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EXPORT INFORMATION AND THE ROLE OF MARKETING RESEARCH

Felicitas U. Evangelista
University of Western Sydney, Nepean

ABSTRACT
This paper describes the export information acquisition and utilisation practices of Australian manufacturers. Based on a survey of 297 exporters, this paper shows that marketing research is the least used method of acquiring export information. An analysis of the factors affecting the use of marketing research relative to two other methods namely export assistance and export market intelligence, indicate that marketing research tends to be used more often by larger than by smaller companies, and that it is more often undertaken in-house. In addition, the use and non-use of export information collected through these different methods have been found to be associated with a number of factors including export intensity, export experience and number of foreign markets served. Overall, the survey results also show that export information is indeed collected to assist in decision making and not just for information sake.

INTRODUCTION
One of the obstacles to successful exporting is the lack of knowledge and unfamiliarity with foreign markets. The complexity of export markets brought about by differences in market characteristics, industry conditions, marketing institutions and legal restrictions across countries, in addition to their geographic distance, heightens the risk for companies doing business in these markets. One way of reducing the risks involved is to gather and use information in export decision making.

Information plays an important role in all phases of export management (i.e., planning, organising, implementation and control) as well as in the export marketing process itself. Information is required in determining whether a firm should export or not, selecting export markets, developing the export marketing strategy, establishing distribution channels, selecting agents and distributors, etc. Studies have shown that export information helps reduce costly mistakes and/or lost opportunities (Douglas and Craig 1983), it helps monitor changes in demand patterns, supply sources and competitive activities that impinge on decisions (Hart et al 1994), and it enhances the firm’s ability to respond appropriately to setbacks and complications (McAuley 1993).

Despite the key role played by information in export marketing, it is not always possible for firms to collect the information required. Information acquisition entails a cost and requires the commitment of resources, both human and financial. In addition, even if the required information has been gathered, if it is not properly utilised, its full benefits are not likely to be realised. The capacity to obtain the right information at the right time and right price and knowing how to use it, is therefore a major factor in determining the extent of contribution information could make to the export performance of a firm.

Marketing research is one of the methods of collecting export information. This paper examines the extent to which marketing research is used by Australian
exporters relative to two other methods namely export assistance and export market intelligence. The factors affecting the use of these different methods and the use or non-use of export information collected through these different methods are analysed. From these results, the implications for information providers (e.g., marketing research organisations) are also discussed.

APPROACH OF THE STUDY
Data for this study were collected using a mail survey. A total of 1500 questionnaires was mailed to exporters using a mailing list purchased from a commercial supplier. Out of the total questionnaires mailed out, 297 completed questionnaires were received excluding the 119 incomplete ones which were returned due to wrong addresses or other reasons such as the company did not export. The questionnaire developed by Souchon, A. and Diamantopoulos, D. (Victoria University of Wellington and University of Loughborough respectively), was adopted in this study with minor modifications.

The results of the survey were analysed using appropriate statistical procedures and are presented in this paper in the following order. First, the profile of the respondent companies is provided to give the reader an idea about the types of companies surveyed. The next section deals with information acquisition followed by the information utilisation practices of the respondent firms. Then the potential impact of information on export performance is discussed. Finally, the implications on marketing research and other information providers are analysed.

PROFILE OF RESPONDENTS
The survey respondents consist of exporting companies with varied company characteristics and export involvement (see Figure 1). The average company age is 59 years with an average annual sales turnover of about $250 million. More than 40% of the companies are independent companies and medium in size. Although the majority are manufacturers of industrial goods, about 15% of them are dealing with more than one type of product. In terms of export involvement, the average exporting experience of the respondent firms is 17 years and the average number of countries they export to is 14. In terms of percent of sales turnover derived from exports, the average is about 26%.

INFORMATION ACQUISITION METHODS
Three major methods of information acquisition have been identified in the exporting context namely Export Marketing Research, Export Assistance and Export Market Intelligence. These methods are briefly described below:

- **Export Marketing Research** is a formal and structured information gathering mechanism carried out within the firm or commissioned to an outside specialist such as a market research agency.

- **Export Assistance** refers to information services provided by governmental bodies, chambers of commerce, banks, etc. aimed at helping current and potential exporters.

- **Export Market Intelligence** refers to information gathered largely informally in the course of day-to-day activities through contacts with customers, suppliers, distributors and the trade press.

Of the three methods, export market research is used by 64% of the respondents while export assistance and export market intelligence is used by 80%
and 100% respectively. In terms of amount of export information collected through these different methods, on the average, about 14% is collected through marketing research, 17% through export assistance and 68% through export market intelligence.

**Figure 1. Profile of Sample Firms**

<table>
<thead>
<tr>
<th></th>
<th>Number of Companies</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Company Size (No. of Full Time Employees)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Small (1-99)</td>
<td>99</td>
<td>34.3</td>
</tr>
<tr>
<td>- Medium (100-499)</td>
<td>126</td>
<td>43.6</td>
</tr>
<tr>
<td>- Large (500 or more)</td>
<td>64</td>
<td>22.1</td>
</tr>
<tr>
<td><strong>Types of products produced:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Consumer goods</td>
<td>76</td>
<td>25.7</td>
</tr>
<tr>
<td>- Service</td>
<td>43</td>
<td>14.5</td>
</tr>
<tr>
<td>- Industrial goods</td>
<td>152</td>
<td>51.5</td>
</tr>
<tr>
<td>- Other</td>
<td>68</td>
<td>23.3</td>
</tr>
<tr>
<td><strong>Company Status:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Independent company</td>
<td>120</td>
<td>40.7</td>
</tr>
<tr>
<td>- Subsidiary/affiliate company</td>
<td>53</td>
<td>18.0</td>
</tr>
<tr>
<td>- Division of a global company</td>
<td>105</td>
<td>35.6</td>
</tr>
<tr>
<td>- Other</td>
<td>13</td>
<td>4.4</td>
</tr>
<tr>
<td><strong>Export markets:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- North America</td>
<td>121</td>
<td>41.0</td>
</tr>
<tr>
<td>- EU countries</td>
<td>114</td>
<td>38.6</td>
</tr>
<tr>
<td>- Former Eastern block countries</td>
<td>36</td>
<td>12.2</td>
</tr>
<tr>
<td>- Other European countries (excluding EU &amp; Eastern Block)</td>
<td>43</td>
<td>14.6</td>
</tr>
<tr>
<td>- Asia</td>
<td>279</td>
<td>94.6</td>
</tr>
<tr>
<td>- South/Central America</td>
<td>59</td>
<td>20.0</td>
</tr>
<tr>
<td>- New Zealand</td>
<td>233</td>
<td>79.0</td>
</tr>
<tr>
<td>- Africa &amp; Middle East</td>
<td>115</td>
<td>39.8</td>
</tr>
</tbody>
</table>

Company with separate export department. 110  37.4
The percentage of companies using marketing research as a source of export information tends to increase with company size. While only 57% of small exporting companies use marketing research, 68% and 71% of medium and large companies respectively, do so. For those companies that undertake export marketing research often or very often, the more common approach is in house (i.e., through company staff) rather than through subscriptions or external research agencies (see Fig. 3).

Export information may also be obtained from banks, government and industry organisations which are referred to in this study as export assistance. Of these different sources Austrade is reported to be used often or most often by 32% of the respondents. Except for "banks" which showed a higher usage by large as compared to small and medium sized companies, no significant difference in the extent of use of the other sources of export assistance by company size was found. The percentage of the overall sample adopting these different sources is shown in Fig. 4.
Although trade missions and conferences are essentially used for generating and promoting export sales, they also serve as sources of export information. Among the respondents, large companies tend to use these sources more often than small and medium sized companies (see Fig. 5).

Export market intelligence which consists of information obtained from trade journals, trade fairs, staff abroad, etc. is used by all respondents in this study. Except for trade fairs/exhibits, the extent of use of these different sources tends to increase with company size as shown in Fig. 6.
Overall, the three most frequently used export market intelligence sources namely, staff abroad, export customers and export agents and distributors, all involve personal contacts vis-à-vis impersonal means. The importance of personal contacts or visits to foreign markets as a source of information is supported by a number of studies. The information derived from these sources are helpful in developing products, assessing the risks in the market, motivating agents and the actual process of sales negotiations and customer liaison (McAuley 1993).

Stage of Internationalisation
A review of the export literature showed that aside from company size, a number of other factors could have an impact on the information acquisition practices of exporters. These other factors include stage of internationalisation, export experience, intensity and complexity (Cavusgil 1984, McAuley 1993, Hart et al 1994, Moini 1998). The impact of each of these factors on the information acquisition practices of the survey respondents was analysed and is discussed below.

The theory of firm internationalisation advocates the existence of stages which firms go through when dealing with foreign markets. Firms are said to internationalise gradually starting with a totally domestic market and with international involvement increasing only through time and as a result of increased knowledge about foreign markets. To date, there are a number of versions of this theory with the number of stages varying from 4 to 6 (Paliwoda 1998). In this study, a four stage measure was adopted:

Stage 1: Firm responds only to unsolicited orders from foreign buyers.

Stage 2: Firm exports experimentally to few countries.

Stage 3: Firm is an experienced exporter and exports to several countries.

Stage 4: Firm adopts a global strategy which includes other forms of international involvement such as licensing, joint ventures and direct foreign investment.

The survey of Australian exporters show that each of these stages is represented in the sample as shown below:
Considering that firms in different stages of internationalisation have different interests and needs, the information acquisition methods adopted by these firms could also vary. The results of the survey show that firms which are exporting experimentally to few markets (Stage 2) collect the highest percentage of information through export assistance while those which are reacting to unsolicited orders (Stage 1) and the experienced exporters (Stage 3) tend to rely more on export market intelligence. No significant difference has been found in the percentage of information collected through marketing research among firms in different stages of internationalisation (See Fig. 8).

Among the respondent firms, those that are exporting experimentally to a few countries tend to use Austrade as a source of export information more often than those in the other stages. In terms of market intelligence, a significantly higher percentage of firms in Stages 3 and 4 were found to use the following sources often or most often as compared to those belonging to Stages 1 and 2:

- personal contacts made at trade fairs/exhibitions
- company’s own staff abroad
- contacts or visits with export customers
- contacts or visits with export agents/distributors
Obviously, firms that are more internationalised have, through the normal course of their business, greater personal or direct contacts with foreign markets which also serve as an important source of export information.

Figure 9. Use of Market Intelligence by Internationalisation Stages

Other Factors
The potential impact of other factors on export information acquisition practices was also explored. These factors include export experience (number of years company has been engaged in exporting) and export intensity (percent of total sales turnover derived from exports). The results of the correlation analysis show the following:

- Export experience is positively correlated with the frequency of use of banks, embassies and “other” sources of export assistance as a source of export information. The more experienced exporters tend to use these sources more frequently than the less experienced or new exporters.

- Export intensity is positively correlated with percentage of export information obtained through market intelligence as a whole, and with the frequency of use of export associations and other government departments.

However, export intensity has been found to have a negative association with percentage of export information collected through export assistance.

USE AND NON-USE OF EXPORT INFORMATION
Information utilisation may be dichotomised into use and non use. Non-use of information occurs when collected information is ignored or rejected from the decision making process (Larsen 1981). Collected information may be discarded due to a number of reasons such as information that can cause the receiver to make a difficult or unpleasant change (Zaltman 1986). Information use on the other hand, has two dimensions namely, a) immediate use such as the application of information to decisions and b) storage for future reference (e.g., data base or library). Thus overall, collected information may be utilised in three ways: immediate use, storage for future use, and non-use.
The results of this study show that of the three methods of information acquisition, export market intelligence information is used immediately more often than export marketing research and export assistance both of which are more prone to being stored for future reference. Export information collected through the three methods however are not likely to be ignored as shown below.

**Figure 10. Utilisation of Export Information: Overall Sample**

The manner by which export information is used appear to be related with a number of factors namely, company size, export intensity (percent of total sales turnover derived from exports), export experience and number of export markets. Figure 11 shows the correlation coefficients for pairs of variables that are found to be significant at a confidence level of 95% or higher (empty cells indicate that the correlation is not significant; minus sign indicates a negative relationship; all others have a positive relationship.). As a guide, a correlation coefficient in the range of .40 or less indicates a weak relationship, .50 - .60 , moderate and .70 and above, strong to very strong relationship between two variables (Boyd, Westfall and Stasch, 1989). From Fig. 11, it can be seen that as companies grow in size, export intensity, export experience and number of foreign markets served, they also tend to use marketing research information immediately. As companies grow in size they also tend to store information obtained through marketing research for future use. Export market intelligence information on the other hand, is also, more often used immediately or stored for future reference by companies that have high export to total sales ratio and by those who are exporting to a larger number of foreign markets. Those with more experience also tend to use market intelligence information immediately. The negative correlation between export to total sales ratio and non-use of export market intelligence shows that firms which are dependent on exports do not ignore the export market intelligence information they collect. Finally, the immediate use of export assistance is found to be positively associated with number of export markets served, possibly because information from government agencies, trade organisations, embassies, etc. are helpful in assessing and entering additional new foreign markets.
Figure 11. Correlation Between Export Information Utilisation and Selected Variables

<table>
<thead>
<tr>
<th></th>
<th>Company Size</th>
<th>Exports as Percent of Total Sales</th>
<th>Export Experience</th>
<th>No. of Export Markets</th>
<th>Overall Export Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Used Immediately</td>
<td>.16</td>
<td>.13</td>
<td>.17</td>
<td>.17</td>
<td>.17</td>
</tr>
<tr>
<td>• Export Marketing Research</td>
<td>.24</td>
<td>.14</td>
<td></td>
<td>.18</td>
<td>.12</td>
</tr>
<tr>
<td>• Export Assistance</td>
<td></td>
<td></td>
<td></td>
<td>.17</td>
<td>.26</td>
</tr>
<tr>
<td>• Export Market intelligence</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stored for Future Use</td>
<td>.15</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Export Marketing Research</td>
<td>.23</td>
<td></td>
<td>.14</td>
<td></td>
<td>.21</td>
</tr>
<tr>
<td>• Export Assistance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Export Market Intelligence</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Not Used:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Export Marketing Research</td>
<td>.14</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Export Assistance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Export Market Intelligence</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Table entries are correlation coefficients.

The perceived usefulness of the different information sources to decision making was ascertained by requesting the respondents to indicate the extent of their agreement or disagreement to a number of statements. These statements represented three major categories of information use (Souchon and Diamantopoulos 1994) as described below:

- Instrumental - information is used to solve a specific problem
- Conceptual - information is used to broaden the managerial knowledge base without serving any one particular project
- Symbolic - information is used to support the decision maker's opinion or to justify a previously-made decision.

From the results which are summarised in Fig. 12, it can be observed that export market intelligence rates higher than export marketing research and export assistance in terms of the specific instrumental uses of information. On average, export market intelligence is perceived to have the following top three uses: (1) it increases confidence in decision making, (2) it increases the accuracy of decision making and (3) it is sought in response to a specific decision at hand.
<table>
<thead>
<tr>
<th>Instrumental Uses</th>
<th>Export Marketing Research</th>
<th>Export Assistance</th>
<th>Export Market Intelligence</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Info increase accuracy of decision-making</td>
<td>3.73*</td>
<td>3.65</td>
<td>3.93</td>
</tr>
<tr>
<td>• Info increases confidence in decision-making</td>
<td>3.84</td>
<td>3.67</td>
<td>4.05</td>
</tr>
<tr>
<td>• Decision-making difficult without this info</td>
<td>3.24</td>
<td>3.32</td>
<td>3.69</td>
</tr>
<tr>
<td>• Info loses value overtime</td>
<td>2.54</td>
<td>2.62</td>
<td>2.75</td>
</tr>
<tr>
<td>• Info sought out in response to a specific decision on hand</td>
<td>3.59</td>
<td>3.54</td>
<td>3.83</td>
</tr>
<tr>
<td>• Info collected to make a particular decision</td>
<td>3.66</td>
<td>3.38</td>
<td>3.73</td>
</tr>
<tr>
<td>• No export decision-is made without info collected by this way</td>
<td>2.52</td>
<td>2.63</td>
<td>3.09</td>
</tr>
<tr>
<td>• Info gathered this way is not used</td>
<td>2.41</td>
<td>2.63</td>
<td>2.38</td>
</tr>
<tr>
<td>• Info translated into significant practical actions</td>
<td>3.41</td>
<td>3.30</td>
<td>3.67</td>
</tr>
<tr>
<td>Conceptual Uses</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Used for surveillance not for decision-making</td>
<td>3.10</td>
<td>3.28</td>
<td>3.23</td>
</tr>
<tr>
<td>• Info reduces decision-making uncertainty</td>
<td>3.38</td>
<td>3.28</td>
<td>3.60</td>
</tr>
<tr>
<td>• Info used for making multiple decisions</td>
<td>3.57</td>
<td>3.48</td>
<td>3.75</td>
</tr>
<tr>
<td>• Info preserved for use by others</td>
<td>3.65</td>
<td>3.46</td>
<td>3.41</td>
</tr>
<tr>
<td>• Info gathering is done as a matter of course</td>
<td>2.80</td>
<td>3.01</td>
<td>3.42</td>
</tr>
<tr>
<td>• Info collected to keep company knowledge base updated</td>
<td>3.52</td>
<td>3.52</td>
<td>3.82</td>
</tr>
<tr>
<td>• Info has little decision-making relevance</td>
<td>2.45</td>
<td>2.68</td>
<td>2.33</td>
</tr>
<tr>
<td>• Info not considered for the decision for which it was initially requested-</td>
<td>2.51</td>
<td>2.54</td>
<td>2.49</td>
</tr>
<tr>
<td>Symbolic Uses</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Info combined with instinct in decision making</td>
<td>3.60</td>
<td>3.58</td>
<td>3.86</td>
</tr>
<tr>
<td>• Info. distorted by key executives when being passed on</td>
<td>2.32</td>
<td>2.36</td>
<td>2.42</td>
</tr>
<tr>
<td>• Info collected &amp; interpreted after decision has been made</td>
<td>2.30</td>
<td>2.31</td>
<td>2.36</td>
</tr>
<tr>
<td>• Info manipulated to justify instinct-based decision-making</td>
<td>2.37</td>
<td>2.30</td>
<td>2.41</td>
</tr>
<tr>
<td>• Info used to justify cost of acquisition</td>
<td>2.64</td>
<td>2.40</td>
<td>2.31</td>
</tr>
<tr>
<td>• To back up hunches prior to implementation of a decision</td>
<td>3.31</td>
<td>3.13</td>
<td>3.31</td>
</tr>
<tr>
<td>• Guesses made as info difficult to collect</td>
<td>2.39</td>
<td>2.50</td>
<td>2.52</td>
</tr>
<tr>
<td>• Collected to support decision-making made on other grounds</td>
<td>3.17</td>
<td>3.09</td>
<td>3.25</td>
</tr>
<tr>
<td>• Info gathered to maintain good relations with info suppliers</td>
<td>2.15</td>
<td>2.32</td>
<td>2.24</td>
</tr>
<tr>
<td>• Info collected to justify decision already made</td>
<td>2.26</td>
<td>2.29</td>
<td>2.33</td>
</tr>
<tr>
<td>• Info gathered to reinforce expectations</td>
<td>3.05</td>
<td>2.95</td>
<td>3.20</td>
</tr>
</tbody>
</table>

Note: Table entries represent average ratings on a scale of 1 (strongly disagree) to 5 (strongly agree).
INFORMATION USE AND EXPORT PERFORMANCE

If export information does indeed perform the functions indicated in Figure 12 (i.e., increasing accuracy and confidence of decision making, reducing uncertainty, etc.), the use of information would have a positive impact on export performance. To determine if this is supported by the results of the survey, a correlation analysis of the respondents’ ratings of their firm’s export performance in a seven point scale ranging from poor to outstanding and the use, storage and non-use of export information was undertaken. The results which are presented in Fig 11 (last column) show that the firm’s export performance is positively related with the frequency of immediate use of information obtained through all three methods and the storage for future use of export assistance and export market intelligence. These results provide some evidence that companies that collect information and use them more frequently for current and future decision making tend to perform better than those that collect information but do not as often use immediately or store these information.

SUMMARY OF RESULTS

Of the three information acquisition methods considered in this study, export intelligence is the most popular. Export intelligence which includes both personal and non-personal means of obtaining export information accounts for more than two thirds of the information collected by the sample firms. Although a large percentage of firms collect information through all three methods (i.e., export market intelligence, export assistance and export marketing research), 12% tend to rely solely on export market intelligence.

The extent to which each of the three information acquisition methods is used depends on a number of factors. Export intelligence has been found to be used more often by the experienced exporter and global marketer and by those whose export sales comprise a relatively high percentage of total sales turnover. These firms tend to collect export information from personal visits and contacts with own staff, distributors and customers in foreign markets more often than the new or inexperienced exporter or by exporters with a relatively low export to total sales ratio. This is not unexpected considering that as companies develop and enter more foreign markets their sales and distribution network widens and so does their information network. In this context, export intelligence becomes an integral part of sales promotion thereby making it highly cost efficient.

Export assistance on the other hand, is used more often by companies which are experimentally exporting to a few countries and which tend to derive a relatively low percentage of their total sales from exports. These companies tend to rely on government agencies such as Austrade, embassies, trade associations etc. mainly because, unlike the experienced exporters they do not as yet have their sales and distribution networks in place. Finally, export marketing research has been found to be used more often by large rather than by small exporting companies.

In terms of information utilisation, the results of the study show that information obtained through export market intelligence are more often used immediately while export marketing research and export assistance tend to be stored for future use in the form of data base, library, etc. The non-use of information collected by all three methods is reported by only a small percentage of the sample thereby indicating that information is generally not collected for information sake. The immediate use of
export market intelligence is reflected in its specific uses, the reported top three of which are to reduce uncertainty and increase accuracy in decision making and to solve a specific problem. There is some evidence that companies with higher export performance tend to use collected information more frequently than those who use them less frequently for current and future decision making.

IMPLICATIONS ON MARKETING RESEARCH AND OTHER INFORMATION PROVIDERS

These results have some implications on export information providers including banks, embassies, trade associations, government agencies and marketing research companies. Information providers need to assess the role they play in providing information to exporters. They need to determine whether they ought to play a bigger role or not in providing export information to Australian manufacturers. For marketing research, it is clear that there is room for both external organisations and market research professionals to play a much bigger role. This potential can be deduced from the percentage of companies using marketing research and the percentage of information collected through this method. As shown earlier in this paper, while about two thirds of the companies surveyed are using marketing research, only about 14% of their export information requirements is obtained through this method. In addition, a large percentage of those using marketing research to acquire export information tend to use in-house rather than external capabilities. Although the main users of marketing research are large and medium sized exporting manufacturing companies, the smaller ones also present some potentials (more than half of the companies employing less than 100 employees that were surveyed are also users of marketing research).

Relative to export assistance which is provided by banks, embassies, government and industry organisations, marketing research is not far behind in terms of amount of information collected from these sources. As the survey results show, only about 17% of export information is collected through export assistance as compared to marketing research’s 14%. Considering that information provided by export assistance organisations is oftentimes “free” in terms of out of pocket cost, this result indicates that exporters would use marketing research when it is necessary.

Finally, as the use of marketing research has been found to have clear instrumental and conceptual uses in export decision making as well as a positive correlation with export performance, its contribution to export marketing is empirically supported.

REFERENCES


MAIL SURVEYS: LESSONS FROM NEW ZEALAND ON COSTS & RESPONSE RATES

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ABSTRACT

Mail surveys can offer market researchers an inexpensive method of collecting data from a population. However, such surveys rely on reasonable response rates in order to achieve representativeness in the sample of the population under consideration. We discuss the problems and benefits associated with mail surveys and report the results of a study which examined response rates. A goal of our research was to determine response rates researchers can expect when conducting mail surveys in New Zealand. In addition, we sought to determine the efficacy of two different methods of implementing a mail survey, in terms of both their overall response rates and cost per response. Four national mail surveys using a modified Total Design Method (Dillman 1978, 1984) were carried out in New Zealand between September and October 1997; two surveys used a two-step process, while two used a three-step process. Each of the four surveys involved an initial mailing of 1000 questionnaires. Response rates to the four surveys ranged from 36 percent to 50 percent, and cost per response ranged from $4.09 to $4.65 (NZ) per response. Utilising the three-step process appeared to increase response rates while either reducing or maintaining the actual cost per response obtained.

INTRODUCTION

This paper discusses the response rates and costs associated with four national mail surveys administered in New Zealand. The paper begins with a brief overview of the strengths and limitations of conducting mail surveys. This is followed by sections which discuss the importance of response rates for mail surveys, the Total Design Method (TDM; Dillman 1978, 1984)—the methodology used in part for our research, and the procedures followed for each of the four mail surveys conducted herein. The paper concludes with a discussion of our findings, focusing specifically on the response rates and costs associated with the research.

Strengths & Limitations of Mail Surveys

The various methods of gathering data for market research provide many options for researchers. Each method has strengths and limitations and no method is superior in all circumstances. If the objective is to obtain a large volume of data regarding predetermined, understandable concepts the mail survey approach is appropriate. As Brenman, Hoek, and Aarstide (1991) noted, mail surveys are widely used in marketing research because they enable information to be gathered from wide geographical areas at relatively low costs.

There are five major advantages associated with mail surveys (see Churchill 1999; Kinnean, Taylor, Johnson, and Armstrong 1994; McDaniel and Gates 1999; Sudman and Blair 1998). First, mail surveys provide researchers with the ability to gather a large volume of responses in a relatively cost-effective manner, often reducing the cost per response to levels below alternate data collection methods.
(e.g., personal interviews, telephone surveys). Second, mail surveys provide access to widely dispersed samples and may provide the only practical approach to contacting some respondents. Third, the self-administered nature of mail surveys reduces the requirements for research staff and facilities. Fourth, mail surveys provide respondents with more time to answer questions so that answers may be considered in more detail, and respondents may verify certain facts before completing the questionnaire; in so doing, the accuracy of the data gathered may be improved. A final strength associated with mail surveys is that the anonymity of the respondent can be ensured. This provides an environment which may elicit more honest responses, particularly related to personal or sensitive questions.

The mail survey approach, however, is not without its limitations. Researchers are advised to ask relatively simple questions about concepts that the respondent will understand. Complex questions and instructions may confuse respondents, thus reducing their desire to complete questionnaires and decreasing response rates. It is therefore important to ensure question clarity. In general, respondents also prefer shorter surveys; however, research has shown high response rates for longer surveys where the topic is of interest to the respondent (cf., Martin 1994).

Another limitation associated with mail surveys relates to the fact that the questionnaire is completed in an uncontrolled environment. Consequently, opinions or responses may reflect consultation with other household members or the survey being completed by someone other than the addressee; both instances can result in substantial bias being introduced to the research. The uncontrolled environment can also influence the sequence of responses, negating answers which are designed to follow a specified sequence to provide accurate recall or perception data. Although clear instructions may be provided, this is difficult to assess in practice.

One of the biggest potential limitations associated with mail surveys concerns the representativeness of a sample which is often drawn from secondary data sources such as telephone directories. The primary concern is that a substantial portion of the households may be missed or excluded through sampling, resulting in systematic error. Also, many mailing lists used in mail surveys include people who have moved since the original data were published. This created a problem because people who move tend to differ from the general population; they tend to be young and have more education than nonmovers and they are also less likely to have school-aged children (Dillman 1978). Despite such limitations, the strengths associated with mail surveys make it one of the most widely used methods of data collection in marketing research.

Response Rates
Response rates are always a central consideration when discussing mail surveys, because non-respondents may systematically differ from respondents. In such cases the bias introduced to the results ultimately undermines the value of the research because the sample is no longer representative of the population of interest. For mail surveys, non-response may be due to the fact that the questionnaire was never delivered to the desired person or that the person refused to fill out the questionnaire and/or return it in the time required. The former is primarily due to the quality of the mailing list, while the latter may be due to any number of reasons; the perceived effort involved in completing the survey, the perceived credibility of the source of the request.
and the level of interest in the topic are but a few examples. In any event, researchers should try to minimise the likelihood of either misdelivery or refusal occurring.

For researchers using mail surveys, a number of techniques have been identified which may increase response rates. Monetary or other incentives (Biner and Kidd 1994; Brennan 1992; Brennan et al. 1991; Chawla, Balakrishnan, and Smith 1992; Church 1993; Gitelson, Kerstetter, and Guadagnolo 1993), follow-up techniques such as telephone calls (Day, Dunt, and Day 1995) and postcard reminders (Dillman 1974), the use of university affiliation (Chawla, Balakrishnan, and Smith 1992; Gendall, Hoek, and Eslimon 1995), premotification of the survey (Natarajaian and Angur 1996), reduced questionnaire length (Biner and Kidd 1994; Dillman 1974; Dillman, Sinclair, and Clark 1993), and altruistic appeals (Thistlethwaite and Finlay 1993) have all been found to substantially increase response rates.

There is not, however, consensus regarding the usefulness of such techniques when conducting mail surveys. Shaw and Ling (1992), for example, have questioned the wisdom of using follow-ups. They found that substantial time and money could be saved by not engaging in any follow-ups and that there was little loss in information quality. Others have found that some incentives, such as discount coupons or free gifts, actually produce significantly lower response rates (Kalafatis and Madden 1995).

While response rates as high as 75% have been achieved in some studies (cf., Cooke, Mattick, and Barclay 1996; Graetz 1985), it is more commonly found that response rates vary between 20 and 40 percent. Lower response rates tend to be found in the United States, where the population could be said to have been “surveyed to death”.

The Total Design Method

Fundamental principles from the Dillman (1978, 1984) Total Design Method (TDM) for telephone and mail surveys (see also Calahan and Schumm 1995; Dillman 1991) were applied in each of the four mail surveys discussed here. The TDM has been developed and “tested” over the course of nearly 50 mail surveys and 30 telephone surveys. The overall objective of the TDM is to maximize the probability of response. The method is based on the idea that the decision to respond to a questionnaire (survey) is based on an overall, subjective evaluation of the study elements visible to the prospective respondent. Each element contributes to the overall image of the study, and in order to maximize response rates, all aspects of the study should be designed to create a positive image. Dillman (1978) identified three key elements necessary to increase survey response rates: minimize the costs of responding for the subject, maximize the rewards for doing so, and establish trust that those rewards will be delivered.

Time was perhaps the most significant cost experienced by our respondents, but the researchers reduced the perception of this cost in the design of instrumentation. Although each questionnaire varied in length, ranging from 43 to 113 items and requiring between 15 and 30 minutes to complete, the questionnaires were all designed so that they appeared easy to complete. Direct monetary costs were also eliminated for the respondents, as a postage-paid envelope for return of the completed questionnaire was enclosed with each questionnaire.

In terms of rewards for the respondents, our limited budget provided little opportunity for “compensation”. However, an effort was made to provide non-monetary or altruistic rewards for participating in the study, by conveying to
respondents the importance of each study to New Zealand residents as a whole. This perception was created in the cover letter that accompanied the questionnaire.

In order to generate trust from the respondents, the association with the University of Canterbury was emphasised. In addition, all contact with individuals who were surveyed was comparable in appearance and content to what one business person would send to another whom she or he knows only slightly, to ask for help on an important project.

Data Collection
Data for all four mail surveys were collected in New Zealand. Each sample comprised 1000 members drawn from the electoral roll using a systematic sampling design. Over 90 percent of the New Zealand population over the age of 18 are registered voters, and all New Zealanders registered to vote had an equal opportunity of selection.

Each person in Survey 1 and Survey 2 was contacted three times, while people in Survey 3 and Survey 4 were contacted twice. A brief description of each contact is provided below.

Initial Contact: Introductory Letter and Questionnaire
A cover letter, a copy of the questionnaire, and a postage-paid return envelope were enclosed in the first mailing. The cover letter communicated the appeal and provided an explanation of the study for the subjects. The letter also identified the individual importance of the respondent to the study’s success. The letter was reproduced on University of Canterbury, Department of Management stationery. The recipient’s name and address, the exact date the letter was mailed, and the researcher’s individually applied signature were also included.

The questionnaires were formatted as attractive booklets. A4 sheets of paper were folded in half and stapled in the middle, resulting in an eight-page questionnaire for Survey 2, Survey 3, and Survey 4 (seven pages of questions and a title page) and a twelve page questionnaire for Survey 1 (10 pages of questions, a title page, and a blank back page). Booklets were produced by placing two questionnaire pages side-by-side on a photocopier, reducing the reproduction to 70%, and copying the pages on “A4 reverse”. In this way, pages one and eight, two and seven, three and six, and four and five were copied together for the eight page questionnaires. An identification number (an explanation of which occurred in the letter) was placed in the upper right corner of the questionnaire where it was visible to the respondent.

The cover letter was carefully folded and with a business reply envelope placed for mailing into a regular business stationery envelope. Mailing labels were used for the respondent’s name and address. Metered rates for first class postage were stamped on each envelope and metered business reply envelopes were used for each survey as well.

Postcard Follow-up
Follow-up postcards have been found to be followed by a response burst equal to that which follows the original mailing (Dillman 1974). For Survey 1 and Survey 2, a postcard follow-up was sent to all members of the sample one week after the initial mailing. The postcard was preprinted but with an individually typed name and address on one side and an individually applied signature on the other. The note on the postcard was written as a thank you for people who had already returned their questionnaires and a reminder to people who had not yet responded. Postcards were four inches by six inches,
and a first-class meter was stamped on each postcard.

Second Mail Contact: Reminder Letter and Questionnaire

The timing for the second mail follow-up differed for each of the surveys. For Survey 1 and Survey 2, a second questionnaire was mailed to all non-respondents exactly three weeks after the original mailout. For Survey 3 and Survey 4 (no postcard follow-up), a second questionnaire was mailed to all non-respondents exactly 10 days after the original mailing. This follow-up mailing consisted of a cover letter informing the individual that their questionnaire had not yet been received and included a restatement of the basic appeals from the original cover letter, a replacement questionnaire, and another postage-paid return envelope.

Response Rates

The response rates achieved in our research are reported in Table 1. They ranged from 36 percent to 50 percent, very good figures compared to USA results using similar designs. The two projects utilising a three-step approach (i.e., Survey 1 and Survey 2) achieved eight to ten percent higher response rates than those utilising a two-step approach. These higher response rates were attained in spite of having questionnaires that were as long or longer than the questionnaires used in Survey 3 or Survey 4.

One way to assess the quality of the mailing list (sampling frame) is to examine the number of undelivered questionnaires. For all four surveys, the number of non-delivered questionnaires was remarkably consistent, ranging from 10 to 13 percent. This figure is quite reasonable as the data source was two years old and only a few electorates had been updated for by-elections. The undelivered questionnaires did not appear to influence the representativeness of the sample, however, as tests revealed no substantial differences between the sample and the New Zealand population on a number of demographic characteristics (i.e., age, gender, income).

<table>
<thead>
<tr>
<th>Survey # and Topic</th>
<th>Date of Project</th>
<th>Survey Length (items)</th>
<th>Survey Length (time)</th>
<th>Number Mailed</th>
<th>Number Delivered</th>
<th>Usable Surveys Returned</th>
<th>Response Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Survey 1: Product of Origin</td>
<td>Sept. '98</td>
<td>113 items</td>
<td>25 min</td>
<td>1000</td>
<td>876</td>
<td>421</td>
<td>48%</td>
</tr>
<tr>
<td>Survey 2: Favorite Possessions</td>
<td>Aug. '98</td>
<td>111 items</td>
<td>30 min</td>
<td>1000</td>
<td>895</td>
<td>446</td>
<td>50%</td>
</tr>
<tr>
<td>Survey 3: Brand Extensions</td>
<td>Oct. '98</td>
<td>86 items</td>
<td>20 min</td>
<td>1000</td>
<td>879</td>
<td>319</td>
<td>36%</td>
</tr>
<tr>
<td>Survey 4: Services Marketing</td>
<td>Oct. '98</td>
<td>47 items</td>
<td>15 min</td>
<td>1000</td>
<td>878</td>
<td>355</td>
<td>40%</td>
</tr>
</tbody>
</table>

The sampling frame for each project was the New Zealand Registered Voter Roll.
Costs for the Surveys

The cost effectiveness of mail surveys can be a major advantage of using this data gathering approach. Sudman and Blair (1998) estimate "total data collection costs for well-done mail surveys usually run from US$5 to US$10 per complete interview" (p. 163). Although cost information would be valuable for researchers and practitioners, it is rarely included in survey results. The total out-of-pocket expenses and cost per response associated with each of our four mail surveys is provided in Table 2.

<table>
<thead>
<tr>
<th>Survey # and Topic</th>
<th>Cost of Mailing List</th>
<th>Total Postage Cost</th>
<th>Stationery/Printing Costs</th>
<th>Total Cost</th>
<th>Cost per Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>Survey 1: Product Country of Origin</td>
<td>$300</td>
<td>$1075</td>
<td>** $425</td>
<td>** $1800</td>
<td>** $4.28</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(n = 421)</td>
<td></td>
</tr>
<tr>
<td>Survey 2: Favorite Possessions</td>
<td>$300</td>
<td>$1100</td>
<td>$425</td>
<td>$1825</td>
<td>$4.09</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(n = 446)</td>
<td></td>
</tr>
<tr>
<td>Survey 3: Brand Extensions</td>
<td>$350</td>
<td>$806</td>
<td>$326</td>
<td>$1482</td>
<td>$4.65</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(n = 319)</td>
<td></td>
</tr>
<tr>
<td>Survey 4: Services Marketing</td>
<td>$350</td>
<td>$831</td>
<td>$326</td>
<td>$1507</td>
<td>$4.25</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(n = 355)</td>
<td></td>
</tr>
</tbody>
</table>

* All figures are in New Zealand dollars. The sampling frame for each survey was 1000 people.
** Printing costs for Survey 1 were adjusted so that all figures would represent costs for eight page questionnaires. The actual printing costs for Survey 1 were $488, total costs were $1863, and the cost per response using the 12 page questionnaire was $4.43.

Mailing list costs were incurred to employ research assistants to extract names and addresses from the electoral rolls, as these data are not available in electronic form. Stationery and printing costs represent interdepartmental charges within the university and may be slightly lower than equivalent commercial rates. The major cost in conducting these surveys was postage, a cost which may vary on a country-by-country basis. The postage costs listed in Table 2 include all mailings, plus return postage charges for completed surveys. Costs associated with researchers' time and returning long-distance telephone calls have not been included.

As evident in Table 2, the cost per response varied between $4.09 (Survey 2, three-step approach, 50% response rate) and $4.65 (Survey 3, two-step approach, 36% response rate). Survey 1 and Survey 2, both utilising postcard follow-ups, produced higher response rates while providing equivalent or lower costs per returned questionnaire. This indicates that including a postcard follow-up, while costing additional postage, has the potential to reduce the cost of obtaining each response.

SUMMARY

This study demonstrated that researchers can presently obtain a reasonable-sized sample using a simple design mail survey in New Zealand. With only two mailings, we obtained an average response rate of 38 percent. However, by sending a follow-up reminder card, we increased response rates to an average of 49 percent. At the same time, the cost per response remained about the same or decreased with the inclusion of the reminder postcard. Based on these results, we recommend researchers use a
three-step process when conducting mail surveys in New Zealand. Further research should examine the marginal utility of a more extensive methodology as recommended by Dillman (e.g., registered letters sent to non-respondents); in the New Zealand context elaborate processes may not be necessary to achieve good response rates.

Finally, this study found the Electoral Roll to be an excellent source for names and addresses of residents over the age of 18 in New Zealand.

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A CLOSER LOOK AT BRAND LOYALTY IN FAST MOVING CONSUMER GOODS

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The concept of brand loyalty has become a topic of heated debate among researchers (see for example, Baldinger and Rubinson, 1996; Ehrenberg, 1997; Baldinger and Rubinson, 1997). The debate stems from researchers' efforts or attempts at explaining consumers' brand loyalty, or loosely, consumers' repeat purchase behaviour (see the discussion below for a more concrete definition of the concept). Consider the following statements:

- "A typical and predictable finding for frequently bought grocery products is that in a week, 80 or 90 per cent of buyers of a brand buy only that brand, that in half a year the proportion is down to 30 per cent, and that in a year, only 10 per cent of buyers are 100 per cent loyal." (Ehrenberg, 1974, p. 28).

- "...Retention differed dramatically by attitude group. A total of 60 percent of the High Attitude ... were still loyal to the brand a year later..." (Baldinger and Rubinson, 1996, p. 29).

Why this contradiction? Is it due to differences in unit of analysis? It seems not. Both Ehrenberg (1974) and Baldinger et al. (1996) are explaining repeat purchases for fast moving consumer goods (FMCG). Could it be situation-specific? In other words, did Ehrenberg (1974) and Baldinger et al. (1996) observe similar patterns (of responses) in different situations? Yes they did. In fact, both the findings could be regarded as empirical generalisations. Specifically, Ehrenberg’s stochastic interpretation of brand performance has been observed across more than 50 product categories for at least three decades (Bass, 1974; Bass, Givon, Kalwani, Reibstein and Wright, 1984; Ehrenberg, 1997). Similarly, Baldinger et al. claim that their findings were based on an analysis of 27 brands representing both packaged and non-packaged goods. In addition, a meta analysis of attitude-behaviour correlations across 88 studies showed that attitudes significantly predict future behaviour: the correlations ranged from -.10 to .91 with a mean correlaton of .38 (Kraus, 1995). This meta analysis, it could be said, adds credibility to Baldinger et al.'s finding that attitude precedes or predicts behaviour.

We contend that the contradiction could be explained at the theoretical level. Specifically, consider the following purchase sequence:

Purchase$\rightarrow$ Reinforcement $\rightarrow$ Purchase$\rightarrow$ Reinforcement $\rightarrow$ ...$\rightarrow$

Here, repeat purchase is assumed to be the result of reinforcement or satisfaction from the earlier purchase. Theoretical support for this conceptualisation can be obtained from Ehrenberg (1974). He agrees that reinforcement: however induced, could result in repeat purchase behaviour, and empirical support for the assertion can be gleaned from Carey, Clicque, Leighton and Milton (1976) and Dyson, Farr and Hollis (1996).

\[\text{Purchase}_{\text{same}} \rightarrow \text{Reinforcement} \rightarrow \text{Purchase}_{\text{same}} \rightarrow \text{...} \rightarrow \]
As mentioned earlier, Krause's (1995) research shows that knowledge of a person's attitude will allow for the correct prediction of the person's behaviour 69% of the time: the mean attitude-behaviour correlation of .38 has been converted into Binomial Effect Size Display. Including attitude2 in our causal model, would result in the following sequence:

\[
\text{Attitude}_{t+1} \rightarrow \text{Purchase}_{t+1} \rightarrow \text{Reinforcement of Attitude}_{t+1} \rightarrow \text{Purchase}_{t+1}
\]

If we model "n" repurchases, the sequence would become:

\[
\text{Attitude} \rightarrow \text{Purchase} \rightarrow \text{Purchase Reinforcement}
\]

In words, initial positive attitude towards the brand or product would drive trial purchase, purchase reinforcement or satisfaction with the consumption experience would result in a strengthened initial attitude, this attitude, in turn, would influence repeat purchase. Thus, the cycle is expected to continue until such time the response becomes disassociated with its cue (see Hilgard (1948) for explanations about how a cue could become disassociated with its response). The above explanation suggests that regular purchase of the brand: loyalty, depends on favourable attitude towards the brand. In other words, loyalty entails positive attitude as well as behaviour (East, 1997; Rossiter and Percy, 1997).

Now the central question, "if attitude predicts behaviour, and brand loyalty is a concept based on attitude-behaviour relationship, then how could one explain the existence of the zero-order purchase process." Our contention is, other factors such as the distribution of the brand, market concentration or broadly, competitors' actions in the market place, could affect the consistency of attitude-behaviour relationship (see Fader and Schmittlein, 1993; Farris, Olver and De Kluyver, 1989) for some empirical evidence in this direction. In other words, these variables could moderate the attitude-purchase relationship. Put another way, external factors such as brand availability and internal factors such as awareness of the product and liking for the product: that is, attitude, will interact to result in purchase (East, 1997). The above argument highlights that studying the behavioural component of loyalty alone could result in one concluding that brand loyalty doesn't exist for FMCG products.

Marketing theorists are professional explainers. Sometimes, they tend to forget that there are two parties involved in an explanation: the one who offers the explanation and the one at whom it is directed. An explanation that does not make the event clear to the person seeking information is no explanation at all. It is not the explainer who must be satisfied, but the listener. Consider the following statement:

"... it is not enough to state that purchasing is stochastic in nature..... these are not conditions that marketing team necessarily want to exist. In fact, their job is to change the situation to the benefit of their brand." (Dyson, Farr and Hollis, 1997, p. 13-14)

It is clear that marketing managers require explanations or theories that would help them change the response variable, not simply what the response is.
Ehrenberg’s findings that little or no brand loyalty exists in FMCG is an example of the criterion only explanation (Ehrenberg, Goodhart and Barwise, 1990). Put simply, marketing practitioners need prescription; not simple descriptions (Dyson, Farr and Hollis, 1997).

REFERENCES


CUSTOMER-DRIVEN MODELLING OF SATISFACTION BEHAVIOUR

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ABSTRACT
Research into customer satisfaction is often based upon what the supplier of the product/service believes are the sources of satisfaction. This belies the real-world experience of consumer behaviour where the purchasing agenda of the customer reflects the customer's needs and not those of the supplier. This paper illustrates the use of a customer-driven methodology to create causal models which are then analysed through Partial Least Squares Modelling (PLSM). It also illustrates the importance of such modelling as it uses outcome-oriented components in customer satisfaction modelling. The data is based upon a study of the satisfaction of residents with the services provided through the Bayside City Council in Melbourne. Council personnel recognised the relevance of the modelled results to the evaluation of tendered service performance. In particular, they saw the clear advantage over previous work which had been designed around the questions council wanted to ask and then relied, primarily, of contingency-based analyses.

INTRODUCTION
Approaches to customer satisfaction
There are two distinct polarities in the way customer satisfaction studies have been designed. The first can be called the "organisational concerns" approach and the second the "customer concerns" approach. Between the two poles there is an infinite variation in the mix which can be generated of customer and organisational interests.

These two polarities reflect the possible scope of the ethos of the organisation on the issues of control and responsibility and the consequences for defining "customer satisfaction". If the organisation has a culture where the customer is seen as being an independent entity who has his/her own motives, beliefs and needs then "customer satisfaction" will be defined as being based upon customer thinking. Alternatively, where the organisation is driven by the importance of what it believes it is doing and the importance of its market approach, it tends to interpret "customer satisfaction" as what the customer should want against these organisational/marketing needs (Dutka, 1994, Yi, 1990).

In the case study presented here, the fundamental issue was deciding whether Bayside City Council (BCC) should be asking the residents and ratepayers what it is that they want from their council or simply to ask these stakeholders how they are reacting to policy implementation as defined and developed by council and state government officers.

Behaviourally, this can be seen in terms of salience of factors. In any given situation we attend to detail in an egocentric, selective way because we do not, and probably, cannot, absorb and take an interest in all the things going on around us. We perceptually select out those things which are most salient in terms of our interests and needs. We cannot effectively comment upon those things we have disregarded, either consciously or unconsciously.
The consequence of selective perception for any applied social research is that we cannot ask a subject to make an effective response to a question about a topic to which he/she has not attended. The subject either has to give the non-committal "Don't Know / Not applicable" or he/she has to make an uninformed judgement in order to keep the researcher happy. The social researcher will then have an incomplete data set, plus data which has been collected outside the intended behavioural domain—the experience of the customer of the product or service.

At a more general level, any approach to customer satisfaction which uses the customer’s behaviour as its starting point also uses some underlying theory of human behaviour. In this case, the researchers used a theory which essentially follows the expectancy-value approach which has had extensive use in organisational behaviour (e.g., Gordon, 1995). This position states that behaviour is determined by the interaction between the expectations the individual has of an outcome and the valuation he/she places on that outcome. Applying this to customer behaviour it can be seen that the customer has expectations of a product/service and places valuations (financial and affective) on that product/service. His/her satisfaction will be strongly determined by the extent to which the performance of the product/service is congruent with the prior expectancy/value system.

Through the use of a coherent psychological model of customer behaviour, there is a higher likelihood of being able to make sense of the empirical data we collect.

Modelling Customer Satisfaction Behaviour

The raw data from a customer satisfaction study can be dealt with in many ways. At the simplest level it can be looked at in terms of cross tabulation and analysis of variance. Alternatively, customer satisfaction data can be seen as a prime target for using modelling methods because the nature of customer satisfaction is that there are contributory variables to satisfaction and because satisfaction leads to customer outcome behaviour (reuse and recommendation).

Modelling provides the researcher with the ability to explore possible causal connections between the various levels of variables. If accurately modelled, it can also provide statistical information which can be a guide to predicting likely future behaviours of the customer population.

Partial Least Squares Modelling

There are analytical techniques available to the customer satisfaction researcher which are broadly concerned with defining the structural relationships between variables. They include Factor Analysis, Multidimensional Scaling and Structural Equation Modelling (SEM); Loehlin (1992) comprehensively reviewed the interaction between them. The most flexible of these is SEM which has become an important tool in many areas of social and econometric research, particularly through the LISREL® program (see Long (1983) for an introduction). Maclean and Grey (1998) have shown its utilisation in market research. Over the past 10 years an extensive array of tools have been developed within the SEM thinking to handle a wide range of research situations and data types. This is well illustrated in the LEM software package, which has been developed by Vermunt (1997) to deal with categorical data, and in the AMOS software package, which uses a graphical interface and has replaced LISREL® in the SPSS system. Related to SEM is Partial Least Squares Modelling (PLSM)
which has been used in the research to be reported here.

The history of this area of data modelling goes back to the 1960s and 70s with the work of a number of European statisticians, particularly Herman Wold (1984). It was Joreskog (1979), a student of Wold, who produced the LISREL® system. The scope of the SEM and related literature is extensive and often is, unfortunately, complex in its reliance on mathematical systems and matrix algebra. A number of useful Web sites are available which give basic outlines of the SEM thinking as well as links to the world of SEM (e.g., http://www.gsu.edu/~mkteer/index.html).

Wold was specifically interested in an aspect of the process of generating models where the concern was with models which had been developed from a set of empirical assumptions about behaviour rather than developing theories about behaviour and then testing them through a modelling procedure. SEM is about testing theory while Wold’s method, which is PLSM, is about modelling empirical systems. Wold called this soft modelling.

The major difference between PLSM and SEM (Joreskog and Wold, 1982) is that SEM emphasises exploring various possible models which could explain the data structures. The PLSM approach, as was implemented in the council research, is to define the key elements of that model from the qualitative data collected. The research begins with an empirical model and the field data collection is based upon it. PLSM does not look for models within a data set which has been collected with some general latent variables in mind.

Wold (1984) discussed the fact that his soft modelling approach was outside the main stream of population-based statistical analyses and admitted that some aspects of it were not fully developed within theoretical statistics. In spite of this there have been a variety of developments and applications of PLSM over the past 30 years. Wold’s son (S. Wold, 1978) produced specific algorithms for driving PLSM which have been extensively applied in what is called Chemometrics - the evaluation of chemical and pharmaceutical problems. Young (1994) suggested potentially important technical developments on the basic algorithms. In psychology (e.g., Brookstein, Sampson, Streissguth and Barr 1990) PLSM was applied to a variety of problems. In econometrics, the University of Michigan through Fornell and his associates (e.g., Anderson, Fornell and Rust, 1997) applied the approach to customer satisfaction with particular reference to the American Customer Satisfaction Index (Fornell, Johnson, Anderson, Cha and Bryant, 1996) and, more recently, to similar indices across Europe and Asia.

An important technical difference between the basic SEM approach and PLSM is the way in which models are estimated. SEM tends to use a Maximum Likelihood estimation procedure while PLSM uses Least Squares estimation. Maximum Likelihood is a highly paramaterised procedure, relying on having data which meets parametric criteria. PLSM, using Least Squares, requires only low parameterisation and can therefore deal with data which violates parametric requirements. This also means that PLSM can utilise relatively small samples to generate stable models because it is not estimating population parameters. For example, PLSM can use samples as small as 200 for complex models (e.g., 10 exogenous latent variables and 3 endogenous latent variables) whereas covariance approaches would require samples of 500+ to obtain stable results. There is also a cumulative effect in PLSM
where even smaller samples can be collected during subsequent research on the same population using the same model.

**Defining a Model's Components**

PLSM modelling, like SEM, uses what are called manifest and latent variables (see Figure 1). A latent variable is one that cannot be measured directly and is inferred from a set of manifest variables. The items in a questionnaire will contain manifest variables which are then grouped into the latent variables. For instance, *satisfaction* is a latent variable which will be measured by a number of discrete items or manifest variables.

The modelling process also uses the idea of endogenous and exogenous variables. These are similar to the dependant and independent variables in a regression analysis. The latent variables which impact upon overall satisfaction are exogenous (independent variables) while *satisfaction* is an endogenous (dependent) variable. This becomes a little more complex as the researcher studies outcome variables leading from satisfaction (usually *reuse* and *recommendation*). The outcome variables are endogenous variables because they are consequential upon *satisfaction* but *satisfaction* will be exogenous in relation to them. That is, in the modelling process, *satisfaction* takes the role of both an endogenous and exogenous variable depending on the stage of the analysis.

*Figure 1 General Structure of Models for SEM & PLSM*
The extension of PLSM into customer satisfaction research

The material outlined in the previous sections provides an overall view of PLSM as a modelling structure. It has been defined in a particular way to allow for an outcomes oriented approach to customer satisfaction.

The model generated for customer satisfaction has three distinct components:

1. The latent exogenous variables which influence overall satisfaction
2. The latent endogenous variable for overall satisfaction
3. The latent endogenous variables which measure the outcomes from satisfaction.

The modelling process generates two scores for these variables. The first score is the actual satisfaction measure for each latent variable which is a weighted average based upon the manifest weights which are generated by the modelling procedure rather than being simply a sum of its underlying manifest scores. The second score is the measure of the impact of the exogenous latent variables on the endogenous latent variables. This is usually the impacts of the latents contributing to satisfaction on the overall measure of satisfaction.

In summary, the application of PLSM modelling in customer satisfaction gives the client:

A structural picture of the overall relationships between sources of satisfaction, satisfaction and outcomes from satisfaction

An overall customer satisfaction measure

The scores for each of the variables weighted by the manifest weights.

The impacts of exogenous latent variables on endogenous latent variables.

METHODOLOGY

The methodology used to evaluate customer satisfaction in the BCC research was based upon seven interrelated stages:

Stage 1 - Customer and client interviews
Unstructured interviews were carried out with 20 Bayside residents. These interviews used field data collection methods which are defined within social psychological methodology concerned with effective qualitative data collection. The interviewees were selected at random throughout the wards of the council. Interviewing ceased at that number as no further information was being given on sources of satisfaction and dissatisfaction with council performance.

The key personnel who were responsible for service delivery areas in the council were also interviewed using an unstructured format. They too were asked to define what they saw as sources of satisfaction and dissatisfaction with BCC’s services.

Stage 2 - Model building
The interview data from the residents was content analysed to determine the latent variables for a model. The content of the responses was used to define the manifest variables which would be used to measure latent variables.

A similar analysis of the responses of the BCC personnel was carried out.

In effect we generate two trial models, one based on customer perceptions and the other on organisational perceptions.
Stage 3 - Model verification
The resident generated model was taken to the project management group within the council. The aim here was both to have them verify that the model was acceptable within the organisational context and to add or clarify material from an organisational perspective. Only a small number of changes were made to the content of the initial model.

This information was brought together as a model of satisfaction behaviour and its outcomes (Fig.2).

Stage 4 - Instrument design
The survey instrument was designed using the content and, where possible, the language of the information obtained from the Bayside resident interviews.

Additional questions were included to measure the endogenous latent variables "overall satisfaction", "re-use of services" and "recommendation of services to others".

Stage 5 - Instrument and model verification
The final model and instrument were then presented to council for final verification where some limited stylistic changes were made. The overall approach and content was accepted.

Stage 6 - Field survey
The field data collection was based upon establishing a reference grid over the nine wards making up the City of Bayside and extracting a stratified random sample of residences. Each ward was to supply a minimum of fifty respondents as this would allow modelling of the data at the ward level.

The data was collected through a drop-and-retrieve approach over a seven day period. The effective response rate was much higher than expected, 96%, 540 usable responses from an initial sample of 560 residences.

Stage 7 - Data modelling
The initial data modelling was carried out using the empirical model developed in Stages 1-4. Some modifications had to be made to the final model due to low response rates for items.
RESULTS
The Final Model
The final model is presented in Figure 3. Three potential latent variables had to be dropped as a result of response patterns. Family and Youth Affairs, Community Activities and Business Development each had too many "don't know" or "not applicable" responses to be viable for modelling. Each of these had been added to the initial model because they were areas which the council wished to measure but which had not appeared during the interviews with the residents.

The important factor in this data is that, even though the three services are important across the community, they are services which are used by limited groups within the community. To establish the satisfaction with such services, specific projects would have to be carried out on each of them using clients of the services.

Modeling of the data
The results of the PLSM modelling for the BCC resident sub-sample are given in Table 1. The column of data headed "Satisfaction Score" gives the weighted rating of satisfaction from the modelling while the "Impact" column gives the impact that the particular area of service has upon overall satisfaction.
Table 1 Modelling Results for Resident sub-sample

<table>
<thead>
<tr>
<th>Latent variable</th>
<th>Satisfaction Score</th>
<th>Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Satisfaction</td>
<td>54</td>
<td>0.37</td>
</tr>
<tr>
<td>Governance</td>
<td>53</td>
<td>1.3</td>
</tr>
<tr>
<td>Quality performance</td>
<td>58</td>
<td>0.07</td>
</tr>
<tr>
<td>Environment</td>
<td>55</td>
<td>0.73</td>
</tr>
<tr>
<td>Development</td>
<td>39</td>
<td>0.2</td>
</tr>
<tr>
<td>Tourism</td>
<td>38</td>
<td>0.28</td>
</tr>
<tr>
<td>Arts and Culture</td>
<td>52</td>
<td>0.0</td>
</tr>
<tr>
<td>Waste management</td>
<td>70</td>
<td>0.04</td>
</tr>
<tr>
<td>Traffic</td>
<td>48</td>
<td>0.68</td>
</tr>
<tr>
<td>Transport</td>
<td>52</td>
<td>0.77</td>
</tr>
<tr>
<td>Parks and Gardens</td>
<td>60</td>
<td>0.23</td>
</tr>
<tr>
<td>Sporting facilities</td>
<td>63</td>
<td>0.43</td>
</tr>
<tr>
<td>Marketing</td>
<td>55</td>
<td>0.15</td>
</tr>
<tr>
<td>Library</td>
<td>72</td>
<td>0.36</td>
</tr>
<tr>
<td>Law enforcement</td>
<td>52</td>
<td>0.09</td>
</tr>
<tr>
<td>Dogs</td>
<td>39</td>
<td></td>
</tr>
</tbody>
</table>

The modelling has shown that overall satisfaction weighted score is 54. The major contributors to satisfaction are Library services, Waste management, Sports facilities and Parks and gardens.

The modelling was also carried out at the level of the nine council wards. In each ward there was some variation from the overall modelling results but most of this was interpretable against the known issues in the ward.

Modelling and Future Action

The usual approach for looking at possible future actions is to take the high and low scores and see them, respectively, as what can be developed and what needs to be improved. If one looks beyond the scores and analyses the relationship between satisfaction and impacts then a different approach is needed.

For example, the Library services score was quite high but its impact was low. This suggested that improving library services would only marginally improve overall satisfaction with the council. Similarly for Waste management. BCC has to remember that these services have to be maintained relative to other services if satisfaction is not to fall significantly.

The example of Dogs provides important information on low satisfaction and impacts. Dogs had one of the lowest satisfaction scores and its impact was also one of the lowest. This suggested that it might be a "squeaky wheels" variable – people complained about it but it was not something which had great salience in their satisfaction with council performance. At a practical level, BCC could spend a lot of money on the dog issue (as some neighbouring councils had) and gain little return in terms of customer satisfaction.

In contrast, Development was an area where effort, if applied, would generate a significant improvement in satisfaction. The impact of 0.73 was one of the highest in the study.

Each of these outcomes can be explained in terms of the behavioural systems of the customer as outlined in the introduction. “Squeaky wheels” behaviour
provides one of the more complex illustrations. Here the customer has fairly strong situational expectations about a given set of circumstances – dogs. The valuation will be fairly low except when an individual has a particular experience – an encounter with a vicious dog; faeces on his/her front lawn. Unless there are particularly strong experiences, the normal valuation will be far less than, say, local development and planning. But because the effects of dog behaviour are readily seen, this is something to comment on and complain about. When the distinction has to be made between the importance of dog faeces and a high rise development, the latter will have the greatest inherent value, both positive and negative.

This can then be seen in terms of an action framework for the client. The council can relatively easily oil the squeaky wheels through better enforcement of local laws. BCC will find it harder to deal with the issues surrounding local development because there are no simple answers under the control of the council.

CONCLUSION

The practical advantage of a modelling approach to customer satisfaction is well illustrated in this study. If the council had only been given the satisfaction scores in isolation from the impact scores they could expend resources in areas which would not produce long term benefits. The combination of a score and a measure of influence gives powerful diagnostics.

The study also illustrated the particular advantages which accrue from using the “soft modelling” approach of Wold rather that the statistically tighter modelling of, for example, SEM. Using PLSM, researchers are able to model a complex set of data with a reasonably small sample.

Few other methods would allow for such a small sample with 16 exogenous and 4 endogenous latent variables. PLSM gives the weighting data to allow the generation of information at the level of the council wards as the modelled information can be generated for sub-samples of 50.

REFERENCES


MARKET RESEARCH ON THE INTERNET: A SURVEY OF NORTH AMERICAN RESEARCHERS

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Waterloo, Ontario Canada

INTRODUCTION
Over the past few years, the Internet has emerged as a major entertainment, information and communications medium. An International Data Corporation research study, for example, estimated that at yearend 2000 there will 233.3 million devices accessing the Web and 163 million users. This same survey estimates that 16.0% of American households have PC’s with Internet access, just behind Japan with 18.4% but ahead of Germany (11.7%), Taiwan (10.3%), the United Kingdom (9.5%) and Australia (8.9%). The studies’ director concluded that “Although the data do not yet indicate a majority of PC households are actively involved or making purchases with Internet, activity levels are growing rapidly and have reached proportions that demonstrate the truly global phenomenon the Internet has become.”

The Internet also provides a new and exciting medium with which to conduct market research studies. Some observers, however, have argued that traditional market research practitioners have been slow to utilize this new medium (Campbell, 1998). Iyer (1996) has suggested that Internet research is in a state of transition from being an “alternative” data collection method to a “mainstream” one. Accelerating this transition may be the decline in response to traditional survey methods. Edmondson (1997), for example, reported that 60% of individuals contacted by telephone are refusing to participate in surveys, and as many as 40% of individuals receiving a year 2000 census have refused to complete the survey despite being required to do so by law.

Forrest (1999) suggests that Internet marketing research has numerous advantages over traditional approaches: higher response rates, greater response accuracy, less expensive and faster turnaround. He also noted that among the disadvantages identified have been a non-representative sample, possibility of duplicate submissions, anonymity of Internet users and a shorter attention span among online respondents.

Unfortunately, as Comley (1997) notes, there is little published data on the use of the Internet in marketing research. The first articles comparing electronic data collection with traditional methods did not appear until 1995. Mehta and Sivadas (1995) compared E-mail and postal surveys, finding E-mail responses were received faster with evidence of higher response quality. Comley (1997) found comparable response rates between an E-mail and postal survey, but the E-mail survey had a higher quality of responses (lower item omissions, response error and more answer completeness) at substantially lower costs. Tse (1998) reported that E-mail achieved an acceptable response rate at lower cost than regular mail delivery.

Despite these and other promising results, it is not clear that the marketing research industry as a whole has embraced or even accepted the potential of online research. Since online research techniques
have been utilized with growing frequency for several years, researchers are now likely to, have had some experiences with online methodologies or, at the very least, developed attitudes towards their viability.

This paper presents the results of the first large scale survey of North American market research companies. It was undertaken with the goal of presenting an overview of the industry’s attitudes towards online research. The specific objectives of the survey included:

1. To determine which online market research methods are currently being used (i.e., E-mail surveys, online focus groups, Web-based surveys, Internet panel research, etc.)

2. To gain an understanding of the attitude of the market research community to the use and future use of Internet based research.

3. To determine the perceived advantages, disadvantages and obstacles to the growth of online research.

While there have been sporadic results reported indicating the advantages of online market research over traditional methods, the key question is whether these reported results and the personal experiences of market researchers to-date have generated the same optimism for Internet based research methods suggested by authors in this area.

METHODOLOGY

A total of 400 executives at marketing research firms across North America were E-mailed invitations (Appendix one) to complete an online survey. The invitations were linked directly to the survey site, allowing respondents to simply click on the web-site address in the invitation and access the site immediately. Approximately 20% of initial invitations were returned as undeliverable. Additional invitations were then sent out to reach the target of 400 firms.

The sample was drawn from the website anywhereonline.com list of market research firms and the 1997 Quirk’s Marketing Research Sourcebook. A total of 168 completed surveys were received for a response rate of 42%.

By selecting organizations that had E-mail addresses, the sample was bias towards those organizations who already had some familiarity with Internet activities. Since these organizations were likely to be more familiar with Internet capabilities and techniques the sample would be more likely to reach ‘early-adopters’.

A separate survey, delivered by mail or fax, was considered for firms without E-mail addresses. It was hypothesized that this sample would be the most resistant and least familiar with Internet technology and potential. That lack of familiarity would likely evoke responses based on perception rather than experience. While that information would be valuable, it was decided that the attitudes of those who have had actual experiences with online research would be more useful. This sample of firms could draw on experiential data to support their attitudes that would assist in identifying methodological shortcomings that were encountered rather than perceived. Their attitudes and the results they obtained would also assist in predicting the likely speed with which online methods will be adopted since this sample represent potential ‘opinion leaders’ for the industry.
Responses were obtained from all sizes of firms: 40% of respondents employed under 10 people at their firm. A third of respondents generated worldwide revenues of between $1 and $5 million; 15% of respondents had over 100 employees; and 19% generated revenues in excess of $5 million per annum. There was no indication of differences in attitudes or practices based on size of firm. Smaller firms appear as likely or unlikely to conduct online market research as larger firms.

At present, 49% of respondents are conducting marketing research online. Of these firms, 74% indicated they were generating less than 10% of their revenues through online research; and, 86% were generating less than 25% of revenues. Of the respondents not currently using online market research, 56% indicated that it was “somewhat important” to “very important” that their company offer online marketing research services within the next 12 months. Respondents also indicated they felt online research would make up an increased proportion of their revenues in the upcoming year.

<table>
<thead>
<tr>
<th>% of Revenues from Online Research</th>
<th>Current Revenues*</th>
<th>Upcoming Year*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 10%</td>
<td>74%</td>
<td>48%</td>
</tr>
<tr>
<td>11% to 25%</td>
<td>12%</td>
<td>30%</td>
</tr>
<tr>
<td>26% to 50%</td>
<td>7%</td>
<td>9%</td>
</tr>
<tr>
<td>51% to 75%</td>
<td>1%</td>
<td>5%</td>
</tr>
<tr>
<td>More than 75%</td>
<td>6%</td>
<td>8%</td>
</tr>
</tbody>
</table>

* percent of respondents

**Table 1: Current and Projected Revenues from Online Research**

**SURVEY RESULTS: CURRENT PRACTICES**

Just under 50% of the respondents indicated they are currently using online marketing research tools. Of the respondents using online research methods, the most common method was web-based surveys (85%) followed by E-mail surveys (60%), Internet panels (34%) and online focus groups (25%). Although using online tools, firms were apparently not conducting online research frequently. Only 19% of respondents indicated they had conducted more than 10 web-based surveys in the past 12 months, 52% had conducted under 5; and, 50% of respondents had conducted 5 or less E-mail surveys over this same time.

The types of research being conducted covered a broad spectrum with general customer/attitude research and customer satisfaction studies identified most frequently. Web-site evaluation was identified by only 44% of respondents. It was hypothesized that this type of research would be more common given that companies involved in online research were also more likely to have their own web-sites and be more familiar with the use of web-sites.
Table 2

Types of Research Conducted by Online Methods

<table>
<thead>
<tr>
<th>Research Type</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>General customer/attitude research</td>
<td>65%</td>
</tr>
<tr>
<td>Customer satisfaction</td>
<td>47%</td>
</tr>
<tr>
<td>Web site evaluation</td>
<td>44%</td>
</tr>
<tr>
<td>Research with hard to reach groups</td>
<td>43%</td>
</tr>
<tr>
<td>Tracking studies</td>
<td>32%</td>
</tr>
<tr>
<td>Employee satisfaction research</td>
<td>27%</td>
</tr>
<tr>
<td>Opinion polls</td>
<td>25%</td>
</tr>
<tr>
<td>Advertising research/copytesting</td>
<td>24%</td>
</tr>
<tr>
<td>Idea generation</td>
<td>19%</td>
</tr>
</tbody>
</table>

Firms were asked why they were conducting online market research. It did not appear that client demands played a significant role. Firms were also asked specifically to assess the level of interest in online market research of their clients: 39.8% of respondents indicated their clients were either “Not at All Interested” or “Not Interested” and 45.8% were described as “Somewhat Interested”. With only 12.0% of respondents indicating their clients were “Interested” and 2.4% describing their clients as “Very Interested” it appears there is little pressure coming from the client side to adopt online research methods.

Responses suggest that online marketing research is being adopted based on the merits of the methodology rather in response to client interest or demand. Speed of response and access to a specific sample were identified as the most important reasons for adopting online methods.

Table 3

Reasons for Conducting Online Market Research

(7 point scale where 1 = not at all important, 7 = very important)

<table>
<thead>
<tr>
<th>Reason</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>Faster results</td>
<td>5.5</td>
</tr>
<tr>
<td>Ability to reach specific sample</td>
<td>5.5</td>
</tr>
<tr>
<td>More convenient for respondents</td>
<td>5.2</td>
</tr>
<tr>
<td>Lower cost</td>
<td>5.1</td>
</tr>
<tr>
<td>Able to reach wider geographic area</td>
<td>4.4</td>
</tr>
<tr>
<td>Higher response rates</td>
<td>4.3</td>
</tr>
</tbody>
</table>

Higher response rates was the lowest ranked reason given by firms for using online market research tools. This contradicts the suggestion of Mehta and Sivadas (1995) and Forrest (1999) that online marketing research provides higher response rates than traditional methods.

Firms were asked specifically for the response rates than traditional methods. Firms were asked specifically for the response rates achieved through webbased and E-mail surveys.
Table 4  
Response Rates for E-mail Surveys

<table>
<thead>
<tr>
<th>Response Rate</th>
<th>% indicating Average response rate</th>
<th>% indicating Best response rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 10%</td>
<td>20%</td>
<td>10%</td>
</tr>
<tr>
<td>11 – 25 %</td>
<td>35%</td>
<td>29%</td>
</tr>
<tr>
<td>26 – 50%</td>
<td>27%</td>
<td>34%</td>
</tr>
<tr>
<td>51 – 75%</td>
<td>1%</td>
<td>5%</td>
</tr>
<tr>
<td>More than 75%</td>
<td>7%</td>
<td>12%</td>
</tr>
<tr>
<td>Unknown</td>
<td>10%</td>
<td>10%</td>
</tr>
</tbody>
</table>

73% of respondents indicated they were very satisfied or satisfied with response rates for E-mail surveys; 10% indicated being somewhat dissatisfied and 12% very dissatisfied. Firms were also asked about their experiences with Web-based surveys: 30% of respondents who had conducted Web-based surveys indicated they were “Very Satisfied” and 34% “Somewhat Satisfied” with the response rates. 7% were “Very Dissatisfied” and 18% “Somewhat Dissatisfied”. Unfortunately, there was no indication of the basis of that dissatisfaction. Dissatisfaction could have been due to higher expectations or comparison with traditional methods.

Table 5  
Response Rates for Web-based Surveys

<table>
<thead>
<tr>
<th>Response Rate</th>
<th>% indicating Average response rate</th>
<th>% indicating Best response rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 10%</td>
<td>16%</td>
<td>9%</td>
</tr>
<tr>
<td>11 – 25 %</td>
<td>30%</td>
<td>30%</td>
</tr>
<tr>
<td>26 – 50%</td>
<td>20%</td>
<td>22%</td>
</tr>
<tr>
<td>51 – 75%</td>
<td>11%</td>
<td>6%</td>
</tr>
<tr>
<td>More than 75%</td>
<td>2%</td>
<td>15%</td>
</tr>
<tr>
<td>Unknown</td>
<td>21%</td>
<td>18%</td>
</tr>
</tbody>
</table>

E-mail invitations were the most commonly used method of obtaining respondents for web-based surveys with 54% of respondents indicating they used some population list to obtain E-mail addresses. Placing a banner or icon on a web-site was used by 33% of respondents and placing an advertisement on the site used by 20%. Other methods included random intercepts, phone recruiting and postcards.

Finally, firms were asked for their overall satisfaction with online market research. As Table 6 indicates, 71% responded that they were very or somewhat satisfied.
Table 6
Overall Satisfaction with Online Market Research

<table>
<thead>
<tr>
<th>Satisfied Level</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very Satisfied</td>
<td>37%</td>
</tr>
<tr>
<td>Somewhat Satisfied</td>
<td>34%</td>
</tr>
<tr>
<td>Neither Satisfied nor Dissatisfied</td>
<td>16%</td>
</tr>
<tr>
<td>Somewhat Dissatisfied</td>
<td>8%</td>
</tr>
<tr>
<td>Very Dissatisfied</td>
<td>4%</td>
</tr>
</tbody>
</table>

Firms were also asked to agree or disagree with the statement: “Online market research is better than traditional market research.” 7% of respondents using online market research methods “strongly agreed” with this statement and 12% “somewhat agreed”; however, 14% “strongly disagreed” and 21% “somewhat disagreed” with 45% neither agreeing or disagreeing.

These results suggest that online research practitioners are generally satisfied with the results they have obtained, but do not believe online methods are superior to traditional methods. It is more accurate to describe the online tools as an addition to the market researcher’s toolbox rather than a methodological improvement.

Survey Results: Future Practices
An effort was made to profile attitudes of firms not currently using online marketing research. Although over half of all respondents (51%) indicated they were not currently using online marketing research, 46% said they would be “somewhat” or “very likely” to use online methodologies over the next 12 months; and, 56% stated they believed it would be “somewhat” to “very” important that their company offer online market research in the next 12 months.

Respondents who indicated their companies were planning to utilize online research were asked what methods they believed would be used: 51% indicated they would offer E-mail surveys, 48% web-based surveys, 16% Internet panel research, 13.3% sending disks by mail, 12% focus groups, 4.8% web-site log analysis and 2.4% chat room monitoring.

However, 28.9% of respondents indicated they were still “not at all likely” to introduce online market research methods in the next 12 months and 20.5% indicated it was “not at all important” to be able to conduct online research.

This position may reflect the tepid interest by clients towards online research. When asked why they had not conducted online research yet, the absence of client requests was the number one reason given.

Table 7
Why have you not conducted online market research?

<table>
<thead>
<tr>
<th>Reason</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clients haven’t requested</td>
<td>69.4%</td>
</tr>
<tr>
<td>Concern over sample</td>
<td>56.5%</td>
</tr>
<tr>
<td>Concern over data accuracy</td>
<td>35.3%</td>
</tr>
<tr>
<td>Not applicable for our projects</td>
<td>29.4%</td>
</tr>
<tr>
<td>Lack of in-house expertise</td>
<td>23.5%</td>
</tr>
<tr>
<td>Cost of conducting</td>
<td>3.5%</td>
</tr>
</tbody>
</table>
Respondents were also asked what they thought were the major problems/weaknesses with online market research, and given the opportunity to elaborate on their concern. Sampling limitations were identified by 62.5% of firms not conducting marketing research online. Among explanations provided, concerns over the limited and potentially skewed population were mentioned most frequently. A “lack of control over the selection of a specific target market” and lack of satisfaction “with sampling techniques & respondent identification” were also mentioned. One respondent elaborated on the concern over the sampling limitations by suggesting that “in business to business surveys, many senior decision makers are not ‘into’ the internet. Many don’t even have access to it. In consumer surveys, only a very small portion of the population accesses the internet on a regular basis.”

Validity of responses (e.g., “don’t know who’s filling out survey”) was mentioned by 13.9% of respondents – although the same response might be given regarding mailed surveys.

Limitations of the methodology was identified by 11.1% respondents and defined as an “inability to probe”, “losing interaction you get when able to observe” and the inability to “ask relevant followup questions”. It appeared that respondents were considering survey methods when responding to this question, because there are online methods that allow probing and follow-up questions (e.g., online focus groups, online interviewing) and even methods to allow limited observation. It is likely that firms with concerns over these limitations are using fewer surveys and more focus groups or in-depth interviews in their operations.

Some respondents indicated that “clients are slow to try something new and unproven”; and, one noted a lack of certainty over whether or not “the market warrants the investment”. Another respondent supported the “passing fad” perspective by comparing online research to 1-800 numbers in the past: “It [online research] is currently an inappropriate tool for market research. This is simply a property of the medium, much like the ‘800’ consumer sounding boards of the 1960s and 70s. While they have their uses, market research is not one of them.”

Some dissatisfaction was expressed over the suppliers of online market research. For example, a respondent – whose firm presumably would out-source online research – noted that “current suppliers have limited, fringe research experience.” The suggestion was made that firms who offer Internet research technologies are dominated by information technology and computer specialists whose understand and expertise in marketing research is a secondary qualification.

CONCLUSION
The survey indicated that within the next year, 80% of respondents would be using online marketing research. However, it is not clear that this represents an enthusiastic embracing of a promising new technology or simply the acceptance of an additional research tool. 71% of respondents expressing satisfaction and only 12% dissatisfaction suggests that experience with online methods have been far more positive than negative. 68% of respondents indicating satisfaction with web-based surveys’ and 73% satisfied with E-mail surveys’ response rates also suggests positive performances even though the promise of higher response
rates was ranked lowest among reasons for conducting online surveys.

However, over the next year respondents felt that revenues from online research would increase only marginally with most firms indicating it would rise from less than 10% of revenues to between 11% and 25%. Most tellingly, only 19% of firms using online research agreed with the statement that “Online market research is better than traditional market research” while 35% disagreed.

The dominant concern expressed by respondents not using online research was the narrowness of the current sample of Internet uses. It is not clear if this concern is valid or a convenient rationalization for other concerns. As Internet usage becomes more commonplace this rationale will lose its validity. We may then see the emergence of other excuses for not adopting online methods, such as a lack of understanding of Internet technology or its application to marketing research.

Future Research

Continuing research is needed on the demographics of Internet users; however, additional research on psychographic profiles is also needed. One respondent suggested that Internet users are by definition more technologically literate. Is this the case? Does the fact they are more comfortable with technology mean they are more adventurous, prone to variety seeking etc. in other aspects of consumer behaviour?

We need to examine whether respondents behave differently due to the medium. Will respondents be more honest with web-based surveys as some Internet psychiatrists in California suggest is the case in therapy sessions they are currently conducting?

Studies of a longitudinal nature are required to assist us in predicting the changes that will occur as Internet usage becomes more commonplace. For example, once the novelty factor of online marketing research abates will response rates drop and the quality of responses deteriorate?

There is no question that online marketing research will continue to grow concurrent with the growth of Internet usage. More empirical evidence is needed on the merits of online research relative to traditional approaches so that we can begin to identify the circumstances and conditions under which Internet-based research tools would be most effective.
APPENDIX ONE
E-Mailed Survey Invitation

Dear ____________.

York University and Wilfrid Laurier University in Canada are conducting a study to examine the online market research practices of research companies worldwide. The study, which involves over 600 market research companies, examines the current and future usage of online research methods including Web-based surveys, online focus groups, e-mail surveys, Internet panels etc. The study also examines the important issue of response rate to Internet-based research methodologies.

We would like your company to participate in this important project by completing a confidential online survey. Please note that we also want the opinions of companies that do not currently use the Internet as a research tool.

In return for your assistance, we will give you free access to the results online when the study is completed. The report will contain detailed statistics on current online research practices, trends in response rates, estimates of the growth of Internet market research etc.

You can complete the survey by clicking the following link:

http://www.yorku.ca/faculty/academic/mrice/survey/web/web.html

All answers that you provide will be strictly confidential. Your company will never be referred to by name in any publications and all answers will be aggregated with the data from other respondents. This study has been developed to conform to the strict ethical guidelines of Wilfrid Laurier University and York University.

Further information can be obtained by contacting the Study Director, Professor Brad Davis at bdavis@mach1.wlu.ca or 1-519-884-0710 (ext.2539).

Thank you in advance for your assistance in this important research project.

Dr. Brad Davis
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Wilfrid Laurier University
Waterloo, Ontario, Canada
REFERENCES


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