*

In essence, the introduction of the euro is much more than a transactional issue. It is a strategic issue, affecting companies at every level of their operation. The euro will have functional implications in six key -areas:

Marketing, distribution and purchasing;
Production;
Accounting and finance;
information technology;
Human resources; and
Legal

While the euro will have functional implications in six key areas, the objective of this paper is to focus exclusively on the impact of the euro on marketing policies. The advent of the euro will be a major upheaval for marketers. Marketers will be in the front line during the transition period, They will come face-to-face with customers who may feel confused or even distrustful as the euro is introduced.

Overall, the impact of the euro conversion on marketing strategy is pervasive. This paper aims to provide marketers with practical illustrations of how the euro could impact their activities and how they should prepare for it. More specifically, the objectives of this paper are three-fold. The first objective is to provide a brief overview of developments leading to the creation of the euro. The second objective is to analyze the pros and cons associated with the introduction of the euro. The third objective is to discuss the impact of the euro on the 4Ps of marketing, namely by focusing on pricing policies, promotion policies, product policies, and place or distribution policies. Overall, the paper emphasizes that the advent of the euro will have profound implications for marketers.

JAPAN'S THREE EXCESSES—A TIME FOR CHANGE

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ABSTRACT

Japan's postwar economic boom slowed in the late 1980s and was followed by a decade of slow growth and a deep recession. To get back on the growth track, many of Japan's leading economists suggest that fundamental changes in structures and economics policies have to be made for this mature economy to compete in the new global marketplace. Many of these economic reforms must address Japan's three excesses—manufacturing capacity, financial debt, and labor. As Japan begins the new millennium with much needed economic reforms, a new Japan will emerge.

INTRODUCTION

Japan, the nation that was once predicted to surpass the U.S. economy is now struggling to revive itself. As Japan entered the 1990s, the brilliant economic system and developmental growth policies that Japan put into place after World War II have become obsolete. As a mature industrialized nation, Japan must implement some sweeping structural reforms to be competitive in the global marketplace. Without these economic reforms, Japan's Ministry of International Trade and Industry (MITI), warns that the fastest growth rate that Japan can sustain between now and 2010 is only 1.8 percent. This is a drastic decrease for a country that had been growing at 4 percent throughout the 1970s and 80s. (5)

JAPAN'S THREE EXCESSES

So what has caused the collapse of Japan's so-called "bubble economy" in early 1990s? Many economists see the root of Japan's problems as the structures, policies, and mental habits that were instituted to help Japan's postwar recovery. While many of these economic policies were necessary in the early stages of development, they became obsolete as Japan moved into a mature economy. Continuing with these obsolete policies resulted in three excesses-manufacturing capacity, financial debt, and labor–that Japan must resolve if it is to recover as a strong industrial nation. (4, 5, 6)

EXCESS MANUFACTURING CAPACITY

Many of the early measures to help Japan regain its economic strength included protectionist measures such as import quotas on foreign-made goods, massive subsidies to aid inefficient, domestic enterprises, and authorization of export cartels (keiretsus) to foster domestic industrial takeoff.

Japan's focused much of its efforts on protecting and investing in its domestic industries, rather than encouraging such industries to learn how to compete through economies of scale and learn-by-doing efficiencies. This "invest and protect attitude" of inefficient, non-competitive domestic industries became a root cause of its excess capacity problem. While Japan's exporting industries dominated world markets in televisions, steel, cars, electronics, and computer memory chips, its domestic foundations were largely going unnoticed by its leaders and the world.

Throughout this period of economic growth some economists detected the building of Japan's deformed dual economy—a dysfunctional hybrid of super-strong exporting industries (autos and electronics) and super-weak domestic sectors (food processing and textiles). Japan was investing nearly 35 percent of its GDP to get the same level of growth that a typical country could have achieved with 25 percent. As long as the efficient Japanese export companies could prop up the weak domestic sectors, all appeared well from an outsider's view. In the meantime, however, companies such as Toyota were paying higher prices to domestic suppliers for glass, rubber, basic steel, and so forth. These higher prices were, in effect, subsidies to inefficient, non-competitive domestic suppliers. By the late 1980's, Japan's leading export companies found it harder to bear the burden when faced with high costs at home and a rising yen. (5, 6) Foreign consumers refused to pay the higher prices of Japanese products making it more difficult for Japanese exporters to compete in the world market. One by one Japan's efficient exporters moved to overseas manufacturing to lower material and labor costs. Many of these investments were made in the Asian countries to rebuild Japan's image in the region and to strengthen its economic position in the world market. All was going well for Japan until the economic downturn in the 1990s, only to be followed by the Asian financial crisis in 1997.

EXCESS LABOR SUPPLY

As more of Japan's exporting industries moved overseas, a new labor force in developing nations was being created. Following the Asian financial crisis in 1997, many of these overseas factories had to be shut down, thereby reducing the excess labor force outside Japan. Such actions do not create a favorable image of Japan. However, inside Japan, the government continued its investment in domestic companies and protection from foreign imports. Long, inefficient distribution systems were being created to help the small shop owner stay alive, and the keiretsu structure protected the larger ones. The keiretsu structure is formed around a holding company surrounded by several core companies including banks, trading companies, insurance companies, and other key companies that work in the best interests of each other. Even among the Japanese workers there was the protection of lifetime employment policies that restricted layoffs. Few Japanese workers felt the pains of unemployment and the Japanese consumer remained unaware of the high prices of domestic goods compared to other competitive markets. Only those Japanese consumers that traveled abroad recognized the price differentials in goods.

Today, Japan's unemployment rate in Japan is at a record high of 4.4 percent, which many countries would welcome. But, Japanese workers have long been used to full employment, and these times are becoming quite unsettling for them. Many workers in large companies such as Sony, Toyota, and Mitsubishi, thought the lifetime employment policy would provide for them even if there wasn't much work for them to do. Whereas in the past, the government banned temporary workers from most industries and temporarily regulated any agency from providing temporary staff, today large companies are allowed to hire temporary workers as needed. Also, in the past the government allowed companies to apply for "employment adjustment" subsidies to avoid shedding labor and did not allow for pensions to be portable. (2, 3) The Japanese employers' federation now claims that having such an inflexible labor market, such barriers to changing jobs account for almost three-fourths of Japan's unemployment. As Japan's economy attempts to recover, cheaper part-time workers are replacing full-time workers. These full time workers are finding it even more difficult to land a job at small companies because even small companies are cutting back workers.

The ironic part is that while Japan faces a labor surplus now, the next decade will bring about an opposite effect. Japan's birth rate has been declining steadily over the past decade and it is estimated that by 2007, 20% of Japan's population will be 65 and over. By 2025, 87% of Japan's population will be 65 years and older. Today Japan's life expectancy is 76 years compared with the U.S. figure of 73. (2) Low birth rates combined with an aging population suggests that in the next decade or so, Japan's labor shortage will result in fewer workers to generate the needed tax revenues to support the health care needs of an aging population. These contradictory labor problems are creating havoc in planning for Japan's economic recovery.

EXCESS FINANCIAL DEBT

By the late 1980s, Japan seemed on the verge of doing in finance what it had done previously in manufacturing. Japan's banks, some of the world's largest, were spreading out internationally. At one point they accounted for 17 percent of the new loans in the U.S. Instead of investing the dollars Japan earned on its trade surplus into new production facilities at home or abroad, the Bank of Japan and other financial institutions lent Japan's trade surplus back to the U.S., mainly by investing its export receipts in U.S. Treasury bonds. Ironically, while Japan used its export earnings to finance the US government's budget deficit, it ran a growing domestic budget deficit of its own. The problem was not that its economy lacked savings, but that it had too much savings. The Ministry of Finance policies fueled the economic bubble by directing these savings into real estate and the stock market. The "economic bubble" refers to the sharp speculative run-up in asset prices from investments in stocks and real estate that occurred in the mid-1980s. (4, 6)

Bad fiscal policy reinforced bad monetary policy. While Japan lowered interest rates and diverted savings into real estate and stock market speculation, it also cut taxes on capital gains (mainly land-price gains) and the upper income brackets. These tax cuts created more money for speculation in real estate, stocks and, increasingly, for speculation abroad. Meanwhile, the tax cuts reduced the government's revenue, obliging it to issue bonds. In effect, it borrowed back from wealthy investors and financial institutions the money it no longer was collecting from them in the form of taxes. Even as Japan's savings continued to grow, fed by huge capital gains in real estate and stocks, its economy became more debt-ridden, i.e., its ratio of private and public debt to national income grew. Japan also became more tax-ridden; its taxes increased relative to national income. This was largely because of the need to pay interest on the growing public debt was being increased as a result of cutting taxes for the wealthy, especially for real estate and stock market investors. (4, 5)

When the Asian currency crisis hit in 1997, Japanese banks were the major victims. They had lent large amounts to East Asian governments and to major businesses, including those owned domestically as well as Japanese-owned affiliates. When foreign currency speculators sold local currencies and dumped stocks, many of these Asian businesses that had borrowed dollars found that their local sales revenues (in domestic currencies) could not pay their dollarized interest and principal due on their loans from Japanese and other foreign banks. Japanese banks were the largest creditors, and hence were the once left in the most exposed position in the face of the Asia- wide currency crisis. This created the irony that the nation with the world's highest and most conspicuous saving rate would emerge from the Bubble and its "clean-up" process as one of the world's most heavily indebted countries. (4)

JAPAN’S STRUCTURAL REFORMS

Japan’s supply side problem of low productivity created a system that protected the inefficient sectors at the expense of efficient sectors. On the demand side, Japan found it difficult to operate at full capacity. The dual economy had so distorted the normal economic mechanisms that Japan was chronically unable to consume all that it produces. Unlike other mature economies, personal consumption has not risen to take up the slack and Japan now suffers from a chronic deficiency of purchasing power. Some of the following changes to remedy these supply and demand problems are discussed below: (5, 6)

To remedy Japan’s supply side problems, MITI’s economists recommend the following measures: reform the economic and social systems, promote market competition, and facilitate greater mobility of personnel, capital, technology, and other management resources. Currently underway are adjustments to the pension system to allow greater labor mobility. Also, there are some developments to consolidate accounting and taxation systems to allow greater flexibility for corporate reorganization with holding companies and company divestiture. On the tax side, corporate tax rates will be reduced to 40 percent, about the same level as in the other major nations and preparations are underway for consolidated taxation starting in fiscal 2001.

The creation of job opportunities in industries is also crucial for Japan's economic future. Deregulation is a key factor in redressing this situation. Major progress has already been achieved in a variety of areas such as: abolishing the Large-Scale Retail Stores Law, eliminating government approval of telecommunication rates, and removing supply and demand controls under the Petroleum Industry Law. Financial institutions are also developing new products and services, and making efforts to develop new industries in a wide range of areas, such as medical care, social welfare, telecommunications, distribution, logistics, biotechnology, alternative energies, and energy conservation.

Japan is also actively inviting foreign direct investment to create a more efficient economy. Many of the closed doors are just beginning to open to foreign companies. These reforms are not only intended to improve the business environment for Japanese companies, but foreign firms as well.

IMPLICATIONS FOR JAPAN’S CONSUMERS

So where to these economic reforms leading and what are the implications for foreign firms? As Japan lowers its shield on its protectionists’ policies and welcomes new competitors, there is likely to be a new strong Japan emerge and a new type of consumer. Japan is a mature nation with a lot of untapped purchasing power that is ripe for international trade. Japan is a savings society, not a credit society like the United States. Americans are risk-takers, but Japanese are drilled to be cautious and to respect bureaucrats, but these attitudes are likely to change with the new economic policies being instituted and the new financial products to be offered. With the proposed economic changes, it is very likely that a new empowered Japanese consumer will emerge and that this consumer will continue to demand high quality, but better value and broader choice of products and services. (1) Already many of the economic reforms being implemented by the new administration, under Prime Minister Obuchi, have taken effect and are benefitting Japan's consumer. The strong keirtsus are weakening under pressures of deregulation, import quotas are being lowered for more foreign goods in Japan's markets, and the protection of the inefficient businesses have been lifted to create a more competitive environment. What will be seen from all these changes is a new marketing environment that will feature more demanding consumers, both fragmented and concentrated channels of distribution, and a fast changing technological landscape.

Some of these changes are happening now as many superstores such as Wal-Mart, Toys R"Us, Gap, and other U.S. retailers move into Japan in recent years with great success and are transforming Japan's distribution system in the process. These superstores are not only offering national brands that previously were the consumer's only choice, but also private brands priced more reasonably. Imports are becoming more readily available and are often cheaper than their domestic counterparts. Pricing has also become more flexible, with retailers working furiously to cut a yen or two off the item's price to gain an edge on competition. Today Japan's more enterprising consumers are bypassing Japan's distribution system completely by mail-ordering goods from abroad or ordering via the internet for more competitively priced products. (1) When Japanese recession eventually ends and the economic reforms are put into place, there will be a new empowered Japanese consumer. Consumer empowerment is making Japan an easier place to live, and will eventually become a place where the consumer is truly the king.

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DECISION STRATEGIES FOR EXPERT AND NOVICE CONSUMERS

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ABSTRACT

To investigate how expert and novice consumers decide to stop acquiring information and choose a brand in a sequential choice task setting, we examined the usage of two stopping strategies, the Core Attribute heuristic and the Difference Approach strategy. Experts were observed to use about the same amount of information as novices, but to rely more heavily on the Core Attribute heuristic. Experts were also more able to discriminate between closely ranked alternatives. As time passed, the required level of differentiation between the two brands diminished more quickly for experts than for novices.

INTRODUCTION

Very little is known about how consumers actually make decisions. Indeed, it is practically impossible to predict which brand a consumer will choose based on the amount of information available to that consumer. The literature of information search and acquisition is mostly normative (i.e., prescriptive) in the tradition of economics: Additional information should be sought as long as the benefits of the information acquired outweigh the cost of its acquisition (e.g., Stigler, 1961). Behavioral research is more descriptive in nature: How do people actually make decisions? Instead of considering all relevant information prior to making a purchase, consumers use various strategies to decide when to stop acquiring product information and to commit to one brand. Payne (1982), for example, observed that consumersÕ choice processes are largely contingent upon the complexity of the task (i.e., how many brands and/or features are being considered), with different strategies being used for more complex decisions than for simpler ones. Consumers, however, can acquire information in many different ways. One way is sequentially, one piece of information at a time, one piece after another. When consumers evaluate product information sequentially, the essential decision is not which alternative to choose, but when to stop acquiring information (Saad & Russo, 1996).

PREVIOUS RESEARCH

Researchers have advanced competing hypotheses to explain how consumers acquire and use information sequentially. One of is the Core Attributes (CA) heuristic, according to which, consumers acquire and consider a pre-determined set of core attributes about several brands, then choose the brand that is ahead at that point (Busemeyer & Townsend, 1993). Another hypothesis is the Difference Approach (DA), in which consumers stop looking after they reach a desired level of differentiation between two brands being compared (Aschenbrenner et al., 1984). Saad and Russo

(1996) found that both approaches were used by different decision makers. The crucial factor in determining when decision makers make use of the CA heuristic is whether they have control over the order in which information is acquired. Saad and Russo also found that decision makers utilizing a difference approach had stopping criteria which did not remain fixed. That is, the threshold for the degree of differentiation required for choosing between two competing brands was lowered as the number of attributes evaluated increased. Said a different way, smaller differences counted more as more and more information was considered without a clear winner appearing.

These findings, however, are likely to be moderated by decision maker expertise. In general, experts are known to differ from novices in their decision-making ability. But the question of whether they differ in their use of information when making a purchase decision remains unanswered, especially for information acquired sequentially. Shanteau (1992), for example, noted that there is no difference in information usage between experts and novices. Devine & Kozlowski (1995), on the other hand, found that experts use more information.

RESEARCH OBJECTIVES

The current study aims to shed light on the matter by investigating the effect of product familiarity, or experience, on the choice process. We do this by taking into consideration the characteristics of the consumer when making a purchase that is either complex, expensive, or otherwise important. If he or she is an "experienced" buyer, then that consumer may feel more comfortable acquiring less (but more useful) information than an inexperienced buyer. That suggests that CA heuristic usage may well be different for the two consumers. On the other hand, if the experienced consumer makes his or her choice only after finding a suitable difference (DA) between the two brands, is that difference greater or lesser than for the less-experienced buyer? Based on this reasoning, our three hypotheses are:

H1: Experts make more use of the CA heuristic because they can identify the most important attributes.

H2: Because of greater use of the CA heuristic, experts acquire less information.

H3: When experts utilize a DA strategy, their required difference-thresholds decrease at a faster rate because they understand that either of two brands would be a suitable choice.

METHOD

Thirty-five students recruited from an introductory marketing course at a medium-size West Coast state university agreed to participate in return for extra course credit. Participants were exposed to a well-structured decision problem in which they were directed to choose between two brands of compact-35mm cameras. The choice task was presented on a personal computer using a special purpose-built software program described below. The program recorded the activity of the subject in the task, which allowed the data to be retrieved later by the researchers. A moderately expensive, durable consumer product familiar to typical college students was used in the study to ensure a reasonably high level of involvement in the choice process. Compact cameras were selected from several products identified in pre-tests as potentially appropriate (price range: $25Ð$300).

SubjectsÕ initial knowledge of the product was assessed by their performance on a short multiple-choice test. The questions were selected on the basis of earlier pre-tests. An example of a question from the knowledge screening test is: "The camera lens providing an image most nearly like that of the human eye is (choose one): 25mm, 35mm, 40mm, 50mm, 75mm?" Scores on the objective test were used to screen for low and high levels of knowledge. Those scoring low on the test were assigned to the "novice" condition (N = 29); those scoring high were assigned to the "expert" condition (N = 6). The difference between the numbers of expert and novice subjects reflects the difficulty of finding highly-knowledgeable participants.

During the experiment subjects met in a dedicated computer lab equipped with 20 Macintosh computers running the Dynamic Sequential Multi-Attribute Choice (DSMAC) program (Saad 1997). First, an experimenter described the task, then provided a demonstration of the DSMAC program using a choice situation familiar to participants but different from the experimental choice task. The demonstration lasted about 15 minutes, during which the experimenter actively involved all or most of the participants in the demonstration task while explaining the features of the program. Questions were encouraged.

Second, subjects were directed to begin DSMAC on the computer in front of them, which began by asking them first to perform a Q-sort of the 25 camera features, then to assign weights to each on a scale having a range of 1Ð100, with 100 being the most important. Following the Q-sort, subjects engaged in 15 binary choice tasks, one after the other, for 15 different pairs of cameras. At the end of each task they indicated whether they preferred the first camera, the second, or neither.

In each of the 15 choice tasks they were presented with, subjects acquired attribute information from a list of the 25 product features by clicking a mouse on the desired feature. By doing so, subjects were able to view attribute information for both alternatives. They then used the mouse to move a pointer on a scale ranging from "100 percent confidence in alternative A" to "100 percent confidence in alternative B" to indicate the likelihood of choosing either alternative A or B at that time if no other attribute information were considered. The mid-point of the scale was "50 percent" likelihood.

Three options were available to the subject after viewing attribute information: (a) choose alternative A or B; (b) choose neither; (c) acquire additional attribute information. If either of the first two options was selected, a new binary choice for two different alternatives was presented. If the subject elected to acquire additional information, then the list of 25 product features was again presented. The procedure described above was repeated until the subject indicated that they chose either alternative A, alternative B, or neither.

ANALYSIS AND RESULTS

The fundamental research question is: How many pieces of information are acquired by experts and novices? We examined their stopping policies in light of our three hypotheses.

The first hypothesis (that experts make more use of the CA heuristic) was tested by calculating the percentage of time a subject acquired a fixed set of attributes during the 25 trials. (A full explanation of the CA measure is quite lengthy and would take this paper beyond its page limits. Interested readers are directed to Saad and Russo for a complete description.) The range of possible values for the CA-score is from 0-to-100%, with 100% being a case of "pure" CA usage. As expected, more experts were found to engage in a CA-based strategy (defined as CA-score greater than 75%) than novices (percentage of experts = 83.3 vs. percentage of novices = 58.6, $p < .01$). Also as predicted, they used the CA heuristic more of the time (mean-CA score for experts = 86.0% vs. mean CA-score for novices = 73.1%, $p = .04$).

The second hypothesis (that experts acquire less information) was tested by counting the number of attributes acquired by the two groups. Out of 25 available, the mean number of attributes acquired by experts = 13.60; for novices, the mean = 11.06. Experts, then, actually acquired slightly more attributes than novices, though the difference was not statistically reliable (t-test n.s.).

According to the third hypothesis, when experts utilize DA, their difference-thresholds decrease at a faster rate (i.e., the required level of differentiation diminishes as the number of attributes acquired increases). Using a DA strategy implies that consumers stop searching once they reach a desired level of differentiation between brands. As in Saad & Russo (1996), this study uses the subject's stated degree of confidence (50-to-100% range) to represent the extent of the difference between the two brands. To test that this suitable differentiation threshold drops at a faster rate for experts than for novices, we estimated the relationship between level of confidence (the dependent variable) and the number of attributes examined (the independent variable) using non-linear regression modeling. If the level of differentiation diminishes as the amount of acquired information increases, then the model's beta > 0. Larger values of beta indicate a faster decay of the difference-threshold (i.e., lower required levels of differentiation for any number of attributes examined). As predicted, the threshold decayed more rapidly for experts than for novices (mean beta = 0.228 vs. 0.197, $p = .07$).

CONCLUSIONS

In a structured, repeated sequential choice task, expert consumers were found to acquire about the same amount of information as novice consumers. They did, however, use that information differently. Experts were more focused in their search behavior than novices, relying more heavily on a fundamental or core set of attributes to aid them in identifying their preferred alternative from two available brands. Furthermore, when faced with a difficult choice situation, experts adapted their decision making strategies. By exploiting subtle differences that existed between the two brands they were able to choose confidently between two closely-ranked alternatives.

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