Direct Marketing : An Analysis of Consumers' Characteristics and Their Perceptions of, and Attitudes to Mail-Order Speciality Food in the UK

by

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ABSTRACT

The objectives of this thesis are to establish a profile of the characteristics, perceptions, and attitudes of mail-order customers. In particular it identifies the differences between mail-order shoppers and non mail-order shoppers, investigates the structure and level of perceived risks associated with mail-order, and identifies the prime benefits provided by mail-order foods from the perspective of the consumer.

Hypotheses are established to search for a profile of consumer behaviour in association with the objectives of this study. Both qualitative and quantitative research methodologies are employed. Regarding qualitative method, it involves interviews with eight mail-order speciality food company's managers and focuses on examining their current direct marketing practice. The quantitative research is based upon a mail survey of approximately 1600 mail-order food customers and non mail-order food customers.

Based on the result of analysis, mail-order food shoppers are identified as self-indulgent in food, having higher level of education, qualification, and media exposure, and being more loyal in comparison with non mail-order shoppers. They tend to have negative opinions towards shopping and shopping environment or get less enjoyment from shopping. Moreover, for mail-order food shoppers, shopping is not seen as a social activity nor assistance from the shop is important. With respect to perceived risk, consumers perceived higher level of risk when they purchased through mail-order. Moreover, 'risk relievers' are found to reduce the level of the perceived risk although mail-order food shoppers and non mail-order food shoppers attach different levels of importance to these factors. In addition, this study also discovers consumers who purchase food from mail-order are attracted to either the product or to certain advantages associated with mail-order buying behaviour. As such, mail-order food shoppers are clustered into to sub-groups. Based on the results, marketing implications are addressed that minimise the perceived risks and maximise the product perceived value. Finally, the recommendations focus on the issues of the competitiveness of the product and the effectiveness and efficiency of direct marketing.

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PART I BACKGROUND

CHAPTER ONE

INTRODUCTION TO THE STUDY

1.1 INTRODUCTION

The study develops empirical research to explore the key issues associated with UK consumers' food purchases through direct marketing channels. In particular, it concentrates on consumers' attitudes to mail-order speciality food. Mail-order is a most common form of direct marketing. While this industry has diversified into a wide variety of products and market segments, mail-order speciality food stands as one of the most differentiated markets. This study analyses the key dimensions in explaining consumers' mail-order purchase behaviour, their characteristics and attitudes. Although direct marketing, especially mail-order, is reasonably well established in the UK, very little research has been produced in this area, apart from a few commercial reports. With regard to methodology, before the 1970's, marketing research was limited by the availability of analytical techniques so that analysis was restricted to univariate methods. Fortunately, these limitations are overcome by the adoption of multivariate analyses which have proved to be particularly valuable for research in this subject area.

At present, because of the lack of research in the UK, it is necessary to refer to the literature in the United States (US) when looking for a general concept of direct marketing, despite the fact that even in the US, knowledge of direct marketing is still

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limited. In countries like the US where marketing research is relatively highly stressed, suggestions for further research in direct marketing constantly appear in the literature (Akaah & Korgaonkar, 1988). Another critical argument to justify the importance of a UK study is that sometimes the results of market research are not transferable between countries. It is difficult to generalise results because of variations in environmental factors. Thus, it is essential to conduct research in the context of specific environments. Hence the study focuses specifically on a UK context.

Consumer behaviour has been strongly emphasised in marketing research nowadays. In the context of consumer behaviour, there are so many types of factors which influence behaviour, such as cultural, social, personal, and psychological factors. Generally speaking, most behaviourists believe or assume that consumers behave in purposeful and consistent ways (Engel, *et al.*, 1990), that is, they are rational, and they make systematic use of information available to them (Katona, 1953). As such, many studies have attempted to model the consumer's decision process with respect to buying behaviour. These studies reveal the link between motivation and external stimuli. Accordingly, this research is based upon the presumption that consumers behave in a consistent manner in decision-making and that certain behaviour patterns can be found, which could form a basis for the formulation of effective targeting and marketing strategies.

1.2 OBJECTIVES OF THE STUDY

The most important issue in this study is to understand consumers' attitudes towards mail-order shopping. To investigate this problem, a number of questions can be addressed:

- Why are some people use mail-order but others do not?

- What is the motivation for those who use mail-order?

- What are the differences in terms of characteristics between those two groups of consumer?

The first question primarily reveals that consumer behaviour is initiated through motivation. It aims to explain the reason why some consumers use mail-order. With regards to the use/non-use of mail-order, one may expect that mail-order shopping, without the conventional shopping environment, involves higher risk-taking than store shopping. Therefore, the focus of the second research objective will be perceived risks. The third question stresses strategic aspects of direct marketing with respect to effective targeting strategies. For mail-order companies, it is important to identify the characteristics of the target market and potential customers. Companies are more likely to obtain a higher response from target audiences when the marketing stimuli co-ordinates with consumer motivation and results in an effective influence on consumer behaviour. Although, depending on the subject or objective of research, sometimes the focus may differ, this particular notion supports the direction of this study by focusing on the areas of characteristics, perceptions, and attitudes. The specific objectives of this thesis are as follows:

a)   To investigate the structure and level of perceived risk of food purchasing through mail-order.

b)   To search for the prime benefits and advantages provided by direct marketing as a motive from the consumer's perspective.

c)   To identify the differences between consumers who currently use direct marketing, mainly mail-order, and those who do not.

1.3 THE RESEARCH PROCESS

According to Tull and Hawkins (1990), the research process is identified as, "a management problem or opportunity; translating that problem/opportunity into a research problem; and collecting, analysing, and reporting the information specified in the research problem... Research design is the specification of procedures for collecting and analysing the data necessary to help identify or react to a problem or opportunity, such that the difference between the cost of obtaining various levels of accuracy and the expected value of the information associated with each level of accuracy is maximised" (Tull & Hawkins, 1990, p43-44). Usually, the research process and methodology dictate the quality and the value of research as well as its findings. Every step in the process makes a significant contribution towards the end results. Therefore, it is important to consider carefully the design of each stage and also the consistency of successive stages within the process. The research design in this study follows a standard marketing research process. In addition, to enhance the empirical evidence of this study, a qualitative element is included prior to the survey itself.

Figure 1.1 illustrates the fundamental marketing research process employed in this study and its relation to the thesis chapters. First, it begins with problem definition (Chapter 1). As soon as the problem is defined, a literature survey, which provides a foundation of the hypotheses, is initiated (Chapter 2, 3, 4, and 5). This is followed by the derivation of the variables, which are mainly derived from the literature. In addition, at this stage, qualitative research is also conducted to examine mail-order practice and to confirm the suitability of the variables derived from the literature (Chapter 4). Then, the data collection method, measurement technique, and sample are selected (Chapter 6). After data collection, the next step is to analyse the data and test the hypotheses (Chapter 7). Finally, the marketing implications are drawn based upon the results of data analysis (Chapter 8 and 9).

Figure 1.1 The Research Process

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┌──────────────────────┐        ┌──────────────────────────┐
│ Literature Review    │        │   Identify the Problem   │   Chapter 1
│ Survey literature    │        └──────────────────────────┘
└──────────────────────┘                    │
   Chapter 2, 3                              ▼
                            ┌──────────────────────────┐   ┌──────────────────────────┐
                            │   Fomulate hypotheses    │◄──│  Qualitative Research    │
        Chapter 5          →└──────────────────────────┘   │  In-depth Interview      │
                                         │                 └──────────────────────────┘
                                         ▼                      Chapter 4
┌──────────────────────┐    ┌──────────────────────────┐
│ Independent variables│    │     Define variables     │◄──
│ Dependent variables  │ ─► └──────────────────────────┘
│ Others               │           Chapter 6
└──────────────────────┘                │
                                        ▼
                            ┌──────────────────────────────┐
                            │ Select data collection method│
                            └──────────────────────────────┘
                                        │
                                        ▼
                            ┌──────────────────────────────┐
                            │ Select the measurement technique │
                            └──────────────────────────────┘
                                        │
                                        ▼
                            ┌──────────────────────────┐
                            │    Select the sample     │
                            └──────────────────────────┘
                                        │
                                        ▼
                            ┌──────────────────────────────┐
                            │ Select the analytical approach│
                            └──────────────────────────────┘
                                        │
                                        ▼
                            ┌──────────────────────────┐
                            │    Conduct the survey    │
                            └──────────────────────────┘
                                        │
                                        ▼
                            ┌──────────────────────────┐
                            │   Analyse the Results    │   Chapter 7
                            └──────────────────────────┘
                                        │
                                        ▼
                            ┌──────────────────────────┐
                            │  Marketing Implications  │   Chapter 8
                            └──────────────────────────┘
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Source: Adapted from Tull & Hawkins, 1990

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1.4 STRUCTURE OF THE THESIS

This section presents the structure of this thesis. This thesis consists of three parts: Part I Background, Part II Empirical Research, and Part III Summary.

1.4.1 Part I: Background

Part I consists of four chapters: Introduction (Chapter 1), Direct Marketing & Mail-Order (Chapter 2), Direct Marketing Strategy (Chapter 3), and Mail-Order Food Market & Environment (Chapter 4). Since very little literature has been devoted to this subject in the UK, the second chapter of the thesis is background which introduces a broad knowledge of direct marketing and mail-order. In compliance with one of the objectives of this thesis, that is to generate practical guidelines of direct marketing strategies, the role and concept of direct marketing in marketing strategy is discussed in the third chapter. The following chapter expands the previous chapter into a presentation of the external environment and corporate environment. As the mail-order speciality food industry is the industry to be examined, the business monitoring analysis focuses on the relevant environments. Moreover, the result of qualitative study, i.e. in-depth interviews of company managers, is presented as a corporate internal analysis.

1.4.2 Part II: Empirical Research

There are three chapters in the second part of the thesis. They are Literature Review (Chapter 5), Methodology (Chapter 6), and The Results of Mail-Order Food Survey (Chapter 7). In the literature review chapter, the relevant literature on consumer behaviour and direct marketing (mail-order in particular) is reviewed and ten hypotheses are established in order to examine the three problems definitions. It leads to the following chapter which presents the research design and methodology. Since the objective is to gain knowledge about consumers, the quantitative approach plays a pre-

dominant role in this study. The methodology uses a mail survey to provide an empirical base for the investigation into the research problems (for detailed stages see Figure 1.1). The quantitative research surveys active mail-order shoppers and inactive mail-order shoppers. Appropriate statistical techniques are employed to analysed the data in Chapter 7. This chapter is presented by using the format of testing hypotheses.

1.4.3 Part III: Summary

There are two chapters in this part, Findings & Marketing Implications (Chapter 8), and Conclusions (Chapter 9). The third part summarises the thesis by discussing the marketing implications, and recommendations based upon the results of the statistical analysis. They are pointed out as a guideline for the purpose of marketing strategy development. Finally, the thesis addresses suggestions for future research.

1.5 SUMMARY

This chapter gives a concise introduction to the research problems, the value of this study, the research process, and the structure of the thesis. The theme of the research has been explained. In addition, key issues to be examined in subsequent chapters have been outlined. The discussion will begin in Chapter 2 with a broad discussion of direct marketing and mail-order.

CHAPTER TWO

DIRECT MARKETING AND MAIL-ORDER

2.1 INTRODUCTION

For many years, there has been a false impression amongst people that direct marketing is associated exclusively with direct mail because it was the earliest and most commonly used direct marketing technique. In fact, along with the development of the industry, there are an increasing number of forms and techniques employed in direct marketing. Nevertheless, most direct marketing techniques were developed by the mid 1970s. By and large, direct marketing has become part of a multi-media era; that is, most direct marketing activities involve more than one medium and produce an aggregate effect on the market. It has a strong impact not only on direct marketing practice, but also on direct marketing research. There are an increasing number of studies, particularly in the US, which focus on newly developed media such as interactive TV and the Internet.

In 1984, the major US industry trade association changed its name from the Direct Mail Marketing Association (DMMA) to the Direct Marketing Association (DMA) to reflect the true nature of its memberships' widening operations in practice. Similarly, in the UK, the DMA was founded in 1992 in response to the rapid growth of direct marketing and its increasing importance in the economy. It was formed from the original trade organisations of the Association of Mail Order Publishers; the British Direct Marketing Association; the British List Brokers Association and the Direct Mail Producers Association. The functions of direct marketing have also been broadened from selling goods or encouraging customers to purchase, to include customer care and service.

Chapter two, an overview of direct marketing and mail-order, begins with a definition of direct marketing, and is followed by a definition for the purpose of this research. The reasons for the treatment of direct marketing as an individual discipline in the marketing context may be attributed to its functions of communication, targeting, and maintenance of a long-term relationship with consumers that relies on the distinctive characteristics of direct marketing which will be presented in Section 2.4. Next, the development and evolution of direct marketing will be briefly reviewed. In practice, there are five general forms of direct marketing: direct response advertising, mail order/catalogue sale, door-to-door, tele-marketing, and vendor machine/vendor ordering computer which will be discussed in Section 2.6. The performance of the direct marketing industry in the UK will be reported on the basis of the secondary data available. The evaluation of the growth of the direct marketing industry will be based primarily on the increasing investment in direct marketing expenditure. In addition, the driving forces for the growth of the industry and some seasonal opportunities for direct marketing will also be included in the discussion. Finally, the emergence of legal issues imposed on direct marketing will be examined.

2.2 DEFINITION OF DIRECT MARKETING

There is no single agreed definition of direct marketing. Therefore, this section will first present the common perspectives and then the definition for the purpose of this study.

2.2.1 Common Perspectives

Not surprisingly, direct marketing has drawn a lot of attention from marketing professionals, academics, and researchers in the past two decades. However, they express different views towards this subject from three different perspectives. The first perspective looks upon direct marketing in terms of the promotional medium (e.g. Smith, 1993;

Burnertt, 1993). The second perspective looks upon it as a channel of distribution which is one of the elements of the marketing mix (e.g. Rosenbloom, 1987; Lewison & Delozier, 1982). The third view considers direct marketing as a subset of marketing (e.g. Hoke, 1982; Stone, 1984). Apart from the different perspectives employed by researchers and academics, there are also different opinions over the definition of direct marketing. For instance, there are vague attitudes towards direct selling. Some researchers (e.g. Ogilvy, 1982) treat direct selling synonymously with direct mail or tele-marketing, as part of direct marketing, however others (e.g. Roman, 1987) exclude it.

The DMA in the US formally defines direct marketing as follows:

"Direct marketing is an interactive system of marketing that uses one or more advertising media to effect a measurable response and/or transaction at any location."

(DMA, 1982, p.xxiii)

Moschis, Korgankar, and Mathur (1990) also argued that, according to DMA's definition, "direct marketing does not include other forms of non-store retailing, such as door-to-door sales and vending machines." (Moschise, *et al.*, 1990, pp.8) Ogilvy, who is one of the few people to define what direct marketing is, defines direct marketing as "any advertising activity which creates and exploits a direct relationship between you and your prospect or customer as an individual" (Ogilvy, 1989, p.28). Though there is no general agreement on the definition, by contrasting the different definitions, Katzensten and Sachs summarised the general opinions pointing to four basic features:

a)   A combination of advertising and selling into a single function.

b)   A prominent service concept that will affect repetitive buying.

c)   A strong trend toward specificity.

d)   An existence of built-in feedback mechanisms (Katzensten & Sachs, 1986).

To further clarify the term of direct marketing, Figure 2.1 shows its effects on a business transaction both directly and indirectly. When direct marketing is directly related to the transaction, it plays a role of channel of distribution and/or sales promotion. When it is not directly related to the transaction, it delivers information from the supplier to potential customer, builds-up company or brand image, and/or provides customer service.

Figure 2.1 Direct Marketing

IN RELATION TO TRANSACTION

Directly	Indirectly
Involving Channel of Distribution • Sole distribution channel • Part of the distribution channel **Sales Promotion**	**Information Delivery** **Image Building** **Customer Care and Service**

Some terms, like 'traditional direct marketing' and 'contemporary direct marketing' (Schultz, 1993), also emerge in research publications to distinguish the evolution of the direct marketing concept. Pete Hoke stressed "direct marketing is a concept." He also added one element to this definition "In direct marketing, a database - a customer file - must exist." (Hoke, 1982, pp.230) This assertion actually points out that a database is a pre-requisite in direct marketing. Practitioners have becoming more and more dependent on databases and the statement of 'database marketing is direct marketing done properly' is widely accepted (Fletcher, et al., 1991). However, the concept of direct marketing and database marketing causes problems in definition since they distinctively recognise data-based marketing as an individual subject.

2.2.2 Databases in Direct Marketing

A database is an essential component of direct marketing which facilitates the development of a medium to long-term commitment or relationship with both existing and potential customers. A shift from the product or service-focused marketing to customer and market segment-focused marketing has meant that customer databases have started to replace the traditional product-based database (Shaw, 1991). A database is not only a list of names and addresses but should also be distinguished by the quality and quantity of relevant marketing information on customers. There are primarily two types of information retained on a marketing database: historical data and predictive data. Historical data is simply transactional data that indicates a customer's past orders, that is the frequency of purchases, responses to offers and size of the orders, as well as containing personal data such as name, address, and gender. Predictive data is processed data which is derived through statistical methodology. Historical data and customer attributes are scored to predict their future buying behaviour. Predictive data usually identifies those who are more likely to respond to a certain offer. Therefore, database marketing relies heavily on computer technology. It involves the collection, selection, and analysis of customer records.

Currently, investment in databases varies according to company type, often related to the size of the marketing department. For instance, British Telecom and the Automobile Association are examples of companies which made huge investments into databases. At an industry level, the manufacturing sector invests the least in database, whilst the retail sector is the biggest investor in software, data, and hardware for its database, with more than half (55 per cent) reporting expenditure of more than £250,000 and 22 percent more than £1 million (Marketing Business, 1993). DunnHumby Associates surveyed 113 of the UK 's top advertisers in their 1992 annual study and reported that at present the database is usually under-utilised and that companies do not get the full benefit from it. The survey identifies that 13 per cent of companies did not make use of names and addresses held on computer. This represents a significant loss and waste of resources (Marketing Business, 1993).

Thus, there is a potential for the greater utilisation of databases by management. Table 2.1 indicates the popular use of the marketing database found in DunnHumby Associates' survey.

Table 2.1 USE OF THE MARKETING DATABASE

Purposes	Utilisation (per cent)
Marketing research	35
Direct marketing - existing	34
Market planning	32
Direct marketing - prospect	16
Customer care	19
Media analysis	16
Competitor activity	15
Product measurement	15
Incoming tele call	14
Outgoing tele call	14
New product development	12
Site location	12

Source: Marketing Business, 1993

2.3 DEFINITION FOR THE PURPOSE OF THE STUDY

Due to the degree of contention pertaining to a 'widely accepted definition' of direct marketing, the author chooses to define it as follows:

Direct marketing is a subset of marketing and a marketing method which creates a direct contact, response, and relationship between a supplier and its potential customers or encourages business activities between them through **targeting** and **certain media.**

There are two emphasises in this definition. One is targeting which is facilitated by a customer database, the other is the use of media in communication.

2.4 FEATURES OF DIRECT MARKETING

Whilst direct marketing is defined for the purpose of this research as a subset of marketing there are some distinctions from the mass marketing communications or some other marketing disciplines as follows:

a. Selectivity of target audience - Direct marketing allows a marketer to screen and target consumers who are most likely to be the potential customers. The advantage will result in improved cost effectiveness.

b. Concentration on focused group - As direct marketing focuses on certain groups of consumers, according to their preferences, the marketer can formulate highly concentrated marketing strategies to achieve objectives and get a higher response rate than other marketing methods.

c. Comprehension of communication material - Resulting from direct marketing's targeted and focused group, comprehensive information and knowledge can be conveyed to the identifiable customers. Direct marketing can also overcome some cultural and linguistic barriers in marketing.

d. Sales promotion - Effective and measurable sales promotion can be facilitated in direct marketing activities.

e. Continuity of customer contact - A customer database is an important part of direct marketing which enables the direct marketing firm to have a long term relationship and contact with its customers and enables the cultivation of brand loyalty.

f. Public relations based upon the relationship with the individual - Public opinion on a direct marketing company primarily depends on whether the firm can secure a favourable image with the customer. That is, customers will judge the company based on their experiences with the firm. This, along with continuity of customer contact, generates a sense of brand importance and accountability as well as consumer's trust in the brand.

g. Interactive process - This is a new concept for direct marketers. It is identified as an important element of direct marketing now because of the rise of consumerism and the increasing number of self-approaching consumers who initiate contact with the direct marketing organisation. The two-way communication between the message sender and the receiver includes complaints, guarantee, terms of refund and returned goods, etc.

After the introduction of what direct marketing is and its feature, the following section addresses how direct marketing and mail order evolved over time.

2.5 THE EVOLUTION AND DEVELOPMENT OF DIRECT MARKETING

The theme of this section focuses on the evolution of direct marketing. Since mail-order has a longest history in the context of direct marketing. The discussion begins with Section 2.5.1 Evolution of Mail-Order. Following sub-sections looks upon the change and development of direct marketing, including the focus shift (i.e. becoming consumer focused), and media development (i.e. apart from mail-order, other media are gradually playing an important roles.)

2.5.1 The Evolution of Mail-Order

Catalogues of books and nursery items have been distributed from as early as the fifteenth century due to the emergence of printing technology. Catalogues of books and of nursery items were especially popular in those early days. Later, catalogues began to include elite items like wine, furniture, and china. During this period of time, catalogues were actually targeted at those with purchasing power who were able to read, although the knowledge or skills of 'direct marketing' had, at that time, not been acknowledged (Ross, 1992). In 1872, Aaron Montgomery Ward first introduced direct marketing by distributing the first modern mail-order catalogue in the US (Roman, 1987, p.XV). For geographical reasons, mail-order became popular, served rural people who were isolated from the urban society, and was well-established, via the nation-wide postal system. Unlike the US, the UK population is more urban-based. The mail-order business originated in the early twentieth century from the 'Shilling Club' which was a weekly saving club that allowed members to purchase goods with 20 weeks to pay on free credit. Moreover, in the evolution of catalogue distribution, agents were mostly women who could earn ten percent commission, in a low wage economy.

In reviewing the direct marketing business in the United Kingdom, Quigley and Silva (1990) traced its origin to the late nineteenth century in Lancashire, in Northern England, where a merchant walked the streets of an industrial town selling goods from a barrow. Mail order was more prevalent in the North than in the South, and it flourished in periods of unemployment. In 1938, the total retail expenditure on consumer goods was estimated to be four per cent by value and was sold by mail order or other direct means. (Jeffrey, 1954) The 1957 Census of Distribution indicated that people in the UK did approximately three percent of their shopping through the mail-order houses. (Davis, 1966) In 1970s, a catalogue selling trend emerged. Retailers obtained a range of mailing lists and established a catalogue selling base to increase their sales as well as to promote their products. Some also merged with retail stores or outlets, for example, the retailer Next acquired Grattans, and Freeman merged with Warehouse and Jeff Banks. (Nuttal, 1987) Even the retailing giant, Marks & Spencer operated its first trial mail order project in the autumn of 1986. (Kubes, 1981)

2.5.2 Focus Shift

When direct marketing first emerged, it was very much a seller-focused marketing discipline. The only concern for practitioners was to sell whatever they wanted to sell to whoever they could reach. They tried to reach as many customers as possible and delivered the message mostly of 'what they want to sell' and 'what they can offer'. While the concept of direct marketing has been constantly upgraded, the old way of more seller focused direct marketing, nowadays, is referred to as 'traditional direct marketing' (Schultz, 1993) of which the most heavily used media are mail and catalogue.

More recently, direct marketing is promoted as a 'consumer focused' marketing discipline which employs marketing research and database marketing in order to achieve a comprehensive understanding of the audiences' wants, needs, purchasing behaviours,

social classes and lifestyles. Also, the media employed are more diversified and highly reliant on computer technology.

2.5.3 Media Development

In the UK, direct Mail has become the third most important advertising media which is surpassed only by the press and TV in terms of advertising expenditure (see Appendix 1.1). In addition, the share of direct mail expenditure in total advertising expenditure has been growing steadily since 1987 (see Appendix 1.2).

In October 1993, the UK's first ever dedicated television home-shopping channel, QVC (Quality, Value, Convenience) was formed in the UK. This project is a joint venture between QVC in the US and satellite channel BSkyB began broadcasting. QVC's format in the UK is similar to that in the US, with twenty-four hour live shows divided into one hour blocks with a theme, such as clothing or jewellery or kitchenware. With the growing penetration of cable and satellite television, consumers in the UK are very likely to become increasingly accustomed to ordering in direct response to televised home-shopping in the near future (Mintel, 1994).

The most recent media development is on Internet communication. This communication system is driven by a computer network and information exchange. Few large scale organisations have started to explore this market. As a result of media development, there are a number of different forms of direct marketing. The following section will continue the discussion by categorising activities into six forms.

2.6 FORMS OF DIRECT MARKETING

Direct marketing is a collective term involving all kinds of direct marketing techniques and media. It is essential for marketers to choose the most suitable form of medium or media in order to reach their customers and market their products effectively. Technological development, as well as social changes (see Section 2.8 c), offer a range of media choice for direct marketers. The largest US cable shopping channel QVC, for example, broadcasts and demonstrates various merchandise via the cable channel for those who wish to shop in their own home. Also, in the UK, teletext performs a satisfactory function in delivering message and marketing activities. Thus, with improved technology and the increasing role of social change, the opportunities for development are greater.

The basic forms of direct marketing are described in the following subsections.

2.6.1 Direct Mail

Direct mail, the most common form of direct marketing communication, has enjoyed its constant growth over the years and among all direct marketing techniques (see Appendix 1.1 and Appendix 1.2). It accounts for a third major share of advertising expenditure, behind the press and TV. Direct mail is personally addressed mail which is different from random leafleting. Recently, direct mail has been improving with the use of individual targeting messages regarding lifestyle, interests, or demographic similarities. The emphasis of the message and advertisement is very much personalised.

2.6.2 Direct Response Advertising

There are three criteria in defining what is a direct response advertisement (see Appendix 1.4): first, it should make a definite offer; second, it has to provide enough information necessary to make a decision; and third, it has to provide specific directions for

response, such as a toll-free number or a response coupon (Stone, 1984). These direct response advertisements can be delivered through any kind of media, such as press, TV, radio, inserts, fax, etc.

2.6.3 Mail-Order/Catalogue Sale

A mail-order catalogue retailer is "a retailer offering merchandise and/or services through catalogues mailed directly to customers" (Levy & Weitz, 1992, p.G4). Currently, there are two types of catalogues. One process involves selling where the consumer can purchase merchandises through mail-order. By producing catalogues or lists of goods and services, products are marketed directly to named consumers or are provided for customers. Therefore, this form of direct marketing is used as the 'channel of distribution'. The other is the promotional catalogue. They are distributed to consumers but do not necessarily involve purchase. If consumers are interested in buying the products, they will have to go back to a retail outlet. A wide range of products are sold through newspapers, magazines, inserts, and most significantly catalogues. It focuses on selling a product through offers or sales promotions instead of sending messages or information. It urges consumers to purchase products or services. The influence of modern technology means that mail is no longer the only medium involved in mail-order catalogue sales. Very often, customers place their orders by telephone or even fax.

2.6.4 Door-to-Door

Door-to-door direct marketing is primarily conducted through a salesperson recruited by a particular organisation which either sells some technical merchandise requiring detailed explanations or some fast moving consumer goods requiring 'word-of-mouth' to promote the merchandise. The former usually is a more knowledgeable salesperson on a certain technology, on machine operation, or insurance; the latter usually is only use with people who are loyal to or confident with the product and are commissioned to recommend the

products to friends, relatives, or neighbours. Companies such as Avon, Betterware operate this form of marketing. Tupperware, selling products through house parties, is also part of the door-to-door selling business.

2.6.5 Tele-Marketing

Tele-marketing is gradually becoming one of the common forms of direct marketing. With technological developments and improvements in living standards, most households own a telephone which provides an immediate response towards a message delivery or sales promotion or even immediate purchase of the product. It has also become a medium for the consumer to place an order instead of responding by mail. Furthermore, because of the growing penetration of all kinds of tele-communication methods, the definition of tele-marketing has also been broadened to include Internet communication.

There are four factors, suggested by Ketrow (1990), which influence effective telephone marketing:

a) desirable product or service.

b) persuasive script.

c) skills to manage interaction, customer, and objectives.

d) positively perceived tele-marketer voice.

2.6.6 Vendor Machine/Vendor Ordering Computers

Vendor machine selling points are widely available. They provide convenience for both companies (which do not have to hire staff) and consumers (who can purchase the product without going to a shop). Usually, the products sold in a vendor machine are basic consumer goods for which the consumer has an immediate need, such as, drinks, chocolate bars, sanitary towels, tissues, etc.

The vendor ordering computers are usually installed in shopping mall in the US. Consumers shop on a computer screen which specifies the price, product description, etc. It is a product database from which consumers can obtain the product information and choose and order their preferred products from the computer. However, this computer installation involves a very high financial capital investment. This form of direct marketing is still in the development stage.

Taken together, therefore, there are three forms of direct marketing: non-store retailing, direct sales, direct response activities.

2.7 THE PERFORMANCE OF DIRECT MARKETING

Since the existing data in direct marketing is very limited, this part of discussion is constrained by the availability of the statistics and problem of industry definition. As I believe that a general picture of the size and growth of this industry is important that gives higher value of this study, some terminology is directly applied from the secondary data although may not be same as the definition or forms categorised in Section 2.6.

2.7.1 Size and Growth

In a marketing context, industry definition has a substantial effect on planning as well as evaluation. Since there is no single recognised definition of direct marketing, the statistics of this industry are very difficult to monitor. Principally, direct marketing, in broad terms, covers non-store retailing, direct sales, direct marketing promotion, and direct response activities. According to statistics published by the Direct Marketing Association (DMA) in 1993, the direct marketing industry in the UK employs more than 25,000 people and is estimated to generate more than £9 billion in revenue and trade.

Colorgraphic Group, which is a direct response supplier company, conducted a study aimed to determine the size of the total direct response market in 1991. The survey covered: list brokers; list management; database development and management; direct advertising; print; mailing; product fulfilment; data capture; computer packages and tele-marketing. The results of the survey indicated the total expenditure on all these aspects of direct marketing was £2,427 million in 1990. Recent reports show that the total direct response market increased by 43 per cent between 1986 and 1990 and that it was expected to grow by 33 per cent between 1990 and 1996 (DMA, UK, 1992).

To present the evidence of industry growth, the following sub-sections illustrate the 'home shopping market' segment which generates most of the sales in direct marketing. However, there is a long existing problem that no accurate source exists from which to quantify the total sales generated by the direct marketing industry as the classification system and measurement procedures of the census are incomplete. This problem is identified by Gillett who stated that "The census classification of types of 'non-store retailers' is a narrow conception that excludes many in-home sales by retailers who achieve only part of their volume using some in-home selling method. Also excluded are in-home retail sales of firms not classified as retailers, as well as the sales of many small direct-mail establishments." (Gillett, 1976, pp.81)

2.7.2 Home Shopping Market

In 1992, 62 per cent of the adult population in the UK purchased goods through a mail order catalogue, replied to a direct response advertisement, or did both. Also, a market survey conducted by DMA revealed 66 per cent of direct marketing agencies responding to the survey reported that they had seen a shift in client budgets from above-the-line advertising to direct marketing. When asked about spending fluctuations among below-the-line disciplines, 11 per cent reported gains for direct marketing, although a higher

proportion - 16.7 per cent - recorded a flow of cash in the opposite direction. The downside was that a significant 83.3 per cent recorded no increase in overall direct marketing expenditure - and over half envisaged this trend continuing in 1993 (DMA, UK, 1992).

The home shopping market generated £5.74 billion in sales in 1993 estimated to be £6.01 in 1994. In particular, the general mail order[1] contributed more than 70 percent to total sales (see Appendix 1.3, 1.4 and 1.5).

2.7.3 UK Catalogue Industry Report

The UK market has been identified as high growth, high potential, and profitable for direct marketing. In terms of product category, the penetration of mail-order catalogue sales has been greatest in the clothing and footwear trades where it now accounts for over 10 percent of trade. A study on the mail order catalogue industry in Britain, by Quigley and Silva (1990), utilised both personal and telephone interviews, surveyed chief executive officers, directors of marketing or directors of public relations. Ten percent of the sample operated mail order and retail businesses simultaneously.

Two traders dominating the mail order market are Great Universal Stores and Littlewoods (see Figure 2.2). Great Universal Stores banner includes a variety of catalogue distributors - Great Universal, John England, Family Album, Marshall Ward, Kays, and John Myers. Littlewoods banner includes John Moores, Brian Mills, Janet Frazer and Imagination (O'Brien & Harris, 1991). Most of the mail order houses were within domestic operations, apart from Chart Mail, who sells in the USA and Canada; Britannia Music and GUS (Great Universal Stores), who sell in a few European countries; and Freemans, who send their catalogue to a small expatriate population in the Middle East. However, the growing UK market has attracted some new foreign entrants. Furthermore, the size of the firms varies significantly. Also, the majority of the firms interviewed also distribute colour

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[1] This is a typical example of the different terminology in statistics and industry definition. This is based on Mintel's definition which generally means mail-order/catalogue sale in Section 2.6.3.

supplements with national newspapers to reach wider potential customers. The future trend

for growth, pointed out by most CEOs, is targeted and specialised marketing.

Figure 2.2 Market Share of the Catalogue Industry

Company	Market Share
GUS	45%
Littlewoods	26%
Grattans	13%
Empire	7%
Others	9%
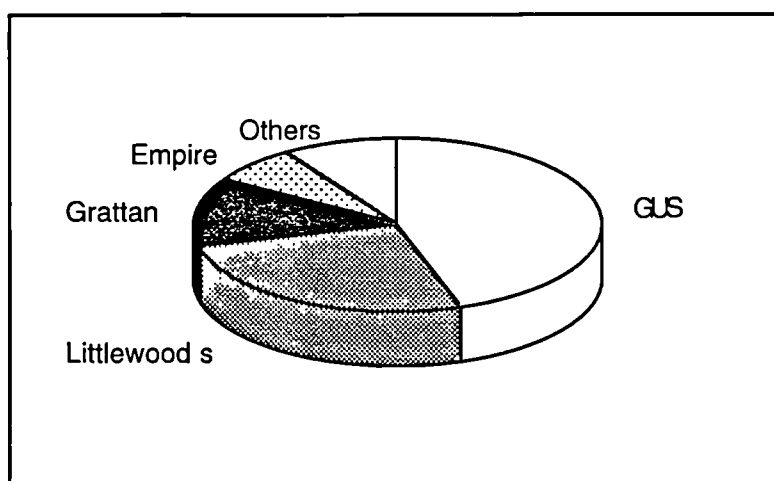
Source: Quigley and Silva, 1990

2.7.4 Special Timing for Direct Marketing

By observing the market phenomena, the sales in this industry are very seasonal,

with the Christmas sales peak being the highest season for direct marketing. Special printed

literature, pamphlets, brochures, and catalogues saturate the market place during this period

of time. The second highest season may be Easter which is also a gift-giving commercial

time period. Over this time period, people will, in addition to gift-giving, prepare many

items for the household for celebrations. Thus, the purchase of long listed shopping goods may be prioritised by their importance as well as time. As this is a time-consuming task, more people will more easily accept direct marketing than usual as a merit of convenience. In fact, most direct marketers have identified the periods of Christmas and Easter as great marketing opportunities and have tried to retain seasonal customers on a long term basis.

2.8 DRIVING FORCES OF DIRECT MARKETING

The driving forces for direct marketing can be attributed to the following:

a) Market Fragmentation: As a result of market fragmentation, the general population may be segmented into various groups according to their characteristics and preferences. Consumers desire to be treated as individuals. Therefore, products are designed to be targeted at a specific group of people and marketing communicators send tailor-made messages which are appealing to a specific market segment, sometimes at a personal level.

b) Technological Development: Technological advancement creates more and more alternatives in direct marketing media: from mail, telephone, fax to computer screen selection. In addition to the development of the capacity of computer 'hardware' which enables marketers to retain and build-up a large consumer database, the sophisticated 'software' provides the function which enables the marketers to target specific groups of consumers and to send out a more personal message that differentiates direct marketing from mass marketing. Moreover, wide-spread cable services can deliver selective voice, image, and data to selective groups of households.

c) Social Factors: Social factors have had a substantial influence on the social structure and consumers as a whole. 'Time scarcity' is common for every one and urged the demand

for convenience. There has been an 18 per cent increase in the female workforce in the UK from 1980 to 1996 (Central Statistical Office, 1991, p.109; Office of National Statistics, 1997, p.124). The increased number of women in the workplace puts further pressure on the time-consuming tasks, such as shopping and food preparation. This has resulted in an increasing acceptance of direct marketing as an acceptable shopping form. In addition, the urbanisation and industrialisation have brought the living environment into crowded and competitive norm; therefore, some consumers have become in-home shoppers (Kubes, 1981).

d) Data Explosion: Although the strict Data Protection Act 1984 is enforcing, data lists are still accessible through many ways, such as: customer responses, credit card lists and purchasable consumer profiles. After processing the consumer data, marketers find they are very useful and successful in reaching potential customers.

e) Hybrid Marketing Systems: The addition and integration of new communication channels to existing communication channels can create a hybrid marketing system. Moriarty and Moran argue that "a company that designs and manages its (hybrid) system strategically will achieve a powerful advantage over rivals that add channels and methods in an opportunistic and incremental manner" (Smith, 1993, p253).

f) Constant Search for Cost Effective Communications: This is a goal for any company in the long-term operation and marketers are searching for a way which generates the greatest result and performance. In addition, under budget constraint, marketers would consider using direct marketing as an alternative.

g) Popularity of Credit Card/Charge Account Card: The growth in the direct marketing industry has resulted from the use of credit cards and the ease of credit facilities provided by companies which offers potential customers a higher level of convenience both

in terms of time and finance. The popularity of credit cards and charge account cards has genuinely stimulated consumer consumption.

2.9 THE LEGAL CONSTRAINTS OF DIRECT MARKETING

Although there are other controls over direct marketing, the legal constraints are the most direct influence on the industry. In England, Wales, Scotland, and Northern Ireland, the primary legislative powers in the food industry are contained in the 'Food Safety Act 1990', and 'Food Safety Order 1991' respectively. Thus, direct marketing food industry has not only to comply to the Food Safety Act but also to the general direct marketing regulations which are highlighted below.

2.8.1 Industry Self-regulation

Within the direct marketing industry, there are a wide range of trade associations. Most of the associations state integrity in marketing as one of their objectives. Primarily, the companies which are practising direct marketing are members of the DMA, a formal association which unites organisations in the direct marketing field to advance this business and maintain a certain discipline. Members of the Direct Marketing Association follow the DMA Code of Practice which was launched in February 1993. The Code has the support of the Director General of Fair Trading. The Code has been adopted by all Members of the Association. Members accept that a breach of its conditions may be considered a disciplinary matter. (DMA, UK, Code of Practice: 3, 4, 1993)

Nevertheless, consumer guarantees and refund schemes are basic criteria for direct marketing practice in product satisfaction. Most companies have their own comprehensive

guarantee schemes and conditions which establish a common ground in sales, however, they are only valid for a certain period of time from product purchase.

2.8.2 Data Protection

Data protection is primarily concerned with the protection of consumer privacy. With the growth of consumerism, consumers' rights are protected not only by industry self-regulation but also by government legislation which is applicable to most consumer goods and services. However, direct marketing is also bounded by consumer privacy legislation. The personal information and data protection principles are subject to the Data Protection Act 1984 which regulates the obtaining and/or compilation of data, processing, management, utilisation and accuracy of lists containing personal information about individuals (CAP, User Guide, 1991).

In recent years, Data Protection Act has influenced how direct marketing companies use their customer lists. Direct marketing companies have become more careful in handling customer data than before. They no longer give away or sell their customer list to the other companies without their customer's consent. Also, since they are more aware of data protection and individual privacy when they send out the mail-drops. Very often, companies offer consumer an chance to decide if they are willing to receive any promotional materials, for example, 'If you do not wish to receive direct mail concerning other products, please tick this box.' in order to avoid the complaint.

2.8.3 Other Legislation

Apart from commercial law, the principal legislation abided by direct marketing industries are *The British Code of Advertising Practice* and *The British Code of Sales Promotion Practice*, (DMA, UK: One Voice, 1994, pp.15) Also, they have to apply *The Mail Preference Service* file when appropriate; and to subscribe to *The*

Advertising Standards Board Finance (ASBOF) and to *The Mailing Standards Levy* as applicable (DMA, UK, Code of Practice, 1993).

2.10 SUMMARY

In this chapter, a broad description of direct marketing and various views towards direct marketing have been presented. Clearly, on the one hand, the driving forces of direct marketing are encouraging factors that will lead to the future growth and use of this marketing technique. On the other hand, a greater effort needs to be devoted to several problematic issues, such as its definition, the definition of the industry, and industrial statistics. Legal constraints and self-regulation aim to improve the image of direct marketing and the standard of services. Thus, the interest in the use of direct marketing by the practitioner and acceptance by consumers can function in a harmonic way. For the practitioner, the adoption of direct marketing requires a comprehensive marketing planning process. In designing marketing strategies, firms need to evaluate and utilise internal resources available to support their marketing strategies in a competitive and constantly changing environment. Consequently, the role of direct marketing strategy is discussed in detail in the next chapter.

CHAPTER THREE

DIRECT MARKETING STRATEGY

3.1 INTRODUCTION

The objective of this chapter is to address the role of direct marketing strategy and the relevant issues involved during managers' marketing planing process. The discussion, based on a general marketing perspective, is important because the aim of this thesis is to present the implications as guidelines for mail-order companies' marketing strategies. This chapter would be useful to help managers to outline their own plan by examining the relationship between marketing strategy and direct marketing.

"As a society becomes increasingly affluent, wants are increasingly created by the process by which they are satisfied. This may operate passively. Increases in consumption, the counterpart of increases in production, act by suggestion or emulation to create wants. Or producers may proceed actively to create wants through advertising and salesmanship. Wants thus come to depend on output." (Galbraith, 1969, pp.152-3) Despite impulsive buying behaviour and the fact that people sometimes do purchase things by sudden urge, consumers are considered reasonably rational. As such, success in competition amongst organisations, which are in the same target market or substitutable markets, depends upon the competitive advantage of the organisation or its products. Marketing strategy provides an efficient way to deliver competitive strength. Therefore, nowadays, successful marketing strategies could be the predominant influences on consumption.

For the marketing world, before and during the 1960s, mass marketing was a general practice for most business activities. The 1970s developed 'segmentation', and the 1980s moved into 'target' and 'niche marketing'. The 1990s is the era which places emphasis on the individual, in other words one-to-one marketing or direct marketing (Smith, 1993). Direct marketing is a much more sophisticated marketing skill than before and than other marketing activities. The move of direct marketing is commanded by the changing market and consumers. Ogilvy (1989) predicted that one day all advertising agencies would be direct marketing agencies. Although the forecast seemed somewhat exaggerated, most of the advertising agencies are actually doing direct marketing now.

Direct marketing strategy is a consequence of marketing strategy engaged with direct marketing activities. It evolves from a conscious decision concerning satisfying a target market. As such, the theme of this chapter is to discuss the role of direct marketing strategy and then integrate it with the mail-order food market. This thesis chooses to focus upon mail-order food marketing for the empirical research because for decades, the retailing revolution has been led by food and commodity manufacturers and distributors. Today, however, the ever increasing demands of leading a more modern lifestyle have given mail-order a more prevalent role in the marketing environment (Berkowitz, et al., 1979). Also, in terms of perceived risk, food is one of the product categories which is associated with relatively lower risks for which consumers' personal inspection of the product is not a pre-requisite of the purchase decision-making process (Cunningham, 1967). Coupled with the development of the food industry both in innovation and production, the majority of food products are branded or standardised. While mail-order companies offer a higher level of service, such as delivery, there is a strong belief that the individual contact of food mail-order facilitated by advanced communication and response media has great potential and offers opportunities in the modern era, which as yet have not been fulfilled.

In the UK, it is reported by Mintel (1994) that more than 70 per cent of the in-home shopping revenue comes from general mail order business which is dominated by clothing and footwear trades. Food mail-order sales account for a very small share of the present mail-order industry. Thus, its under-performance in the UK may be attributed to various management or marketing factors. The experience in the US, however, has been very different, Doody and Davidson (1967) predicted innovative mail-order food and consumer products shops utilising modern technology such as closed circuit television and computer electronic devices. This, to an extent, has occurred in the US, although factors such as British culture, tradition, and an urban-dwelling pattern, have led to a lower degree of optimism by marketers in the UK.

This chapter begins with an introduction of the business strategies which is virtually directed by clearly defined objectives and the hierarchy of strategies. Along with a discussion on the role of direct marketing strategy, an evaluation on the advantages and disadvantages of direct marketing will be discussed. Since sometimes direct marketing is also concerned with channels of distribution, views on channel decision and distribution strategy will be presented in the last part of this chapter.

3.2 OBJECTIVES AND STRATEGIES

Since the concept of 'management by objective' (Drucker, 1954) has been introduced, the objectives of an organisation are recognised to be profoundly important for strategy. Successful strategies are directed by well-defined objectives. Usually, organisations will have different objectives at different stages of development. The various objectives described by O'Shaughnessy (1988) are listed in Figure 3.1.

These various objectives are usually not only positively related to the stage of the organisation's development but also the position of the company's life cycle. The functional objectives, therefore, are dictated by those higher level objectives.

Figure 3.1 Various Business Objectives

Company Objectives - Pursuit of Development
Growth in a business
Hold / Defend existing position
Turnabout / Rebuild the business / Turnaround
Harvest / Wind down the business
Divest / Exit from a particular business or businesses

Source: O'Shaughnessy (1988)

"Strategy is the broad conception of how the firm's strengths are to be deployed to overcome resistance to the achievement of objectives. What resources are considered a strength depends on the objectives being sought and the opposition likely to be encountered." (O'Shaughnessy, 1988, p.19) Since Mintzberg (1977, 1990) believed organisations are restricted by internal and environmental factors, he asserted that strategy is patterns in a series of activities or similarities over time in the way in which an organisation responds to its environment. Thus, strategy is a generic term which can be employed as a means to achieve a company's objectives and to compete with its competitors by utilising its resources to pursue its success in the market. Basically, there are three levels of strategy in most large organisations (see Figure 3.2):

a)   Corporate strategy.

b)   Business-level strategy.

c)   Functional strategy.

Corporate strategy can be simply explained as the business the firm is in, that is, it defines the firm's business or businesses and directs marketing where the markets are; it also determines the firm's boundaries of operation. Business-level strategy focuses on sustaining a firm's competitiveness (Baker, 1992). Marketing strategy is considered as one of the functional strategies and the aim of marketing strategy is primarily to achieve a specific marketing objective. Thus, marketing strategy generally is to get the right goods to the right markets in response to consumer's demand and the firm's competitors.

Figure 3.2 Strategic Hierarchy
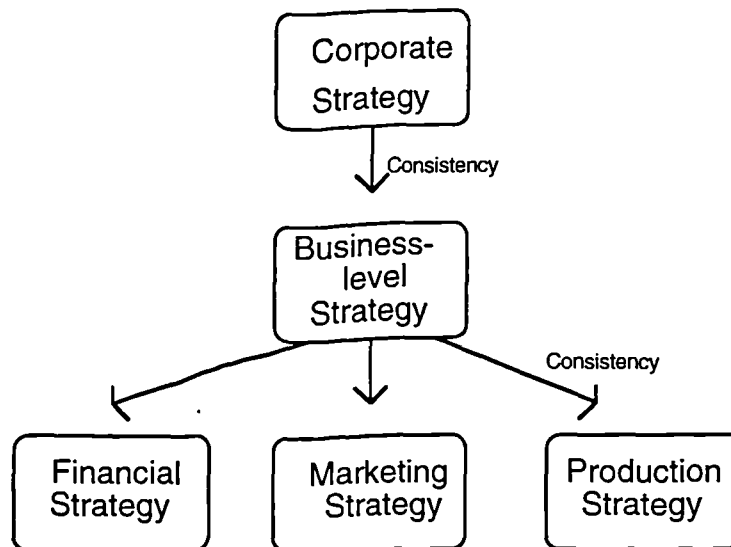
Usually, direct marketing is more concerned with marketing products or sales services. Thus, even for those direct marketing companies, the function is at the operational level within the marketing department. Considering direct marketing's strategic role, it can also be used as a bridge towards the public at the corporate or business level of strategy by sending out literature, financial and annual reports to the shareholders or advertising in the press or pamphlets to build-up public relations or

corporate image in a direct way (Katzensten & Sachs, 1986). In other words, it is a direct contact, response and relationship between shareholders or public and the organisation. Therefore, the tasks define the function of the scope of the strategy.

A major issue addressed in the context of business strategy is how to achieve and sustain a competitive advantage (Walker, *et al.*, 1992). Strategic decisions are associated with the situation and capability of a company. They are concerned with the scope of an organisation's activities and the resources available. It is also concerned with its competence in implementation that is affected by a company's management systems and culture. Moreover, the chief responsibilities of marketing are to identify the needs in a certain market and to develop a product or service which can fulfil those needs by the allocation of organisational resources. The entire procedure in achieving the objectives relies on marketing strategy. In designing a marketing strategy, it not only requires an accurate and comprehensive marketing information system but also some considerable alternatives in order to achieve the objectives at each level of strategy. The Product / Market Expansion Grid (shown in Figure 3.3) presents four areas for an organisation's growth: market penetration; market development; product development; and diversification, suggested by Ansoff (1957). Figure 3.3 thus simplifies the company's current situation by examining two dimensions, product and market, for the company's further development. It helps organisations to identify their current position and to establish their business objectives that, therefore, enables managers to shape their marketing objectives and marketing strategies. If direct marketing is well-employed, most of the objectives can be achieved. The next section will look at direct marketing strategy in more detail.

Figure 3.3 Ansoff's Product / Market Expansion Grid

	Current Market	New Market
Current Product	Market Penetration	Product Development
New Product	Market Development	Diversification

Source: Adapted from Ansoff (1957)

3.3 DIRECT MARKETING STRATEGY

Compared with other functional strategies, marketing strategy is more actively related with the external environment than the internal environment (Baker, 1992; Fifield, 1992; Wilson, et al., 1992). However, it is an integrated with internal resources and strengths to achieve its competitiveness and capability in the market place. "Marketing strategy comprises the broad principles by which marketing management expects to achieve its business and marketing objectives in a target market. It consists of basic decisions on marketing expenditures, the marketing mix, and marketing allocation" (Kotler, 1991, p.68). Consequently, it is in relation to the characteristics of resource availability, competition, consumer demand, cultural environment, government regulation, and technology. More specifically, direct marketing strategy is a classified term of marketing strategy which applies the direct marketing concept on various business activities in order to achieve the objectives. The most important contribution of strategic management in the marketing concept is segmentation and positioning (Biggadike, 1981). In relation to that, direct marketing helps marketers reach their target market/audiences effectively. The most desirable achievement in direct marketing is to generate a significant impact on the target group and to receive a high response rate. Concerning direct marketing strategy, it is important to outline a direct marketing flow. Figure 3.4 presents the primary components of direct marketing.

3.3.1 The Strategic Role of Direct Marketing Strategy

Direct marketing may be applied both on its own and in complementary with other marketing activities to satisfy customers and achieve a company's objectives. As the direct marketing response is measurable, it also eliminates some problems in marketing control and evaluation to allow marketers to monitor the marketing impacts on a targeted group. Thus, the strategic role of direct marketing in the marketing context relies on what it can achieve. It can:

a)   expand the number of customers.

b)   maintain the existing number of customers.

c)   upgrade the existing customers.

d)   cross-sell the customer base with other firms that will have no or very little

competition on the business.

e)   increase the second or future purchase (Strazewski, 1987).

Figure 3.4 illustrates the primary components of direct marketing. It shows direct marketing is used to achieve marketing objectives. It also emphases the importance of marketing research amongst the components. Direct response advertising is concerned with targeting, media choice, and the advertisement creation. Based on the response rate, companies can evaluate how successful the direct marketing campaign is and fulfil the transaction. Most importantly, it is a continuous process and involves long-term commitment.

Furthermore, in addition to those features of direct marketing which have been elaborated in Chapter 2, direct marketing also acquires three major functions. One is the advertising function which communicates product offers through various media. Second is the maintenance of a database, which records the response. The third is fulfilment, which is the physical distribution aspect of direct marketing. When a response or

transaction is consummated, the product must be delivered according to the terms of the offer (Katzensten & Sachs, 1986).

Figure 3.4 The Primary Components of Direct Marketing

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                          ┌──────────────────────┐
                          │ Business Organisation │
                          └──────────────────────┘
        ┌──────────┐         ┌───────────┐         ┌──────────────┐
        │ Finance  │─────────│ Marketing │─────────│  Production  │
        └──────────┘         └───────────┘         └──────────────┘
                                   │
                          ┌──────────────────┐
                          │ Direct Marketing │
                          └──────────────────┘
                                   │
                          ┌──────────────────┐
                          │ Marketing Research│
                          └──────────────────┘
                                   │
┌────────────────────┐    ┌──────────────────┐    ┌─────────────────────┐
│ Market Segmentation│    │ Direct Response  │    │ Advertising Creation│
│ . Consumer         │────│ Advertising      │────│ . Drect (Response)  │
│ . Industry         │    │                  │    │ .Indirect (Response)│
└────────────────────┘    └──────────────────┘    └─────────────────────┘
                                   │
                              ┌────────┐
                              │ Media  │
                              └────────┘
                                   ▼
┌──────────┐┌──────────┐┌─────────────┐┌───────────┐┌───────────┐┌──────────┐┌───────────┐
│Direct Mail││Telephone││Interactive TV││ Broadcast ││ Newspaper ││ Magazine ││Misc.media │
└──────────┘└──────────┘└─────────────┘└───────────┘└───────────┘└──────────┘└───────────┘
                          ┌──────────┐
                          │ Inbound  │
                          └──────────┘
        ┌────────────────────────────────────────────┐
        │ Measurable response and/or transaction      │
        └────────────────────────────────────────────┘
                                   ▼
┌────────────────┐┌───────────────────────┐┌────────────────────────┐┌────────────────────────┐
│Vending machine ││Mail orders, mail/phone││Personal visit to seller││Personal visit to buyer │
└────────────────┘└───────────────────────┘└────────────────────────┘└────────────────────────┘
                          ┌──────────────────┐
                          │ Customer/Prospect│
                          │ donor/list/data  │
                          └──────────────────┘
                          ┌─────────────────────────────┐
                          │ Response/Transaction fulfilment│
                          └─────────────────────────────┘
```

Source: Direct Marketing (1990)

3.3.2 Media Selection

Currently, the most commonly used media in practice is mail, which still has the highest usage rate among the practitioners' direct marketing campaign. In fact, direct marketing components can be incorporated with most media but managers should choose the most suitable media which require effective use of resources. Therefore, according to the nature of the business and its marketing objectives, media selection is usually the first step of strategic decision-making. The selection of media is associated with the nature of the business and its marketing objectives. Direct marketing companies usually make decisions on the media before they begin direct marketing business. At the moment, direct mail catalogue is the most prevalent form of direct marketing while the interactive TV is gradually growing and computer ordering is under development. The media selection usually depends on the following factors:

a)   The media should be able to reach the target audiences effectively;

b)   The target audiences are able to respond effectively;

c)   The media should be able to contain and deliver the designed message;

d)   The cost of using the media is controlled to meet the budget.

e)   The effectiveness of the media can be constantly monitored.

3.3.3 Strategic Direct Marketing Elements

In marketing, the concept of the 4P's - product, price, promotion, and place - are identified as strategic planning variables. Similarly, for direct marketing a set of decision making variables are equally important. These are:

a)   Offers which includes product.

b)   Creativity.

c)   A medium which includes lists when applicable.

d)   Time/sequencing (Nash, 1986).

e)   Customer service (Roberts & Berger, 1989).

In order to have an effective impact on the market, a good direct marketing plan involves an optimal mix of the above elements. The result is generally measured by consumers' responses. A good direct marketing plan generates a high response rate. Figure 3.5 shows the emphasis of each of the elements in generating response according to their influence and importance[2].

Figure 3.5 Importance of The Elements in Generating Response
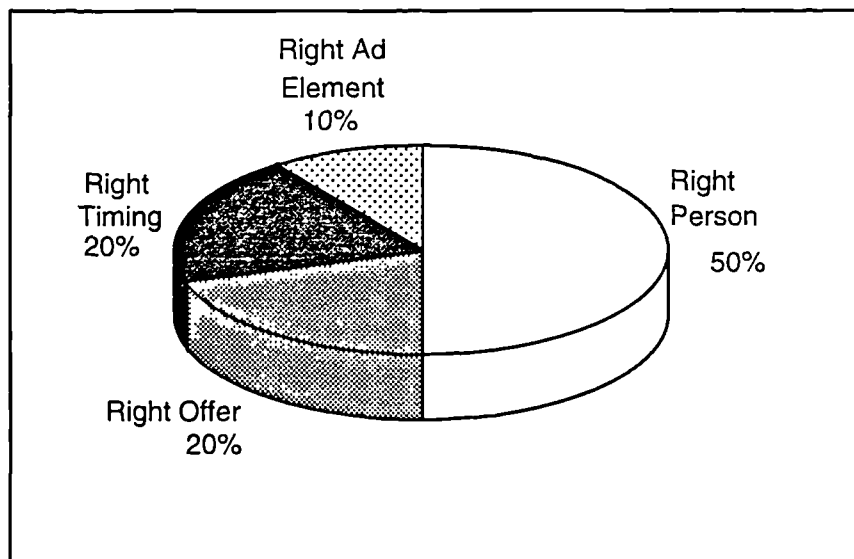
Source: Roberts & Berger, 1989   .

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[2] In Roberts and Berger (1989) *Direct Marketing Management*, p7; it is based on a case study publish by *Direct Marketing*, "DM Marketplace," August, 1986.

3.3.4 Advantage And Disadvantage of Direct Marketing

The advantages and disadvantages of direct marketing should be noted before the marketing campaign begins, especially since those potential disadvantages may be eliminated if they are identified in advance.

3.3.4.1 Advantage of Direct Marketing

Apart from that fact that direct marketing is facilitated by technology, it also broadens the marketing function with distribution channels offering delivery from the supplier to the customer directly. This sometimes results in a high efficiency, focused management effort, and higher margins which previously were given to distributors or retailers. Considering the role of direct marketing in marketing strategy, the following advantages may be identified (Smith, 1993):

a) Consumers are targeted in concentrated groups that are effective for niche marketing.

b) Direct marketing is particularly cost effective when customers repeat their purchase.

c) As the direct marketing response is measurable, it is easier to control and evaluate the impact and effectiveness of marketing activity on the market.

d) Direct marketing always offers a way for consumers to respond to their message and encourages them respond immediately. Direct marketing also treats each consumer as an individual; therefore, it usually allows a higher flexibility in comparison with other marketing techniques. Tele-marketing, in particular, is very flexible for constructing message content and can receive an immediate response.

e) It is possible to simulate 'test marketing' among a pre-defined consumer group. Before the marketing campaign is actually started, its effect on the market can be estimated based on the results of the test-run.

f) Marketers start to see direct marketing as an alternative route for a company to go international at an early stage. In this way, the company does not need overseas salespersons or other overseas market entry arrangements like contracting.

g) Companies will have the opportunity to build-up a database and retain customers and establish a long-term customer relationship.

h) Messages can be tailored to specific target groups.

i) Direct marketing can carry out multi-functional marketing purposes, such as promotional messages, customer care and information.

3.3.4.2 Disadvantages of Direct Marketing

The disadvantages are described as follows:

a) The biggest disadvantage of direct marketing is the 'image problem'. This problem results from those direct marketers who lack the discipline of targeting appropriate market segments that generates negative feedback from consumers. For example, direct mail is associated with 'junk mail' although the Advertising Standards Authority (ASA) announced the encouraging fact that they had received only 24 complaints about direct mail in 1994, compared with 48 in 1993, despite the fact that the number of letters direct-mailed to people's homes increased from 1.8 billion to two billion over the same period (*The Independent*, 2 Sept. 1995). Other

direct marketing forms also create better impressions from people than before. In particular, people resent being telephoned too often or late or if a pushy door-to-door salesperson knocks on their door after they have had a long day at the office.

b)   Direct marketers ought to be very conscious about the customer's privacy especially at the initial contact (e.g. first mailing, first telephone call). Most consumers want to know from where their name and address have been obtained. Although research has asserted that some people prefer to receive direct mail, there are number of people who consider it to be intrusion or invasion of their privacy (*The Independent*, 2 Sept. 1995; *Independent on Sunday*, 4 June, 1995; Wang & Petrison, 1993; Nowak & Phelps, 1992).

c)   The initial customer acquisition costs are high while subsequent transactions are much lower. Direct marketing has a high cost per thousand people contacted compared with other advertising. Moreover, sometimes the response rate can be as low as two per cent when the direct marketer fails to target effectively, resulting in a financial loss. In addition, to develop a comprehensive database may require a large investment cost. That is, if direct marketing is used in short-term promotions it will cost a substantial amount to the organisation. In contrast, if it is run in a long-term prospect it will be a cost effective option for management (Smith, 1993).

d)   When direct marketing involves product distribution from the supplier to the customer, the channel usually is not under the direct influence of the supplier. Products are either sent by general post service or contracted carrier. Therefore, in some cases, unpredictable problems might occur.

3.4 DIRECT MARKETING AND MARKETING CHANNELS

Sometimes direct marketing involves delivery as a fulfilment. In this notion, the factors concerning the channel of distribution are discussed.

3.4.1 Marketing Channels

'Marketing channel' is a collective terms of functional institutions which exist to link the productive activities of specialists operating at different spatial scales to consumption patterns in a global economy (O'Brien & Harris, 1991). In this process, producers and consumers are situated at either end of the marketing chain. There are intermediaries between them. Dawson (1979) distinguishes two various channels: first, product channels which are concerned with the logistics of getting the right products to the right markets; second, title channels which are concerned with the rights of ownership, organisation and exchange. Difficulties can arise when the interests of any one part of the channel conflict with those of any of the others.

A channel of distribution involves making a product or service available for use or consumption in the marketing process. Those functions performed by a channel can only be shifted not eliminated. In other words, the intermediaries may be eliminated but not their functions. The basic functions performed by a channel of distribution are: first, *carrying inventory and physical distribution* that realise the product accessibility to the customers; second, *selling* which includes ordering, transaction, and providing product information; third, *extending credit to the customers and providing after-sales service* that is usually associated with some risk, such as changing, returning, or repairing goods or services (Stern & El-Ansary, 1988).

3.4.2 Distribution Strategy

Figure 3.6 shows the four common market gaps for business opportunities. Direct marketing channels were originated to fill the distribution gap under competition. This section aims at presenting a distribution strategy and channel choice. Whatever direct marketing channel the organisation is using, the channel planners should consider the following issues (Stern & El-Ansary, 1988):

a)   Analyse end-users' needs for services outputs.

b)   Establish channel objectives in terms of delivering service outputs.

c)   Set channel strategy in terms of coverage, exposure, and support required from the channel.

d)   Select appropriate channel from available alternatives.

Thus, the distribution flow can be shifted according to the re-assigned functions when the effectiveness and the efficiency of the channel are improved or when the marketing opportunities are found. Sometimes managers try to find the 'marketing gaps' in the marketplace in order to expand their product range or market.

Figure 3.6 Business Opportunities

Business Opportunities
Product Line Gap
Distribution Gap
Competitive Gap
Usage Gap

In practice, there are two types of direct marketing organisation: one distributes its products solely through a direct marketing channel, and the other has one or several

conventional outlets; meanwhile, it also has a direct marketing channel available for those customers who have no access to the physical outlet or prefer to use the direct marketing channel. For example, in the UK, companies such as Grattan, Kays, and Family Hampers concentrate entirely on mail-order business while others, such as Littlewoods, supplement their retail store operations.

In addition to the consideration of the function which a channel performs, the marketing channel environment is also a vital element to be examined. As the pace of businesses and marketing environments change at an increasing rate, to pursue a successful channel strategy, it is important that the channel plan is always compatible with the environment (Dwyer & Welsh, 1985). The five broad environmental factors (Achrol, *et al.*, 1983) usually considered in channel studies are: economic, competitive, socio-cultural, technological, and legal environment.

a. Economic Environment The macro-economy has always had a tremendous influence on business activities. However, the economic environment has more effect on the entire industry rather than a single business. The economic factors, such as inflation, recession, disposable income, and indices, such as the retail price index, are constantly monitored by the government and are available for the public.

b. Competitive Environment It is the most important environment for strategic planning. This issue will be elaborated in the next chapter.

c. Socio-cultural Environment The socio-cultural environment sometimes is difficult to observe. In many cases, in order to find out the social structure of sub-cultural changes, market research will be required. Consumers' lifestyle, education, the role of women, family size, and health should all be taken into consideration.

d. Technological Environment Direct marketing is vastly influenced by progress in tele-communications and electronic innovations. It not only has accelerated the sending and responding process but also offers more media alternatives for marketing.

e. Legal Environment Generally speaking, every business activity is regulated and protected by law. Although sometimes business trade of conduct may be in favour of the government's interest, the environment usually provides a fair competition. Companies should always acknowledge their legal position in relation to the marketing environment and consumers (see Chapter 2, Section 2.8).

3.4.3 Channel Conflicts

The conflicts occurring within a channel are caused by different factors. However, it is mainly due to the shifting nature of market demand and channel function, economic growth, and competitive activities among the comprising channels of a firm. Competitive conflict among the intermediaries occurs when a channel of distribution grows out of tensions within itself, or between alternative channels, created by real or perceived inequities. The conflicts occur in three forms (Sim, *et al.*, 1977):

a) Horizontal competition or that occurring between competitors of the same line or type, for instance, a chain store.

b) Vertical competition occurring between different stages in the channel; that is, manufactures versus retailers. This type of conflicts is basically caused by rivalry over the shift of channel function, duties, divergence in channel goals, and differences of opinions as to resource allocation.

c) Inter type competition occurring between different methods of distribution, for instance, chain stores and mail order or catalogue selling (Baier, 1983).

In the direct marketing context, inter type competition between the conventional distribution outlet should draw manager's attention. Competition within two different channels of distribution, especially when they serve the same target market and same groups of consumers, may not only result in resource redundancy but also in an actual conflict. Therefore, when the company has more than one distribution channel, the direct marketer should review the capability of its existing marketing channels very carefully.

3.5 SUMMARY

Effective direct marketing strategies are governed by clearly stated objectives. There are different stages of organisational development that may require different objectives to suit each different stage. This chapter has discussed the important components, elements, and advantages and disadvantages associated with direct marketing planning. Also, very often, because direct marketing involves channels of distribution, there is an analysis of marketing channels, distribution strategy, and conflicts in the last part. This chapter tends to address all these issues from a theoretical point of view. This theoretical background is evidently useful in bringing-up the practical issues in subsequent chapters. The next chapter will have an in-depth review the Mail-Order Food Market & Environment.

CHAPTER FOUR

MAIL-ORDER FOOD MARKET & ENVIRONMENT

4.1 INTRODUCTION

For the survival or growth of a business, management should acquire comprehensive knowledge about the current business environment. More specifically, a marketing information system (MIS) helps and supports managers' marketing decisions. An analysis of the business environment consists of understanding the macro-environment, the market, the competitive environment, and the consumer. While the body of knowledge of marketing is becoming more sophisticated, more and more conceptual and systematic analytical models are provided to reduce the complexity of the analysis of a marketing environment so that the business environment can be analysed more effectively. Figure 4.1 presents a model of the business monitoring environment which will influence the existence of a business. Thus, it will provide a principle structure for the discussion of the mail-order food market in this environment.

The 'environment', used in a marketing context, is often referred to as the external variable which may influence an organisation's performance in the market (Littler & Wilson, 1995; Johnson & Scholes, 1988). The common constraints imposed upon a business are basically from five main aspects. They are economic, political, legal, socio-cultural, and technological. This macro-environment affects all industries whereas some may be predominately influenced by one particular factor or factors; for instance, the computer industry may be affected primarily by technological factors and the publication industry may be strongly affected by socio-cultural, economic, and legal factors.

Figure 4.1 Business Environmental Scanning

```
┌─────────────────────────────────────────────────────┐
│                  Macro-Environment                  │
│   ┌───────────────────────────────────────────────┐ │
│   │              Industry Environment             │ │
│   │   ┌───────────────────────────────────────┐   │ │
│   │   │         Competitve Environment        │   │ │
│   │   │   ┌───────────────────────────────┐   │   │ │
│   │   │   │      Consumer Environment     │   │   │ │
│   │   │   │   ┌───────────────────────┐   │   │   │ │
│   │   │   │   │   Corporate Internal  │   │   │   │ │
│   │   │   │   │      Environment      │   │   │   │ │
│   │   │   │   └───────────────────────┘   │   │   │ │
│   │   │   └───────────────────────────────┘   │   │ │
│   │   └───────────────────────────────────────┘   │ │
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└─────────────────────────────────────────────────────┘
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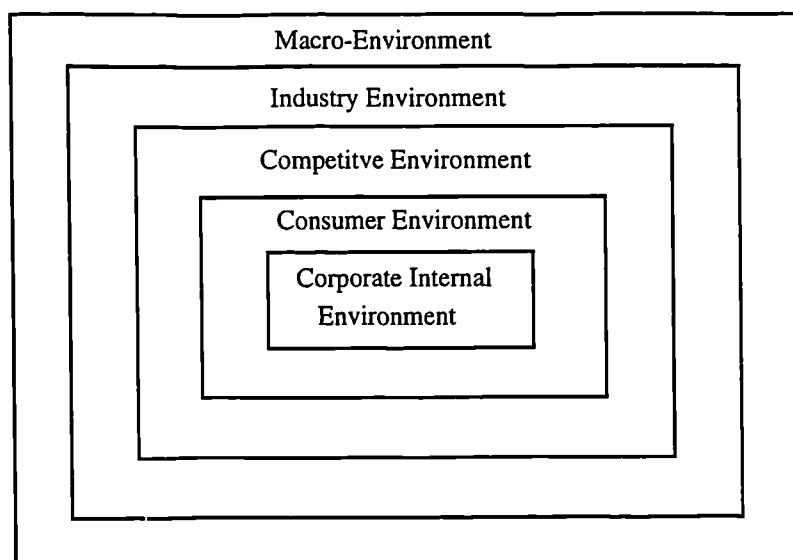
Since the competitive environment is becoming increasingly complicated, it is sometimes very difficult for organisations to identify their true competitors. In order to outline the business environment of the mail-order market, Section 4.2 summarises the retailing revolution which has changed the food distribution system. The following Section 4.3 and Section 4.4 report the general market analysis on the retail food/speciality food sector which is the most relevant market to be designated as industry environment and competitive environment. Although the macro-environment (economics factors, such as inflation, income/disposable income) poses a great influence on business in general, because of the research objectives, this thesis will not include the discussion in this chapter.

An exposition detailing the revolution in retailing over the years is followed by a review of the food mail-order market. The discussion then focuses on mail-order speciality foods - the interest of subsequent empirical research. Since the consumer environment is mainly based on the empirical study, the illustration of the consumer environment will be presented as a result of the consumer survey (Chapter 8 and Chapter

9). Finally, at the end of this chapter (Section 4.5), the emphasis will be on the key issues of a company's internal environment.

4.2 THE RETAILING REVOLUTION

A major retailing revolution started after 1930 (McNair & May, 1978). Food stores supplying meat, produce and other dry foods offered benefits to customers by way of extra product selection which results in time-saving. Soon after that, self-service supermarkets were introduced to the consumer and the supermarket soon surpassed the combination store concept by providing a wider range of food products and non-food household items.

The occurrence of a retail institutional shift was in response to environmental changes. It was also interrelated to economic, technological, and demographic shifts, as well as change in consumer attitudes (McNair & May, 1978). Compact high street shopping areas with various shops created another type of convenience and appealed to most people, although, after the 1940's, many suburban shopping centres were opened that brought in multi-unit regional chain organisations while simultaneously more and more city dwellers moved out from town centre due to increasing car ownership. A further innovation in retailing was in the form of self-service, through wider choices in product selections and packaging (e.g. tea, coffee, butter, cheese). As a result, consumers made their own purchase decision independently in a more open environment and from a greater variety of choices than before.

McNair & May's finding in the factors which 'turn the wheel' in retailing is most relevant to summarise the significant changes in retail institutions. They are as follows:

a) The acceleration of socio-economic change and the apparent shortening of the

life cycle of various types of retail business. (Davidson, *et al.*, 1976)

b)   The rise of mass distribution.

c)   The growing importance of the consumer in influencing retail change.

d)   The emergence of technological change as a direct instrument of retail change.

e)   The revitalisation of the speciality store.

The market is no longer only saturated by various products but also by outlets. These shifts along with the consumer's changing lifestyle created significant transitions in shopping behaviour. Consumer's food buying behaviour, in particular, has altered. They no longer make small purchases or pay frequent visits to neighbourhood grocery stores. They make fewer trips to distant, large-scale supermarkets and purchase larger quantities of groceries. This shopping style was accelerated by modern technology, that is, automobile and both in-home and in-store refrigeration, dry, and vacuum packaging. Automobile ownership convenience lifted the neighbourhood store shopping constraint. Nonetheless, consumers' consumption of food products has also changed. With technological innovation in food processing and kitchen appliances, processed food or convenience food is becoming more and more popular.

4.3 INDUSTRY ENVIRONMENT: MAIL-ORDER FOOD MARKET

In retrospect, the food industry may be the first industry to be associated with the traditional form of direct marketing. Farmers selling vegetables, fruits, or eggs, in their neighbourhood or the nearest town, reached their own customers and got responses directly. The milk or groceries delivered to customers' doors and, later, shops taking orders by phone can also be linked to direct marketing. These small-scale merchants were mostly replaced by the large-scale, low-cost supermarkets in the 1930's (Berkowitz, *et al.*, 1979) when the retailing revolution started.

As a result of the advancement of information technology and communication, many predictions conceptualised an in-home shopping system for food and other daily necessities, apart from mail and telephone, by utilising closed circuit television, in-home computer consoles, automated warehouses and electronic fund transfer (Doody & Davidson, 1967). In the 1970's Berkowitz, *et al.* argued that "changes occurring among consumers and among traditional food retailers are creating conditions more favourable to the acceptance of in-home food retailing" (Berkowitz, *et al.*, 1979, pp.16) Consumers, which include an increasing number of working women, and those who need more time for work, leisure, interests, and other activities, require greater time-saving convenience in shopping, when they purchase regular convenience items (*The Economist*, 1994; Bellinger, *et al.*, 1977; Davison, 1970; Berry & Wilson, 1977). Also, in terms of perceived risk (Bauer, 1960; Ross, 1975), food is one of the product categories which is associated with the least risks for which consumers' personal inspection is not a definite requirement during their decision-making process (Cunningham, 1967). Coupled with the development of the food industry, the majority of food products are branded or standardised. Therefore, while a mail-order business offers a higher level of service, such as delivery, there is a strong belief that the food mail-order business facilitated by an advanced communication and response media has great potential for the modern lifestyle. A recent poll conducted by Andersen Consulting in Britain confirmed "for a range of items, where they (consumers) trust the retailer, they would want to use home shopping (through electronic home shopping services and networks like the Internet) for more than 20 per cent of their purchases." (Victor, 1995, pp.1)

Thus, such 'shifts', along with higher expectations from consumers, create new competition in the market. Quality and lower prices are no longer the only things that consumers shop for. They demand additional benefits from their purchases and they are fragmented into less homogeneous markets according to their different needs or lifestyles.

Consequently, it is fundamental for an organisation's strategic planning to identify its consumer's needs, wants, and characteristics in the target market .

In the UK, more than 70 per cent of the in-home shopping revenue comes from general mail order business which is dominated by clothing and footwear trades (Mintel, 1994). Currently, food mail-order sales accounts for a low share of the total industry sales. Undoubtedly, it is believed to be under-performing.

From a marketing viewpoint, the most basic foods are supposed to be very suitable for selling through direct marketing channels since they are the least differentiated products in the market-place. On the other hand, those which are highly differentiated, such as speciality food products, are particularly popular among food lovers. The mail-order food market is segmented into four main areas in terms of product characteristics. They are:

a) Basic/dairy products, such as milk, eggs, and bread.

b) Specialities/delicacies/gourmet food, and premium confectioneries.

c) Hampers, which are estimated to account for an eighty per cent share of the mail-order food market.

d) Organic produce.

The following section concentrates on the second category, namely the speciality food market.

4.4 COMPETITIVE ENVIRONMENT: MAIL-ORDER SPECIALITY FOOD

There is no data available to indicate the size of the mail-order food market in the UK. However, referring the US statistics reported by the Simmon Market Research Bureau, this $ 1.1 billion business is growing at an annual rate of 7 per cent. About 7.6 million people, which is 4.1 per cent of the adult population, bought mail-order food in 1993, up 46 per cent from 1992 (Fisher, 1994). It is concluded that this is a fast-growing in area in the mail-order business.

Speciality food products are usually characterised by quality/exotic foods or delicacies which usually have a unique appeal to a certain niche of customer. Each speciality food usually appeals to a specific type of food lover. Generally, consumers have a relatively limited accessibility to speciality foods. There are several reasons for this:

a) The product is not mass-produced, or it is only produced regionally.

b) The product is not mass-distributed.

c) The product only appeals to a small number of customers so that the shelf turnover rate is too slow for large supermarkets.

d) The product is particularly seasonal.

Therefore, due to the nature of this type of product and its customer group, mail-order has becoming a popular means of marketing speciality food products since it shows a good balance between the company, customer, and competitor (see Figure 4.2). In this type of market segment, companies are competing in 'value' since customers are seeking for the greatest benefit at acceptable price (Brock, 1984).

Figure 4.2 The Strategic Triangle

Customer

```
        ┌─────────────────┐
        │ Needs seeking   │
        │ benefit at      │
        │ acceptable price│
        └─────────────────┘

    Value                    Value

┌──────────┐                    ┌──────────┐
│ Asset &  │ ◄──────────────► │ Asset &  │
│utilisation│                   │utilisation│
└──────────┘   Cost differential └──────────┘
  Company                          Competitor
```
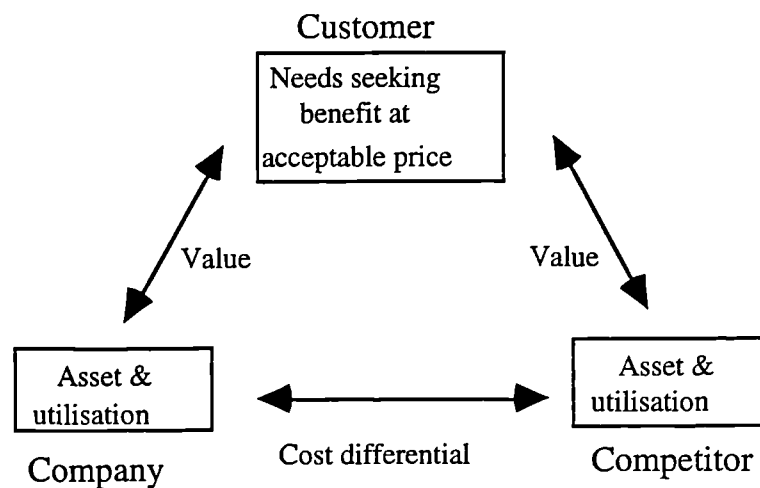
Source: Brock (1984)

Research into the speciality mail-order food market reveals that firms perceive competition as usually emanating from the retail sector rather than from within the sector itself. As a result of the current supermarket revolution in the UK, about 60,000 small shops have gone out of business over the past 10 years as they were not able to compete with the out-of-town giant stores (*Independent on Sunday*, 17 Sept. 1995). Furthermore, new government policy also allows super-stores to move into high street locations and to offer longer opening hours that used to be the competitive advantage of the corner shop. The result of this has been that shops such as Tesco Express and Sainsbury's have taken advantage of this policy change and open from 6 am to 11 pm. In addition, the giant supermarkets are not only interested in expansion but also in maintaining customer loyalty such that extensive resources are devoted into this aspect of marketing activities. An example of this is illustrated with the launch of the loyalty card. Facing this competition, traditional corner shops are somehow strategically turning into the speciality shops and maintain close relationships with their regular shoppers in order to survive. Thus, the speciality food market has been saturated over the last ten years and this trend is expected to continue.

On the one hand mail-order food usually has the specific competitive advantages of convenience, high standards of personal customer care, and highly differentiated produce. However, on the other hand the biggest disadvantage is that it cannot satisfy the customer's needs immediately. The entire industry is operating in an increasingly competitive market. So, it is crucial to acknowledge the real practice and operation of the mail-order food industry so that a clear future direction can be guided.

4.5 CORPORATE INTERNAL ENVIRONMENT

This section presents an analysis on mail-order speciality food corporate internal environment. A qualitative research is conducted in order to present this part of analysis. In addition, one of the tasks of the qualitative research was to establish the co-operation with mail-order companies for the benefit of the subsequent survey research in terms of sampling.

4.5.1 Qualitative Research

To achieve the research objectives and complement the results of the marketing research, qualitative research was undertaken as part of this study. The advantage of a semi-structured in-depth interview is that it gives the interviewer the freedom and flexibility to probe further into the specific subjects during the conversations by formulating the relevant questions (Malhotra, 1996; Tull & Hawkins, 1990). In addition, it was emphasised to interviewees that this work was for academic purposes. Consequently, managers had confidence and provided more detail and relevant business information that would have been reserved from commercial market research.

Semi-structured individual depth interviews with mail-order food company managers were conducted. It is important to acquire a broad spectrum of the practice and

market position of food mail-order business in the UK before the investigations of consumer's attitudes. The interviews aimed:

a)   To examine the real practice in the food mail-order industry.

b)   To investigate the problems within this industry and marketers' practice.

c)   To identify the future opportunities.

This knowledge not only helped the subsequent questionnaire development but also provided a solid foundation for this thesis' recommendations in the third part .

A company list was initially obtained from Weekend Telegraph Saturday on 26 March 1994, and the BBC Books - Food Lovers' Guide to Britain (Green, H) which published a list of food mail-order companies in the UK. The companies were telephoned in order to make contact and they were sent a covering letter to introduce the research outline in order to gain their co-operation. Those companies who were interested in the study sent back a reply form, which initiated further contact. Research was initially conducted among those companies who agreed to participate.   Later, a few other companies were recruited through the recommendation of the company managers who were interviewed. The interviewees were comprised of eight speciality mail-order food companies, of which five participated in the mail-order survey.

In depth-interviews were conducted with eight company managers in the UK from May to August 1995. Since unstructured depth interviews are very often difficult to analyse or interpret (Malhotra, 1996), the interviews were carried out with semi-structured questions in order to examine company operations, which were mainly focused on the marketing and management function. The questions can be categorised into six areas :

a)   Company.

b)   Product.

c)   Order/delivery process.

d)   Customer database.

e)   Customer characteristics.

f)   Marketing activities.

In addition, some issues were expanded by the interviewer to gain more detail. The length of the interviews varied from 50 minutes to one and a half hours depending on the 'flow' of the interview. The nature of this study was clarified as an academic research to the interviewees in order to avoid any false information.

4.5.2 The Results

The theme of this section is to present the qualitative interview results. The methodology utilised to explore consumers' mail-order food shopping behaviour is presented in the previous section. Eight speciality food company managers were interviewed. As mentioned before, although direct marketing, specially mail-order, has a long existence in the UK, very little research has been produced in this area, apart from consumer reports. The aim of the interviews was to gain a thorough understanding of the companies' direct marketing approaches and the management's perceptions of the mail-order food business and its consumers.

Generally speaking, although organisations should be established on the basis of a management structure which operates the most efficiently and effectively, company structures vary significantly from one another in reality. Since this study emphases the management of marketing, the following results are addressed from marketing perspective.

4.5.2.1 The Companies

This qualitative study was conducted through interviewing company managers who either operate mail-order as part of their business or operate wholly on a mail-order basis. These semi-structured depth interviews focused on the discussion of the six areas presented in Section 4.5.1. Since the scope of each company's operation is different, the interview time varied from thirty minutes to one and half hours, including short company tours.

The eight companies are accordingly described anonymously as company A, B, C, D, E, F, G, and H. The main characteristics of the companies which comprise the sample are summarised in Figure 4.4. The size of the companies are predominately small. In many cases, their mail-order businesses result from the evolution of the core business such as a farm or shop as a conscious decision to diversify operations to gain access to a broader market. Only two out of the eight companies were 'pure' mail-order food companies. That is, company C and E were launched as direct marketing mail-order companies. Others' mail-order businesses were simply an extension of the original shop or an alternative outlet. Thus, the resources of the other companies were not concentrated in the area of mail-order marketing.

Figure 4.4 Company List

Co. Code	Major Products	Location	Size
A	Smoked produce	Northumberland	Small
B	Cheese	Northumberland	Small
C	Imported delicacy(pure mail-order)	London	Small
D	Chocolate	Scottish Border	Small
E	Gourmet, fresh meat, sausage, jar, etc. (pure mail-order)	Scottish Border	Medium
F	Smoked produce, chocolate	Cumbria	Small
G	Haggis, sausage	Scottish Border	Small
H	Coffee, tea	Scottish Border	Small

Notes.

Size: 'Small' - less than 5,000 customers in 1995; 'Medium' - more than 5,000 customers in 1995

In terms of the scope of the mail-order business and the company structures, apart from Company E, a medium-sized company which also has the longest existence - 18 years - in the market, all the others were mainly small-sized family business and have shorter experience with mail-order, varying from 18 months to 3 years. All companies have a national geographical coverage but three of them focus more on the local region.

The following findings have been drawn by transcribing and analysing the contents of each interview. Instead of exhibiting the transcription, the presentation of the results are organised into a format by following key questions in the interviews which serve the purpose of this study.

4.5.2.2 Market Expansion & Diversification

Apart from the two pure mail-order companies (C and E), mail-order had been adopted as a means of diversification of an existing business. In other cases, customers had experienced the product in a shop during a holiday visit or from food exhibitions and later demanded the same product on returning home. Subsequently, a mail-order service is able to satisfy consumer needs which cannot be satisfied otherwise because of limitations of physical distribution. For the six companies in the sample, and indeed in the broader context of the UK, the use of mail-order has usually been allocated into a lower priority category since, typically, most companies tend to be production-oriented.

According to Company G, mail-order also requires less capital to start with or diversify a business operation. However, Company B holds an opposite opinion on this subject. From an investigator's point of view, it may still involve high risk in terms of returns on investment, especially when the manager fails to acquire targeting skills since direct mail is notorious for its low response rate. Also, it is a big challenge when managers first try to build-up a sustainable mail-order customer base. Apart from the capital investment on the direct marketing basics, as well as business and direct marketing materials, successful mail-order operation relies heavily on excellent managerial skills, innovation, and an understanding of market-oriented demand (Festing, 1994).

4.5.2.3 International Prospects

For most small organisations, going international and reaching international customers may seem unrealistic; however, mail-order makes it possible. Mail-order can retain overseas customers through continuous contact after their visit. Around half of the companies have experiences in dealing with overseas customers although the numbers of the customers are small. It was particularly asserted by Company H that the main barrier, is the legal mailing restrictions on certain types of products sent to certain countries. Figure 4.5 shows an example of the prohibitions and restrictions of international mail concerning food to the United States of America, Canada, and Australia.

Figure 4.5 International Mail Prohibitions and Restrictions

USA	CANADA	AUSTRALIA
PROHIBITIONS:	**PROHIBITIONS:**	**RESTRICTIONS:**
meat; meat products; fresh fruit; potatoes; fresh fish; fresh vegetables	butter substitutes; processed butter; margarine made from vegetable oil;	animals & animal products (including bees, milk & its by-products, tinned meat); sugar syrup & molasses
RESTRICTIONS:	**RESTRICTIONS:**	(permission required)
cereals	A special label provided by Canadian Department of Agriculture Plant Protection Division must be attached by the sender to every parcel of potatoes. One copy of the permit, and one copy of the health certificate, issued by the ministry of Agriculture, Fisheries and Food, must also be attached to each parcel of potatoes.	

Source: Royal Mail, 1993

4.5.2.4 Product Differentiation

It is accepted that "there are three dominant trends in the food industry: concentration, product differentiation, and internationalisation" (Ray, 1994). All mail-order food companies I interviewed fall into the second category. Among all the companies which sell speciality food, their products are always a fundamental strength. Most of the products have a strong appeal on their unique selling proposition, for instance, hand-made speciality cheese, Haggis made by a family recipe, premium quality hand-made chocolate, or freshly roasted coffee. Companies target particular groups of consumers who are interested in exotic, home-made, traditional, or nostalgic food, regional produce, or premium food which is not mass distributed in the supermarket.

Product differentiation is its strong competitive advantage. Niche marketing is the principal concept in running the business. The unique selling proposition of the product appeals strongly to food lovers to purchase food on mail-order. More importantly, in addition to limited accessibility, the products can not easily be substituted. Since the target market is relatively small, the effective marketing efforts are essential to maintain existing trade as well as to search for potential customers. Therefore, the products are clearly differentiated from the mass marketing products. Furthermore, companies also deliberately select those products which are not easily available from supermarkets or they introduce unique identity products. These products are usually ideal for gift-giving and sent directly to the addressed recipient.

4.5.2.5 Pricing Disadvantages

The speciality foods are basically offered with premium quality at premium price. 'Value for money' is still the pricing strategy for most companies such as Company A, B, D, G. Although, in terms of price, mail-order food products are very competitive in the premium food market, price is sometimes increased significantly after adding on packaging and postage cost, which is usually passed on to the customer. As a result, the price becomes a disadvantage for the mail-order company as well as for customers. In the cases of Company B and F, they cover the delivery cost to the benefit of customers but, generally, most companies still find that it is difficult to absorb the delivery cost into their profit margin. Consequently, eliminating the additional postage charges on mail-order food may not be an economically feasible solution for companies to attract more customers. Also, the other disadvantage of the pricing which is asserted by Company B is that caused by VAT. Since customers are required to pay the VAT after the sum including the postage, the end price is higher than expected.

4.5.2.6 Direct Marketing Effort

By individual investigation into each company's marketing effort, company E, targeting the upper level of the market, stands out from all the interviewed companies mainly because its scale of operation and its focus on mail-order and its customers are restricted to members. The subscription of food club membership is subjected to different length (one year, five years, or lifetime membership) requiring different fees. It has a regular monthly programme to promote its products. The monthly programme generates a response rate of 17 per cent on average and this reaches 20 - 28 percent during the Christmas season. The literature contained in the monthly mail-shot, and the monthly offers appeal to customers who have certain interests in food or catering. Its consistent marketing activities have established its corporate image and its market position. The following points summarise the direct marketing efforts in general:

a. Product Guarantee For direct marketing companies, a 'money-back guarantee' is often promoted as a term which represents confidence in quality. For food, among the interviewees, by and large, none of the companies actively promote the claim. They indicate their companies deal with complaints and solve the problem individually and seriously. There are rare cases, however, when the company will honour its commitment to the customer by refunding any claim.

b. Marketing literature The Response Rates Report published by the Direct Mail Information Service (1994) indicates that response rates can sometimes be as low as one or two per cent or as high as between 60 to 100 per cent and the mean response rate is around 8 per cent. All mail-order companies utilise ordering materials for customers to place their orders. Depending on the investment and marketing effort, some companies offer a simple price list; whereas Company D, B, and G offer flyers, brochures or catalogues. Due to financial constraints, only three companies currently offer the colour-print product slips while Company A plans to do this in the coming year, despite the fact that they all believe the colour-print will generate a better marketing impact and convey a better product image.

c. Marketing initiative At present, very few companies actively take the initiative in approaching their customers or encourage their existing customers to repeat their purchases. They are either too intimidated, lacking direct marketing managerial skill or the resources to market themselves. Only Company E from the eight interviewed regularly sends its monthly promotion programme to customers. Others only do an annual mail shot.

d. Effective Marketing Promotion 'Word-of-mouth' is considered the most effective way of marketing amongst all managers. Moreover, this point is strongly stressed by Company A, B, D, and H. Trade shows and exhibitions are the most popular ways of promotion to

new customers. Sometimes, companies can get some responses from newspaper editorials (Company A, D, E) when they are introduced in the relevant context or advertise on the local newspaper (Company A and F). Unfortunately, Company C expressed that there is not much response from the editorial; and, Company A said the advert on the local newspaper was without success. In terms of media usage, the BBC Good Food magazine (Company C, E, G, H) is found to be the most popular advertising magazine for mail-order speciality foods. Also, the Financial Times and Sunday newspapers (Company H and E), such as the Sunday Times and Sunday Telegraph, are popular choices for advertising press.

e. Joint-promotion   Joint-promotion usually acts as a good marketing initiative or experiment for those companies which are not competing in the same market. Managers of Company A, B, C, D, E, H, have a very positive attitude towards this kind of co-operation. They either produce brochures together or share the cost of stands in exhibitions. In this way companies can exploit synergistic advantages associated with advertising and promotion.

4.5.2.7 Customer Database

For contemporary direct marketing, the establishment of a customer database is a long-term commitment which facilitates the development of the relationship between a company and each customer. A database makes the marketing effort far more efficient. It allows managers to identify or to segment specific groups of customers and to achieve cost effective marketing, targeting, and differentiation. In examining the use of the customer database during this study, only one (Company E) out of eight companies has regular professional use of a computerised database, three (Company B, D, F) out of eight have retained a database in a computer, and others keep customer database in a record book. This is consistent with the Dunn Humby Associates' survey finding in 1993 (see Chapter 2) that the majority of companies have made little investment in or make little use

of databases. Most companies very often only retain their customer list for an annual mail shot which takes place before Christmas.

Acknowledged as the most significant weakness of all the companies, the basic customer database should retain historical data, i.e. transactional data which indicates the frequency of purchases responses to offers and purchase power, as well as personal data. An accurate customer database not only will enable the manager to target customers effectively, but also to maintain a long-term customer relationship.

4.5.2.8 Customer Relations

The personal aspect is also emphasised in mail-order shopping particularly by Company D and B. Company D's manager said sometimes they receive very friendly letters which can be considered 'personal' containing 'intimacy' and 'trust'. For Company C and E who operate purely mail-order, they first build-up trust with their customers and the trust then evolves into a personal and intimate relationship with their customers. The mail order business of the other companies has evolved from a shop so that most customers have a personal experience of the product. The product, then, is associated with their travel experiences which later for customers acts as kind of self-indulgence or nostalgic experience once they have returned home.

A mail-order food company's public relations is based upon its relationship with individuals and this relationship is established through each of the means of personal communication. Each communication contributes to this relationship. The more communication media available the easier it is for customers to contact the company. Mail order customers have a high preference for high standards of customer care. This takes the form of personal contact or through a feeling of intimacy between the customer and the company. Trust and credibility are important elements in drawing customers' responses. If the customer becomes convinced that the quality of customer care is high

then this perception is communicated to friends and acquaintances through 'word-of-mouth' or through sharing the experience of the product. This process of diffusion thus carries strong elements of public relations and promotion.

4.5.2.9 Customer Characteristics

It is difficult to generalise food mail-order shoppers' characteristics since they are also influenced by the company's positioning, targeting and its products. From the research objectives, we tried to identify these characteristics of consumers by asking each company's manager to describe their typical mail-order customer. It was anticipated that a great deal of similarities could be found among these speciality food consumers before the interviews, although a few exceptions are expected due to the variations among the companies and the nature of products.

Thus, from the managers' general descriptions and the observation from the interviews, the best description of consumers within the mail order niche is that they are "food addicts" who know exactly what they are looking for. Their socio-economic status allows them to indulge in this particular type of premium speciality food product. Once they have experienced the product and enjoyed it, they tend to become very loyal. In addition to the demand for premium, special quality food products as a series of physical taste sensations, some customers also experience satisfaction in consumption from intangible benefits such as tradition, nostalgia. or geographic associations.

Figure 4.6 outlines each company's description of their customers. The majority of these consumers, in terms of age, are identified as more likely to be older, (at least 40 years). In addition, some general features, such as convenience-oriented, middle-aged, higher social class, and careful shoppers, are somewhat consistent among those companies. On the other hand, as indicated earlier, not all the companies fall into this generalisation. For example, Company G, selling freshly roasted coffee, will have

customers who are coffee lovers and enjoy traditional coffee and the ritual of making it that will not be convenience-oriented.

Figure 4.6 Customer Characteristics

Co. Code	Description of Customer Characteristics
A	Convenience-oriented, not likely to be young married couples
B	Academics, ABs, convenience-oriented
C	Older, convenience-oriented
D	Aged around 50, careful shoppers, looking for good bargains
E	High social status / lifestyle, aged over 43, credit card holders, no children at home, not interested in DIY (obtained from previous survey), looking for good bargains, care for environment and animal welfare
F	Convenience-oriented
G	Middle age 40 or older
H	Special appeal of product

4.5.2.10 Order, Delivery, & Payment

Most of the orders are still placed by conventional mail. However, most companies, Company A, B, C, D, E, noticed that there is a shift towards the use of telephone and fax. The advantage of telephone order is the immediate response, for instance, when one product is out of stock customers can be notified immediately and respond to a suitable substitute.

Since the increasing awareness on shortening the customers' waiting time, apart from the period of time before Christmas which requires longer delivery time, most

companies manage to deliver the product within a week. Company D started promoting 24-hour fast delivery marketing appeal in 1993 which proved to be a big success. Among those companies which were interviewed, none of them contracts a private organisation to deliver their products. Nonetheless, orders are finally sent by conventional Parcel Force, First Class and Second Class postal service, respectively. Apart from Company B and F, mostly postage is paid by customers who order the product. The cost of packing and delivery is clearly stated on each company's order form.

Payments are usually made by cheque which most companies believe is convenient for customers. Only Company E, which has a highest number of customers and turnover, takes a wide variety of credit cards or charge account cards, such as Visa, MasterCard, Switch.

4.5.2.11 Direct-Mail Gifts

Mail-order for companies which operate other type of outlets, for instance wholesale or their own shop, usually envisage mail-order as an extension of services since the conventional shops commonly do not offer a home-delivery service or send the product to a third person as a gift.

In some cases, companies find their products are very often bought, not for self-consumption, but as gifts for others. According to Company B and D, frequently, customers attach specific instructions for whom the product is to be addressed and some may even ask the company to insert a card in the package. This type of mail-directed gift service not only represents a large business opportunity, but also enhances customer relations.

4.5.2.12 Seasonal Factors

In direct marketing, the co-ordination of marketing efforts at the 'right time' is as important as targeting the right people. Generally speaking, consumption in relation to the product characteristics of mail-order food is not found to be associated with any particular season; in other words, mail-order foods are not strong seasonal products. However, all the companies' sales data on purchase behaviour shows a tremendous increase during Christmas. Christmas is the sales peak of the year for all of the companies and is also the reason why almost every company sends out its annual mail shot in advance of this time period. Furthermore, with reference to 'gift-giving', 'self-treat', 'time-saving' and 'convenience', mail-order would seem a logical and suitable sales technique for this particular time of the year. Moreover, companies, such as Company B, D, and F, are also becoming gradually aware of other seasonal opportunities, such as Easter or Valentine's Day, to boost their sales.

4.5.2.13 Consumer Orientation Strategy

Despite the fact that most of the small organisations are very conservative in their marketing activities because of limited resources and marketing skills, the research revealed that some companies employ positive consumer-oriented strategies. One gourmet food company (Company E), which is one of the most professional direct marketing companies in the UK, designs a monthly programme offering a various range of products and special offers every month to attract customers. The customer database facilitates the tracking of customer response rates for each particular offer. Marketing research information is also valued among the managers.

In order to overcome the disadvantage of not being able to satisfy the consumer's immediate needs, Company D shortened the mail-order delivery time to promise a 24-hour

delivery service. This promise is their commitment to the high standard of mail-order service.

Each company was conscious of the importance of the concept of customer satisfaction. Customer comments and complaints were regarded as another means to respond to customer needs. Although most of the companies were owned by single people or partners they were organised effectively to deal with this aspect of customer services in dealing rapidly with refunds or product exchanges.

4.5.2.14 Innovation in Technology

The advance of computer hardware and the increasing sophistication of computer software have contributed a great deal to the mail-order with respect to data processing, targeting, and segmentation of markets. Small organisations often have an inferior position in competing with larger organisations with respect to the utilisation of technology. Also, they do not acquire market information as quickly as big organisations with formal marketing information and intelligence systems which monitor market changes. Communication technology development also has improved the speed of the response and contact between suppliers and customers. Not only does the response become more and more immediate, but also companies have greater choice in running mail-order businesses. Telephone and fax communication is increasingly taking shares away from postal services. The new wave of innovation is on the Internet (Buckley, 1995; Cross, 1994, *Broadcasting*, 1995; Ashley, 1995; Brooks, 1995). The study revealed that Company E had begun to communicate through the Internet in July 1995.

Generally speaking, the technology application is always associated with cost. Although the technology is available, in many cases, most small companies are not able to afford the capital investment or can only adopt the technology later than larger

organisations. Thus, the financial constraint is a dominant factor in the decision-making process in small organisations.

4.6 SUMMARY

This chapter has presented an analysis and addressed the key points in relation to the industry environment, competitive environment, and corporate environment. The external environment has imposed increasing competition on businesses in general, especially food retailers.

The qualitative study highlighted the importance of mail-order in the speciality food market as a way of diversification and market expansion, and as a way of gaining access to otherwise inaccessible markets. By and large, product accessibility, convenience, and customer relations are the most important elements in retaining existing customers. Quality and 'word-of-mouth' are effective methods of gaining new customers. Companies committed to the mail-order business should enhance standards of customer service and care. Also, it is very important for managers to monitor market trends and the competition.

Focusing on product factors, the competitiveness of products is the key point for a speciality food company to hold its market position, since the speed of introducing new products in this particular industry is for more rapid in comparison with other industries. The new product ideas, new recipes, and new production methods are all part of the competition. Therefore, innovation of product is always the key to success.

Establishing a good company image among customers is the way to build-up a long-term relationship with customers. Mail-order is most cost-effective when the company can retain loyal customers who will become repeat purchasers. It is particularly

important for small-sized companies which can not afford a large scale or reoccurring direct marketing campaign.

Undoubtedly, there is growing competition from discount stores and large scale supermarkets, both domestic and foreign. Investment is the mainstream pressure on any form of retailing business. Competition among supermarkets themselves is keen enough that supermarket chains:

a)   are located in every populated area.

b)   promote value for money.

c)   offer wide rage of products targeted at various groups of consumers.

d)   establish unique style.

e)   emphasise character and consistent positioning.

f)   have more flexible shop opening hours.

As a result, retailing marketing is highly saturated. These threats should be constantly underlined.

From a legal aspect, in addition to securing harmonisation with any European initiatives, the primary legislative power is the 'Food Safety Act 1990' in England, Wales, and Scotland, and 'Food Safety (Northern Ireland) Order 1991' in Northern Ireland. Local authorities are responsible for the enforcement of food legislation in the UK by the Environmental and Trading Standards Department. Environmental Health Officers enforce those aspects of food law associated with hygiene or health (Jukes, 1993). Although they do not have actual powers of veterinary inspection, they usually adopt the strictest approach in enforcing or interpreting the law. All mail-order food products, like any other food products, are subject to the relative legislation. Therefore, products are first patrolled by the legislation not only on product qualities but also labelling. A few companies complained that the Environmental Health Authority is somewhat too strict.

Therefore, many companies found themselves under the strain of the Environmental Health Officers from the local authorities.

Food consumption is very much influenced by changing lifestyles in modern society. The increasing demand for high quality products and awareness of consumerism have pressurised many industries including food. Marketing opportunities are restricted to precise niches nowadays. Thus, organisations have to capitalise their competitive strengths in order to capture their customers. Speciality food has its specific competitive advantage in product differentiation that, together with the advantage of mail-order's customer relations and convenience, can generate a greater loyalty among customers.

Finally, to finish the discussion on 'Part One: Background' and before beginning the next part of the thesis, the author would like to stress the objectives of this study once more. The thesis aims:

a)   To investigate the structure and level of perceived risk of food purchasing through mail-order.

b)   To search for the prime benefits and advantages provided by direct marketing as a motive from the consumer's perspective.

c)   To identify the differences between consumers who currently use direct marketing, mainly mail-order, and those who do not.

CHAPTER FIVE

REVIEW OF THE LITERATURE

5.1 INTRODUCTION

Direct marketing is primarily an American creation, springing from the growth of consumer demand and change of market structure in the US, ahead of a retail sector sufficiently developed to satisfy the market (Fairlie, 1979). Culturally, American marketers are innovative-minded and American consumers, it is asserted, may have a greater number of early adopters than most other countries. Mail-order shopping has been long existing as a norm of shopping in the US. Because of the prosperous marketing environment and a greater awareness of 'marketing' science, the direct marketing concept, therefore, has grown rapidly. Gradually, institutions have developed an increasing interest in this subject and have come to treat direct marketing as an individual subject in its own right.

In the early 1970s, US direct marketing researchers found the in-home market was becoming increasingly urban, and the urban population was growing; 70 per cent to 80 per cent of catalogue sales were in metropolitan markets, compared with 50 per cent or less in the early 1950s (Gillett, 1970). This take-over simply implies mail-order is no longer only of interest to those who cannot easily access the shopping complex in town. That was a

positive indicator for direct marketers anticipating the demographic and social structural changes to fit direct marketing into the new lifestyle needs. While the direct marketing media mainly relied on mail, telephone shopping was the 'modern' shopping method during that period of time.

The 1970s was a watershed for direct marketing research; that was also when the concept of statistical analytical decision-making and database marketing were introduced. Prior to that time, media such as mail and catalogue were intensively used. Moreover, in general, direct marketers, in practice, still used a mass direct marketing approach which attempted to reach a maximum number of targets in order to achieve a larger number of respondents. Thus, as mentioned before, these phenomena are referred to as 'traditional direct marketing'. The early targeting marketing concept was evolved by drawing statistical analysis. Mail-order companies, during the early twentieth century, began to develop models which helped organisations to evaluate their profitability. The '12-month prune rule' was the general rule at that time that consumers who had not purchased anything for the previous year were dropped (Ross, 1992). The first sophisticated analysis was the recency-frequency-monetary model (RFM) which is still used today (Roel, 1988). The sophisticated direct marketing targeting campaign commenced when Reader's Digest first started to experiment on targeting by using statistical analysis in 1966. Usage of multiple regression contributed to the strong growth of the Reader's Digest magazine and related products during the late 1960s and 1970s. In summary, it was not until the 70s, that the idea of in-home shopping became common among consumers. Before this, direct marketing promotional messages were not welcomed by consumers.

Later, the major change in direct marketing, as well as in the general marketing context, was in the marketing concept which changed the marketing approach tremendously. Organisations began to pursue a concentrated strategy, focusing their efforts on differentiated instead of entire markets. Helped by the innovation of computer software in retaining customer data, marketers paid more attention to segmentation and

targeted more specific groups of consumers. The development of direct marketing soon relied on the relational database, which also made it easier to access customer information individually or jointly with other companies. Databases improved the mass mail shot into targeted message delivery and resulting in attention being paid to media planning and selection. Thus, the term 'direct marketing' indicates the use of individualised or personalised consumer information. Also, the increasing use of tele-marketing and direct response advertising via some other media, has turned direct marketing into a multimedia phenomenon. Direct marketing also turned from a seller-focused into a customer-focused activity. In the UK, a number of large scale retailers or chain store retailers diversified their businesses to include direct marketing, and operate both store shopping and catalogue shopping (e.g. Next and Littlewoods) or in-store catalogue shopping (e.g. Argos). As such, direct marketing has performed various roles in the retailing sector in recent years. Also, some direct marketing techniques are applied in stores; such as Marks & Spencer's newly installed customer service computers which help customers choose the food products from a computer which they can also order from the computer for subsequent home delivery services (*Marketing*, 1994).

These changes all underline the significance of market research. A high proportion of investments in direct marketing are concentrated on understanding consumer needs and wants. Very often, the information obtained from marketing research can make the difference between the success or failure of a new marketing campaign (Nash, 1986). The benefit of direct marketing research is to help practitioners reduce uncertainty to a manageable level and obtain a predictable result. Direct marketers are more aware of the social, educational, health care, cultural changes and future trends than before. Thus, this awareness has been developed in the same direction as the direct marketing concept.

Nevertheless, in the later stage, there was a significant change in consumers' attitudes towards direct marketing, and direct marketing has been commonly accepted

among people. The remarkable growth of response and actual purchase rate is the best evidence of consumer acceptance, although there is still some resistance from some people who accuse direct marketing of being 'junk mail' or as 'an invasion of privacy'. In addition to the notable growth in direct marketing, the most impressive shift is the interaction between the seller and consumer. Direct marketing no longer involves a one-way from the supplier to the customer, as consumers began to recognise its benefits and reverse the flow by taking the initiative in contacting the direct marketing organisations themselves.

At present, the direct marketing industry is pursuing a direction which is improving its image and attempts to make the messages welcome. The ultimate goal of direct marketing is not only to realise cost effectiveness or marketing efficiency but also to establish direct marketing as a quality channel of communication.

The objective of this chapter is to review the consumer behaviour and direct marketing literature, which strongly influences the development of the empirical research design in this thesis. First, a broad picture of consumer behaviour will be presented, followed by an investigation of the literature in relation to consumer perceptions, motivation, segmentation, and situational influences. Because this study is focused on consumers' characteristics, their perceptions, and attitudes to mail-order, the emphases on these areas will be more specific and narrowed to a few relevant studies.
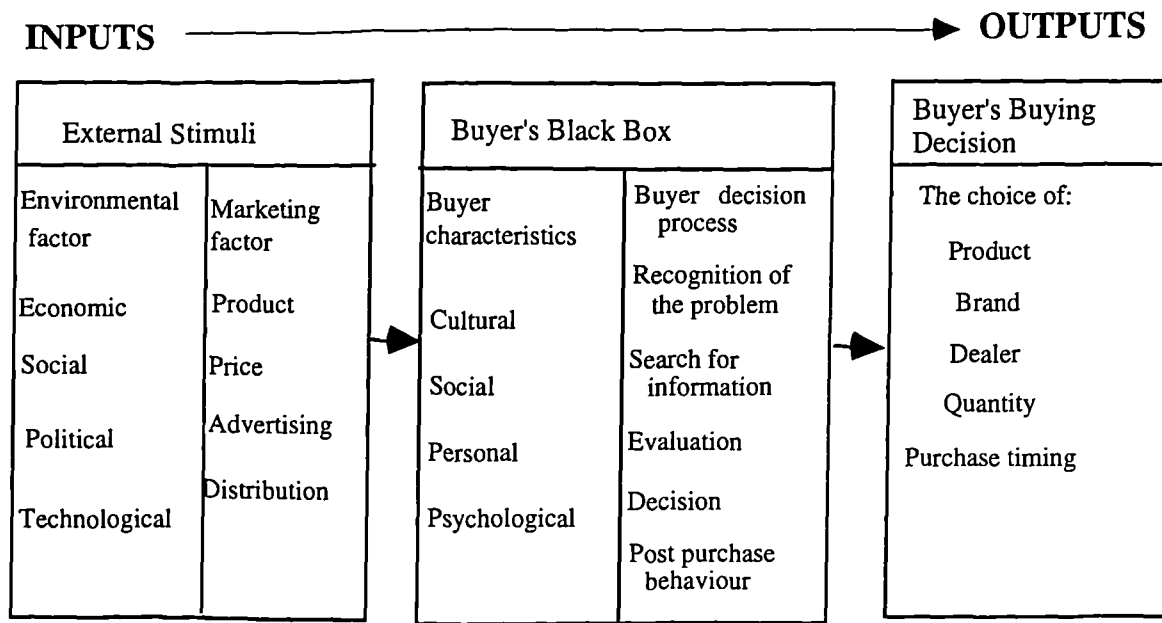
5.2 CONSUMER BEHAVIOUR

This section discuss the general theory of consumer behaviour. In the literature, direct marketing is diversified in terms of media use and, those who shop through direct marketing channels are generally, referred to as 'in-home shoppers'. Accordingly, researchers are interested in in-home shoppers' characteristics, preferences, attitudes,

perceptions, and behaviour. In order to develop a framework and direction for the subsequent empirical study, the theoretical issues and the findings in the literature are examined and evaluated. Generally speaking, consumer studies in the direct marketing literature are very limited. Apart from the constraint of very little research in this subject in general, no relevant UK academic study has been found. Thus, the following discussion focuses on are American studies. The literature is traced back to 1964 when the interests and awareness of research on this topic evolved. In addition, it should be noted that in early consumer research before the 1970's multivariate techniques were not widely employed so the methodologies employed, were as simple as univariate or bivariate analysis. Often, even if the research had a representative sample size, the independent variables, dependent variables, and correlations between sets of variables were not identifiable. This literature review begins with a discussion of the theory of consumer behaviour.

Consumer behaviour plays a very important role in marketing research and has drawn a lot of attention in the area of direct marketing research. Because studies of consumer behaviour focus on the decision-making process and the factors which influence consumer's consumption patterns, very often, it is considered as a multi-disciplinary analysis. The theory is studied by psychologists, sociologist, anthropologists and marketing researchers (Onkvisit & Shaw, 1994). Among those who are interested in this subject, marketing researchers differentiate their interests from the others by giving more emphasis on the marketing implications of the results.

Figure 5.1 presents a stimulus response of buyer behaviour model. This input-output model illustrates how the buying decisions of consumers are influenced by an individual 'buyer's black box' and external stimuli. External stimuli include a number of factor such as environmental and marketing factors, while buyer characteristics influence a buyer's decision process and contribute to overall choice of product/markets.

Figure 5.1 A Stimulus Response of Buyer Behaviour

INPUTS ──────────────────────────────▶ **OUTPUTS**

External Stimuli		Buyer's Black Box		Buyer's Buying Decision
Environmental factor	Marketing factor	Buyer characteristics	Buyer decision process	The choice of:
Economic	Product	Cultural	Recognition of the problem	Product
Social	Price	Social	Search for information	Brand
Political	Advertising	Personal	Evaluation	Dealer
Technological	Distribution	Psychological	Decision	Quantity
			Post purchase behaviour	Purchase timing

Source: Wilson, *et al.* (1992)

This general theory is important for understanding general consumer buying behaviour because it illustrates all of the factors that influence buyer's decision-making. Specifically, for direct marketing, the dominant factors in 'Buyer's Black Box' would appear to be the consumer's profile (or characteristics), perceptions, and motivation. These factors are likely to be associated with a consumer's choice of using mail-order.

According to Engel, Blackwell, and Miniard, "One of the fundamental premises of human behaviour is that people behave in a purposeful and consistent manner. This implies that motives are integrated in some way ... authorities agree that the self-concept provides this unification. The self-concept is an organised structure of perception of one's self, and it becomes a part of active memory. It is comprised of perceptions of abilities and characteristics and perceptions of one's self in relationship to the external environment." (Engel, *et al.*, 1990, p254) This argument strengthens the main objectives of this study by focusing on consumers' perceptions (Section 5.3), motivations (Section

5.4), and characteristics (Section 5.5). Thus, the following sections review the main areas concerned with this study:

5.3 PERCEPTION

According to Engel, *et al.*, perception is defined as "the process whereby stimuli are received and interpreted by the individual and translated into a response." (Engel, *et al.*, 1968, p.79) Krech, *et al.* provide a clear elaboration on this subject. They suggest that "the cognitive map of the individual is not a photographic representation of the physical world; it is, rather, a partial, personal construction in which certain objects, selected out by the individual for a major role, are perceived in an individual manner. Every perceiver is, as it were, to some degree a non-representational artist, painting a picture of the world that expresses his individual view of reality." (Krench, *et al.*, 1962, p.20) Behaviourists suggest that consumer's buying behaviour is guided by their perceptions of the product or brand. That is, consumers are guided not only by the physical environment but also by their personal internal cognition (Kassarjian & Robertson, 1981). Perception is one of the outcomes of the 'Buyer's Black Box' (see Figure 5.1) leading to buyer's purchase decision. There is more than the effectiveness of the stimuli imposing upon an individual. The individual's needs and personal factors or characteristics influence the messages received from the stimuli and select what he or she wants to perceive. This nature of perception is called selective perception (Foxall, 1977).

Most research in this area focus on brand or product perception. However, the discussion in this thesis focuses on the perception of 'risk'. One aspect which differentiates store and mail-order shopping behaviour is that mail-order shopping involves higher risks since the consumer can only perceive the product/brand and make their decision via promotional material (although the existing shoppers have past

experiences as reference.) Further discussion concerning perceived risks is presented in the following sub-section.

5.3.1 Perceived Risk

One of the important elements in influencing the perception of a product and consumers' decision-making process is perceived risk. Perceived risk was first defined by Bauer (1960, pp24) as "in the sense that any action of a consumer will produce consequences which he (or she) cannot anticipate with anything approximating certainty". He suggested that consumer behaviour as risk-taking behaviour. Thus, the level of perceived risks are determined by the function of *amount of uncertainty* and the *consequence of purchase* (Foxall & Goldsmith, 1994). A bad purchase decision results in seven types of risks:

a) financial risk (e.g. loss of money).

b) performance risk (e.g. if the choice performs as expected or not).

c) social risk (e.g. the popularity of the choice amongst one's social group).

d) physical risk (e.g. physical safety).

e) psychological risks (e.g. disappointment).

f) time-loss (e.g. additional time spent in order to make-up a bad decision) (Roselius, 1971; Bettman, 1973; Ross, 1975).

g) opportunity risks (e.g. because this choice he/she has given up the other choice) (Zikmund & Scott, 1973; Mowen, 1987).

To reduce the risks, consumers tend to increase the certainty of their prediction of the possible consequences of their decisions (Popielarz, 1967; Jacoby & Kaplan, 1972; Kaplan *et al.*, 1974). Consumers can reduce the amount of uncertainty by acquiring and handling information about the product or services. Also, they can reduce the uncertainty on the consequence of purchase by reducing the amount at stake or changing the decision

(Taylor, 1974). To make the best purchase decision, consumers will rely on those criteria which can assure that they are making the right decision (Sheth & Venkateson, 1968; Derbaix, 1983) or reduce the perceived risk to a tolerable level (Ross, 1975). For example, Derbaix (1983) used the following nine 'risk relievers' to reduce the levels of perceived risks: a) money back guarantee, b) store image, c) advice of friends and relatives, d) salesman's advice, e) expert advice, f) brand loyalty, g) major brand image, h) shopping, i) expensive model. In a catalogue shopping study, Schiffman and Schus attempted to name 'perceived risk' as a determinant of consumers' in-home purchase (Schiffman & Schus, 1976). Here, we call these actions or criteria provided by the supplier or buyer as 'risk relievers' which help to reduce consumers' levels of perceived risk.

a) Cox and Rich (1964) - Perceived Risk and Consumer Decision-Making - The Case of Telephone Shopping

A very large survey was conducted in fifty-two department and speciality stores in New York, Boston, Washington, Baltimore, Pittsburgh, Cleveland, Chicago, and Los Angeles. The research was conducted either by personal interview or telephone interview, with sampled women shoppers living in the Cleveland Standard Metropolitan Statistical Area. There was in total 2945 personal interviews in New York and Cleveland. In addition, a different sample of telephone interviews with 1184 women from other areas who had recently ordered something by telephone was drawn randomly from the telephone order records of 18 stores.

Comparing in-home shoppers with non in-home shoppers, Cox and Rich found that non in-home shoppers not only perceived intolerable amount of risks in telephone shopping, but also seemed unwilling or unable to deal with their uncertainty in such a way as to reduce risk to the point where it would be comfortable for them to shop by telephone. Basically, telephone shoppers relied heavily on past experiences as well as other information sources, such as newspapers, magazines. Non-telephone shoppers

seemed quite unwilling or unable to use newspaper advertising as a reliable and useful means of obtaining information and reducing uncertainties.

The finding indicated that consumers perceived higher risks in telephone shopping than store shopping while the amount and type of risks varied for different shopping situations and for different consumers. Generally, consumers perceived higher risk in telephone situations than in-store shopping. Nevertheless, the prime factor which determined confidence in ordering particular types of products by phone was the ability to identify the items by brand, size, or colour. In other words, the greatest concern of in-home shopping was that consumers were not able to inspect the products and to compare product characteristics, prices, qualities, sizes, colours, and styles in person.

Thus, the significant behavioural determinant was perceived risk. The level of perceived risks determines the consumers' confidence in purchasing products through telephone. Consumers will avoid situations where products were associated with high risk levels. Thus, some items were ordered by phone with more confidence than others. Cox and Rich also concluded "the more decisions required in making a single purchase, the more important the decisions are; and the more uncertain the consumer is about making the decisions without visual inspection, the greater the risk potential of ordering the product by phone." Therefore, it implied the emphasis on reducing uncertainty was essential for direct marketing. The products needed precise descriptions, accurate size and colour, etc. A confident customer is a well-informed customer.

Unfortunately, in this early and large-scale study, the data were analysed only by cross tabulation and the results were presented as percentages. No sophisticated analytical technique was adopted in this study, reflecting the common limitation on the methodology during that time.

b)   Spence, Engel, & Blackwell (1970) - Perceived Risk in Mail-Order and Retail Store Buying

The objective of this study was to investigate differences in perceived risk between purchases on a mail-order and from a store and/or salesman. The study examined hospitalisation insurance, using a survey which included 19 other products with a wide range of prices, uses, and durability. It was a quasi-experimental field study. There were three groups interviewed, comprising 100 respondents in each of three groups, A, B, and C. Group A, the policyholder group was drawn from the 350 policyholders of the sponsoring company. The sample groups lived in the Columbus, Ohio, area and they had received promotional material from the company through the mail earlier and had purchased by mail. Group B, the prospect group, consisted of respondents selected randomly from the prospect list of the company. These names were obtained from the same sources as those who had already purchased and this group of people had received a promotional mailing from the company one week before the study but had not yet purchased. Group C, the control group, consisted of respondents selected randomly from geographical areas matched to those of Group B, but they had not received any promotional mailings.

As this was a quasi-experimental study, the type of products offered by the company through whom the survey was sampled and the content and offer of the printed material in the mailing were important. Unfortunately, no further information about the product and mailing materials were specified in this research paper.

The amount of risk was measured by five point rating scales and the survey was administered to a sample of 300 respondents. To analyse the data, each answer on the level of risk, that is 'very high risk,' 'High risk,' 'Moderate risk,' 'Low risk,' and 'Very low risk,' was scored which indicated the amount of risk perceived in different buying

situations. The hospitalisation insurance was tested by one-way ANOVA (analysis of variance) and *t*-test.

The results indicated that consumers perceived higher risk in mail-order purchase than in-store purchase. From the one-way analysis of variance, respondents were discriminating among different products with respect to perceived risk in the given buying situation.

The result indicated that mail-order consumption is regarded as a riskier type of behaviour than in-store shopping. However, the perceived risk was not a determine factor which differentiate consumers' who use mail-order or not. As such, this part of result is contradictory with Cox & Rich's and Gillett's (see 5.5.2a) study. In addition, the result of analysis did not show that the existing mail-order perceived a lower level of risks when they purchased other products compared with non-users.

c) Schiffman & Schus (1976) - Risk Perception as A Determinant of In-Home Consumption

This study aimed to measure in-home purchase experience and perceived risk. Two groups of consumers were sampled. The first group, comprised of 305 people, and was made up of in-home catalogue consumers who had purchased from a particular firm's direct mail catalogue. The second group, comprised of 284 people defined as 'near-consumers' who had not purchased from the same firm's direct mail catalogue although they had had an equal opportunity to do so (i.e. they had the same catalogue.)

The results indicated that members of the in-home consumer group were more active mail-order consumers. Also, people generally perceived buying by mail-order as a riskier behaviour than buying from a store or salesman which was consistent with the finding from Cox & Rich and Spence, *et al.*

d) <u>Akaah & Korgaonkar (1988) - A Conjoint Investigation of The Relative Importance of Risk Relievers in Direct Marketing</u>

Based on the conclusions of the previous studies (i.e. Cox & Rich, 1964; Spence, et al., 1970) that compared with store shopping, consumers perceived higher risks in non-store shopping. This study assessed direct marketing via the perceived risk paradigm and conjoint methodology consumers' preferences for 'risk relievers' in direct marketing. Eight risk relievers derived from the literature were evaluated by the conjoint method to estimate their relative importance. They were: a) product cost, b) product newness, c) brand experience, d) manufacturer's name, e) distributor's reputation, f) money-back guarantee, g) free sample/trial, and h) endorsement by a trusted person.

The sample for the study comprised 83 consumers from a medium-sized southern city in the USA. The respondents were selected via systematic random sampling from the city's telephone directory. The data were collected through a fractional factorial plan which was used to select 16 combinations and evaluate each on an interest-in-purchasing-direct-marketing-package scale.

The results indicated that direct marketers can enhance the effectiveness of their marketing effort by offering money-back guarantee as opposed to free sample/trial. Also, it was better to carry established manufacturer names than unknown manufacturer names. 'Product newness' had a low importance ranking which implied that both new and established products could be sold by means of direct marketing.

This part of review suggests that the level of perceived risks are important factors for the choice of use or non-use of mail-order. Generally speaking, consumers perceive higher level of risks when they shop on mail-order than in a store. Furthermore, non-mail-order users perceived higher level of risks in mail-order shopping than the users.

5.4 MOTIVATION

A number of articles have called for research in this area for marketing purposes (Davidson & Rodgers, 1979; Hirschman, 1980). Consumer behaviour is mainly driven by motivation. Motivation "refers to an activated state within a person that leads to goal-directed behaviour." (Mowen, 1987, p.61) The early research in this area has provided a few distinctive studies on hierarchy of needs, for example, Maslow's (1943) theory of human needs. The indications of this type of research is that satisfaction of a lower level of need leads to the next level of need to be satisfied. The confusion in this particular area is that it is very difficult to differentiate need, drive, motive, and goal although, some researchers prefer to define each of them and others see them as the same thing (Onkvisit & Shaw, 1994).

Buying behaviour is the result of motivated-goal satisfying behaviour. Therefore, very often, the research in this area focuses on shopping patronage. Therefore, the literature review of this subject focused on patronage studies. The general study of consumer behaviour has asserted that consumers' shopping orientations influence their shopping patronage (Korgaonkar 1981; Bellinger & Korgaonkar 1980; Crask & Reynolds 1978; Darden & Ashton, 1974). Since the behaviourists assert that patronage preference theory evolves from shopping motives, basic motivation research on consumer behaviour is synthesised in theories of patronage preference behaviour. This type of study basically searches for an individual's needs and wants that are related to his adoption of a particular shopping mode for a specific product or service (James, 1986). In other words, motivation studies aim to identify the reason 'why' consumers behave the way they do and 'why' they prefer one product/brand to another (Rice, 1993). It is useful for the market researcher to search for the characteristics attached to the motivation of purchase in order to identify the consumers in this particular market segment. The subject of the following Korgaonkar's study is a distinctive study done in the area of direct marketing.

a) **Korgàonkar (1984) - Consumer Shopping Orientations, Non-Store Retailers, and Consumers' Patronage Intentions: A Multivariate Investigation**

Korganonkar used factor analysis to explain non-store shopping behaviour. He surveyed 200 households in SMSA of Detroit, Michigan. 146 responses were valid for the analysis. Three factors were extracted by using component analysis. They were i) price orientation, ii) time and convenience orientation, iii) brand conscious orientation. Also, the respondents were grouped by means of hierarchical cluster analysis of the factor scores. The results indicated that; 49 per cent of respondents were brand conscious; 45 per cent of respondents were price oriented; 24 per cent of respondents were time and convenience oriented; and finally, 28 per cent of respondents were oriented by 'other' factors.

5.5 SEGMENTATION FACTORS

Niche marketing has long reversed the homogeneous market assumption proposed by economists. Heterogeneity of the market has developed the basis for market segmentation and product differentiation (Onkvisit & Shaw, 1994). Smith (1956) initiated this strategy which is designed for "a heterogeneous market by emphasising the precision with which a firm's products can satisfy the requirements of one or more distinguishable market segments." (Smith, 1956, pp.4) Market segmentation is a result of heterogeneity amongst consumers and product differentiation is the result of heterogeneity amongst products that marketers design different marketing or product strategies to satisfy a target market segment within the entire market.

In particular, segmentation is emphasised in a mature market (i.e. older people) (Bone, 1991). Moehrle (1990) suggested retired people's consumption patterns are very different from those of working people. Research indicates that older markets are often

affluent and older consumers use the media more than younger consumers do. Older consumers have less interpersonal contact and demand special services (e.g. delivery) or telephone shopping compared with a younger group. It is also found this group of people have high loyalty to the supplier who provides good service and value (Engel, *et al.*, 1993). For food markets, mail-order speciality food is certainly a highly differentiated product which targets at a specific market segment. Chapter 4 Section 4.5.2.9 reported that most mail-order speciality food purchasers are more likely to be older consumers. Therefore, the above findings would be valuable references. Furthermore, although mail-order uses an individual approach to contact customers, in order to obtain high response, direct marketing campaign has to identify and target a specific segment of consumers who have the similar motivations, needs, and shopping behaviour. Figure 5.2 shows three types of most often used criteria for segmentation in direct marketing; they are: a) behaviouristic characteristics, state of being, and c) psychological characteristics (psychographics).

Figure 5.2 Most Often Used Criteria for Segmentation in Direct Marketing

Behaviouristic	State of Being	Psychological
Consumption Pattern Recency of purchase	**Geography**	**Attitudes**
Frequency of purchase Purchase volume / or order size	**Demographics**	**Preferences** **Benefits sought**
Product Usage Recency of purchase	**Socio-economic**	**Perceptions, Images**
Frequency of purchase		**Personality**
Purchase volume / or order size		**Lifestyle**
		Opinions, Interests

Source: Katzensten & Sachs (1986)

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Before reviewing the relevant studies associated with consumer characteristics, it is important to recognise that in the sense of innovation, direct marketing has experienced phases of innovation in terms of its growth of usage and its advance in direct marketing media. Consequently, the following review begins with the innovation theory. "An innovation in marketing is something (a brand, product, idea, service, practice) that is perceived as new in the eyes of the members of a social system." (Foxall & Goldsmith, 1994, pp37) As a result, the studies in innovation are somewhat synonymous with some of the direct marketing consumer profile research.

5.5.1 Innovation Theory and Profile

Many studies suggest innovators frequently differ from later adopters in the following aspects:

a. Socio-economic status: It is found that the innovators tend to have a higher income and/or are wealthier than the general population. Nevertheless, most studies find innovators are also different from others in terms of social groups in occupational status, social class, and education (Robertson, 1971).

b. Social involvement and behaviour: Consumer innovators are reported to have greater or different mass-media exposure, contact with change agencies, group participation, interpersonal communication, opinion leadership, and a cosmopolitan lifestyle compared with others in the social system (Roger, 1983; Foxall & Goldsmith, 1994)

c. Personal traits and perceptions: Generally speaking, the early adopters are more experienced than others, more knowledgeable about the relative questions, have a more positive attitude toward change, show achievement motivation, educational aspirations, a pro-business orientation and empathy, and avoid mental rigidity. Furthermore, the

innovative behaviour is related to the person's adventuresome, in other words, one's capacity to cope with high levels of risk, uncertainty, and novel situations. (Midgley, 1977; Robertson, 1971) The innovators are usually 'risk-takers'. They see more advantage, greater compatibility, less complexity, more opportunity as being more conspicuous for trial in a new product, service, idea, or practice than do non-innovators (Ostlund, 1974). Apparently, the ability of adaptability and flexibility in the changing environment reveals one's attitude towards innovation (Goldsmith, 1987).

d. Purchase and consumption patterns: A type of innovator is identified with their consumption. The innovators are found to be 'heavy users' both in terms of frequency of purchase and usage rate. (Danko & MacLanchlan, 1983; Dickerson & Gentry, 1983; Robertson, 1971; Robertson and Gatignon, 1985; Taylor, 1977)

Figure 5.3 illustrates the adopter categorisation. Mail-order speciality food shoppers are suspected to be in the categories of 'innovators' and 'early adopters' and they are relative small number of people in comparison of the general population.

Figure 5.3 Adopter Categorisation on the Basis of Innovativeness
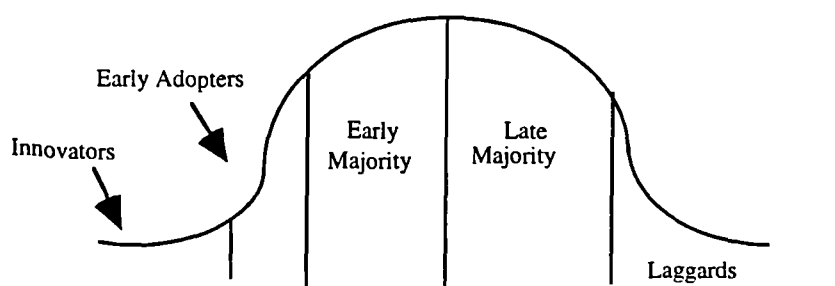
Source: Rogers, 1983

The successive review will focus on the profile of the in-home shoppers.

The findings of Cox and Rich's (1964) telephone shopping research agreed with the results in higher level of family income and education (see Section 5.3.1a). However, because of the date of the research, which was in early 60's, those who could afford the means to shop by telephone were pre-defined as belonging to a certain socio-economic group, since telephone ownership was relatively uncommon. Cox and Rich's study, therefore, may not be appropriate in the context of supporting other consumer profile studies. So, in considering the general characteristics of the in-home shopper, Cox and Rich's finding on the consumers' characteristics of telephone shoppers will be absent in the following profile discussion. Whereas Spence, Engel, and Blackwell (1970) as well as Peter and Ford (1972) published a completely contradictory result (refer to b and c) to Gillett's, which was the more affluent and highly educated the consumer was the less likely shopping was conducted through mail.

Gillett also found that in-home shoppers tended to have credit cards and telephones which may reconfirm that this group of people demanded higher convenience in payment than others. Looking at racial issues in particular, Gillett found blacks and whites were not very different in their in-home shopping behaviour. Apart from the lower income level, blacks were more unlikely to shop at home than whites. However, this may also reflect other social factors in the early 70s in the US while 'Negro' was still used in referring to black people in the literature.

This research also attempted to investigate if in-home shoppers are more intolerant of the shopping environment caused by traffic, parking, crowd, walking, carrying goods, etc. In contrast, it was found that the in-home shoppers also enjoy store shopping, and, in fact, they shop more frequently than the sample average. Nevertheless, they seemed not to be bothered by the shopping environment and the shopping environment was not the factor which drew them to in-home shopping. This overlap may suggest that the more shopping information and experience women have, the less difference they will perceive between the advantages of the two types of shopping. Also, as they are experienced

shoppers their decision-making may depend on whichever offers more favourable consumer product value in terms of price, quality, or convenience.

Gillett hypothesised that in-home shoppers are 'locked-in' shoppers which might be influenced by the driving time to stores, availability of transportation for shopping, shopper employment status, and shopper age and presence of pre-school children at home, etc. Comparing in-home shoppers and store shoppers, the result indicated no significant differences in these factors. It was also found that people did not shop at home was not because they had less choice or had difficulties than others. Instead, they tended to be resourceful shoppers who chose the best options among those open alternatives. Gillett described these urban in-home shoppers as 'modern' shoppers who are seldom bounded by shopping tradition and perceive less-than-average risk in buying by mail or phone. However, some points were raised as the lock-in shopping measures were limited and the sample did not include outlying suburban and urban fringe areas of the city. That is, the fact that consumers in areas further from shopping centres may have more difficulties in shopping was not tested in this study.

b)   Spence, Engel and Blackwell (1970) - Perceived Risk in Mail-Order and Retail Store Buying

Although this research aimed to analyse the risk perception among consumers, it also reported a different consumer profiles between the mail-order users and retail store shoppers. A comparative approach was adopted, that is, two buying situations were compared, mail-order and in-store. In Section 5.3.1b, the detailed sample description has been given. A quasi-experimental field study was conducted to test the main hypotheses which compared the level of perceived risks when consumers purchased hospitalisation insurance from a mail advertisement, from a store, or salesperson.

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In spite of the lacking of product and mailing material information for judgement, this study revealed an inverse relationship between income and mail purchase and a similar result in education. In other words, people who had higher income and education tended to buy less from direct mail. This finding was consistent with Peters and Ford's (1972) finding (refer to the following section c) but in contrast with Gillett's finding (refer to previous section a).

c)   Peters and Ford (1972) - A Profile of Urban In-home Shoppers: The Other Half

This research focused particularly on door-to-door selling which was excluded in Gillett 1970's study on urban in-home shoppers. It examined characteristics, including personality and socio-demographic variables, between those women who bought cosmetics from door-to-door saleswoman and those who bought cosmetics from retail stores.

A judgement sample was employed. Two types of extreme sample were selected, first, the heavy-in-home cosmetic customer, and second, heavy in-store cosmetic customers. There were 249 valid questionnaires which were derived from a large random sample classified into 136 heavy in-home buyers and 113 heavy in-store customers. The personality factor was tested by the personal adjustment scale of California Test of Personality (adult version, 1953 revised).

Peter and Ford found no significant differences in personality or the amount of money spent on cosmetics between door-to-door cosmetic buyers and retail buyers. Unlike Gillett's study, this study found door-to-door cosmetic buyers were 'lock-in' buyers by comparing the number of children under 12. The in-home buyers had a higher number than the store shoppers. Moreover, the in-home shopper had considerably less access to a car for daytime shopping which indicated a higher level of shopping difficulty compared

The final results were analysed by discriminant and canonical analysis. The author found in-home shoppers were more likely to have a higher social class, a higher level of family income, and that the head of household had a better level of education and occupation. It was also found that in-home shoppers were less conservative, had a more positive attitude toward the use of credit, and were more cosmopolitan than the non in-home shoppers.

e)   Reynolds (1974) - An Analysis of Catalogue Buying Behaviour

This research aimed to analyse catalogue buying behaviour by examining three factors that affect catalogue buying behaviour: convenience, offering, and degree of risk. The hypotheses were established according to previous studies including Cox and Rich (1964), Spence, Engel, and Blackwell (1970), and Gillett (1970).

Data from 302 valid random mailed questionnaires were collected among 18,000 household in a Georgia community. The dependent variable was the frequency with which products were ordered over the preceding 12 months. Based on the mail-order frequency, respondents were classified into three groups: frequent catalogue buyers, infrequent catalogue buyers, and non-buyers. Frequent catalogue buyers were those who reported placing orders 12 or more times in the previous year. Infrequent catalogue buyers were those who reported placing at least one but less than 12 orders in the past year and those who did not place any order were defined as non-buyers. Respondents answered 107 questions which were independent variables. The data was analysed by using principal components analysis and varimax rotation to try to identify a priori conceived underlying themes within the data.

Fifteen stable factors were extracted and only those variables that differentiated between catalogue buying groups at less than 10 per cent level of statistical significance were used in supporting the research hypotheses. The result indicated that the catalogue

buyer had a higher level of family income. Also, the family tended to have children under 12 years old. It was found that neither time consciousness nor community involvement were significantly related to the behaviour of frequent catalogue buyers. However, catalogue buyers tended to have a low opinion of local shopping conditions. The analysis revealed an overlap between frequent catalogue buying and frequent store shopping. This point was made in Gillett's study. The results also suggested the catalogue buyer preferred extensive merchandise assortment. Nonetheless, the catalogue buyers tended to be younger, more adventuresome, and to express greater self-confidence which was somewhat in conflict with Peters and Ford's study which found no significant difference between buyers' personalities and Gillett's study which found no significant difference between different age groups.

f) Berkowitz, Walton, and Walker (1979) - In-Home Shoppers: The Market for Innovative Distribution Systems

The objective of this study was to compare the in-home food shopper with store shoppers in their demographic profiles, shopping behaviour, attitudes, and decision-making criteria. This was one of the rare studies on food in this particular area of research and it examined the characteristics of in-home purchasers of food, a product category never before examined in research on in-home shopping. The findings of this study were also compared with previous studies.

The study was conducted through a private organisation which operated in the upper and upper-middle-income suburbs of a major midwestern metropolitan area, in the USA, and offered a full assortment of groceries, produce, and meat, also with a limited selection of non-food items. Customers were provided with a loose-leaf binder listing all available items, prices, and product code by weekly direct mail.

Approximately 800 completed, returned questionnaires were collected from 1,500 randomly selected orders delivered to customer of the in-home food retailer during one week in the summer of 1977. Incentives were provided to encourage a higher response rate. For the purpose of comparison, a non-in-home shopper sample was obtained through telephone numbers from telephone exchanges in the suburban communities. After screening for non-in-home shoppers by phone, 500 questionnaires were sent with a number of 266 returned questionnaires.

Chi-square analysis was utilised to analyse the statistical significance of differences between in-home and store shoppers. For the attitudinal scales, t-tests were utilised to find the importance of variables and group means.

The authors found there was no significant difference between income groups. The in-home food shoppers were found to have higher status occupations as well as higher levels of education than store shoppers. This is consistent with Gillett's finding. In this study, it was found that in-home shoppers were younger which was consistent with Reynolds' finding but not Gillett's which indicated no significant difference in age. Also, this study revealed in-home food shoppers shop significantly less frequently than the store shoppers but strangely, there was no significant difference in shopping costs and family size. In addition, in-home food shoppers had higher mail-order shopping expenditure on other types of merchandise than the store shoppers. Not surprisingly, the result indicated that a higher proportion of national credit card holders among in-home shoppers than the store shoppers. A same finding was reported by Cunningham and Cunningham's study. The credit card variable was associated with the personal state of wealth and in-home shoppers did address more importance than store shopper.

Since the area in which the company was operating and from which the sample was drawn was upper-middle-income suburbs, it did not include a full range of income

groups. Therefore, the representation of this research tends to be limited to a certain social group and some associated characteristics.

g) **Young (1992) - An Analysis of Personality Types, Values Systems, and Attitudes among Selected Consumers as Indicators of Purchase Behaviour: Implications for Direct Marketing**

The study aimed to identify and compare the demographic profiles, selected shopping attitudes, personality types, and value systems of users and non users of mail-order catalogues.

The research was conducted by mail survey which sampled 679 adults aged over 25 year of age. Respondents were classified into non users, infrequent users, and frequent users of mail-order catalogues.

The result indicated significant relationships between mail-order catalogue use and non-users. The catalogue shoppers were more likely to have higher education, various types of credit card or account card and children at home less than 6 years old. No significant differences were found in terms of age, occupation, home ownership, marital status, income level, residential location or community size.

h) **James (1986) - Motivational, Attitudinal and Socioenvironmental Characteristics of Direct Marketing Television Shoppers**

The objective of this study was to determine if there were significant differences between direct marketing television shoppers and non shoppers when classified by motivational, attitudinal, and socio-environmental factors.

This study surveyed 905 consumers aged over 18, who were classified into 613 television shoppers and 292 non-shoppers. Stepwise multiple discriminant analysis was utilised to analyse the data. There were significant differences in 23 motivational, attitudinal, and socio-environmental variables between TV-shoppers and non-shoppers. In the test of hypothesised differences among heavy, moderate, and light direct marketing shoppers a total of 22 variables were found to significantly discriminate among groups. Canonical analysis produced three significant roots and four types of shoppers were identified. There were: a.) white occupation-dominated type shoppers, b.) television-dominated non-ethnic type shoppers, c.) television-dominated home appliance type shoppers, and d.) minority spouse-affected type shoppers.

The author reported that direct marketing television shoppers were more likely to be female of low socio-economic status living in an East South Central state of the USA, placing very high emphasis on convenience, working in some unspecified profession, and watching television between twelve and six in the afternoon.

5.5.3 Comparison of the Literature

In the above review, there are many conflicting results. Figure 5.4 compares all the key findings revealed in the literature. The discussion here is not deemed to summarise what exactly the best description of an in-home shopper is, because each research addressed previously has its own empirical base and rationale. However, these conflicting results may have been caused by several factors:

Figure 5.4 Comparison Chart of the Findings

Income		
Higher	Lower	No Difference
Gillett	Peter & Ford	Berkowitz *et al.*
Reynolds	Spence *et al.*	Young
	James	

Education & Occupational Status		
Higher	Lower	No Difference
Gillett	Peter & Ford	
Berkowitz *et al.*	Spence *et al.*	Young (but higher education)

Lock-In Shoppers	
Yes	No
Peter & Fold	
Reynolds	Gillett
Young	

Age		
Older	Younger	No Difference
	Reynolds	Gillett
	Berkowitz *et al.*	Young

Personality	
Yes	No Difference
Reynolds: more confident	
adventurous	Peter & Fold

Credit Card / Convenience
Yes
Gillett
Cunningham & Cunningham
Berkowitz *et al*

Family Size
No Difference
Gillett
Berkowitz *et al.*

Experienced Shopper
Yes
Gillett
Reynolds

Expenditure
No difference
Gillett

Frequency
Less frequent
Berkowitz *et al.*

a. ***The nature of the research:*** If the nature of the research is defined within a certain group of people, company, or product, it will be more likely to cause different results.

b. ***The sample:*** Differences in the data gathering and sampling method may result in different findings.

c. ***The geographic factors:*** In a large geographic territory like the US, one geographic area may differ slightly or significantly from another. The differences including occupation (e.g. agricultural state will have more farmers than others and some states are more industrialised than others), demographics, sub-culture, and lifestyle which lead to various behaviours.

d. ***The time of the study:*** As the socio-environment is constantly changing, the time gap between studies can result in a completely inconsistent fashion phenomena.

e. ***Socio-demographic characteristics may not be the segmentation factor in direct marketing in all cases:*** Conventionally, marketers used to segment the market by socio-demographic characteristics which were the basic data for grouping consumers who showed similar characteristics suggesting they had a similar buying behaviour. However, this method of segmentation is not always accurate and it has been found that certain consumer behaviour may be differentiated by other aspects, such as psychological factors.

Apart from the individual decision-making process, the 'situational variables' are the other emphasis which was urged by many behaviourists, Engel, Kollat, and Blackwell (1969) for example, in order to explain consumer choice (Belk, 1975). The following sub-section discusses the influence of situational variables.

In the previous sections, the relevant literature in perception, motivation, and consumer characteristics has been reviewed. There is another key issue in which influence consumer behaviour suggested in the literature, called 'situational influence'. Mail-order shopping is one of the shopping behaviour which is influenced under this situational factor, in particularly the 'physical surroundings'. The following section reviews this general theory.

5.6 SITUATIONAL INFLUENCE

In Figure 5.1, the model illustrates that consumer's buying decision-making process is influenced by the external stimuli. For mail-order, the external stimuli are concerned with distribution. Consequently, it is associated with the situational influence theory. There were several attempts in classifying the situational variables (Moos, 1973; Mehrabian & Russell, 1974). Belk (1975) successfully divided situational characteristics into five main groups: They are:

a. Physical surroundings: including geographical and institutional location, decor, sounds, aromas, light, weather, and visible configurations of merchandise or other material surrounding the stimulus objects.

b. Social surroundings: including other persons presence, their characteristics, their apparent roles, and interpersonal interactions occurring.

c. Temporal perspective: it is mainly concerned with time, ranging from time of the day to season of the year, and including the time since last purchase, time since or until meals or pay-day, and time constraints imposed by prior or standing commitments.

d. Task definition: including an intent, choice requirement, or purchase information.

e. Antecedent states: it represents momentary moods (e.g. acute anxiety, pleasantness, hostility, excitation) or momentary condition (e.g. cash on hand, fatigue, illness) rather than chronic individual traits. (Belk, 1975)

In evaluation of the situational influence on consumer's behaviour, Belk (1975) concluded that situational influence is a pervasive factor in consumer behaviour. In addition, situational effects can be demonstrated both descriptively and experimentally, evident from a range of studies, including that greater risk was found to be perceived in buying the same product by mail-order than from a store (Belk, 1975). No doubt, the subject area of this study (mail-order speciality food) will be a situational study which compares the influence of different shopping environments (mail-order vs. store) on consumer behaviour.

5.7 HYPOTHESES

The following sub-sections present a brief summaries in relation to each of the items.

5.7.1 Perceived Risks

It is indicated in the literature that consumers perceive higher levels of risk when they buy products through a direct marketing channel. Although every purchase-decision involves risks, most of the risks can be reduced (i.e. reducing the uncertainties and increasing consumers' confidence), for instance when the consumer has personal experience of the product through personal inspection or trial, or demonstration by the salesperson. On the other hand, direct marketing (mail-order) is usually not able to provide this environment for consumers to experience the products. As such, it has to

overcome the problem that the product is shown as printed material on which the product information can only be given in a textual or graphic form. This is the first constraint to be overcome. Second, there are some uncontrollable factors during delivery, such as packaging and the efficiency of the delivery, before consumers actually receive the product they ordered.

There are three hypotheses established in relation to this area. The hypotheses assume:

a) Consumers perceived different aspect of risks in purchasing through mail-order which are higher than store shopping.

b) Non-mail-order users perceive higher level of risks than mail-order users.

c) Risk relievers can reduce the level of perceived risks.

5.7.2 Motivation

The increasing patronage of mail-order shopping channels underlines the necessity of understanding consumers' attitudes and motivations for using this channel in their shopping behaviour. By understanding consumer's shopping motivation, their needs and wants can also be learned. Mail-order shoppers in particular may have different shopping motivations or intentions from conventional shoppers. Nevertheless, for this specific subject motivations are explored by uncovering the reason for consumer's patronage of mail-order instead of the physical distribution in a store.

Thus, four hypotheses established in this area are in relation to:

a) Advantage of mail-order.

b) Consumer loyalty.

c) Outside shopping environment.

d) Health, environment, nutritional concerns.

5.7.3 Consumer Segmentation

The literature indicates a rather diversified and contradictory finding with respect to this particular issue. In fact, it is very difficult to generalise what type of consumers shop through mail-order in terms of their characteristics, such as socio-economic status, while behaviour is also influenced by the company's market position, types of products they are selling, targeting strategy and the product appeal. That is, the characteristics of a consumer who chooses a particular shopping method, for instance mail-order, is not only influenced by one single factor but also by what is available in the market. Therefore, this study explores the theme 'who is using mail-order shopping for speciality foods' instead of generalising about overall mail-order shoppers' characteristics. Moreover, the socio-economic variables are not the only variables which indicate consumers' characteristics. Therefore, many other relevant variables will be emphasised in the context of segmentation. The question of privacy will be considered in the survey design by excluding intrusive questions.

In this aspect of the study, the hypotheses are influenced by 'innovation theory' (see Section 5.5.1) that the mail-order food shopper may be differentiated not only by profile but also the personal traits and perceptions, i.e. they have more knowledge, experience, or information. It is, therefore, assumed that this group of people have higher media exposure than the other group. Apart from mail-order, they are more likely to try other type of direct marketing through other channels. Also, there is an attempt to sub-group mail-order food shoppers based on certain segmentation factors.

5.7.4 Statement of Hypotheses ˉ

To achieve the research objectives, the following hypotheses are established on the basis of the literature review. The hypotheses are focused on perceived risks, shopping motivations, and consumer segmentation, including profile. The ten hypotheses are as follows.

a) Perceived Risks

There are three hypotheses established with regards to perceived risks in order to investigate the structure and level of perceived risk of food purchasing through mail-order.

h1: Consumers perceive higher risk when they buy food through mail-order, without personal inspection, compared with store shopping. They perceive different aspects of risks when they shop for food products through mail-order, for example: risks associated with quality, delivery, service, and price.

h2: Inactive mail-order food shoppers perceive higher levels of risks than mail-order food shoppers when they shop through mail-order.

h3: According to consumers' risk perceptions, several 'risk relievers' can be generated to improve the situation.

b) Motivation

Four hypotheses are established to search for the prime benefits and advantages provided by direct marketing, specifically mail-order, as a motive from the consumers' perspective.

h4:   Convenience, speciality/uniqueness, and accessibility are the principal advantages of mail-order.

h5:   Customers remain loyal when they are limited by fewer options with respect to where they shop and switching costs involved.

h6:   Compared with inactive-mail-order shoppers, active mail-order shoppers are more likely to have negative attitudes towards shopping and the shopping environment (i.e. crowd, traffic, pollution.)

h7:   There is no difference in opinion between mail-order shoppers and conventional shoppers with regard to health, environment, nutritional concerns.

c) Consumer Segmentation

The following hypotheses are to identify the differences between consumers who currently use direct marketing, mainly mail-order, and those who do not.

h8:   Those who do shop for their food through mail-order experience a higher level of media exposure than those who do not.

h9:   Those who shop for their food through mail-order can be categorised into groups by the benefit they are seeking and with different characteristics.

h10:   Existing mail-order food shoppers are more likely to purchase other products by using mail-order and accept other forms of direct marketing, such as the Internet.

5.8 SUMMARY

The literature that has been reviewed is exclusively American literature. There have been very few academic studies undertaken on direct marketing in the UK. Thus, the subject of direct marketing is certainly under-studied in the UK where mail-order is most prevalent amongst all direct marketing channels/media. Therefore, mail-order shopping behaviour warrants particular attention. There are a lack of studies on direct marketing. No academic work has been published on studies that examine who, and why, some people purchase through direct marketing but some do not. Therefore, these issues are primary aims of this study. The hypotheses stated in Section 5.7.4 are mainly based on the literature review and are formulated with awareness of being consistent with the qualitative study results. The following discussion summarises the review under the sub-sections of 'perceived risks', 'motivations', and 'consumer profile'.

5.8.1 Perceived Risks

Consumers usually hesitate to purchase a product when it involves higher risk-taking which may result in suffering or a certain type of losses. It has been asserted that people purchasing through direct marketing channels (mail-order) perceive a higher risk than when they shop in a store. To reduce the level of risk perception, knowledge of risk structure and the cause of higher perceived risks is essential. Undoubtedly, each industry has its own unique factors. Thus, the food sector may contain some certain factors which worry consumers and sometimes may even prevent them from buying. In addition, by searching for the risk relievers, direct marketing may be used more frequently and by more consumers.

5.8.2 Motivation

The literature on direct marketing strongly suggests that in-home shoppers demand convenience and convenience-associated factors. In addition to some other characteristics found in past research, in-home shoppers are also described as experienced shoppers who know the best value to buy with convenience. Studies of consumer behaviour also prove that higher loyalty implies less search behaviour and limited time (Carman, 1970; Gross, 1987) and that consumers with little time as well as with large amounts of time available for shopping can be highly loyal (Jacoby & Chestnut, 1978). The motivation aspect of purchasing through direct marketing is still ambiguous. For instance, when investigating convenience, experience, and brand loyalty, they may seem somewhat correlated or they are very likely to be influenced by one another. Therefore, the motives of people who buy products though direct marketing channel should be explored.

5.8.3 Consumer Profile

In considering the factors which influence a business, from the remote environment which influences an organisation indirectly, to the consumers environment, which has a direct influence on an organisation's success, every factor shifts in an incredible pace. Therefore, the theme of marketing is to monitor the environment carefully and define the market and interact with the consumer both effectively and flexibly. This task is not a static issue but requires a long-term commitment. Thus, consumers' characteristics and behaviour are one of the basic elements in this business process. Because the socio-environment, technology, and other factors influence consumer's lifestyles and attitudes rapidly, consumer profile is becoming increasingly complicated. As a result of those major US works which were reviewed, some of them may still be valid and some of them may be obsolete. Not surprisingly, this topic is again attracting more interest in recent years, while consumer behaviour has changed tremendously since those findings were published.

Although in Section 5.5.3e it was suggested that some of the characteristics may not be the differentiating factors between direct-marketing channel users and non-users, consumer motivation, attitude, and behaviour are associated with those basic characteristics. Therefore, there will be a range of carefully selected variables that measure consumers characteristics in the empirical research.

The following chapter presents the study's methodology. It will present a quantitative research method to test the research hypotheses.

CHAPTER SIX

METHODOLOGY

6.1 INTRODUCTION

In the UK, the role of direct marketing is becoming increasingly important and direct marketing activities have generated a phenomenal impact on business in the economy and consumers' behaviour (see Part I). Unfortunately, the growth of direct marketing research has not progressed at the same speed. With respect to research into direct marketing, it still needs tremendous effort to provide an empirical base for direct marketing. With respect to empirical studies, many suggestions have indicated the need for investigation on this subject. Even in the US where the research is relatively highly stressed, suggestions for further research constantly appear in the literature (Akaah & Korgaonkar, 1988). At present, because of the lack of research in the UK, we often refer to the US literature when looking for a general concept of direct marketing, despite the fact that even in the US the knowledge of direct marketing is still limited. One issue raised in the previous chapter is that the empirical research from the US provides inconsistent evidence of consumers' profiles which may be attributed to differences in the design and nature of the research or other factors such as sampling. Sometimes the results of market research are not transferable between countries to establish the general case because of variations in environmental factors. Furthermore, mail-order food is a particular novel market segment of this area of study. Thus, it is essential to conduct UK research which is specific to the product and market environment.

This study develops empirical research to explore the key issues of UK consumers' purchases of food by a direct marketing channel. Mail-order is considered the most

prevalent form of direct marketing in the UK. As a result, the focus of the study is on food mail-order shopping behaviour.

The theme of this chapter is to present the survey research design. Based on the objectives and literature review, ten research hypotheses were established in the previous chapter. As far as the method of obtaining information about the subject area is concerned, not only should the research objectives be specified but the availability of research resources should also be considered. In fact, primary data collection would need a high degree of effort and costs. Because of this thesis is constrained by resources, first, the data collection method is conducted in co-operation of mail-order firms that strategically targets mail-order shoppers. As mentioned in Chapter 4, one of tasks in the qualitative research was to establish the contact with mail-order companies in order to facilitate the subsequent quantitative research. There are more detailed elaboration in this chapter.

6.2 QUANTITATIVE RESEARCH

Primary marketing research, a consumer attitude survey which provides an empirical base, is utilised to explain the direct marketing phenomena particularly in consumers' mail-order food shopping behaviour, attitudes, and preferences. The survey was conducted from November 1995 to January 1996, and involved mail-order food shoppers and inactive mail-order food shoppers. However, the mail-out of the survey pack was suspended during the Christmas period to avoid the non-response caused by the holidays or time constraints. The sample consisted of 1,639 responses which represented a response rate of 54 per cent . The purpose and nature of this survey and confidentiality of the response was stressed in the covering letter as well as the front cover of the questionnaire (See Appendix 2). The design of the survey is discussed into details in the following sub-sections.

6.2.1 The Measuring Instrument

The survey was conducted in order to understand the pattern of consumers' mail-order food shopping behaviour. The measuring instrument was a questionnaire. A self-administered questionnaire was designed to test the hypotheses. The essential point in questionnaire design is to assure that the objectives of the research are followed and key questions are structured to reflect the content of the hypotheses in a simple and direct way. However, the perceptual framework which consists of consumer preference variables, consumer's attributes, consumer's attitudes, consumer's behaviour toward direct marketing. Thus, two components are required in developing the questionnaire; the literature on consumer purchase decision processes in deciding the variables, and, the derivation of the variables. Since the variables derived from the literature and depth-interviews are shown in Section 6.2.3, the questionnaire will blend those variables into the questionnaire design.

6.2.2 Formulation of The Questionnaire

The questionnaire was designed to contrast two groups of consumers. One is those who often buy food on mail-order; the other group is those who do not shop frequently or not at all by mail-order . In designing the questionnaire, account was taken of Dillman's (1978) general principles in writing questions, which relate to:

a) the kind of information sought.

b) the question structure.

c) the actual choice of words.

Therefore, the questionnaire begins with a screening question then covers the areas of study of perceived risks, motivations, and consumer profile in which contrast their shopping experience/perception of mail-order and in a conventional store. Most questions

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are concerned with the individual respondent; some questions are concerned with his/her household unit.

Multivariate analytical techniques were employed in the statistical analysis of data since they are advantageous in processing a large number of variables which are correlated. For the data collection, sometimes the data cannot only limit the subsequent analysis used but also impose constraints on the implication of the results. Therefore, to satisfy the statistical data requirement, a five point rating scale, containing a higher degree of information, was used in order to allow a higher degree of precision (Burns & Bush, 1995). The following are the reference variables which may be considered in the questionnaire design.

6.2.3 Variable Derivation

The best general guide to selecting the potential predictors from a larger set of variables and the likelihood of attaining substantial predictability and reliable models is to integrate the theoretical variables fully into the model building process (Pedhazur, 1982). Thus, variables are primarily derived from the literature review and substantiated by the qualitative interviews with mail-order food company managers. The carefully derived variables are blended into the questionnaire design, which comprised by 27 questions in total.

a) Risk Perception Variables

- *Perceived Risk:* (i) level of perceived risks in comparison with store shopping , (ii) types of risks .

Since the level of perceived risks is very difficult to measure, the author of this thesis conceptualised the perceived risks as Figure 6.1. The perceived risks will be

measured from eight aspects (product quality, product safety, delivery time, condition on delivery, price, ordering procedure, seller's credibility) in a 'relative' term, i.e. in comparison of store shopping.

Figure 6.1 Conceptual Framework of Perceived Risks on Mail-Order Shopping
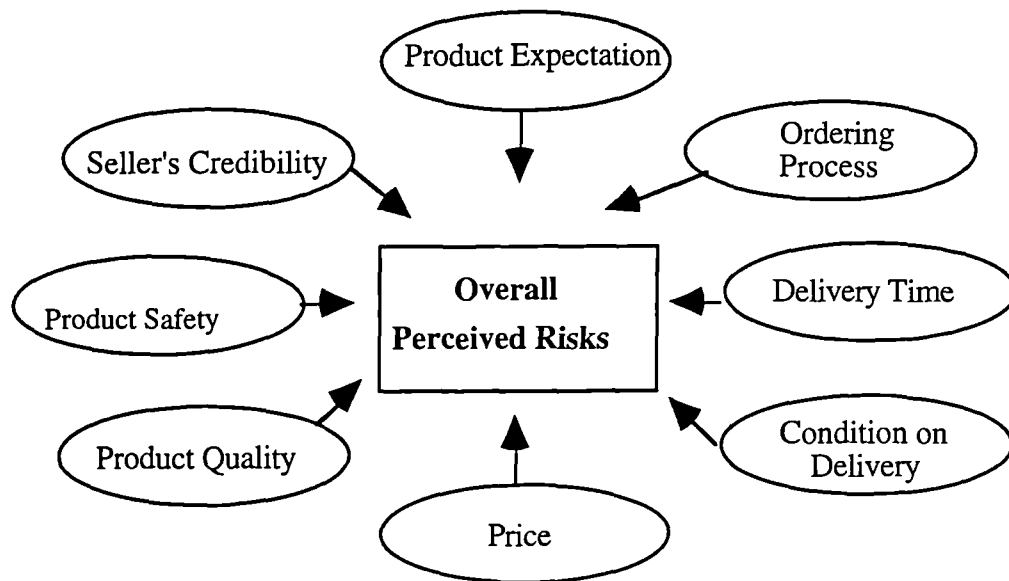
- *Risk Reliever:* Product cost, product newness/exclusiveness (Midgley, 1977; Robertson, 1971; Ostlund, 1974), brand experience, manufacturer's name, distributor's reputation, money-back guarantee, free sample/trial, endorsement by a trusted person (Derbaix, 1983; Akaah & Korgaonkar, 1988), accessibility, certified quality standard.

b) Motivation Variables

- *Shopping Intention:* price orientation, time and convenience orientation, brand conscious orientation (Korgaonkar, 1984), or speciality and newness orientation.

- *Product Factors:* Product quality, uniqueness, newness, speciality, accessibility.

c) Consumer Profile Variables

Although there are several ways to segment consumers, as shown in Figure 6.2 here, behavioural, state of being, and psychological approaches are commonly used as segmenting variables. In the consumer profile section, the variables include: (a) personal data, (b) household size, (c) shopping patterns, (d) family life cycle, (e) shopping opinion, (f) media exposure, and (g) general concerns and others.

- *Shopping Patterns:* (i) type of shoppers and frequency: mail-order shoppers or non-mail-order shoppers, (ii) shopping frequency (Danko & MacLanchlan, 1983; Dickerson & Gentry, 1983; Young, 1992) and shopping expenditure (Gillett, 1970).

- *Shopping Opinion:* (i) attitudes towards shopping, (ii) shopping environment (Gillett, 1970; Reynolds, 1974).

- *Personal Data:* age, sex, education, (Gillett, 1970; Reynolds, 1974; Berkowitz, *et al.* 1979)

- *Household Information:* number of household members, number of children under 12 (Gillett, 1970; Berkowitz et. al., 1979), family life cycle.

- *Media Exposure:* newspaper choice and selection of magazine types (Roger, 1983; Foxall & Goldsmith, 1994)

- *General Concerns & others:* i) general concerns: world and local affair, environmental issue (Reynolds, 1974), animal welfare, healthy diet, sports; ii) others: public transport (Gillett, 1970)

6.2.4 Questionnaire Test

Before the questionnaire was finalised, it was tested by two groups of interviewees: one was the manager group and the other was the consumer group. Members of the manager group are those company managers who were co-operating with the consumer survey. The preliminary questionnaire was sent to managers by post and their opinions on the questions were requested. The second group (consumer group) consisted of 15 people who were related mainly by convenience. The test was conducted face-to-face with each of the individuals in order to observe the time taken to complete a questionnaire and to check the design and readability of the questionnaire. After this procedure, the final questionnaire was generated. Generally speaking, it took 15 - 20 minutes to complete all the questions and no difficulties were experienced during the administration of the survey.

6.2.5 Survey Sampling

The representativeness and size of a sample strongly influences the validity of a survey. Since mail-order speciality food shoppers account for a small number of the general population and are difficult to detect, a judgement sampling strategy was adopted. Therefore, this survey was conducted in co-operation with five mail-order speciality food companies which were previously contacted during the qualitative research. They were named as Company A, B, E, F, and H (see Chapter 4, Figure 4.4). Each co-operating company provided their customer list of names and addresses. These companies have collected their customer lists from food fair, newspaper direct response advertisement, or those who have visited their retail outlets. They usually collect as many names and addresses as possible. According to the companies, the name on lists are necessarily an active mail-order customer. As a result, the currently mail-order user and non mail-order can be distinguished by a screening question (whether they have purchased mail-order food in the past 12 months or not). Additionally, it is convenience to compare active and inactive customers from this sample group. Depending on the operation of each company, the size

of the customer list varied significantly from 60+ to thousands. Two companies have a customer base more than one thousand; in these cases, only 1,000 names were randomly selected from the list. Others provided the full lists of their customer names and addresses. A total number of 3,052 consumers were sampled.

Each household received a mail-order survey pack which consisted of:

a)   A covering letter: To explain the purpose and importance of the survey as well as to motivate respondents to answer immediately (Dillman 1978). It emphasised the confidentiality of the response.

b)   A self-ministered questionnaire.

c)   A return Freepost envelope.

d)   A covering letter from the company's manager to explain their co-operation with the project (See Appendix 2).

Ideally, the respondent should have been the one who does the household food shopping. The questionnaire gave respondents two weeks to reply. There were 1,657 returned questionnaires. Among those, there were 1,639 valid cases making up an initial response rate of 54 per cent. Since the initial response rate was judged to be satisfactory and the research budget was limited, no follow-up letter was sent to encourage samples to reply the questionnaires.

The screening process of the sample in identifying mail-order shoppers and non mail-order shoppers is primarily by definition, i.e. depending on whether they have purchased their food by mail-order in the past 12 months or not.

6.2.6 Choice of Survey Methodology: Mail Survey

This 'Mail-Order Food Survey' was conducted as a mail survey. Although the majority of the companies are located in North England or the Scottish Borders, the customers of these companies are spread national-wide. Because of the time, cost, and resources available, telephone and face to face interviews were excluded. Each questionnaire was sent with a survey pack and required to be returned within two weeks. However, some of the responses from Scotland were delayed due to a postal strike during the survey period.

6.3 STATISTICAL ANALYSIS OF THE DATA

Frequencies and percentiles, as well as cross-tabulation are preliminary statistical procedures for data analysis. Frequencies and percentiles are useful for summarising data in a smaller categories. Cross tabulation is used to compare how respondents with a given value on one variable responded to one or more other variables. The choice of statistical methods is dependent on the type of survey data and the assumptions made for testing each of the hypotheses (Churchill & Gilbert, 1991).

6.3.1 Nonparametric Tests

Nonparametric statistics are also called distribution-free tests. The advantage of the nonparametric test is that it requires limited distributional assumptions about the data; that is, the significance level can be determined regardless of the shape of the population distribution (Taylor & Dunning, 1977; Clarke & Cooke, 1983, Lehmann, 1975). Because the distribution of the survey sample is very difficult to identify, the strict assumption about the population will not be realistic, as a result, nonparametric tests are adequate for the data analysis.

6.3.1.1 Chi-square Test

The chi-square test is a test which compares the critical points of the theoretical chi-square distribution to produce an estimate of the likelihood of the calculated value if the two variables are independent (Everitt, 1977). To test for two independent samples, the null hypothesis usually is:

h0:   Two variables of a cross tabulation are independent of each other.

The alternative hypothesis is:

hA: Two variables are associated.

The data are summarised into a contingency table as Table 6.1:

Table 6.1   Chi-square Test Contingency Table

Group	Variables 1	2	3	Total
1	n_{11}	n_{21}	n_{31}	C_1
2	n_{12}	n_{22}	n_{32}	C_2
Combined	R_1	R_2	R_3	N

The null hypothesis is tested by the following equation of Pearson chi-square:

$$\chi^2 = \sum_{i=1}^{r}\sum_{j=1}^{c}\frac{(n_{ij}-E_{ij})^2}{E_{ij}} \qquad (6.1)$$

where n_{ij} = observed number of cases categorised in to ith row of the jth column, and

E_{ij} = number of cases expected in the ith row of the jth column when *h0* is true.

- The degrees of freedom are calculated as $df = (r-1)(c-1)$ where r is the number of rows and c is the number of column. Pearson's chi-square value (χ^2) is compared to the critical points of the theoretical chi-square distribution, with certain degrees of freedom, to produce an estimate of how likely or unlikely this calculated value is if the two variables are actually independent. The probability is shown as observed significance level of the test. If the significance is determined at 5 per cent level, when the probability is less than .05, the null hypothesis (*h0*) should be rejected and alternative hypothesis (*hA*) should be accepted.

6.3.1.2 One-Sample Chi-Square Test

This test only requires that the data be a random sample. The data is classified into mutually exclusive categories of interest and then the expected frequencies for these categories are computed. The null hypothesis (*h0*) and alternative hypothesis (*hA*) are as follows:

h0: Distribution is uniform across categories.

hA: Distribution is not uniform across categories.

The result of the test is shown as Table 6.2. The significance of the test is by calculating the value of χ^2. The level of significance is determined at 5 per cent level. When *P* is less than .05, *h0* should be rejected by accepting *hA*.

Table 6.2 One-Sample Chi-Square Test

Category	Cases Observed	Expected	Residual
1	N1	A	(N1-A)
2	N2	A	(N2-A)
3	N3	A	(N3-A)
r	Nr	A	(Nr-A)

Chi-square	D.F.	Significance
χ^2	r-1	P

6.3.1.3 Median Test

This test is used to test the difference between mail-order food shoppers and non-mail-order food shoppers. The median test is a non-parametric statistical method used to prove two independent samples are drawn from the same population. The procedure tests whether two independent groups differ in central tendencies. In other words, it analyses if two sample groups have the same median (Siegel & Castellan, 1988). The null hypothesis ($h0$) and alternative hypothesis (hA) are as follows:

h0: There is no difference between the median of two groups with respect to a certain variable.

hA: The median of two groups are different with respect to a certain variable.

A contingency table (refer to Table 6.2) with counts of the number of cases with values greater than the median and less than the median and a chi-square statistic (see Section 6.7.1.1, χ^2 with $df=1$) for the table is compute. If the probability of occurrence when $h0$ is true is less than 5 per cent, $h0$ should be rejected and hA should be accepted.

Table 6.3 Median Test Contingency Table

	Group 1	Group 2	Median	Chi-square	Significance
> median	A	B			
< median	C	D	E	X^2	P

6.3.2 Multivariate Analysis

The principal statistical analysis will be multivariate analysis which "refers to all statistical methods that simultaneously analyse multiple measurements on each individual or object under investigation ... multivariate techniques are extensions of univariate analysis (analysis of single-variate distribution) and bivariate analysis (cross-classification, correlation, and simple regression used to analyse two variables)." (Hair, *et al.*, 1992, p4) Different multivariate analysis techniques will be employed in tandem in order to find a best way to present and summarise the results. Alternatively, more than one method may be used if necessary.

6.3.2.1 Factor Analysis

Factor analysis is a statistical approach that can be used to analyse interrelationships between a large number of variables and to explain these variables in terms of their common underlying dimensions. The basic assumption of factor analysis is that the non-direct-observable factors can explain the complicated phenomena. It may be used in investigating dimensional reasons for mail-order food shopping, risk relievers or intention in consumers' food shopping behaviour. The model for the *i*th standardised variable is shown as:

$$X_i = A_{i1}F_1 + A_{i2}F_2 + ... + A_{ik}F_k + U_i \tag{6.2}$$

where $F_{1...k}$ is a set of underlying common factors,

U_i is the unique factor, and

A_{ik} are the coefficients which indicate the influence of each factor and are used to combine the *k* factors (Norusis, 1993).

Principal component analysis is used to extract the factors. The first principal component is the combination of the largest amount of variance in the sample; and the second principal component is the second largest, and so on. In order to determine the number of factors to be included in the final statistics, all of the variance of each of the variables must be accounted for by all of the factors. The proportion is named communality. The value of communality is a useful index for assessing how much variance in a particular variable is accounted for by the underlying factors. It is considered insignificant when the value of one variable's communality is less than .50, in which case the variable may not be considered to be included in the final analysis. The total variance explained by each factor is indicated by the eigenvalue of each factor. The number of common factors is decided according to the eigenvalue (usually an eigenvalue greater than 1). Therefore, the percentage of the total variance explained by each of the common factors or the final factor solution (eigenvalue > 1) can be calculated. The cumulative percentage of variance of each factors indicates how well the extracted factors explaining the variance.

Varimax rotation of factors, which is one of the orthogonal approaches, is performed to facilitate the interpretation of result. By simplifying the rows and columns of the factor matrix, it improves interpretation and reduces some of the ambiguous factor solutions before the rotation. During the interpretation of factors, the significant loadings can be found by examining the factor loadings in each row and column. Thus, the meanings of each factors are influenced by the significant factor loadings of the variables.

6.3.2.2 Cluster Analysis

Cluster analysis is used to develop meaningful sub-groups of individuals or objects. Objects within a group are similar to each other while objects belonging to different groups are dissimilar. As such, it is used to search for relatively homogeneous groups from the entire sample. This method has become very popular amongst marketers in the situations like targeting and segmentation (Punj & Stewart, 1983; Singh, 1990). Therefore, to

identify the types of consumer, according to partition attribute (e.g. personal profile, shopping behaviour, or motivation), clusters of consumers can be segmented.

Cluster analysis is also referred to as Q analysis, typology classification analysis, and numerical taxonomy, as it is applied in different discipline, such as psychology, biology, etc. However, the fundamental rule is that the sub-groups are divided according to natural relationships (Everitt, 1980; Green & Carroll, 1978) There are three major stages in cluster analysis:

a)   Partitioning.

b)   Interpretation.

c)   Validation and profiling (Hair, *et al.*, 1992).

Regarding the third stage (validation and profiling), it is commonly acknowledged that there is some difficulty in implementation. In this thesis, the model will be validated by the value of α in a reliability test (see Section 6.3.4) and examine the final clusters are meaningful groups.

The stage of partitioning determines which variables will provide the basis for cluster analysis. Sometimes the poor selection of variables can distort the results of a study. To simplify the selection of variables, cases are grouped according to the factor dimensions and factor scores which are extracted from the factor analysis. Because it is a very large data set, the 'Quick Cluster' procedure, which is a non-hierarchical procedure used to cluster large numbers of cases efficiently without requiring substantial computer resources (Norusis, 1990), was used. In 'quick clustering', the grouping is based on the nearest centroid sorting (Anderberg, 1973). That is, the case is grouped to the cluster for which the distance between the case and the centre of the cluster is the smallest. However, the number of clusters should be specified in advance. Then, the Euclidean distance to each of the cluster centres is calculated as 'classification cluster centres'. Once the cases are assigned to

clusters, the 'final cluster centres' will show the average values of the factors for cases in the cluster. The F-Ratio is used to test the significance of differences between cluster centres (Mendenhall, *et al.*, 1989). The significance of factors indicates different patterns in differentiating the groups. The clusters can be improved by specifying a different number of clusters each time. Finally, the profile of each cluster can be obtained by examining the classification cluster centre.

6.3.3 Correlation Coefficient

The correlation coefficient is utilised to examine the relationship between the perceived risks and the risk relievers in mail-order food shopping. The purpose of this analysis is to find the most effective risk relievers for a certain respect of perceived risk. The objective of correlation coefficient is to test the correlation between variables based on the estimation of a sample correlation coefficient (*r*). The null hypothesis is usually stated as:

h0: There is no association between variable X and Y.

hA: There is an association between variable X and Y.

Therefore when *h0* is true the correlation coefficient is equal to 0. The correlation coefficient (*r*) is measured by the Pearson correlation coefficient. model in the SPSS software be presented as the follows:

$$r = \frac{\sum_{i=1}^{N}(X_i - \overline{X})(Y_i - \overline{Y})}{(N-1)S_x S_y} \qquad (6.3)$$

where N is the number of cases, S_x is the standard deviation of variable X and S_y is the standard deviation of variable Y. The statistical significance level is judged by calculating the following *t* value.

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$$t = r\sqrt{\frac{N-2}{1-r^2}} \qquad\qquad (6.4)$$

If the correlation coefficient = 0, it has a Student's t distribution with $df=N-2$, such that both extreme positive and extreme negative values of t are rejected.[3] For SPSS, two tailed statistical significant levels are designated. Coefficients with two tailed observed significance levels less than 5 per cent level are shown with a single asterisk and those with less than 1 per cent level are shown with two asterisks.

A common mistake in interpreting the correlation coefficient, pointed out by Norusis, is "to assume that correlation implies causation" (Norusis, 1990, p.188). One variable can be highly correlated with one or more than one variables at the same time. The strengths and advantage of this model are:

a)   The interchange of variable X and Y will not change the result.

b)   Correlation coefficient is not expressed in any units of measurement.

c)   A linear transformation, for instance adding or subtracting constants or multiplying or dividing all values of a variable by a constant, will not change the result of analysis (Norusis, 1990).

6.3.4 Reliability Test

When the data is first collected from the field, reliability tests can be employed to identify the consistency of the responses. Also, reliability tests can be used as a validating procedure to test the statistical result. This test is designed to test how reliable the additive scales are by computing the coefficients. Cronbach's Alpha is the most commonly used

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[3] For critical values of Student's t distribution, see Table III of Fisher and Yates: Statistical Tables for Biological, Agricultural, and Medical Research, London, Longman Group UK Ltd.

reliability coefficients. It analyses the internal consistency of the items (Norusis, 1990). - The calculation of Cronbach's α is written as:

$$\text{Cronbach's } \alpha = \frac{k\,\overline{cov}/\overline{var}}{1+(k-1)\,\overline{cov}/\overline{var}} \qquad (6.5)$$

where k is the number of items in the scale; $\overline{cov}$ is the average covariance between items; and $\overline{var}$ is the average variance of the items. If the items are standardised to have the same variance, the equation can be simplified as follows, where $\bar{r}$ is the average correlation between items:

$$\alpha = \frac{k\bar{r}}{1+(k-1)\bar{r}} \qquad (6.6)$$

Calculating Cronbach's α when each of the items is removed from the scale will indicate how the individual items affects the reliability. Generally speaking, when the standardised item α is less than .50, the reliability or internal consistency of the items may be challenged.

6.4 SUMMARY

After the demonstration of the quantitative methodology, it is recommended to refer to Chapter 1 Figure 1.1 which provides a complete picture of how this thesis is constructed. The design and the choice of the mail survey are considered as the most appropriate approach in achieving the research objectives. The data collected from the field obviously require much computing work and the data analysis relies heavily on statistical software. The next chapter will transform all the information in a format of testing hypotheses. In addition, to describing the results, the sustainability of each of the hypotheses will be proclaimed.

CHAPTER SEVEN

THE RESULTS OF THE MAIL-ORDER FOOD SURVEY

7.1 INTRODUCTION

This chapter presents the results of the statistical analysis of the survey data. The purpose of the survey was to address the research objectives and to test the hypotheses. The survey was conducted to measure consumers' characteristics, attitudes, preferences and shopping behaviour.

A national survey was conducted from November 1995 to January 1996, in co-operation with five mail-order speciality food companies. The survey targeted a sample of each firm's customer database. Subsequently, customers were categorised according to the timing of their last mail-order purchase. Customers who had made a purchase within the period of twelve months were categorised as mail-order shoppers whereas those who had not were categorised as inactive mail-order shoppers. Furthermore, the reason why the survey took nearly three months in implementation was due to the Christmas and New Year holiday as well as the time involved in co-ordination with the companies. As a result, the survey packs were sent out in five major batches, one for each company's customers.

The data consists of 192 variables with 1,639 valid cases and, therefore, represents a very large data set. For processing and analysing the data, the Statistical Package for the Social Sciences (SPSS for UNIX release 4.0), was utilised. In addition, a data screening procedure was conducted to assure the accuracy of data entry. In the first stage of data analysis, 'reliability tests' were performed on the components of additive scales and

emphasised Cronbach's Alpha coefficients. The output of the alpha model shows a generally satisfactory result throughout the five-point scale rating questions. Frequencies and cross-tabulations were programmed to discover the overall behavioural tendency. The 'median test' was also used to analyse the distribution of the rank data by different groups, then, factor analysis was employed to condense the data into core dimensions. Progressively, the factor scores were applied in the further analysis (cluster analysis).

This chapter begins with a discussion of the response rate, followed by a brief description of the sample. In Section 7.4, the results of the analysis are presented. The discussion of the results is structured in relation to the research hypotheses and concluded with a short note on validation.

7.2 RESPONSE RATE

The survey packs were distributed to 3,052 consumers. The 1,639 responses represented a response rate of 54 per cent. Due to the satisfactory response rate and the financial constraint, there were no follow-up letters sent to those who did not respond. Table 8.1 shows a break-down response rate from each of the co-operative mail-order food companies. In any survey, a high response rate is always desirable since the non-response may potentially result in errors which will influence the validity of the research outcome.

Table 7.1: Response Rate

Company Code	Sampling No.	Response	Response Rate
A	62	32	51.6 %
B	530	274	46.6 %
E	998	575	67.6 %
F	949	391	41.2 %
H	513	245	47.8 %
Unidentified		22	0.7 %
Total	**3,052**	**1,639**	**53.7 %**

The high response rate may be attributed to the following factors:

a) *Customer relationships*: The better relationship the company has with each customer, the higher response rate from its customers.

b) *Efficient database management*: The more accurate is the database and the greater the frequently with which it is up-dated the higher is the response rate. This is associated with the company's database management.

c) *Activeness of customer*: The more active the customers are, the more likely they will volunteer their opinions. The highest response rate comes from the company which has the most active customers. The lower response rate comes from those companies collecting customer lists from the past or very recent food fairs or adverts without recent or regular contact.

7.3 DESCRIPTION OF THE SAMPLE

This section describes the characteristics of the sample. It first presents the profile of the sample and then compares the differences between two different sample groups, active and inactive mail-order speciality food shoppers. Then, the use of mail-order amongst the users will be examined.

7.3.1 Consumer Profile

The description of the samples is briefly summarised by using frequency distributions. Table 7.2 indicates the concise profile of the respondents. By examining the result of the one-sample Chi-square test (see Chapter 6, Section 6.3.1.2), P equals to zero in all the listed items. Therefore, the distribution is not uniform across categories.

a) *Gender:* The respondents are 66 per cent females and 34 per cent males.

b) *Age Groups:* The survey groups tend to be middle-aged or older; more than 70 per cent of the respondents are over 45-years of age.

c) *Qualifications/Education Level:* 70 per cent of respondents have a professional or degree/postgraduate qualification. Therefore, the majority of respondents of this survey have a higher level of education.

d) *Household Types:* The majority of households fall into the type '35 or older without children'. Only 6.7 per cent of respondents have children under five, 8.6 per cent have children aged 5-11, and 11.8 per cent have children aged 12-17. The household type usually is also an indicator of the lifestyle.

Table 7.2 Description of the Sample

N=1622

Value Label	Value	Frequency	Valid Percent	One-Sample Chi-Square(P)
Gender				
female	1	1080	66.0	
male	2	527	34.0	
Mean=1.34 Median=1.00		Mode=1.00		.000
Age Group				
18-24	1	17	1.0	
25-34	2	138	8.5	
35-44	3	304	18.7	
45-54	4	403	24.8	
55-64	5	359	22.1	
64+	6	401	24.7	
Mean=4.33 Median=4.00		Mode=4.00		.000
Qualifications/Education Level				
O-level or equivalent qualification	1	147	9.5	
A-level or equivalent qualification	2	175	11.3	
Trade/technical education/qualification	3	138	8.9	
Professional training/qualification	4	474	30.6	
Degree/Postgraduate	5	613	39.6	
Mean=3.80 Median=4.00		Mode=5.00		.000
Household Types				
Adult<25 living at home or full-time student	1	14	.9	
Adult(s) 18-35 living in own home no children	2	118	7.4	
Adult(s) living in own home w children	3	439	27.5	
Adult(s) > 35 w/o child	4	1023	64.2	
Mean=3.55 Median=4.00		Mode=4.00		.000
Frequency of Main Food Shopping				
Everyday	1	43	2.7	
Every other day	2	106	6.5	
2/week	3	369	22.8	
1/week	4	889	54.8	
less than 1/week	5	214	13.2	
Mean=3.69 Median=4.00		Mode=4.00		.000
Expenditure per Week				
more than £60	1	507	31.5	
£50-60	2	295	18.3	
£40-50	3	344	21.4	
£30-40	4	171	10.6	
£20-30	5	173	10.7	
£10-20	6	56	3.5	
less than £10	7	3	.2	
Do not know	8	62	3.8	
Mean=2.81 Median=3.00		Mode=1.00		.000

e) *Food Shopping Frequency and Expenditure*: More than 50 per cent of respondents do their main food shopping once a week. Therefore, weekly shopping seems to be the pattern. In addition, around 50 per cent of respondents spend more than £50 per week on household food, not including restaurant spending. This figure is much higher than the official weekly household expenditure on food of £30.43 in the UK (Central Statistical Office, 1996, p308). In terms of the household type (see Section 7.3.1 d), it also indicates the household size is no larger than the official household size of 2.425 (Central Statistical Office, 1996, p308). Consequently, the food expenditure of this sample group is considerably high. Therefore, we can conclude majority of the sample are self-indulgent in food.

7.3.2 Mail-Order Food Shoppers vs. Inactive Mail-Order Shoppers

The sample is identified and categorised as belonging to, Group 1 or Group 2, respectively, throughout the analysis. Group 1 is comprised of 1,030 active mail-order food shoppers who have shopped for food using mail-order within the previous 12 months. They account for 63 per cent of the total responses.

Group 2 is comprised of 609 inactive mail-order food shoppers who are distinguished by the fact that they did not purchase any food product through mail-order in last 12 month. This group accounts for 37 per cent of total responses.

A chi-square test is used to compare these two groups in terms of their profiles. There is not much difference in terms of characteristics between the two groups in general but there is a significant difference ($P = .026$) between groups on the basis of weekly food expenditure and level of education.

between the two groups in terms of the level of education. It is found that a higher number of mail-order shoppers have a professional qualification, or degree/postgraduate than inactive-mail-order food shoppers.

Another indicator of economic status, apart from examining expenditure, is the level of education. These two variables have been identified to be positively correlated. Since the privacy issue is often stressed in direct marketing, this survey deliberately eliminates the question of 'annual income'. Therefore, economic status may also be reflected in this variable. As a result, it is very likely that mail-order food shoppers are relatively financially secure or quite 'well-off' in their lifestyle.

7.3.3 Frequency of Mail-Ordering and Usage

From Table 7.4, it can be seen that almost one half of mail-order food shoppers (48%) place orders every three months or more frequently. By contrast, only 18 per cent of mail-order shoppers order annually.

Table 7.4 Frequency of Ordering

N = 1016

Value Label	Value	Frequency	Valid Percent
3 months or more	1	484	47.6
4-6 months	2	264	26.0
7-9 months	3	82	8.1
10-12 months	4	186	18.3
Total		1016	100.0

Mean=1.97   Median=2.00   Mode=1.00

Table 7.5 summaries the way in which mail-order products are used. The results indicate a predominance of use within the family, for oneself or sharing, and to a lesser extent the use of mail-order food products as a gift for others or to share with friends.

Table 7.6 indicates that over half of mail-order food shoppers are not limited to a particular season. They purchase mail-order food through out the year. However, of those who shop at a particular time period, the most common occasions are for Christmas or on special occasions, such as parties or birthdays.

Table 7.5 Product Usage

N = 1030

	Yes No of cases (%)		No No. of cases (%)		Total
Yourself	698	(67.8)	332	(32.2)	1030
Share with family	325	(55.4)	705	(44.6)	1030
Gift for others	571	(46.8)	459	(53.2)	1030
Share with friends	482	(31.6)	548	(68.4)	1030

Table 7.6: Time for Mail-order Food Purchase

N=1030

	Yes (per cent)		No (per cent)		Total
Christmas	404	(39.3)	626	(60.7)	1030
Easter	65	(6.3)	965	(93.7)	1030
Special occasion	267	(26.0)	763	(74.0)	1030

7.4 TESTING THE HYPOTHESES

The research hypotheses are tested by employing appropriate statistical methods (see Chapter 6, Section 6.3). During the analysis, the acceptance or rejection of the hypotheses is according to the significance level which is determined at 5 per cent in general and 1 per cent in the correlation analysis.

7.4.1. Testing Hypothesis 1

h1:   Consumers perceive higher risk when they buy food through mail-order, without personal inspection, compared with store shopping. They perceive different aspects of risks when they shop for food products through mail-order, for example: risks associated with quality, delivery, service, and price.

To test *h1*, respondents were asked to evaluate the level of risks perceived when shopping through mail-order relative to the risk of shopping in a store from a list of eight criteria:

a)   product quality,

b)   product safety,

c)   delivery time,

d)   condition on delivery,

e)   product expectation,

f)   price,

g)   ordering procedure, and

h)   seller's credibility.

The relative level of perceived risks was using a one-sample chi-square test (see Chapter 6, Section 6.3.1.2). The null hypothesis (*h0*) and alternative hypothesis (*hA*) are as follows:

h0:   Distribution is uniform across categories.

hA: Distribution is not uniform across categories.

The results of the tests are shown in Table 7.7. They all show a $P=.000$. Therefore, the distribution is not uniform across the categories of perceived risks. Compared with shopping in a store, consumers perceive higher level of risks when they purchase food product on mail-order. Take perceived risk in product quality and product expectations as examples, there are higher distribution of frequencies in response on the scales of 'more risky' or 'much more risky'. However, in terms of product safety, price, and ordering procedure, they show a similar level of perceived risk. Also, in comparison of the responses in respect to different aspect of risks, the results are varied. For instance, there are 51 responses of 'much less risky' in 'Risk in quality' but 29 responses in 'Risk in safety'. Therefore, consumers perceive different level of risks regarding different aspects in mail-order.

Table 7.7 One-Sample Chi-Square Test of Perceived Risks - Mail-order vs. Store

		Cases		
	Category	Observed	Expected	Residual
Risk in quality (N=1541)				
much less	1	51	308.20	-257.20
less risky	2	108	308.20	-200.20
same	3	580	308.20	271.80
more risky	4	644	308.20	335.80
much more	5	158	308.20	-150.20

Chi-Square	D.F.	Significance
1023.455	4	.000

Risk in safety (N=1464)				
much less	1	29	292.80	-263.80
less risky	2	70	292.80	-222.80
same	3	940	292.80	647.20
more risky	4	368	292.80	75.20
much more	5	57	292.80	-235.80

Chi-Square	D.F.	Significance
2046.977	4	.000

Risk in delivery time (N=1482)				
much less	1	59	296.40	-237.40
less risky	2	176	296.40	-120.40
same	3	508	296.40	211.60
more risky	4	603	296.40	306.60
much more	5	136	296.40	-160.40

Chi-Square	D.F.	Significance
794.066	4	.000

Risk in condition of delivery (N=1486)				
much less	1	46	297.20	-251.20
less risky	2	105	297.20	-192.20
same	3	595	297.20	297.80
more risky	4	639	297.20	341.80
much more	5	101	297.20	-196.20

Chi-Square	D.F.	Significance
1157.634	4	.000

Risk in product expectation (N=1509)				
much less	1	48	301.80	-253.80
less risky	2	73	301.80	-228.80
same	3	459	301.80	157.20
more risky	4	743	301.80	441.20
much more	5	186	301.80	-115.80

Chi-Square	D.F.	Significance
1158.194	4	.000

| | | Cases | | |
	Category	Observed	Expected	Residual
Risk in price (N=1451)				
much less	1	35	290.20	-255.20
less risky	2	121	290.20	-169.20
same	3	1000	290.20	709.80
more risky	4	255	290.20	-35.20
much more	5	40	290.20	-250.20

Chi-Square	D.F.	Significance
2279.155	4	.000

		Cases		
Risk in ordering (N=1424)				
much less	1	52	284.80	-232.80
less risky	2	231	284.80	-53.80
same	3	885	284.80	600.20
more risky	4	233	284.80	-51.80
much more	5	23	284.80	-261.80

Chi-Square	D.F.	Significance
1715.424	4	.000

		Cases		
Risk in seller credibility (N=1433)				
much less	1	50	286.60	-236.60
less risky	2	142	286.60	-144.60
same	3	730	286.60	443.40
more risky	4	420	286.60	133.40
much more	5	91	286.60	-195.60

Chi-Square	D.F.	Significance
1149.851	4	.000

Table 7.8 presents the frequency distributions. The four highest levels of perceived risks come from the aspects of (1) 'product expectation,' (2) 'product quality,' (3) 'delivery time,' and (4) 'condition on delivery'.

Table 7.8: Perceived Risks - Mail-Order vs. Store

N = 1541

RISK TYPES	RISK LEVEL					
	Much less	Less	Same	More	Much more	TTL
product expectation	48	73	459	743	186	1509
	(3.2)	(4.8)	(30.4)	(49.2)	(12.3)	(100%)
quality	51	108	580	644	158	1541
	(3.3)	(7.0)	(37.6)	(41.8)	(10.3)	(100%)
delivery time	59	176	508	603	136	1482
	(4.0)	(11.9)	(34.3)	(40.7)	(9.2)	(100%)
condition on delivery	46	105	595	639	101	1486
	(3.1)	(7.1)	(40.0)	(43.0)	(6.8)	(100%)
seller's credibility	50	142	730	420	91	1433
	(3.5)	(9.9)	(50.9)	(29.3)	(6.4)	(100%)
product safety	29	70	940	368	57	1464
	(2.0)	(4.8)	(64.2)	(25.1)	(3.9)	(100%)
price	35	121	1000	255	40	1451 .
	(2.4)	(8.3)	(68.9)	(17.6)	(2.8)	(100%)
ordering	52	231	885	233	23	1414
	(3.7)	(16.2)	(62.1)	(16.4)	(1.6)	(100%)

Therefore, evident from Table 7.7 and Table 7.8, consumers perceive higher levels of risk when they purchase products from mail-order compared with a store. Consumers perceived different levels of risk regarding different aspects involved in mail-order (i.e. consumers perceive higher levels of risks from 'product expectation', 'product quality', 'delivery time', 'condition on delivery', 'seller's credibility', 'product safety', 'price', and 'ordering process', respectively).

7.4.2 Testing Hypothesis 2

h2:   Inactive mail-order food shoppers perceive higher levels of risk than mail-order food shoppers when they shop through mail-order.

h2 is tested by using a median test (refer to Chapter 6, Section 6.3.1.3). The items being tested are those which are listed in Section 7.4.1. The null hypothesis (*h0*) of the median test is:

h0 :   There is no difference in the level of perceived risk between active mail-order food shoppers and inactive mail-order food shoppers when they shop through mail-order.

and the alternative hypothesis (*hA*) is:

hA: There is a difference in the level of perceived risk between groups.

Therefore, if the null hypothesis *h0* is true (i.e. medians of two groups should be equal), the probability of the occurrence of *h0* to be true should be greater than the significance level of .05; otherwise *h0* should be rejected. The significance is calculated by chi-square test with *df*=1 (see Chapter 6, Section 6.3.1.1). From Table 7.9, the median test shows a result of $P=.002$ on the risk of price and $P=.000$ on all other aspects of perceived risks. Accordingly, *h0*, therefore, should be rejected, and alternative hypothesis (*hA*) should be accepted.

Since *hA* is accepted, the result should be further examined. The higher scores present a higher level of perceived risk. By looking at the number of cases which have a score greater than the medians in two groups, in terms of the ratio of the number of cases greater than the total number of observations, Group 2 has a much higher ratio than Group 1 in every respect of perceived risks as a whole. For example, considering 'risk in quality',

the number of cases, which have a score higher than median of 4, of which Group 2 has 106 observations, is more than twice the number contained in Group 1 with only 50. Similarly in the case of 'risk in product expectation', Group 2 has 119 cases greater than median of 4 while Group 1 has 65 cases .

Table 7.9: Perceived Risks by Groups

N = 1541

	Group 1	Group 2	Median	Chi-square (χ^2)	Significance (P)
a. Risk in quality					
> median	50	106			
< median	923	456	4	71.98	.0000
b. Risk in safety					
> median	203	218			
< median	729	309	3	61.95	.0000
c. Risk in delivery time					
> median	395	341			
< median	541	200	3	58.68	.0000
d. Risk in condition of delivery					
> median	407	329			
< median	538	207	3	45.15	.0000
e. Risk in product expectation					
> median	65	119			
< median	893	427	4	71.58	.0000
f. Risk in price					
> median	165	130			
< median	758	393	3	9.59	.0020
g. Risk in ordering					
> median	123	130			
< median	787	379	3	31.40	.0000
h. Risk in seller credibility					
> median	223	284			
< median	687	234	3	131.21	.0000

Note: Group 1 = purchase food on mail-order in last 12 months
      Group 2 = did not purchase food on mail-order in last 12 months

To conclude, the statistics show that the two groups perceive significantly different levels of risk in terms of the different criteria. Apparently, inactive-mail-order food

shoppers (Group 2) perceived higher levels of risk than mail-order food shoppers (Group 1). Thus, there is strong evidence to claim the acceptance of *h2*.

7.4.3 Testing Hypothesis 3

h3: According to consumers' risk perceptions, several 'risk relievers' can be generated to improve the situation.

Under this hypothesis, respondents are asked to evaluate the degree of importance of 15 variables which may reduce consumers' perceived risk (See Table 7.10). In the questionnaire, the 'risk relievers' are translated into 'criteria' which help consumers to make their mind to use mail-order (See Appendix - An example of questionnaire, Q14). Apparently, 'good quality,' 'money back guarantee,' 'reputable manufacturer,' 'past experience with the company,' and 'past experience with the product,' are accounted for higher degree of importance.

Moreover, the median test is used to analyse if exiting mail-order food shoppers value the importance of each of the risk relievers differently from the non mail-order food shoppers. The *h0* of the median test is as follows:

h0: Active mail-order food shoppers and inactive mail-order food shoppers have the same opinions towards the importance of each of the risk relievers.

The alternative hypothesis is:

hA: Active mail-order food shoppers and inactive mail-order food shoppers have different opinions towards the importance of each of the risk relievers.

Table 7.10 Risk Relievers

N=1572

Relievers	Very important	Important	Not sure	Not important	Not important at all	TTL (%)
Good quality	1059 (67.4)	484 (30.8)	22 (1.4)	5 (0.3)	2 (0.1)	1572 (100%)
Money back guarantee	891 (57.2)	522 (33.5)	58 (3.7)	77 (4.9)	11 (0.7)	1559 (100%)
Reputable manufacturer	524 (34.0)	814 (52.9)	117 (7.6)	75 (4.9)	10 (0.6)	1540 (100%)
Past experience with the Co.	492 (32.1)	817 (53.3)	109 (7.1)	110 (7.2)	5 (0.3)	1533 (100%)
Past experience with product	432 (28.5)	833 (55.0)	142 (9.4)	101 (6.7)	6 (0.4)	1514 (100%)
Competitive price	411 (26.8)	816 (53.3)	116 (7.6)	171 (11.2)	17 (1.1)	1531 (100%)
Official quality standard	402 (27.2)	585 (39.6)	229 (15.5)	192 (13.0)	68 (4.6)	1476 (100%)
Uniqueness/exclusiveness	430 (28.1)	569 (37.1)	182 (11.9)	307 (20.0)	44 (2.9)	1532 (100%)
Presentation in brochure/catalogue	157 (10.3)	798 (52.3)	243 (15.9)	258 (16.9)	71 (4.6)	1527 (100%)
Well-known brand/product	207 (13.5)	623 (40.6)	246 (16.0)	412 (26.9)	45 (2.9)	1533 (100%)
Only available by mail-order	294 (19.2)	415 (27.0)	285 (18.6)	449 (29.3)	92 (6.0)	1535 (100%)
Recommended by someone you know personally	178 (11.9)	545 (36.5)	259 (17.3)	438 (29.3)	74 (5.0)	1494 (100%)
Sample/Trial	111 (7.5)	520 (35.2)	343 (23.2)	429 (29.0)	76 (5.1)	1479 (100%)
Special offers	74 (4.9)	274 (18.1)	210 (13.9)	721 (47.6)	237 (15.6)	1516 (100%)
Recommended by a public figure	9 (0.6)	53 (3.6)	168 (11.4)	649 (44.1)	594 (40.3)	1473 (100%)

One-Sample Chi-Square Test   All items P=.000

From the results of the median test of each of the risk relievers, 'good quality'

(P=.81), 'reputable manufacturer' (P=.80), 'recommended by whom you know personally'

Table 7.11 Comparison of the Importance of Risk Relievers between Groups

N = 1566

	Group 1	Group 2	Median	Chi-square (χ^2)	Significance (P)
a. Good quality					
> median	328	183			
< median	669	386	1	.59	.8079
b. Money back guarantee					
> median	472	193			
< median	512	375	1	28.21	.0000
c. Reputable manufacturer					
> median	126	76			
< median	847	485	2	.07	.7987
d. Past experience with the product					
> median	115	131			
< median	851	411	2	37.36	.0000
e. Past experience with the company					
> median	100	121			
< median	879	249	2	38.61	.0000
f. Competitive price					
> median	258	46			
< median	709	513	2	74.45	.0000
g. Official quality standard					
> median	364	124			
< median	563	420	2	41.22	.0000
h. Uniqueness/exclusiveness					
> median	260	271			
< median	712	283	2	75.46	.0000
i. Presentation in brochure/catalogue					
> median	359	211			
< median	608	344	2	.08	.7707
j. Well-known brand/product					
> median	494	207			
< median	474	351	2	27.12	.0000
k. Only available by mail-order					
> median	292	248			
< median	687	301	3	35.59	.0000
l. Recommended by whom you know personally					
> median	323	188			
< median	618	360	3	.00	.9607
m. Sample/trial					
> median	337	168			
< median	598	371	3	3.39	.0655
n. Special offer					
> median	130	107			
< median	831	442	4	8.94	.0028
o. Recommended by a public figure					
> median	364	228			
< median	568	308	4	1.57	.2099

Note: Group 1 = purchase food on mail-order in last 12 months
       Group 2 = did not purchase food on mail-order in last 12 months

Next, the analysis is extended with the use of factor analysis to explore the existence of underlying dimensions of risks (refer to Chapter 6, Section 6.3.2.1). 15 risk relievers are factor analysed into underlying common factors.

In factor analysis, 'communality' indicates the amount of variance an original variable shares with all other variables included in the analysis. A high communality means a large amount of the variance in a variable has been extracted by the factor solution. On the other hand, small communalities show that a high portion of the variance in a variable is unaccounted for by the common factors. During the exploratory and initial stages of analysis 6 variables were eliminated because the communalities were low. The variables were 'recommended by people you know personally', 'presentation in a brochure or catalogue', 'official/certified quality standard', 'good quality', 'uniqueness or exclusiveness of the product', and 'sample/trial'. There were nine variables included in the factor analysis.

Table 7.12 Risk Relievers - Factor Extraction

FACTOR	EIGENVALUE	% OF VAR	CUM %
1	2.41802	26.9	26.9
2	1.66353	18.5	45.4
3	1.23222	13.7	59.0
4	1.00173 .	11.1	70.2
5	.78299	8.7	78.9
6	.68723	7.6	86.5
7	.52771	5.9	92.4
8	.46819	5.2	97.6
9	.21836	2.4	100.0

The factors were extracted by 'component analysis' using the criterion that a factor would be extracted if the eigenvalue was greater than unity. The variance contributions of the derived factors are presented in Table 7.12. Table 7.13 indicates that 9 risk relievers are represented by four common factors which explain 70.2 per cent of variance. The first factor with the largest eigenvalue is the most significant factor explaining the highest

share of variance (26.9 %), then the second factor (18.5%), the third (13.7%) and the forth

(11.1%). Also, to assess the final statistics, the communality of each variable shows what

portion of the variance in a variable is accounted for by the extracted four factors. The

communalities in the final solution are all greater than .50 which represents a good factor

analysis model. For example, 'past experiences with the company' has a communality of

.85 that means 85 per cent of variance in this variable is accounted for by the final factor

solution. This result is also prevalent in the variable of 'past experiences with the product'.

Table 7.13 Risk Relievers - Rotated Factor Loading

ATTRIBUTES	FACTORS					
	1	2	3	(4)		Communality
past experience w/co.	.914	.018	.104	(.038)		.848
past experiences w/product	.896	.028	.197	(.030)		.847
competitive price	-.027	.829	.124	(.161)		.728
money back guarantee	.052	.826	.156	(-.060)		.713
well-known brand/product	.045	.159	.820	(.147)		.721
reputable manufacturer	.261	.157	.758	(-.095)		.676
special offers	-.022	.339	-.039	(.712)		.623
recommend by public figure	-.064	-.094	.402	(.691)		.651
only available on MO	.393	-.109	-.184	(.557)		.510
Eigenvalue(Sum of squares)	2.418	1.664	1.232	(1.002)		6.316
Variance (%)	26.9	18.5	13.7	(11.1)		
CUM variance (%)	26.9	45.4	59.0	(70.2)		

In this stage, the reliability of the factor extraction is tested by using the reliability

test (see Chapter 6, Section 6.3.4) in order to confirm the internal consistency of the

variables explained by each factors. After the SPSS reliability test the first factor tested

with two variables, 'past experience with product' and 'past experience with company' (see

Table 7.13), shows Cronbach's Alpha = .88. The high Alpha value indicates the high

reliability of the analysis. Therefore, the first factor is very reliable. The same procedure

is used to test the second, the third and the fourth factors. The second factor was tested

with 'money back guarantee' and 'competitive price' and has an α value equal to .66 which is considered reliable. The third factor was also tested with 'well-known brand/product', 'reputable manufacturer' and has an α value equal to .63 which reaches the reliable level. The fourth factor was tested with 'special offers', 'only available on mail-order', 'recommended by public figure'. However, after the reliability test, the fourth factor has α value equal to .39 which is lower than the reliable level of .50. In other words, factor 4 may not have a good internal fit. Considering reliability, the final result of factor extraction should only keep 3 main factors - factor 1, factor 2 and factor 3. On the other hand, the reduced number of factors means that the total variance explained by common factors will also be decreased from 70.2 per cent to only 59 per cent which is a considerable determination of factor analysis result. To resolve this problem, it may be to include the fourth factor as a reference factor but not be named.

To interpret the factors, we should examine the significant factor loading on each column and row on the final rotated model (see Table 7.13). The 4 factors can be explained as follows:

a)   Factor 1: It is strongly influenced by 'past experience with company' and 'past experience with product', so is named as *'past experiences'*.

b)   Factor 2: It is strongly influenced by 'competitive price', 'money back guarantee', so is named as *'price/money back guarantee'*.

c)   Factor 3: It is strongly influenced by 'well-known brand/product', 'reputable manufacturer', so is named as *'company/brand image'*.

d)   Factor 4: Reference only (low reliability). It is strongly influenced by special offers', 'only available on mail-order', 'recommended by public figure'. Compared with the other three factors, the variables which have strong influence on the forth

factor are less homogeneous. Since this factor is not considered reliable, it will not be named.

Thus, the risk relievers can be summarised into three principal dimensions: first, 'past experiences'; second, 'price/money back guarantee', and third, 'company/brand image'.

To pursue the further analysis of the correlation between the risk relievers and different aspects of perceived risk was analysed, correlation analysis is employed to examine the eight different aspects of perceived risks in correlation with the 15 risk relievers (see Chapter 6, Section 6.3.3). The results of the correlation analysis will not only prove that risk relievers can reduce the level of perceived risks but also the importance of each risk reliever in relation to different aspect of risks. The null hypothesis *(h0)* for the correlation analysis is :

h0:   There is no association between each aspect of perceived risks and risk relievers.
       and the alternative hypothesis is:
hA: There is an association between each aspect of perceived risks and risk relievers.

The correlation coefficients are shown in Table 7.14. By examining each row and column, the table shows significant correlation between each aspect of perceived risks and risk relievers, both at the 5 per cent level (with a single asterisk) and the 1 per cent level (with two asterisk). Therefore, *h0* is rejected. For the discussion, the following section will examine the effectiveness of each of the risk relievers towards different aspects of perceived risks at the rigid significance level of 1 per cent.

Considering the measurement scale designed in the questionnaire, the higher score on the risk scale, the higher is the perceived risk. On the contrary, the higher the score on the risk reliever scale, the lower is its importance. Therefore, a significant negative

correlation will indicate the most effective risk reliever but a significant positive correlation will be least effective. In addition, since the result of correlation coefficients will not be affected by interchange of rows and columns, the interpretation will be the same either by looking at aspects of perceived risks or risk relievers.

a) R_1 Product quality: The risk reliever variables, 'Competitive price' ($r=-.125$), 'Official/certified quality standard' ($r=-.110$)', 'Money back guarantee' ($r=-.099$), 'Sample/trial' ($r=-092$), and 'Recommended by people you know personally' ($r=-.069$), are significantly negatively correlated with perceived risk in product quality. Therefore, consumers who perceived higher risks in product quality when they purchase through mail-order would consider that money back guarantee, competitive price, personal recommendation, sample trial, and official or certified quality standard are the most important items to help reduce the level of perceived risk in mail-order food.

On the contrary, 'Only available by mail-order' ($r=.150$), 'Past experience with company' ($r=.142$), 'Past experience with product' ($r=.130$), 'Recommended by a public figure' ($r=.103$), 'Special offers' ($r=.087$), 'Uniqueness or exclusiveness of the product' ($r=.181$), 'Presentation in a brochure or catalogue' ($r=.081$), and 'Reputable manufacturer' ($r=.071$), are risk reliever variables which have significant positive correlations with perceived risks in product quality. Therefore, these eight risk relievers are considered the least important in reducing perceived risk in product quality.

b) R_2 Product safety: The risk reliever variables, 'Sample/trial' ($r=-.100$), 'Official/certified quality standard' ($r= -.100$), 'Recommended by people you know personally' ($r=-.091$), have a significant negative correlation with the perceived risk in product safety. Thus, personal recommendation, sample/trial, and official or certified quality standard, are the most effective risk relievers of the perceived risk in product safety.

On the other hand, 'Past experiences with company' ($r=.105$), 'Only available on mail-order' ($r=.105$), 'Uniqueness or exclusiveness of product' ($r=.097$), and 'Presentation in a brochure or catalogue' ($r=.076$), have a significant positive correlation with the perceived risk in product safety. Therefore, they are the least important risk relievers in reducing consumers' perceived risks of product safety.

c) R_3 **Delivery time:** In terms of the perceived risk in delivery time, the statistics only show a significant positive correlation ($P<.01$) in relation to the risk relievers. As such, 'Presentation in a brochure or catalogue' ($r=.113$), 'Special offers' ($r=.085$), 'Uniqueness or exclusiveness of product' ($r=.083$), 'Past experience with product' ($r=.075$) are the least important risk relievers in reducing consumers' perceived risks in delivery time.

d) R_4 **Condition on delivery:** The statistics show significant positive correlation ($P<.01$) in this column. This may be explained by the fact that the condition on delivery is usually a factor which is not under a mail-order company's control but that of the current postal system. Therefore, it is difficult to find an effective risk reliever to reduce the level of this particular aspect of perceived risk.

As a result, it only indicates that 'Past experiences with product' ($r=.139$), 'Past experiences with company' ($r=.121$), 'Presentation in brochure or catalogue' ($r=.094$), 'Uniqueness or exclusiveness of product' ($r=.092$), 'Only available on mail-order' ($r=.090$), "Reputable manufacturer' ($r=.085$), and Recommended by a public figure' ($r=.070$), are the least important in helping consumers to make up their mind when they perceived higher risks in condition on delivery.

e) R_5 **Product expectation:** Four risk reliever variables, Competitive price' ($r=-.134$), 'Money back guarantee' ($r=-.111$), 'Sample/trial' ($r=-.099$), and 'Official/certified quality standard' ($r=-.081$) show a significant negative correlation with the perceived risk in

product expectation. That means they are the most helpful risk relievers for those who perceived higher risk in product expectation.

By contrast, 'Past experiences with product' ($r=.160$), 'Uniqueness/exclusiveness' ($r=.148$), 'Past experience with company' ($r=.141$), 'Only available by mail-order' ($r=.129$), 'Presentation in a brochure or catalogue' ($r=.110$), 'Reputable manufacturer' ($r=.077$), 'Recommended by a public figure' ($r=.072$), and 'Special offers' ($r=.068$), with a significant positive correlation, are less important risk relievers in the situation when consumers perceive higher risks in product expectation.

f) R_6 Price: There is no significant negative correlation between the perceived risk in price and risk relievers. The correlation coefficients indicate that 'Sample/trial' ($r=.102$), 'Past experiences with product' ($r=.085$), 'Only available by mail-order' ($r=.084$), and 'Past experiences with company' ($r=.081$) have a significant positive correlation with the perceived risk in price. That means they are the least effective risk relievers for those who perceive higher level of risk in price.

g) R_7 Ordering procedure: There is no significant negative correlation between perceived risk in ordering procedure and risk relievers. 'Past experience with product' ($r=.094$), 'Past experience with company' ($r=.116$), and 'Presentation in a brochure or catalogue' ($r=.077$), are considered less helpful risk relievers to those who perceived higher risks in the ordering procedure.

h) R_8 Seller's credibility: 'Official/certified quality standard' ($r=-.144$), 'Competitive price' ($r=-.143$), 'Money back guarantee' ($r=-.107$), 'Recommended by people you know personally' ($r=-.093$), 'Sample/trial' ($r=-.087$) are considered the most effective risk relievers in the cases of consumers' perceptions of higher risks in seller's credibility.

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Conversely, 'Uniqueness or exclusiveness' (*r*=.190), 'Presentation in the brochure or catalogue' (*r*=.127), 'Past experiences with company' (*r*=.118), 'Only available on mail-order' (*r*=.114), 'Past experience with the product' (*r*=.109), and 'Good quality' (*r*=.081) are less important risk relievers in reducing the perceived risk in seller's credibility.

Table 7.14: Correlation Coefficients - Perceived Risks & Risk Relievers

| RISK RELIEVERS | ASPECTS OF PERCEIVED RISKS | | | | | | | |
	R_1	R_2	R_3	R_4	R_5	R_6	R_7	R_8
RR_1	-.099**	-.056*	-.023	-.029	-.111**	.007	.004	-.107**
RR_2	-.125**	-.065*	-.065*	-.064*	-.134**	.029	-.012	-.143**
RR_3	.087**	.055*	.085**	.038	.068**	.012	.065*	.065*
RR_4	.044	.050	.065*	.059*	.020	.000	.027	.081**
RR_5	.181**	.097**	.083**	.092**	.148**	.063*	.064*	.190**
RR_6	-.011	-.021	.012	.017	.003	-.012	-.047	-.049
RR_7	.071**	.027	.057*	.085**	.077**	.018	.022	.032
RR_8	.130**	.064*	.075**	.139**	.160**	.085**	.094**	.109**
RR_9	.142**	.105**	.062*	.121**	.141**	.081**	.116**	.118**
RR_{10}	.150**	.105**	.049	.090**	.129**	.084**	.066*	.114**
RR_{11}	-.069**	-.091**	-.060*	-.042	-.062*	-.045	-.058*	-.093**
RR_{12}	.103**	.007	.025	.070**	.072**	.027	.011	.026
RR_{13}	.081**	.076**	.113**	.094**	.110**	.102**	.077**	.127**
RR_{14}	-.092**	-.100**	-.031	-.014	-.099**	-.066*	-.048	-.087**
RR_{15}	-.110**	-.100**	-.011	-.018	-.081**	-.046	-.043	-.144**

Note: * - Significance <.05   ** - Significance <.01   (2-tailed)

R_1 = Product quality; R_2 = Product safety; R_3 = Delivery time; R_4 = Condition on delivery; R_5 = Product expectation; R_6 = Price; R_7 = Ordering procedure; R_8 = Seller's credibility.

RR_1 = Money back guarantee; RR_2 = Competitive price; RR_3 = Special offers; RR_4 = Good quality; RR_5 = Uniqueness/ exclusiveness; RR_6 = Well-known brand/ product; RR_7 = Reputable manufacturer; RR_8 = Past experiences with product; RR_9 = Past experiences with company; RR_{10} = Only available on mail-order; RR_{11} = Recommended by people you know personally; RR_{12} = Recommended by a public figure; RR_{13} = Presentation in a brochure of catalogue; RR_{14} = Sample/ trial; RR_{15} = Official/certified quality standard

7.4.4 Testing Hypothesis 4

h4:   Convenience, speciality/uniqueness, and accessibility are the principal advantages

of mail-order.

To test this hypothesis, mail-order food shoppers were asked why they shop through mail-order. Looking at the sample frequencies (see Table 7.15), 'product quality,' 'uniqueness/ exclusiveness of product,' 'convenience,' 'delivery service,' and 'only on mail-order,' are considered as the five most important variables respectively among the 12. Since 'product quality' is associated with 'uniqueness/exclusiveness of product', the reasons for using mail-order is certainly influenced by product factor. 'Delivery service' is possibly associated with 'convenience'. Nevertheless, 'only on mail-order' reflects "accessibility". Therefore, uniqueness/exclusiveness, convenience, and accessibility are certainly reasons for consumers using mail-order, that basically proves *h4* is true.

However, to have a further test on *h4*, factor analysis is employed to summarise the 12 variables into fewer dimensions. All 12 variables are included in the initial factor extraction. 'Convenience of payment/payment terms' and 'competitive price/special offers,' each showed a low communality (<.50) in the preliminary analysis illustrating that they contribute very little to the dimensions of using mail-order. Therefore, they were deleted from the analysis. In the final statistics, 10 variables were included in the factor extraction. They are 'customer relations', 'customer services', 'convenience', 'delivery service', 'direct-mail a gift', 'recall good memory', 'company image', 'uniqueness/exclusiveness', 'only available on mail-order', 'product quality' (see Table 7.16). As a result, they are factor-analysed into four underlying factors which have an eigenvalue greater than 1. The four factors explained around 67 per cent of total variance. These four factors have eigenvalues of 2.7, 1.6, 1.2, and 1.1, respectively. The first factor explains the largest share of the total variance of 27.1 per cent. The second factor explains the second largest share of total variance of 16.4 per cent. The third and the fourth explain

12.5 and 10.9 per cent of total variance, respectively. In terms of cummunalities, 10 variables in the final model all have a communality greater than .50 that indicates the model explains large amount of the variance in each variable. For instance, more than 80 per cent of the variance in both variables, 'customer relations' and 'customer services', is accounted for by the four final factor solution.

Table 7.15 Reasons for Using Mail-Order

N = 965

Reason	Strongly agree	Agree	Not sure	Disagree	Strongly disagree	TTL
Product quality	402 (41.8)	425 (46.8)	105 (10.9)	3 (0.3)	0 (0.0)	961
Uniqueness/exclusiveness	421 (44.6)	345 (36.5)	140 (14.8)	23 (2.4)	15 (1.6)	944
Convenience	335 (34.7)	428 (44.4)	158 (16.4)	32 (3.3)	12 (1.2)	965
Delivery service	265 (28.1)	419 (44.4)	205 (21.7)	38 (4.0)	16 (1.7)	943
Only on mail-order	253 (27.5)	353 (38.4)	212 (23.0)	72 (7.8)	30 (3.3)	920
Customer service	156 (17.7)	372 (42.1)	280 (31.7)	44 (5.0)	31 (3.5)	883
Direct mail a gift	172 (19.8)	237 (27.3)	253 (29.1)	119 (13.7)	88 (10.1)	869
Payment terms/ convenience in payment	101 (11.4)	210 (23.6)	438 (49.3)	86 (9.7)	53 (6.0)	888
Customer relation	86 (10.1)	221 (25.9)	410 (48.1)	86 (10.1)	49 (5.8)	852
Price/Special offer	49 (5.7)	180 (21.0)	404 (47.1)	154 (17.9)	74 (8.3)	858
Company image	39 (4.8)	125 (15.3)	393 (48.0)	127 (15.5)	135 (16.5)	819
Recall good memory	27 (3.3)	83 (10.3)	341 (42.3)	208 (25.8)	148 (18.3)	807

One-Sample Chi-Square Test   All items *P*=.000

Table 7.16 Factor Analysis - Reasons of Using Mail-order

ATTRIBUTES	FACTOR				
	1	2	3	4	Communality
customer relation	**.870**	.068	.195	.109	.812
customer service	**.848**	.266	.012	.135	.807
convenience	.060	**.820**	.029	-.101	.687
delivery service	.287	**.793**	.064	.009	.715
recall good memory	.219	.007	**.721**	.023	.568
direct a gift	-.204	.477	**.646**	.096	.695
company image	.499	-.016	**.588**	.058	.598
uniqueness	-.048	-.002	.067	**.848**	.726
only on mail-order	.191	-.206	.198	**.637**	.524
product quality	.240	.159	-.370	**.570**	.544
Eigenvalue	2.706	1.636	1.248	1.086	6.676
Variance (%)	27.1	16.4	12.5	10.9	
CUM variance (%)	27.1	43.5	56.0	66.9	

A 'reliability test' is used to confirm the internal consistency of each of the factors. The first factor was tested with two variables ('customer relation' and 'customer service'), and showed an α value of .84 which is a very good fit. The second factor was tested with two variables ('convenience' and 'delivery service'), with an α value equal to .70. The third factor was tested with three variables ('direct mail a gift', 'recall good memory' and 'company image'), with an α value of .53. The fourth factor is tested with four variables of 'uniqueness/exclusiveness of product,' 'only on mail-order', and 'product quality', with α value of .54. Thus, all four factors reach the reliability level, implying that there are four factors in the final solution.

Table 7.16 also indicates a result of varimax rotated factor loading. By examining the rows and columns of the significant factor loading, the meanings of each of the factor dimensions can be interpreted; that is the dimensional reasons why consumers use mail-order to purchase food products.

a)   Factor 1: It is strongly influenced by 'customer relation' and 'customer service' and is named as '*customer relation and service*'.

b)   Factor 2: It is strongly influenced by 'convenience' and 'delivery service', and is named '*convenience*'.

c)   Factor 3: It is strongly influenced by 'recall good memories', 'direct mail a gift', and 'company image', and is named as '*sentimental reason*'.

d)   Factor 4: It is strongly influenced by 'uniqueness/exclusiveness of product', 'only available on mail-order', and 'product quality', is named as '*no substitute*'.

The result of factor analysis shows that the main dimensional reasons for using mail-order in food shopping are: first, 'customer relation & service'; second, 'convenience'; third, 'sentimental reason', and fourth, 'no substitute'.

7.4.5 Testing Hypothesis 5

h5:   Consumers retain their loyalty when they are restricted by fewer options of where to shop and switching costs.

To test this hypothesis respondents were questioned if they usually shop at the same place, both store-shopping and mail-order shopping. Table 7.17 indicates over half of respondents (59.4%) purchase goods from the same place so that this group of respondents are classified as 'loyal'. From a chi-square test, mail-order food shoppers and inactive mail-order food shoppers have a significant different degree of loyalty ($P=.000$). Nearly 70 per cent of mail-order food purchasers usually shop at the same place both on

mail-order and stores but only 44 per cent non mail-order shoppers replied they usually shop at the same place. Therefore, the conclusion is mail-order food shoppers have a significantly higher level of loyalty compared with non mail-order food shoppers.

Table 7.17 Consumer Loyalty

N=1564

Usually purchase products from the same place			P=.000

(include mail-order and store)

Count Row Pct Col Pct	yes 1	no 2	Row Total
Mail-Order Food Shoppers	676 68.1 72.8	317 31.9 49.9	993 63.5
Inactive Mail- Order Food Shoppers	253 44.3 27.2	318 55.7 50.1	571 36.5
Column Total	929 59.4	635 40.6	1564 100.0

Respondents were further questioned about their reasons for loyalty. Table 7.18 presents the frequency distributions which summarise the main reasons for consumer loyalty. The three most important variables are (1) better quality produce, (2) better service, and (3) better personal relationship.

Table 7.18: Reasons for Shopping at the Same Place

N=885

Reason	Strongly agree	Agree	Not sure	Disagree	Strongly disagree	TTL
better quality produce	269 (30.4)	413 (46.7)	172 (19.4)	27 (3.1)	4 (0.5)	885
better service	161 (18.8)	412 (48.8)	242 (28.3)	32 (3.7)	9 (1.1)	856
better personal relationship	118 (13.7)	264 (30.7)	377 (43.8)	78 (9.1)	24 (2.8)	861
better image	55 (6.6)	221 (26.6)	403 (48.4)	91 (10.9)	62 (7.5)	832
better bargain/special offer	53 (6.3)	176 (21.1)	420 (50.2)	147 (17.6)	40 (4.8)	836
takes time to find a new place	27 (3.3)	213 (25.7)	210 (25.4)	271 (32.7)	107 (12.9)	828
troublesome to try new place	25 (3.0)	189 (22.8)	216 (26.0)	280 (33.7)	120 (14.5)	830
don't like change	23 (2.8)	145 (17.5)	175 (21.1)	314 (37.9)	141 (20.7)	828
no other choice	50 (6.0)	72 (8.6)	136 (16.3)	354 (42.5)	221 (26.5)	833

One-Sample Chi-Square Test   All items **P=.000**

To investigate this question further, factor analysis was employed to condense the reasons for consumers being loyal. Among the nine original variables, the variables 'you have no other choice' 'it offers better quality produce' and 'it offers better bargain or special offers' revealed low communalities (<.50). Therefore, they were eliminated from the final analysis. There are two factors, with eigenvalues greater than 1, generated from the factor extraction and these two common factors explain 68.5 of total variance (see Table 7.19). The remaining variables show a communality greater than .50 that represents a satisfactory amount of variance in those variables accounted for by the two factors taken together. Factor 1 explained the largest share of total variance which is 41.7

per cent and the second factor explained the second largest share of variance which is 26.9 per cent.

Table 7.19: Loyalty Factors

ATTRIBUTES	FACTOR 1	FACTOR 2	COMMUNALITY
troublesome to try new place	.907	.069	.828
takes time to find new place	.902	.086	.820
don't like change	.791	.086	.634
better service	-.030	.806	.651
better personal relationship	.079	.800	.646
better image	.175	.710	.534
Eigenvalue	2.502	1.611	4.113
Variance (%)	41.7	26.9	
CUM variance (%)	41.7	68.5	

Two factors were therefore tested for their internal fit with a reliability test. The first factor was tested with three variables ('you don't like change', 'it takes time to find a new place', and 'it is troublesome to try new places'), with an α value equal of .84 which reveals a very high level of internal consistency. The second factor is evaluated by the reliability test using three variables ('it offers better service', 'the personal relationships are better', and 'it has a better image'), with an α value of .68 showing that it is also of satisfactory fit. Since these two factors are defined as reliable, they are interpreted as:

a)   Factor 1: It is strongly influenced by 'it is troublesome to try new places' , 'it takes time to find a new place', and 'you don't like change'. Therefore, it will be named as *'switching cost'*.

b) Factor 2: It is strongly influenced by 'it offers better service', 'the personal relationships are better,' and 'it has a better image'. Consequently, it will be named as *'service & image'*.

The factor analysis results summarise the reasons for consumers being loyal into two major dimensions; the first is 'switching cost' and the second is 'service & image'. Therefore, in relation to 'switch cost', hypothesis 5, is supported by the analysis. However, that consumers shop at the same place is more because of the 'service and image' rather than they are restricted by few options of where to shop.

7.4.6 Testing Hypothesis 6

h6: Compared with inactive-mail-order shoppers, active mail-order shoppers are more likely to have negative attitudes towards shopping and the shopping environment (i.e. crowd, traffic, pollution.)

Using eleven criteria with reference to the shopping environment and attitudes towards shopping (see Table 7.20), respondents were required to indicate their opinions on those statements. Eleven criteria are divided into three sets of statements. The first set of statements are associated with the external shopping environment. The second set of statements are regarding consumers' attitudes towards shopping. The third set of statements are about the assistance in a shop.

In the first set of statements, over half of the respondents agreed with the negative statements about the outside shopping environment, 'Parking is a problem.' 'Traffic is a problem.' and 'Crowds is a problem.' On the other hand, the majority of respondents were not bothered by 'air pollution' and 'shop opening hours'.

With regard to the second set of statements, there was more or less an equal number of respondents who expressed either 'agreement', 'disagreement', or 'neither agreement nor disagreement' towards the statements of 'Shopping is fun.' 'Shopping wastes time' as well as 'Enjoy meeting people when I shop.' However, there is a higher proportion of disagreement towards 'I enjoy shopping with friends.'

Table 7.20: Opinions towards Shopping and Shopping Environment

N = 1582

Reason	Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree	TTL
Parking is a problem	326 (20.8)	572 (36.5)	283 (18.1)	312 (19.9)	74 (4.7)	1567
Traffic is a problem	234 (15.1)	641 (41.4)	357 (23.1)	262 (16.9)	54 (3.5)	1548
Crowds is a problem	231 (14.8)	625 (40.0)	373 (23.9)	256 (16.4)	76 (4.9)	1561
Air pollution puts me off	87 (5.7)	160 (10.4)	600 (39.1)	470 (30.6)	217 (14.1)	1534
Shop opening hr is a problem	67 (4.3)	181 (11.7)	422 (27.3)	670 (43.4)	205 (13.3)	1545
Shopping is fun	122 (7.8)	391 (24.9)	546 (34.8)	365 (23.3)	144 (9.2)	1568
Shopping wastes time	109 (7.0)	380 (24.5)	478 (30.8)	464 (29.9)	119 (7.7)	1550
Enjoy meeting people during shopping	62 (4.0)	425 (27.3)	495 (31.8)	397 (25.5)	178 (11.4)	1557
Enjoy shopping with friends	60 (3.9)	311 (20.2)	410 (26.7)	513 (33.4)	244 (15.9)	1538
Shop assistants are courteous	56 (3.5)	682 (43.1)	470 (29.7)	301 (19.0)	73 (4.6)	1582
Shop assistants are well-informed	37 (2.4)	335 (21.3)	414 (26.3)	586 (37.2)	202 (12.8)	1574

One-Sample Chi-Square Test   All items P=.000

In the last set of statements about shop assistance, the majority of respondents agree that 'Shop assistants are courteous.' but disagree with 'Shop assistants are well-informed.'

Following a summary of the frequencies, hypothesis *h6* is then tested by using the median test to find if there is a difference of opinions towards shopping between mail-order food shoppers and non-shoppers. This procedure tests whether two independent groups differ in central tendencies. The null hypothesis (*h0*) of the median test is:

h0 : There is no difference in attitudes towards the shopping environment between active mail-order food shoppers and inactive mail-order food shoppers.

and the alternative hypothesis (*hA*) is:

hA: The two groups differ in attitudes towards the shopping environment.

Therefore, when the null hypothesis *h0* is true, i.e. the medians of two groups are equal, the probability of the occurrence of *h0* should be greater than the significance level of .05; otherwise the hypothesis should be rejected and *hA* should be accepted.

Both sample groups do not show different attitudes ($P>.05$) towards the first set of statements: 'Parking is a problem.' ($P=.83$), 'Traffic is a problem.' ($P=.50$), 'Air pollution puts me off.' ($P=.77$) 'Crowds are a problem.' ($P=.40$) and 'Shop opening hours are a problem.' ($P=.95$) (see Table 7.21)

However, apart from the statement, 'Shopping is fun.' ($P=.91$) , respondents show a significant difference ($P<.05$) in the second set of statements regarding attitudes towards shopping, 'Shopping wastes time.' ($P=.02$), 'I enjoy shopping with friends' ($P=.01$), 'I enjoy meeting people when I shop.' ($P=.00$).

Table 7.21 Opinions in Shopping and The Shopping Environment - Median Test

N = 1639

	Group 1	2	Median	Chi-square (χ^2)	Significance (P)
a. Parking is a problem.					
> median	419	248			
< median	555	338	2	.0470	.8283
b. Traffic is a problem.					
> median	413	258			
< median	552	319	3	.4642	.4957
c. Crowds are a problem.					
> median	448	256			
< median	522	328	2	.7203	.3960
d. Air pollution puts me off.					
> median	426	260			
< median	530	312	3	.0823	.7742
e. Shop opening hours are a problem.					
> median	128	76			
< median	831	504	4	.0035	.9529
f. Shopping is fun					
> median	316	191			
< median	662	393	3	.0111	.9161
g. Shopping wastes time.					
> median	341	241			
< median	620	342	3	5.0485	.0246
h. I enjoy meeting people when I shop					
> median	405	168			
< median	· 563	415	3	25.9315	.0000
i. I enjoy shopping with friends					
> median	497	258			
< median	463	314	3	6.1082	.0135
j. Most shop assistants are courteous.					
> median	253	120			
< median	734	469	3	5.3612	.0206
k. Most shop assistants are well-informed.					
> median	146	55			
< median	839	528	4	9.0388	.0026

Note: Group 1 = purchase food on mail-order in last 12 months
       Group 2 = did not purchase food on mail-order in last 12 months

In the third set of statements, there is also a significant difference between groups towards the statement that 'Most shop assistants are courteous.' (*P*=.02), 'Most shop assistants are well-informed.' (*P*=.00)

The result of the median test indicates that:

a)   For the first set of criteria, there is no difference in opinion between the groups towards the shopping environment. Both groups see 'parking', 'traffic', and 'crowds' as a problem but not 'pollution' and 'shop opening hours'.

b)   For the second set of criteria, in terms of shopping attitudes, there is no difference in the level of agreement with the statement that 'shopping is fun'. However, there are significant differences in the 'social aspects' of shopping. Mail-order shoppers tend to disagree with the enjoyment of shopping with friends and meeting people during shopping, but see shopping as more of a waste of time.

c)   For the third set of criteria, regarding the assistance from a shop, mail-order food shoppers are significantly less in agreement with the propositions that shop assistants are well-informed and courteous compared with inactive-mail-order shoppers.

As such, *h6* is only partly sustained (mail-order food shoppers tend to have negative attitudes towards shopping). On the other hand, mail-order food shoppers and inactive-shoppers both show negative attitudes towards the shopping environment, apart from the issues of pollution and shop opening hours. Also, mail-order food shoppers see shopping as less of a 'social activity' compared with non-shoppers.

7.4.7 Testing Hypothesis 7

h7: There is no difference in opinion between active mail-order shoppers and inactive-shoppers with regard to health, environment, and nutritional concerns.

Table 7.22 shows the frequency distributions of the level of concerns from the respondents towards different issues. Overall respondents revealed a high degree of concerns towards the 7 items listed in Table 7.22. Apparently, there is a relatively higher level of concern towards the issues associated with 'Health & diet', 'Natural foods/ingredients', and 'World affairs'. There is still a relatively high degree of concerns towards the rest of the issues of 'Global environment and green issues', ' Local community affairs', 'Animal welfare', and 'Exercise/sport/fitness'.

Table 7.22: Opinions towards Health, Environment and Nutrition

N = 1608

Type of Concerns	Very concerned	Concerned	Not sure	Not con-cerned	Not concerned at all	TTL
Health & diet	621 (38.6)	840 (52.2)	75 (4.7)	59 (3.7)	13 (0.8)	1608
Natural foods/ingredients	546 (34.2)	719 (45.0)	182 (11.4)	126 (7.9)	25 (1.6)	1598
World affairs	· 441 (27.6)	1000 (62.5)	88 (5.5)	57 (3.6)	13 (0.8)	1598
Global environment & green issues	454 (28.4)	860 (53.8)	159 (9.9)	104 (6.5)	21 (1.3)	1598
Local community affairs	349 (21.8)	1030 (64.2)	106 (6.6)	104 (6.5)	15 (0.9)	1604
Animal welfare	489 (30.6)	701 (43.8)	215 (13.4)	147 (9.2)	48 (3.0)	1600
Exercises/Sport/Fitness	344 (21.6)	796 (49.9)	205 (12.8)	198 (12.4)	53 (3.3)	1596

One-Sample Chi-Square Test   All items $P=.000$

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This hypothesis is also tested by using the median test. The null hypothesis is that mail-order shoppers and non-shoppers are drawn from the same median populations.

h0:   There is no difference in opinions towards health, environmental, and nutritional concerns between active mail-order food shoppers and inactive-shoppers.

Therefore, the alternative hypothesis will be:

hA: There is a difference in opinions regarding health, environmental, and nutritional concerns between active mail-order food shoppers and inactive-shoppers.

Table 7.23 Opinions towards Health, Environment, Nutrition - by groups

N = 1608

	Group 1	Group 2	Median	Chi-square (χ^2)	Significance (P)
a. Local community affairs					
> median	135	90			
< median	865	507	2	.6419	.4230
b. World affairs					
> median	94	64			
< median	902	533	2	.5511	.4579
c. Environment/Green issues					
> median	173	111			
< median	823	484	2	.3370	.5616
d. Animal welfare					
> median	242	166			
< median	755	430	2	2.3242	.1274
e. Health and Diet					
> median	105	41			
< median	896	560	2	5.6636	.0173
f. Natural foods/ingredients					
> median	204	126			
< median	792	469	2	.0711	.7897
g. Exercise/Sport/Fitness					
> median	286	169			
< median	705	430	2	.0479	.8267

Note: Group 1 = purchase food on mail-order in last 12 months
Group 2 = did not purchase food on mail-order in last 12 months

Therefore, when the null hypothesis is true, the medians of two groups are equal, the significance (P) should be greater than or equal to the significance level .05. Otherwise, when P is less than or equal to the significant level of .05, $h0$ should be rejected by accepting hA. Apart from 'Health & diet' ($P=.02$) (see Table 7.23), the result shows that most significance levels are greater than the chosen significance level of 5 per cent. Therefore, in terms of the statements of 'Natural foods/ingredients' ($P=.79$), 'World affairs' ($P=.46$), 'Environment/green issues' ($P=.56$), 'Local community affairs' ($P=.42$), 'Animal welfare' ($P=.13$), and 'Exercise/sport/fitness' ($P=.83$), the medians of these two groups are no different from each other, so $h0$ is accepted for aspects except the statement of 'Health & diet' with $P=.02$ (Group 1 has a slightly higher level of concern in comparison with Group 2).

As a result, $h7$ is true, apart from the statement of regarding 'health and diet' that there is no significant difference in opinions towards environmental concerns. However, taking the case of restricting the significance level down to .01 level, it will be easier to conclude that there is no difference between two groups and make a generalisation without any exception.

7.4.8 Testing Hypothesis 8

h8:   Those who shop for their food through mail-order have a higher degree of media exposure than those who do not.

As the press is the most common media delivering direct marketing information, this hypothesis is tested mainly by comparing the readership of newspapers and magazines between the two groups, that is the number of newspaper and magazines read between groups. A chi-square contingency table was utilised as initial solution to contrast the

significant difference in the number of newspapers, number of magazines, and the aggregated number of both, respectively, read between the two independent groups.

The null hypothesis of chi-square test is:

h0:   There is no difference in the amount of press read between the two groups.

and the alternative hypothesis is:

hA: There is a difference in the amount of press read between the two groups.

Table 7.24a and Table 7.24b compare the number of newspapers and magazines read between these two groups of consumers, and Table 7.24c shows the aggregated number of both. As a result, three comparisons between groups all show a value of *P* equal to 0. Consequently, *hA* is accepted that mail-order food shoppers and inactive mail-order food shoppers are exposed to a different number of media.

To further examine *h8*, by looking at Table 7.24, Group 1 always appears to have a significantly greater number of people who read higher a number of newspapers, magazines, and both, in comparison with Group 2. For example, in Table 7.24a, 31.5 per cent of mail-order food shoppers read two newspapers regularly but compared to non mail-order shoppers only 25.1 per cent do. In terms of the total number of newspapers and magazines read, 11.9 per cent of mail-order food shoppers regularly read up to six press in total compared to only 6.4 per cent of inactive mail-order shoppers. Therefore, *h8* is proved to be true. Thus, mail-order food shoppers have a higher degree of media exposure compared with non-shoppers.

Table 7.24 Media Exposure

N = 1632

a. Consumer Groups by Number of Newspapers   Pearson P=.0000

No. of Newspapers

Count Row % Col %	0	1	2	3	4	5	6	7	8	9	Row Total
1	253	278	322	112	42	12	1	1	1	1	1023
	24.7	27.2	31.5	10.9	4.1	1.2	.1	.1	.1	.1	62.7
Group	51.3	64.4	67.8	72.7	72.4	85.7	33.3	100.0	100.0	100.0	
2	240	154	153	42	16	2	2				609
	39.4	25.3	25.1	6.9	2.6	.3	.3				37.3
	48.7	35.6	32.2	27.3	27.6	14.3	66.7				
Column	493	432	475	154	58	14	3	1	1	1	1632
Total	30.2	26.5	29.1	9.4	3.6	.9	.2	.1	.1	.1	100.0

b. Consumer Groups by Number of Magazine   Pearson P=.000

No. of Magazine

Count Row % Col %	0	1	2	3	4	5	6	7	8	Row Total
1	65	179	231	256	165	82	32	9	4	1023
	6.4	17.5	22.6	25.0	16.1	8.0	3.1	.9	.4	62.7
	41.9	61.3	57.6	64.8	72.7	75.9	82.1	90.0	80.0	
Group 2	90	113	170	139	62	26	7	1	1	609
	14.8	18.6	27.9	22.8	10.2	4.3	1.1	.2	.2	37.3
	58.1	38.7	42.4	35.2	27.3	24.1	17.9	10.0	20.0	
Column	155	292	401	395	227	108	39	10	5	1632
Total	9.5	17.9	24.6	24.2	13.9	6.6	2.4	.6	.3	100.0

c. Consumer Groups by Number of Press   Pearson P=.000

No. of Press (No. of Newspapers + Magazines)

Count Row % Col %	0	1	2	3	4	5	6	7	8	9	10	11	14	Row Total
1	20	72	130	209	171	160	122	69	35	17	10	7	1	1023
	2.0	7.0	12.7	20.4	16.7	15.6	11.9	6.7	3.4	1.7	1.0	.7	.1	62.7
	29.9	54.5	52.8	61.5	62.0	66.7	75.8	81.2	77.8	81.0	90.9	100.0	100.0	
2	47	60	116	131	105	80	39	16	10	4	1			609
	7.7	9.9	19.0	21.5	17.2	13.1	6.4	2.6	1.6	.7	.2			37.3
	70.1	45.5	47.2	38.5	38.0	33.3	24.2	18.8	22.2	19.0	9.1			
Column	67	132	246	340	276	240	161	85	45	21	11	7	1	1632
Total	4.1	8.1	15.1	20.8	16.9	14.7	9.9	5.2	2.8	1.3	.7	.4	.1	100.0

7.4.9 Testing Hypothesis 9

h9: Those who do shop for their food through mail-order can be categorised into groups by the benefits they are seeking and with different characteristics.

In order to explore the existence of sub-groups of mail-order shoppers on the basis of benefits sought, the data was analysed by using cluster analysis (see Chapter 6, Section 6.3.2.2). Cluster analysis is an analytical technique that can be used to develop meaningful sub-groups. Those who are in the same cluster should have similar characteristics but should be dissimilar from the other cluster or clusters. To categorise mail-order shoppers, the analysis is performed by the 'Quick Cluster' in SPSS. The results of the analysis clustered mail-order food shoppers into two groups according to the four factor scores for the reasons given for mail-order food purchasing (See 7.4.4, Table 7.15); they are: 'customer relation/ service', convenience', 'sentimental reasons', and 'no substitute'.

Two clusters are therefore formed according to these four factor dimensions. In 'Significance Testing of Differences Between Cluster Centres' (see Table 7.25), each of the four factors all have a probability equal to .000. The result indicates these four segmentation factors have significantly different patterns in differentiating the groups. Thus, the final factor solution shown in Section 7.4.4 should provide a meaningful criteria for segmenting mail-order food shoppers as well as for interpretation of the clusters. In the interpretation of groups, the sub-groups should be labelled as accurately as possible, based on the four factors used. The sub-groups of mail-order shoppers are segmented as follows:

a) Cluster 1: This group is comprised of 53 per cent of mail-order food shoppers who are attracted to mail-order for the reasons of Factor 3 ('sentimental reason') and

Factor 4 ('no substitute', refer to Section 7.4.4, factor interpretation). Therefore, this cluster is more *product-oriented*.

b) Cluster 2: This group is comprised of 47 per cent of mail-order food shoppers. In turn, they are attracted to mail-order food for the reasons of Factor 1 ('customer relations and services') and Factor 2 ('convenience', refer to Section 7.4.4, factor interpretation). As a result, this cluster tends to be attracted to the advantage of mail-ordering, in other words, convenience and service-oriented. This group of consumer is labelled as *mail-order shopping-oriented*.

Table 7.25 Cluster Analysis of Mail-order Food Shoppers

N = 751

CLUSTER	DIMENSION OF FACTORS				CLUSTER SIZE
	Factor 1	Factor 2	Factor 3	Factor 4	
Classification Cluster Centres					
1	-.184	-.906	.514	.876	
2	.752	.784	-.848	-.631	
Final Cluster Centres					
1	-.250	-.461	.332	.380	53
2	.282	.520	-.374	-.428	47

Significance Testing of Differences between Cluster Centres

Variable	Cluster MS	DF	Error MS	DF	F-Ratio	Probability
Factor 1	52.953	1	.931	749.0	56.900	.000
Factor 2	180.220	1	.761	749.0	236.907	.000
Factor 3	93.123	1	.877	749.0	106.183	.000
Factor 4	121.926	1	.839	749.0	145.401	.000

Note: Refer to Table 7.15, Section 7.4.4, Table 8.16; Factor 1 is strongly influenced by variables of 'customer relation' and 'customer service'. Factor 2 is strongly influenced by variables of 'convenience' and 'delivery service'. Factor 3 is strongly influenced by variables of direct mail a gift', 'recall good memories', and 'company image'. Factor 4 is strongly influenced by 'uniqueness/exclusiveness of product', 'only available on mail-order', and 'product quality',

Table 7.26 Differences between Two Clusters

N=744

a) Age Groups   Pearson P=.000

Count Row Pct Col Pct	AGE 18-24 1	25-34 2	35-44 3	45-54 4	55-64 5	64+ 6	Row Total
Cluster 1	2 .5 33.3	27 6.9 37.0	69 17.6 42.3	108 27.5 53.2	104 26.5 61.5	83 21.1 63.8	393 52.8
2	4 1.1 66.7	46 13.1 63.0	94 26.8 57.7	95 27.1 46.8	65 18.5 38.5	47 13.4 36.2	351 47.2
Column Total	6 .8	73 9.8	163 21.9	203 27.3	169 22.7	130 17.5	744 100.0

b) Household Type   Pearson P=.004

Count Row Pct Col Pct	HOUSEHOLD Adult <25 or Student 1	Adult(s) 18-35 2	Adult(s) +children 3	Adult(s) w/o child 4	Row Total
Cluster 1	3 .8 60.0	18 4.6 32.1	107 27.4 49.8	263 67.3 56.7	391 52.8
2	2 .6 40.0	38 10.9 67.9	108 30.9 50.2	201 57.6 43.3	349 47.2
Column Total	5 .7	56 7.6	215 29.1	464 62.7	740 100.0

Since cluster analysis has successfully segmented mail-order shoppers into two meaningful groups, the chi-square test was used to examine if there is any difference between the two groups in terms of personal profile. Table 7.26 shows the significant differences in 'age groups' and 'household types' between the two clusters but there are no significant differences in 'frequency of shopping', 'weekly food shopping expenditure', 'level of education', nor 'number of newspapers/magazines read by individual'. With respect to age group, Cluster 1 (product-oriented) tends to be older and has a majority of 'aged 45-54' and 'aged 55-64' compared with Cluster 2 (mail-order shopping oriented)

majority of 'aged 35-44' and 'aged 45-54'. With respect to house-hold type, both Cluster 1 and Cluster 2 have the majority, 67.3 per cent and 57.6 per cent respectively, of 'Adult (s) over 35 years no children or children not at home' but Cluster 2 has a higher number of respondents who are 'Adult(s) 18-35 years living in own home, no children' and 'Adult(s) 18-65 years living in own home, with children' in comparison with Cluster 1. To stress the difference, the 'product-oriented' group seems a little bit older than the 'mail-order shopping oriented' group.

7.4.10 Testing Hypothesis 10

h10: Existing mail-order food shoppers are more likely to purchase other products by using mail-order and accept other forms of direct marketing, such as by the Internet.

To prove the first part of the hypothesis that existing mail-order food shoppers are more likely to purchase other products using mail-order, respondents were asked if they purchase the following 9 products on mail-order: a) collectibles or decorative items, b) CDs, cassettes, books, or videos, c) clothes, d) footwear, e) jewellery or fashion accessories, f) house appliances, g) cosmetics, h) kitchenware, i) gardening items. The first part of *h10* is tested by ascertaining what proportion of these product types are purchased through mail-order by mail-order food and non mail-order food shoppers. The chi-square contingency table test is employed to test the null hypothesis:

h0: There is no difference in the likelihood of purchasing other products from mail-order between these two groups.

and the alternative hypothesis is:

hA: There is a difference in the likelihood purchasing other products on mail-order between these two groups.

Table 7.27 shows the result of the chi-square test which compares the number of other products respondents also purchased through mail-order between groups. Given that *P* equals to 0, this implies that *h0* should be rejected and *hA* should be accepted. Table 7.27 indicates a significantly higher number of other product purchased by current mail-order shoppers than inactive mail-order shoppers. For instance, 17.3 per cent of mail-order food shoppers also purchased 4 other types of products through mail-order compared to inactive mail-order food shoppers' 11.3 per cent. Moreover, 10 per cent of mail-order food shoppers purchased 5 other types of product through mail-order compared to 5.9 per cent non mail-order food shoppers did the same. Thus, the first part of hypothesis is proved true that existing mail-order food shoppers are more likely to purchase other products by using mail-order than non mail-order food shoppers.

Table 7.27 No. of Other Products Purchased on Mail-order

N = 1632

Count Row % Col %	0	1	2	3	4	5	6	7	8	9	Row Total
1	68	130	197	201	177	102	78	50	13	7	1023
	6.6	12.7	19.3	19.6	17.3	10.0	7.6	4.9	1.3	.7	62.7
Group	37.8	49.8	59.9	65.9	72.0	73.9	82.1	89.3	86.7	100.0	
2	112	131	132	104	69	36	17	6	2		609
	18.4	21.5	21.7	17.1	11.3	5.9	2.8	1.0	.3		37.3
	62.2	50.2	40.1	34.1	28.0	26.1	17.9	10.7	13.3		
Column	180	261	329	305	246	138	95	56	15	7	1632
Total	11.0	16.0	20.2	18.7	15.1	8.5	5.8	3.4	.9	.4	100.0

No. of Other Mail-Order Products   P=.000

To examine the second part of this hypothesis, respondents' use of other direct marketing media is ascertained. Table 8.28 shows the use of six common direct marketing channels, among which, only 'press' has a higher frequency of 73.4 per cent followed by door-to-door which has a frequency of 21.5 per cent. Since the frequencies of other media are very low, they are still not very popular or common in actual practice

while only 10 respondents have experiences in using Internet. As a result, there is a great difficulty in employing of further analysis to test the second part of hypothesis.

In Table 7.29 only press is analysed by a chi-square test to investigate if there is a significant difference in using other direct marketing media between mail-order food shoppers and non-shoppers. The null and alternative hypotheses are as follows.

h0:   There is no difference in the expected number of users between two groups.

hA: There is a difference in the expected number of users between two groups.

Table 7.28 Use of Other Direct Marketing Channels

N = 1639

Media Type	Yes No. of cases (%)	No No. of cases (%)	TTL
Press	1201 (73.4)	438 (26.6)	1639
Door-to-door	352 (21.5)	1287 (78.5)	1639
Telephone	43 (2.6)	1596 (97.4)	1639
Teletext	48 (2.9)	1591 (97.1)	1639
Vendor ordering computer	11 (0.7)	1628 (99.3)	1639
Internet	10 (0.6)	1629 (99.4)	1639

Since the significance is equal to .000 which is less than the significance level of .05, *h0* is rejected, and *hA* is accepted implying that there is a significant difference in the number of users of direct marketing in press between two groups. The chi-square test result shows that 76.9 per cent of current mail-order food shoppers have used/responded to direct marketing through press which is higher than the 67.9 per cent result in non-shoppers category (see Table 7.29). In other words, mail-order food shoppers are more

likely to respond to a direct marketing advertisement in the press compared with inactive mail-order food shoppers.

Table 7.29 Media Use - Press by Groups

N = 1629

Count Row % Col %	RESPOND TO PRESS			Pearson P= .000
	Yes	No	Row Total	
Mail-Order Food Shoppers	786 76.9 65.6	236 23.1 54.8	1022 62.7	
Inactive-Shoppers	412 67.9 34.4	195 32.1 45.2	607 37.3	
Column Total	1198 73.5	431 26.5	1629 100.0	

7.5 SUMMARY

In this chapter, the results of the data analysis have been presented and discussed in the form of the hypothese tests. The purpose of testing each of the hypotheses was to confirm the evidence of behavioural and attitudinal patterns by using relevant statistical methods. Therefore, the conclusions are drawn purely on statistical terms. In general, the use of statistics in marketing research allows us to understand and predict consumer behaviour, so that effective marketing strategies can be undertaken. Sometimes errors may be detected by examining the application of a methodology or there may be other non-administrational factors occurring during the survey that may affect the accuracy of the result. After the statistical analysis of data, validation is always one of the biggest challenges for researchers. Consequently, the reliability tests of results have been applied appropriately to most analytical procedures, although it is unrealistic for this study to

validate every analysis by follow-up tests with the population. For instance, the result shown on the distribution of the age and education level in the survey population shows a relatively higher level in comparison with the population. It is difficult to validate whether the sample actually have a higher education level in general or it may be that only those who have a higher education level tend to participate in academic research. Apart from that, the sample frame described in Chapter 6 also indicates a certain degree of difference between the sample and the general population. However, the sample size is large enough to assume that mail-order food shoppers and non-active-shoppers are well represented in this survey. The next chapter will investigate the results in more detail and address their marketing implications.

PART III SUMMARY

CHAPTER EIGHT

FINDINGS AND MARKETING IMPLICATIONS

8.1 INTRODUCTION

The objective of this chapter is to present the key findings and marketing implications for the mail-order speciality food industry that may complement the analysis of 'business environmental scanning' (see Chapter 4, Figure 4.1). The research hypotheses, which aim to solve the research problems addressed at the beginning of this thesis, have been either sustained or proved wrong by quantitative study. The results of the statistical analysis were mostly in response to each of the hypotheses that evolved from the initial research questions. In this chapter, after investigating the questions step by step, the data is utilised to outline a complete profile of consumers. Many findings other than those concerning the hypotheses will be presented. Therefore, the aim of this chapter is to highlight consumer's attitudes and perceptions towards mail-order speciality foods, to illustrate the marketing implications of the survey results, and to recommend the most effective direct marketing strategy.

Figure 8.1 shows a consumer-survey feedback model which illustrates the process of improving current strategy or adjusting current business practice to the market and consumer demands. This model is utilised here. This chapter represents phases 3, 'analyse and interpret the information,' and 4, enhance to recommend a 'plan corrective or innovative adjustment'. It is important to emphasise the concept that a model such as this is a

continuous process for management who especially are responsible for designing the competitive position of the organisation. In addition, management should extend the results of this study to 'combine measures from all locations', 'analyse and interpret the information', and then 'adjust plans, policies, products, or services' according to their own business position.

Figure 8.1 Consumer Survey Feedback System
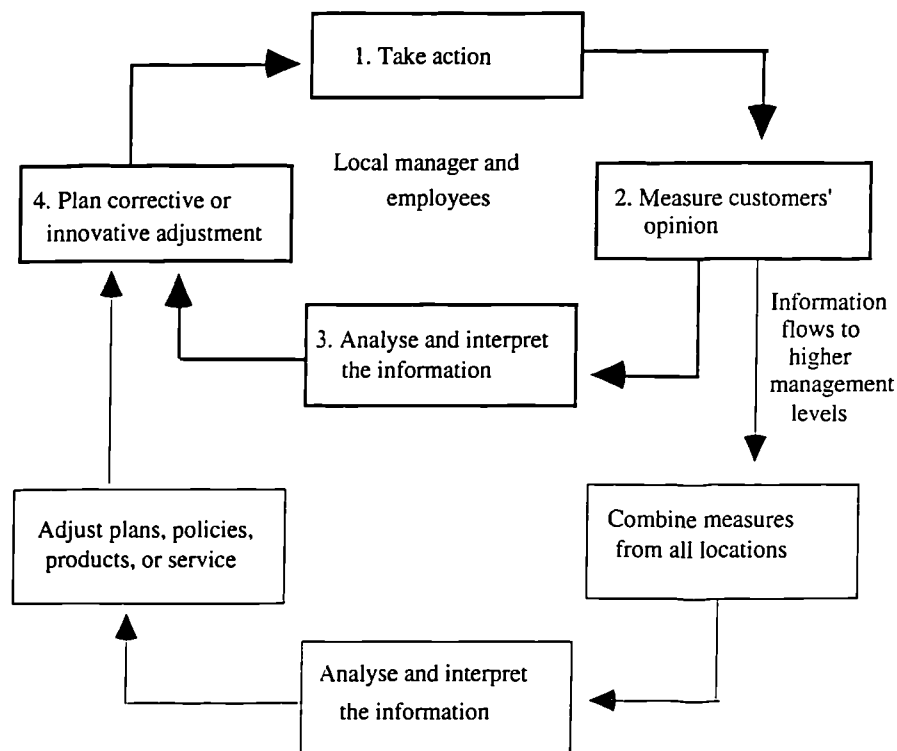
Source: Daltas, 1977

This chapter presents a complete profile of mail-order speciality food shoppers and their perceptions of, and attitudes to (mainly concerning perceived risks) mail-order shopping. Furthermore, the results concerning customers' satisfaction on mail-order food and their future purchase are presented in Section 8.4. Finally, the major findings are summarised in the end of this chapter.

8.2 CUSTOMER CHARACTERISTICS

For mail-order companies, it is important to identify the characteristics of their target market and potential customers. This part of the discussion aims to address and underline the distinctive consumer characteristics found from the mail-order food survey. In this part, these characteristics are viewed from a broad perspective that will help depict a complete description of a mail-order shopper since most of the characteristics correspond with one another.

8.2.1 Self-Indulgence in Food

Over 80 per cent of active mail-order speciality food shoppers spend more than the official figure published by Central Statistical Office in 1996 regarding household weekly expenditure of £30 per week on food shopping. Moreover, over one third of them spend more than the amount of £60 which is twice as much as the official figure and 8.9 per cent points higher in comparison with inactive-mail-order shoppers (see Table 7.3 a). Generally speaking, consumers' expenditure is not only a result of their behaviour pattern but also the reflection of their purchasing power. Together with the next section, the issue of purchase power will be elaborated further. Concerning behaviour patterns, since active mail-order shopper's household size is no larger than average, higher expenditure does not result from a larger quantity of food consumption. Apparently, this group of consumers is not price-oriented. They are always ready to allocate a higher expenditure on food and allow self-indulgence in food according to their personal tastes than the general population.

8.2.2 Higher Level of Education/Qualification

The results of this survey indicate that active mail-order food shoppers have a higher level of education/qualification in comparison with the inactive-mail-order shoppers (see Table 7.3b). More than 70 per cent of mail-order shoppers have undertaken professional

training, a degree, or postgraduate or equivalent. Very often, good education brings in good income. This, combined with the characteristic of higher expenditure and the fact that 70 per cent of active mail-order food shoppers' households are without children, suggests that socio-economic status of this group is above average. In addition, this characteristic may be correlated with the choice of newspaper and the general or environmental issues they concern.

8.2.3 Media Exposure

The indication of media exposure reveals that this group of consumers have one or both of the following characteristics: a) well-informed and knowledgeable consumers have a higher acceptance of direct marketing, and/or b) purchase is a reaction towards the attractiveness of direct marketing promotion in the press.

8.2.3.1 Well-Informed/Knowledgeable of Current Affairs

Media exposure is concerned with communication and information delivery. In the survey, it is reflected by the number of newspapers and magazines read by consumers. It is found that active mail-order food shoppers read a significantly higher number of both quality national newspapers and magazines than inactive mail-order food shoppers (see Table 7.24). It suggests that the press has a higher circulation amongst this group of consumers and that they are well-informed and knowledgeable about the current affairs and development. This characteristic may be correlated with the level of education/qualification discussed in previous section.

8.2.3.2 Exposure to Marketing Activities

Press accounts for the second largest advertising expenditure, next to TV commercial, on all types of consumer goods. For mail-order companies, apart from direct

mail, direct response advertisements in the press are very popular. In this case, the higher the media exposure the more likely consumers are to be reached by marketing activities. Therefore, the attractiveness of the advert results in direct responses from the readers.

8.2.3.3 Personal Interest and Newspaper/Magazine Choice

People's choices or preferences for a particular newspapers usually indicate the tendency of their political opinions. Table 8.1 shows the circulation of national newspapers amongst two groups. In addition to the fact that active mail-order food shoppers read a substantially higher number of newspapers than the non-shoppers, when newspaper circulation between groups is examined, it is found that Financial Times ($P=.003$), Observer ($P=.004$), Independent ($P=.041$), Daily Telegraph ($P=.018$), Sunday Telegraph ($P=.018$), Times ($P=.000$), and Sunday Times ($P=.026$) have higher readership among mail-order shoppers. Nevertheless, by examining the circulation of each of the quality daily newspapers, The Daily Telegraph, which is known as a Conservative newspaper, has the highest circulation among mail-order shoppers, 33 per cent of whom read it regularly, followed by The Times with 22 per cent. Among the Sunday newspapers, The Sunday Times has the highest circulation with 27 per cent of mail-order shopper readership.

In addition, the purchase of magazines discloses consumers' interests. Apart from the fact that, in general, mail-order food shoppers read more magazines than the non-shoppers do, Table 8.2 shows a literacy comparison of each type of magazines between the groups. Types such as art/music/entertainment ($P=.000$), news/world affairs ($P=.000$), food/wine ($P=.000$), home interests ($P=.007$), and TV guide ($P=.005$), have a significantly higher readership among active mail-order food shoppers in comparison with inactive-shoppers. Also, among those types of magazines, food/wine, TV guide, and home interests are the three highest circulation magazine types amongst mail-order food shoppers (52 per cent, 43 per cent, and 41 per cent, respectively).

Table 8.1 Newspapers Choices amongst Mail-Order Food Shoppers and Inactive Mail-Order Food Shoppers

N=1631

Newspaper	Mail-order Food Shoppers	Inactive Mail-Order Food Shoppers	Both Groups	Chi-Square Significance (P)
Daily Telegraph				
Yes	333 (32.6%)	164 (27.0%)	30.5%	.018
No	690 (67.4%)	444 (73.0%)	69.5%	
Sunday Telegraph				
Yes	193 (18.9%)	87 (14.3%)	17.2%	.018
No	830 (81.1%)	521 (85.7%)	82.8%	
Times				
Yes	229 (22.4%)	86 (14.1%)	19.3%	.000
No	794 (77.6%)	552 (85.9%)	80.7%	
Sunday Times				
Yes	276 (27.0%)	134 (22.0%)	25.1%	.026
No	747 (73.0%)	474 (78.0%)	74.9%	
Financial Times				
Yes	118 (11.5%)	43 (7.1%)	9.9%	.003
No	905 (88.5%)	565 (92.9%)	90.1%	
Guardian				
Yes	108 (10.6%)	54 (8.9%)	9.9%	.274
No	915 (89.5%)	554 (91.1%	90.1%	
Observer				
Yes	109 (10.7%)	39 (6.4%)	9.1%	.004
No	914 (89.3%)	569 (93.6%)	90.9%	
Independent				
Yes	95 (9.3%)	39 (6.4%)	8.2%	.041
No	928 (90.7%)	569 (93.6%)	91.8%	
Sunday Independent				
Yes	55 (5.4%)	26 (4.3%)	5.0%	.323
No	968 (94.6%)	582 (95.7%)	95.0%	

Table 8.2 Circulation of Magazines amongst Mail-Order Food Shoppers and Inactive Mail-Order Food Shoppers

N=1631

Type of Magazine	Mail-order Food Shoppers		Inactive Mail-Order Food Shoppers		Both Groups	Chi-Square Significance (P)
Arts/Music/Entertainment						
Yes	305	(29.8%)	107	(17.6%)	25.3%	.000
No	718	(70.2%)	501	(82.4%)	74.7%	
News/World Affairs						
Yes	251	(24.5%)	101	(16.6%)	21.6%	.000
No	772	(75.5%)	507	(83.4%)	78.4%	
Food/Wine						
Yes	535	(52.3%)	193	(31.7%)	44.6%	.000
No	488	(47.7%)	415	(68.3%)	55.4%	
Home interests						
Yes	417	(40.8%)	207	(34.0%)	38.3%	.007
No	606	(59.2%)	401	(66.0%)	61.7%	
Sports/Hobbies						
Yes	231	22.6%)	142	23.4%	22.9%	.719
No	792	(77.4%)	466	(76.6%	77.1%	
Trade/Professional						
Yes	326	(31.9%)	181	(29.8%	31.1%	.376
No	697	68.1%)	427	(70.2%)	68.9%	
Women's Interests						
Yes	261	(25.5%)	155	(25.5%)	25.5%	.993
No	762	(74.5%)	453	(74.5%	74.5%	
TV Guide						
Yes	440	(43.0%)	219	(36.0%)	40.4%	.005
No	219	(36.0%)	389	(64.0%)	59.6%	

8.2.4 Summary of the Profile of Mail-Order Food Shoppers

The above sections attempt to emphasise the significant differences in characteristics between mail-order food shoppers and inactive mail-order food shoppers. According to the differences on distinctive profile of the target audience can be depicted. For the purpose of targeting and market segmentation, the characteristics are summarised as follows:

- *Food lovers:* This group of consumers are interested in food and indulge themselves in food.

- *Financially well-off group:* These people are financially well-off with home interests. This group tends to be older (40 - 65) and live in small households without children.

- *Open to information or new development:* These people tend to have relatively high education levels or qualifications and they are open to information, knowledge, and new developments. They have a higher purchase rate of newspapers and magazines. The Telegraph and Times are the two most popular national daily newspapers amongst this group of consumers and the Sunday Times and Sunday Telegraph are the most popular Sunday newspapers. 'Food and wine', TV guide, and home interests types of magazines are the three most popular types of magazine among this group of people.

- *None-enjoyment of store-shopping:* They experience a low level of enjoyment from store-shopping or do not feel satisfied with the external physical shopping environment. Moreover, they usually do not appreciate the social aspect of shopping nor usually consider shopping as social activity.

- *Convenience/Flexibility of in-home shopping:* This group of people either have no time to shop or consider shopping to be a waste of time and demand a higher degree of convenience. As a result, they enjoy or prefer the flexibility of in-home shopping.

To sum up the profile, the target audiences are very likely to be considerably wealthy food lovers who are convenience/flexibility-oriented.

8.3 CONSUMERS' PERCEPTIONS & ATTITUDES TO MAIL-ORDER SHOPPING

8.3.1 Use Mail-Order Shopping as a Personal Choice/Preference

Regarding other characteristics where there are no difference between the groups, there are two points worth emphasising. First, there is no difference in the household type and the number of children under 5 or between 5 to eleven. Second, there is no difference in the perceived level of the convenience of public transport. Evidently, these two points imply that those who choose to shop by mail-order are not constrained by difficulties or 'lock-in' factors. They use mail-order shopping as a personal choice that may be due to their preference for the convenience and flexibility of home-shopping or the attractiveness of a product. In other words, they are not labelled as 'lock-in' consumers, as in Peter and Ford (1972), Reynolds (1974), and Young's (1992) studies. This similar result confirms Gillett's (1970) finding that they use mail-order because of their preferences (see Chapter 5, Figure 5.4). Moreover, mail-order food shoppers also purchase more of other non-food products through mail-order, such as clothes, CD/books, gardening items, than non-shoppers. Also, they are more likely to accept other direct marketing media than non-shoppers.

Around two thirds of mail-order food shoppers make frequent ordinary purchases on mail-order, which is neither particularly seasonal nor for special occasions. The top five most frequently specified reasons for the purchase food on mail-order are product quality, uniqueness/exclusiveness, convenience, delivery service, and only available on mail-order (see Table 7.14).

According to consumers' reasons for using mail-order, generally, two types of mail-order food consumers' orientations can be found (see Chapter 7, Section 7.4.9), one is product oriented (53%), the other is mail-order shopping oriented (47%). Therefore, the

predominant attractions for consumers to shop on mail-order have either evolved from the product attractiveness or the attractiveness of the mail-ordering service . Apparently, these two attractions of mail-order speciality food shopping resulted in a similar number of customers. As such, mail-order food companies, when they attempt to target consumers' preferences, can adopt two approaches. Either they take a product-oriented approach, offering unique, high quality, or distinctively positioned product, or mail-ordering advantage oriented approach, offering better mail-ordering service than current mail-order companies, or both approaches. This point will be further elaborated in Section 8.4.

8.3.2 Perceived Risks

It is evident that consumers perceive higher levels of risks when they purchase through mail-order than from a conventional store, particularly with respect to differences between product expectation and actual product, product quality, and condition on delivery. Moreover, each individual perceives a different level of risk in terms of different aspects, such as quality, delivery, price, involved in the process of mail-ordering. In comparison with mail-order food shoppers, the inactive-shoppers perceived significantly higher levels of risks when they purchase products on mail-order than in a store (see Section 7.4.2).

8.3.3 Problems Encountered in Mail-Order Purchase

Another finding to support the importance in understanding consumers' perceived risks is that those who do not use mail-order are not primarily influenced by the different problems which have occurred when they have used mail-order in the past. Table 8.3 summarises the most frequently cited problems encountered by consumers when they use mail-order here are respectively 'problem in delivery' and 'product quality'. By using a Chi-square test, in comparison, mail-order food shoppers, who also perceived lower risks in mail-order shopping and order other products through mail-order more frequently than

non-shoppers, have encountered more 'problems in ordering' (*P*=.024) and 'delivery' (*P*=.000) than inactive-shoppers. This result may easily be explained by the frequency of use. Since mail-order food shoppers are also frequently to using mail-order in purchasing other type of products, as a mail-order heavy user, the probability of encountering mail-ordering problems would be higher than for non-regular or non users. Furthermore, non-shoppers have encountered no more problems in using mail-ordering than mail-order food shoppers. That means perceived risks are not necessarily built up by the past experiences but more related to each individual's perceptual framework in risk-taking. Consumers' perceptual processes are so much influenced by a complicated internal system that they result in a different levels of perceived risks which vary from individual to individual. It is, in fact, an interesting finding.

Table 8.3 Problems Encountered in Mail-Order Purchase

Type of Problems	Mail-order Food Shoppers	Inactive Mail-Order Food Shoppers	Both Groups	Chi-Square Significance (*P*)
Problem in delivery				
Yes	323 (31.6%)	130 (21.4%)	27.8%	
No	700 (68.4)	478 (78.6%)	72.2%	.000
Problem in quality				
Yes	228 (22.3%)	155 (25.5%)	23.5%	
No	795 (77.7%)	453 (74.5%	76.5%	.140
Problem in return/refund				
Yes	149 (14.6%)	92 (15.1%)	14.8%	
No	874 (85.4%)	516 (84.9%)	85.2%	.755
Problem in ordering				
Yes	59 (5.8%)	20 (3.3%)	4.8%	
No	963 (94.2%)	587 (96.7%)	95.2%	.024
Problem in payment				
Yes	23 (2.2%)	20 (3.3%)	2.6%	
No	1000 (97.8%)	588 (96.7%)	97.4%	.204

Responding to the open-ended question, some respondents revealed other specific problems such as a) wrong product or billing mistakes; b) problem with product

descriptions, size, or colour; c) packaging problems, d) out of stock and substitutions, e) follow-up junk mails, f) no one at home when product arrives. These listed problems are important reference for mail-order companies who constantly try to improve their quality of services.

8.3.4 Risk Relievers

8.3.4.1 Common Risk Relievers

One of the main issues in this study is to search for effective risk relievers in order to reduce the risks perceived by consumers that may lead to higher penetration of mail-order purchase in the market. This study has found 'good quality', 'money back guarantee', 'reputable manufacturer', 'past experience with the company', and 'past experience with the product' are considered the five most important risk relievers respectively, in comparison with others.

8.3.4.2 Different Values Towards Risk Relievers Between Groups

Furthermore, in the previous chapter, the differences between the degree of importance of each risk reliever evaluated by mail-order food shoppers and inactive mail-order food shoppers were presented (refer to Chapter 7, Section 7.4.3). Thus, amongst the 15 risk relievers in this study, mail-order food shoppers and inactive mail-order food shoppers have the same attitude towards the importance of the risk relievers such as 'good quality', 'reputable manufacturer', 'recommended by one whom you know personally', 'recommended by a public figure', 'presentation in brochure/catalogue', and 'sample/trial'. Significantly, 'Money back guarantee', 'competitive price', 'well-known brand/product', and 'official/certified quality standard' are granted a relatively higher importance by inactive mail-order food shoppers than mail-order food shoppers. On the other hand, 'past experience with the product', 'past experience with the company', 'uniqueness/

exclusiveness of products', 'only available by mail-order', and 'special offers' are considered more important by mail-order food shoppers than inactive mail-order food shoppers. Such information suggests marketers should emphasise different risk relievers when they approach different groups of consumers.

8.3.4.3 Effective Risk Relievers for Aspects of Risks

The correlation between perceived risks and risk relievers suggests that particular risk relievers are more effective in reducing a certain aspect of risk (see Table 7.14). For instance, the difference between product expectation and actual product, quality, and condition on delivery are the three most risky aspects for consumers when they purchase food from mail-order. It has been found in this study that 'money back guarantee', 'competitive price', 'sample/trial', and 'official/certified quality standard' are the most significant risk relievers for product expectations. Moreover, 'money back guarantee', 'competitive price', 'recommended by whom you know personally', 'sample/trial', and 'official/certified quality standard' are more effective in relieving the perceived risk in product quality. For perceived risks in condition on delivery, there is no effective risk reliever found. However, it may be that the 'condition on delivery' is usually a factor which is not under a mail-order company's control but the current postal system unless mail-order company sub-contracts a delivery service.

8.3.5 Shopping Loyalty

Mail-order speciality food shoppers have a significantly higher degree of loyalty in shopping at the same place, including both mail-order and stores (see Section 7.4.5) compared with inactive mail-order food shoppers. Focusing on this subject, mail-order companies have a high likelihood of gaining repeat purchases from this group of consumers, once they are satisfied. This suits the advantage of direct marketing in the long-term as well as the fact that mail-order companies have a long-term commitment to

customers. Therefore, to cultivate customer loyalty should be the top priority of the marketing effort of mail-order companies. Two main factors which contribute to consumer loyalty are 'switching cost' and 'service and image'. Nevertheless, it is found that 'better quality', 'better service', and 'better personal relationship' are three particular important reasons for consumers being loyal in purchasing both in mail-ordering and stores.

8.3.6 Shopping Attitudes

Over half of the respondents agree that 'parking', 'traffic', and 'crowds' are problems when they shop. However, since these three issues are not likely to improve but to deteriorate in the physical shopping environment, the tranquillity and flexibility of in-home mail-order shopping is an advantage in encouraging those who are not satisfied with the shopping environment.

On the other hand, the majority of respondents neither consider 'pollution' nor 'shop opening hours' to be a problem for shopping. Furthermore, a fairly equal number of respondents agree and disagree that 'shopping is fun', 'shopping wastes time', 'enjoy meeting people during shopping' but less people agree with 'enjoy shopping with friends'. Also, most people agree 'shop assistants are courteous' but disagree with 'shop assistants are well-informed'.

Generally speaking, it is found that mail-order food shoppers enjoy the social aspect of store shopping less, or have a lower opinion on the assistance from a shop but tend to agree that shopping wastes time than the conventional shoppers. As a result, mail-order is most suitable for those who are less interested in the social aspect of the physical shopping environment and are more interested in convenience and flexibility.

8.4 CUSTOMERS' SATISFACTION AND FUTURE PURCHASES

One of the key factors in monitoring the consumer environment concerns customers' satisfaction. Customers' satisfaction is a function of the closeness between their product expectations and the product's perceived performance (Barbera & Mazursky, 1983). When the product performance does not match up with the product expectation, consumers feel dissatisfied. On the other hand, when the performance is equal to or better than expectation, consumers are satisfied. Table 8.4 indicates that one third of mail-order speciality food shoppers are very satisfied in terms of overall satisfaction, and more than 90 per cent of mail-order speciality food shoppers are satisfied with the current overall mail-ordering. With respect to specific scales, 'product quality' has the highest level of satisfaction in comparison with other aspects, followed by 'delivery service' and 'enquiry service'. The 'price' seems to be the least satisfactory aspect, with 63 per cent of satisfied customers. Nevertheless, nearly 60 per cent of mail-order food shoppers will definitely continue their purchase in the future and 35 per cent indicate they are likely to purchase again. Only 2 per cent of mail-order purchasers responded that they are 'not likely' or will 'definitely not' repeat the purchase. Consequently, the conclusion of the current performance of mail-order service is satisfactory.

There is no doubt that consumers' future purchase behaviour is strongly correlated with their satisfaction. All aspects shown in Table 8.5 have a significant correlation with consumers' future purchase intentions ($P<.01$). 'Overall satisfaction with mail-order' particularly has a highest r value equal to .452, followed by 'product quality' and 'enquiry service' with an r value equal to .385 and .307, respectively. In the other words, the satisfaction of 'overall satisfaction', 'product quality', and 'enquiry service' are the three aspects most worth-emphasising amongst those factors likely to contribute to future purchase.

Table 8.4 Consumers' Satisfaction of Mail-Order Speciality Food

N=1015

Satisfaction	Very satisfied	Satisfied	Somewhat Satisfied	Dissatisfied	Very dis-satisfied
Product quality	520 (51.4%)	428 (42.3%)	59 (5.8%)	3 (0.3%)	1 (0.1%)
Delivery service	438 (43.5%)	447 (44.4%)	94 (9.3%)	22 (2.2%)	6 (0.6%)
Enquiry service	367 (38.8%)	494 (52.2%)	79 (8.3%)	7 (0.7%)	0 (0.0%)
Product selection	368 (37.7%)	537 (55.0%)	67 (6.9%)	4 (0.4%)	0 (0.0%)
Ordering process	364 (37.3%)	538 (55.1%)	70 (7.2%)	4 (0.4%)	1 (0.1%)
Payment terms	264 27.6%)	581 (60.6%)	103 (10.8%)	9 (0.9%)	1 (0.1%)
Catalogue presentation	225 (23.3%)	561 (58.2%)	161 (16.7%)	15 (1.6%)	2 (0.2%)
Price	98 (10.0%)	517 (52.9%)	286 (29.3%)	70 (7.2%)	6 (0.6%)
Overall satisfaction	364 36.5%	562 (56.3%)	66 (6.6%	3 (0.3%)	3 (0.3%)

	Definitely	Likely	Not sure	Not likely	Definitely not
Future purchase	594 (58.5%)	355 (35.0%)	48 (4.7%	17 (1.7%)	1 (0.1%)

The most popular indicators of marketing effectiveness and competitiveness are market share and profitability (Day & Wensley, 1988) while customer satisfaction is one of the alternative measures. In this case, for mail-order speciality food companies, since product positioning and targeting is different from that of mass-distributed products, the emphasis on continuing customer satisfaction will be more meaningful than market share. Mail-order food shoppers appear to have a higher degree of loyalty, therefore, companies should adopt a customer focused approach and promote superior customer values.

Table 8.5 Correlation Coefficients of Customers'
Satisfaction and Future Purchase

Satisfaction	Future Purchase
Overall satisfaction with mail-order	.452**
Product quality	.375**
Enquiry service	.307**
Ordering process	.298**
Price	.298**
Product selection	.286**
Catalogue presentation	.238**
Delivery service	.219**
Payment terms	.209**

** Significance < .01   2-tailed)

8.5 MARKETING IMPLICATIONS

The primary objective of this section is to put the results into perspective and to emphasise their marketing implications which will guide the direction of effective direct marketing strategies. It is important to emphasise that the scope of this empirical research is framed within mail-order speciality food companies.

8.5.1 Identification of Customers & Market Segment

The fundamental task for marketers, before formulating a marketing strategy is to identify their customers as well as their potential customers. In previous sections, mail-order food shoppers have been identified in terms of their characteristics, perceptions of mail-order, and attitudes towards shopping (see Section 8.2 & Section 8.3). The specification and likelihood of this particular consumer group clearly segment the market. Thus, the front-line of marketing effort is associated with how to seize the opportunity and approach consumers in order to get a good response. Marketing strategy is, therefore, delineated to reach the potential customers effectively, that is, 'targeting'.

8.5.2 Direct Marketing Strategy

While the target audience is clearly described in both Section 8.2 and Section 8.3, marketers should focus on the question 'where and how to approach this group of consumers effectively'.

8.5.2.1 Approaching Customers

Mail-order companies should first compile a database/mailing list or enhance the existing database/mailing list. Therefore, the aims are to collect or recruit potential customers and 'targeting' is the method. It is highly recommended that mail-order food companies continue to obtain names and addresses from trade fairs or exhibitions as these events always contain a specific theme that are clear enough to attract consumers who are interested in this particular theme. Moreover, other events or locations which attract a similar profile of the target audiences that may enable mail-order food companies to reach, collect or recruit potential customers are good contacts to establish connections or joint promotions.

Furthermore, other than direct mail and 'word-of-mouth', for those companies who are interested in a direct response advertising campaign, the effective media-choice decision depends on the possible choice of target audience's source of information. Thus, the finding simply imply that 'The Daily Telegraph', 'Sunday Telegraph', 'The Times', 'The Sunday Times' have a higher rate of circulation amongst mail-order food shoppers than other national newspapers. In terms of magazines, food and wine magazines have the highest circulation followed by 'home interests' types of magazines. Therefore, media advertising should focus on these types of newspapers/magazines.

8.5.2.2 Information Delivery & Promotional Appeals

Typically, direct marketing relies on delivering designated information to customers or potential customers, who are usually called 'prospects' by direct marketers. An appealing direct marketing message should be formulated with a central theme and sent with precise, persuasive, effective information and instructions for response. With each one of the following approaches or a combination of the approaches, mail-order speciality food companies may stand a good chance of sending information to the target audiences and obtain a good response. However, since a successful marketing appeal always needs a good platform, the marketer should always regard the effectiveness of a presentation as a serious matter . The following are suggestions for marketing appeals.

a) Convenience appeal This emphasis would highly appeal to those who demand or prefer higher degree of convenience in shopping. In other words, this appeal aims at approaching those who are constrained by other duties and daily-life priorities - essentially constrained by time.

b) Flexible in-home shopping appeal To those who have negative attitudes towards shopping or the shopping environment, mail-order shopping provides a relaxing/comfortable environment with which customers are familiar or feel safe. By using this means of shopping, customers not only avoid crowds, parking problem, or other unpleasant shopping troubles but also make their own shopping decision in their own time.

c) As good as store shopping appeal This will mainly focus on reducing consumer's level of perceived risks, giving customers comprehensive information, convincing customers 'what you expect is what you will get'. Therefore, depending on marketing objectives, approach, and target audiences, the manipulation of effective risk relievers for relieving a particular dimension or dimensions of risks, overall perceived risks,

or a certain group of consumers' perceived risk would be useful in persuading consumer purchase.

d) Customer relations/customer services appeal   Mail-order companies should promote an image as 'good as a shop' and ideally 'better than a shop'. Therefore, superior customer relations and customer services offered by mail-order companies, seeing each customer as an individual and striving to satisfy each customer's needs, need to be emphasised. As such, the inquiry service, product advice service, ordering service, delivery and fast delivery service, direct-gift service, and customer care would all contribute to this appeal.

e) Product uniqueness/self indulgence appeal   This appeal is aimed at food lovers who are always ready to indulge themselves in good food. Meanwhile, it may also stimulate spontaneous self-indulgence or curiosity as good information delivery actually brings out the attractiveness and uniqueness of a product.

8.5.3 Competitiveness of Mail-Ordering and Product

Consumers usually choose to purchase from the suppliers who provide the greatest added value. Therefore, it is important for organisations to identify sources of value enhancement that will increase their competitive advantage. The concept of value chain model, proposed by Porter (1985), is a useful tool to help mail-order companies to identify the 'value enhancement activities'. Figure 8.2 shows a simplified value chain analysis of mail-order speciality food. The perceived value is comprised of the basic product value plus the differentiation advantage minus the perceived risks which may differ in level depending on each individual. Moreover, it is important to maximise differentation advantage, both from the perspective of mail-order and the product, but minimise perceived risks in order to generate the optimal perceived value.

The uniqueness/exclusiveness, innovation and accessibility of a product differentiates itself from other mass-produced or mass distributed products. Furthermore, while good service and customer relations will retain existing customers, the competitiveness of an organisation is based upon its competence and resource availability/flexibility. Real competition depends on who serves customers the best. Therefore, an organisation's superiority in efficiency is also very important to the value chain.

Figure 8.2 Value Chain of Mail-Order Speciality Food
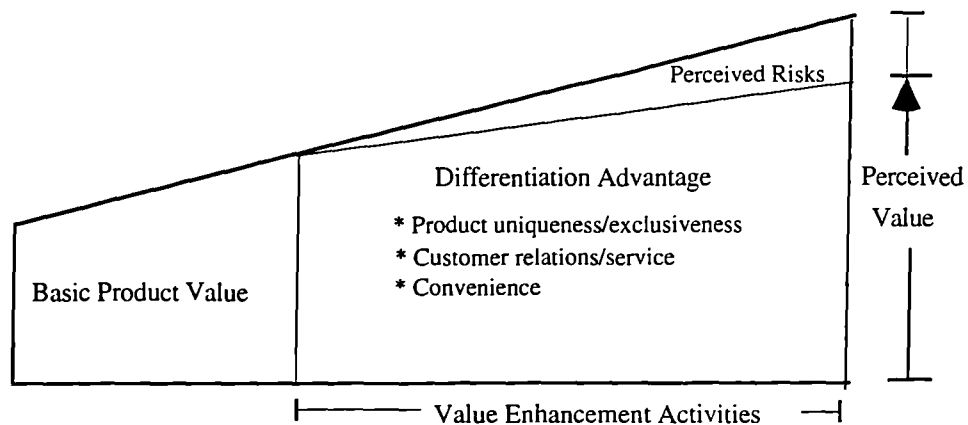
By looking at the consumers' satisfactions (see Table 8.4), although the satisfaction scales show very good result from mail-order speciality food customers, the 'price' falls into the relatively lower level of notification compared with other items. Therefore, marketers should be aware of the issue of perceived value. If marketers can succeed in promoting the product with a perceived superiority, the level of satisfaction in price will, therefore, be improved.

CHAPTER NINE

CONCLUSIONS

9.1 INTRODUCTION

This chapter addresses the conclusions of this study. It draws together the results of the study by addressing brief guidelines for direct marketing strategies and recommeds the areas for further research.

So far, a complete mail-order speciality food business environment has been presented according to the scope which is defined in this study. This thesis has combined rigorous academic research and analysis with aspects of strategies and practical marketing planning. The emphasis has been on the consumer environment and on identification of effective marketing strategies. The empirical results, generated from the quantitative research, provide a useful reference for the mail-order speciality food industry and companies competing in this particular sector. However, companies are encouraged to establish their own marketing intelligence system with continually up-dated business monitoring of data and information. Each of the organisations should place more emphasis on measures which are influenced by their internal capability with respect to their unique marketing factors and specific questions to serve the organisation's needs. There are two common approaches to evaluate a company's success and market performance; one is customer-centred, and the other is competitor-centred. The customer-centred approach emphasises customer satisfaction and the competitor-centred approach emphasises a company's relative performance with its competitors, such as profitability or market share. Therefore, each company should choose the most suitable centre for their own evaluation.

9.2 RECOMMENDATIONS

The first part of thesis introduced direct marketing and marketing strategy and presented an insight into the mail-order speciality food market. Accordingly, the second part of thesis has reviewed the literature in association with mail-order and in-home shopping behaviour, and the methodologies employed in this study, followed by the results of the study. Finally, the findings and marketing implications generated from this study have been summarised. To conclude, the following recommendations highlight the results of the literature review, qualitative research, and quantitative research from the strategic point of view.

9.2.1 Competitiveness of Products

In this section, the recommendations in association with the competitiveness of the product will be presented. The ultimate objective is to enhance the perceived value of a mail-order product.

The innovation of speciality foods is a continuous process. Product design and production technology are progressing at an incredible speed. Therefore, aiming at high and constant quality, mail-order speciality food companies should continually invest in new product concepts, product improvement research, development, and production. The newness, uniqueness, and exclusiveness of products should always be highly emphasised.

Mail-order is one of the options for the choice of distribution channel. With respect to targeting and long-term customer relations, mail-order is the most efficient method of product distribution for those items for which there is relatively small consumer demand, not mass-produced or mass-distributed. From the consumers' point of view, since their demand for specific speciality food items can not easily be satisfied by other substitutes,

they can only access the product by mail-order. As a result, they will purchàse from the mail-order and will repeat the purchase.

The findings in the area of perceived risk are particularly relevant. First, the empirical results indicate both active mail-order food shoppers and inactive mail-order food shoppers perceive higher levels of risks towards mail-order food shopping than in-store shopping. Second, inactive-mail-order food shoppers perceive higher levels of risk in mail-order shopping compared with active mail-order food shoppers. Third, each individual perceives different level of risks towards different dimensions associated with mail-order shopping. Fourth, 'product expectation', 'product quality', and 'condition on delivery' are found to be the three most risky dimensions for consumers. Fifth, higher levels of perceived risk are not necessary the result of past problems encountered with mail-order but a pure perception.

Therefore, if mail-order speciality food companies are interested in expanding their customer-base, they should improve consumers' perceptions of the level of perceived risks so that the non-regular mail-order shoppers will consider purchase by mail-order. For both groups of consumers, the five most effective 'risk relievers' are 'good quality', 'money back guarantee', 'the reputation of manufacturer', 'past experiences with the company', and 'past experiences with the product'.

Among these risk relievers, 'money back guarantee' is given a higher degree of importance by non mail-order shoppers than by mail-order shoppers. On the other hand, 'past experiences with the company' and 'past experiences with the product' are given a higher degree of importance by mail-order food shoppers compared to non mail-order shoppers. Both active mail-order shoppers and inactive mail-order shoppers valued 'good quality' and 'reputable manufacturer' as equally important. Also, it is found that four relievers, 'competitive price', money back guarantee', 'sample/trial', and 'official/certified quality standard' are recognised as being more important for those who perceived higher

risks in product expectations. One the other hand, for perceived risk in quality, it is found that the important risk relievers are 'competitive price', 'money back guarantee', 'official/certified quality standard', and 'recommended by people you know personally'.

Consequently, these findings will help marketers adopt the strategic combination in approaching their targets and reducing customers' perceived risks.

The mail-order speciality food market is a highly differentiated market. Companies should strengthen their value-enhancing activities. The differentiation advantage results from mail-order services and speciality products have added a substantial value to the perceived value. Therefore, the optimal perceived value exists when the differentiation advantage is maximised but the perceived risks are minimised.

9.2.2 Superior Effectiveness and Efficiency

The following are the key factors for mail-order companies to achieve a higher level of effectiveness and efficiency.

Targeting is the fundamental element of direct marketing and it distinguishes direct marketing from mass marketing activities. Mail-order speciality food firms should always be conscious of 'who the target audience is' and target that specific target market segment.

The investment in a database is the best way to support the long-term effectiveness of direct marketing efforts. The building of a database requires a continuous effort both in the range of the information and the size of the customer list. The utilisation of a database can help the marketer to target the right customers at the right time with the right promotion that could result in a higher response rate. The result of this is market penetration. The achievement is cost effective. Furthermore, to build new customer lists is a potential means to expand the market. The event or location for collecting names and addresses should be

˜designed according to where the targets are more likely to be and what is more likely to interest them .

Mail-order speciality food customers purchase on mail-order because of two main attractions. Firstly, the product, which has been discussed in Section 10.2.1, and secondly, the augmented service or convenience provided by mail-order. Apparently, considering market segments, the characteristics of the target audiences, and marketing appeals, service efficiency will be the top priority for mail-order speciality foods suppliers in order to maintain their competitiveness in the market. The competitiveness of the highest degree of convenience, efficient delivery, and superior services to individual customers, which cannot be substituted by other competitors, should always be highlighted.

High quality customer relations is one of the strengths of the mail-order industry. Each of the individual contacts between the mail-order company and the customer contributes greatly to customer relations. Therefore, companies should treat each of the communications with customers seriously. There is the possibility in addition that this would also generate a 'word-of-mouth' marketing effect. In addition to the fact that good customer relations also brings trust and credibility to the company, providing good quality services and customer care will gain more satisfied customers.

The empirical results indicate that active mail-order speciality food shoppers have a higher degree of loyalty than inactive-mail-order shoppers when they decide where to shop. In addition, higher overall satisfaction results in a higher likelihood of repeat purchase. As such, for mail-order companies, it is very important to capture this group of consumers in the long-run and to cultivate their loyalties.

9.2.3 Direct Marketing Promotion

In the previous two sections, key strategic issues in the mail-order speciality food industry have been emphasised. This part of the discussion focuses on promotion. Marketing promotion is one of the elements of marketing mix which is comprised of various marketing activities to convey the merits of mail-order speciality foods to consumers and to persuade them to make a decision to purchase. There are several advantages and competitive appeals of mail-order speciality foods which have been identified in this study (see Chapter 8, and Sections 9.2.1 and 9.2.2 in Chapter 9). The objectives of marketing promotions are clearly to deliver all the 'merits' to target audiences by emphasising or amplifying the advantages and competitive appeals of products and services. In short, for the exiting customers, companies should satisfy both product-oriented and mail-order shopping oriented consumers. Meanwhile, in terms of persuasion , marketers should offer the 'risk relievers' strategically to minimise the level of perceived risks. This becomes particularly important when companies try to attract new customers.

The issue of targeting and the data-base has been stressed so many times through out this study is because it has the potential to help the marketer achieve marketing objectives effectively. Furthermore, media choice inclines to the higher circulation newspapers and magazines amongst mail-order speciality food shoppers. They are the Daily Telegraph, the Times, the Sunday Times, and the Sunday Telegraph, and food/wine, home interest, and TV guide types of magazines.

9.3 FUTURE RESEARCH

This study provides an insight into the mail-order speciality food industry. In the sense of conducting business, the innovation in various aspects of business is changing rapidly in responding to the modern marketing environment. Mail-order is recognised as a distinctive marketing opportunity supported by advanced technology despite the fact that the media shift may depend on technological development. Therefore, consumers' attitudes in using mail-order for daily shopping has long been emphasised as a research area to be explored. There has been an attempt to programme supermarket shopping into computer simulation so that in-home shopping can be done on a computer screen. Under these current trends, apart from the issue of capital investment, how consumers react to this subject is the decisive key point as to whether or not it is feasible. The two issues involved are: how likely 'virtually reality' is to become an acceptable shopping norm; and, to identify who are more likely to be earlier adopters and to identify their characteristics and perceptions of, and attitudes towards the shopping norm. The food market is always a good example which reflects the consumer goods market. The commercial market testing programmes have been designed to answer the first question of 'how likely' especially in the USA. It may be an opportunity for extensive academic research in this area.

Moreover, it has been revealed in this study, with respect to mail-order speciality food shoppers and inactive mail-order food shoppers, that mail-order speciality food shoppers value less the social aspect of store shopping and less appreciate the help from the shop assistant. However, they do not seem to have more negative opinion towards the external shopping environment compared with non mail-order shoppers do. This is one of the example of important findings within a particular marketing 'niche'. It is useful for strategic marketing. Therefore, more research should be undertaken concerning with specific niche markets.

The systematic results in relation to 'perceived risk' in this study have been very encouraging. From the results that 'there is a significant difference in the level of perceived risk between mail-order speciality food shopper and non mail-order speciality shoppers' to 'the effective risk relievers for each dimension of risks', the findings have secured the possibility of higher acceptance for a higher number of consumers. Therefore, further investigation is require for general food or other types of mail-order markets to search for their own unique criteria of reducing the perceived risks that will enable them to fully exploit the market opportunity.

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APPENDIX 1

Appendix 1.1 Direct Mail Share of Total UK Advertising Expenditure - £Million

Year	Direct Mail	Advertising Spending (Exc. Direct Mail)	Direct Mail % Share of Spend
1980	260	2604	9.1
1981	299	2844	9.4
1982	341	3211	9.6
1983	300	3688	7.5
1984	324	4192	7.2
1985	445	4609	8.8
1986	474	5322	8.2
1987	483	6055	7.4
1988	530	7044	7.0
1989	758	7827	8.8
1990	930	7885	10.6
1991	895	7576	10.6
1992	945	8769	10.8
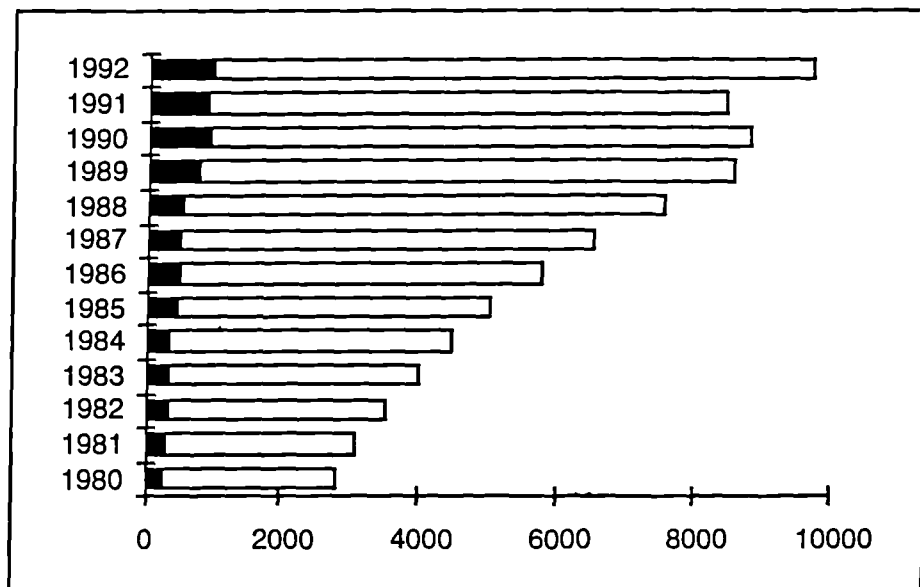
Source: Royal Mail / Advertising Association

Appendix 1.2 Advertising Expenditure
(£ million)

	Press	TV	Outdoor & Transport	Radio	Cinema	Direct Mail	Total
1988	4507	2127	244	139	27	530	7574
1989	5077	2286	271	159	35	758	8586
1990	5076	2325	282	163	39	979	8864
1991	4816	2313	267	149	42	895	8482
1992	4957	2472	284	157	45	945	8860
1993	5103	2605	300	194	49	904	9155
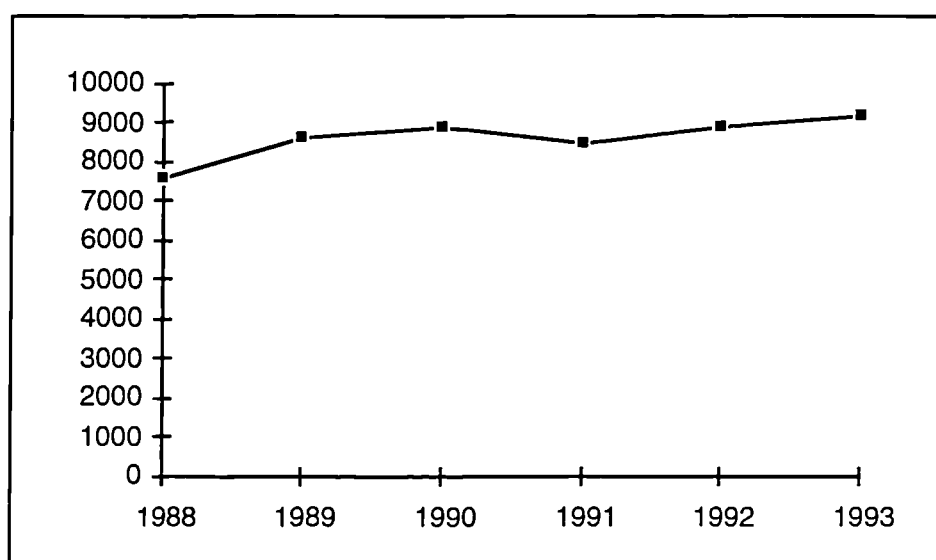
Direct Mail Expenditure in 1992 = £945 million

Source: Direct Mail Information Service, Key Direct Mail Statistics

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Appendix 1.3 Home Shopping Market Size - at Current and Constant Prices

Year	Total value £bn	'89-'94 Index	Percent annual change	£bn at '89 prices	Index '89=100
1989	4.77	100	–	4.77	100
1990	5.06	106	+6.1	4.62	97
1991	5.24	110	+3.6	4.52	95
1992	5.46	114	+4.2	4.54	95
1993	5.74	120	+5.1	4.71	99
1994(est)	6.01	126	+4.7	4.76	100

Source: Business Monitor SDM28 / DSA / Mintel

Appendix 1.4 The Home Shopping Market - by Sector

Total Value (£bn) and Share

	1989		1991		1993		
	£bn	share	£bn	share	£bn	share	
General mail order	3.55	74	3.77	72	4.14	72	+17
Direct selling	0.64	13	0.80	15	0.85	15	+33
Direct Response	0.58	12	0.67	13	0.75	13	+29
Total	4.77	100	5.24	100	5.74	100	+20
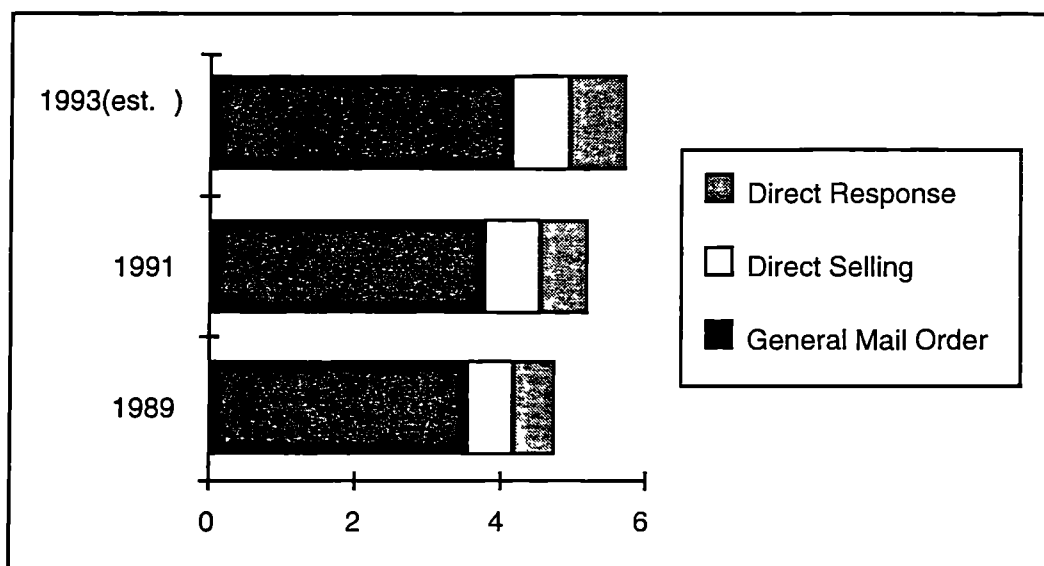
(Data may not equal totals due to rounding)
Source: Business Monitor SDM28 / DSA / Mintel

Appendix 1.5 Total Main Media Advertising Expenditure - at Rate Card Cost for Home Shopping by Sector

	1992 £bn	1992 %	1993* £bn	1993* %	% change 1992-3
Agencies/catalogues	32.0	12.5	42.0	16.1	+31
Direct Response					
collection & limited edition	58.3	22.8	50.8	19.5	-13
publishing	24.8	9.7	36.3	13.9	+46
fashion	33.5	13.1	25.4	9.7	-24
household furnishing	17.4	6.8	23.9	9.2	+37
cosmetic	3.2	1.3	10.9	4.2	+241
gardening	4.0	1.6	2.7	1.0	-33
small appliances	2.3	0.9	1.9	0.7	-17
leisure equipment	3.3	1.3	1.7	0.7	-48
DIY	1.3	0.5	1.4	0.5	+8
drink	1.0	0.4	1.2	0.5	+20
food	0.8	0.3	0.9	0.3	+13
motor accessories	**	–	0.7	0.3	–
office equipment	0.9	0.4	0.8	0.3	-11
retail	0.8	0.3	0.5	0.2	-38
miscellaneous	69.0	27.0	56.6	21.7	-18
retail / mail order	2.5	1.0	2.4	0.9	-4
Total	225.2	100	261.0	100	+2

* 12 months to September 1993
** negligible
Data may not equal totals due to rounding

Source: Register - MEAL / Mintel

Appendix 1.6 Direct Marketing Expenditure Analysis - All Media

Retail and Mail Order by Product Group (0,000's)

	1984	1985	1986	1987	1988	1989	1990	1991
Book Club	8101	7912	8651	8553	10922	14425	15998	19123
Retail & Mail Order								
Collectors, Limited Editions	5000	3221	3599	7016	12151	18439	34737	35357
Direct Response Catalogues	7859	8267	11349	12686	17496	16747	17556	17482
Film Process-Retail & Mail Order	6826	6069	4418	6071	3459	3586	1292	1752
Direct Response Mail Order	41540	40371	48114	53222	61262	84804	98732	105946
Mail Order Agencies	10236	12244	11295	10409	11537	10340	14882	17524
Mail Order Retail Stores	1725	2501	1720	1395	2971	2195	1945	1132
Sub-total	68686	72673	80495	90799	108876	136111	169144	179193
Total	76787	80585	89146	99352	119798	150536	185142	198316
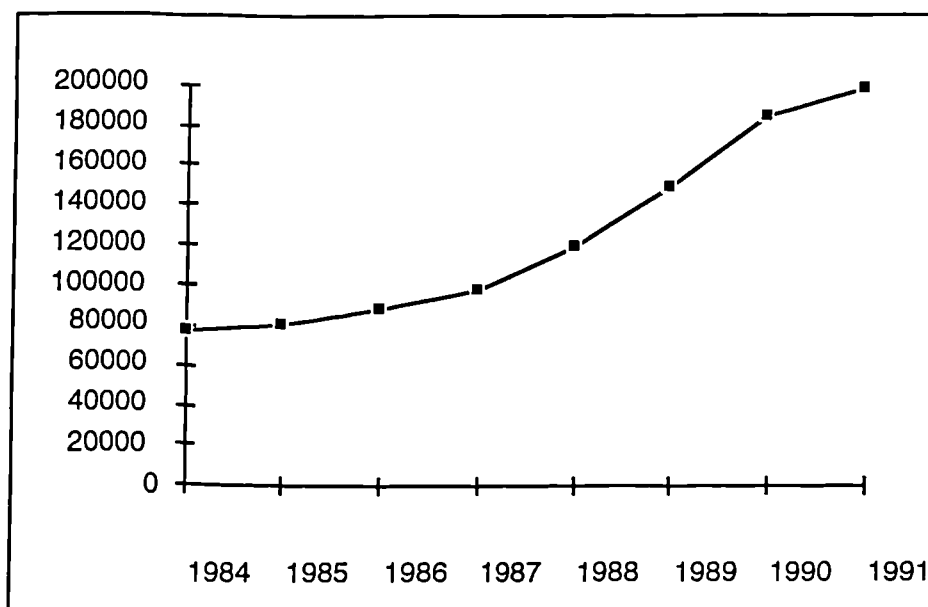
Source: Register - MEAL (based on the rate card)

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APPENDIX 2

AN EXAMPLE OF ADVANCE NOTICE

Mail-Order Food Survey

Dear Customer:

I write to notify you that shortly you will receive a survey package and I would greatly appreciate your cooperation.

The survey is being conducted by a PhD student at the University of Newcastle upon Tyne in order to develop a better understanding of the needs of mail order shoppers.

The survey will help her to complete her studies successfully and will provide valuable information which will help us to improve our existing high standards of service for the benefit of our customers.

We assure you that your completed questionnaire will be treated as strictly confidential and anonymous. Therefore, when you receive the questionnaire please kindly spare few minutes to complete it. Thank you very much indeed.

AN EXAMPLE OF COVERING LETTER

Name of respondent
Address

Mail-Order Food Survey

My name is Li-Wei Mai and I am studying for my PhD at the University of Newcastle upon Tyne. I am writing to ask for your co-operation in my research which will enable me to complete my studies successfully.

My research is concerned with mail order food marketing. This is an important area of academic research in food marketing because until now, no research has been undertaken in Britain. You are one of the first persons to be asked to give their opinions on a fast growing aspect of food marketing and your views are important to me!

Because I have a limited budget I cannot possibly survey the opinions of all mail order customers. You have been chosen to be part of a carefully designed representative sample of consumers. I would be grateful for your participation to ensure that my results are representative.

Please remember that we are interested in your opinions about mail order. Your contribution will be just as valuable to me whether you are an experienced mail order shopper or not.

The study has been conducted with the cooperation of mail order food firms. The results of the study will be passed on to those firms and will help them to understand consumers' needs. This, in turn, will help them to improve even further, their existing high standards of products and services. Your cooperation may actually benefit you in the future!

The questionnaire is anonymous, so you are assured of confidentiality. The reference code on the questionnaire will be used only for our records. Your name will not be included in the analysis of the data.

I would be very grateful if you would give a little of your time to complete the questionnaire and use the Freepost envelope provided to return it to me within two weeks.

Thank you very much indeed for your valuable assistance.

Yours sincerely,

Li-Wei Mai
PhD Student

AN EXAMPLE OF QUESTIONNAIRE

University of
Newcastle upon Tyne

Department of Agricultural Economics
and Food Marketing

MAIL ORDER FOOD SURVEY

We are conducting research into consumers' attitudes towards mail order food products and would be grateful if you could spare a few minutes of your time.

We would like you to answer some questions about mail order even if you have not used it because we are interested in your feelings about mail order.

Please read the questions and instructions carefully. Your responses will be treated as strictly confidential.

1. Have you bought any food products through mail-order in last 12 months?

☐ Yes   **Please go to Question 2**

☐ No   **Please go to Question 10**

2. How often do you buy food on mail-order?

☐ Once every 3 months or more often   ☐ Once every 4 - 6 months

☐ Once every 7 - 9 months   ☐ Once every 10 - 12 months

3. What kind of food do you buy through mail-order?
   (Please tick more than one box if necessary or leave blank)

☐ Hampers

☐ Drinks (e.g. wine, beer, tea, coffee, etc.)

☐ Meat, poultry, or fish

☐ Prepared meals

☐ Dairy products or cereals

☐ Confectioneries (e.g. chocolate, sweets, pastries)

☐ Fresh vegetables or fruits

☐ Others (Please specify up to 3 foods)

1. _____

2. _____

3. _____

4. Do you buy mail-order products only at particular times of the year?
   (Please tick more than one box if necessary or leave blank)

         ☐ Christmas

         ☐ Easter

         ☐ Special Occasions (e.g. birthday, anniversary)

         ☐ Others

5. For whom do you buy mail-order products? (Please tick more than one box if necessary.)

☐ Yourself
☐ Sharing with friends
☐ Sharing with family
☐ As a gift for other(s)

6. Why do you use mail-order? Please specify your agreement with each of the following aspects.

	strongly agree	agree	neither agree nor disagree	disagree	strongly disagree
Convenience	☐	☐	☐	☐	☐
Product quality	☐	☐	☐	☐	☐
Exclusiveness / uniqueness of the product	☐	☐	☐	☐	☐
Delivery service	☐	☐	☐	☐	☐
Convenience of payment / payment terms	☐	☐	☐	☐	☐
Direct mail a gift to someone	☐	☐	☐	☐	☐
Company image	☐	☐	☐	☐	☐
Only available on mail-order	☐	☐	☐	☐	☐
Customer relationships	☐	☐	☐	☐	☐
Customer service	☐	☐	☐	☐	☐
Competitive price / special offer	☐	☐	☐	☐	☐
Recalling good memories (e.g. holidays, parties)	☐	☐	☐	☐	☐

Other (Please specify up to 3 reasons and indicate your degree of agreement)

1. _____	☐	☐	☐	☐	☐
2. _____	☐	☐	☐	☐	☐
3. _____	☐	☐	☐	☐	☐

7. How enjoyable is mail order shopping for you?
   (Please tick one box for each aspect below.)

Enjoyment from:	highly enjoyable	enjoyable	indifferent	not enjoyable	not enjoyable at all
Reading the product description	☐	☐	☐	☐	☐
Comparing prices	☐	☐	☐	☐	☐
Buying unique or exclusive food	☐	☐	☐	☐	☐
Convenience of a delivery service	☐	☐	☐	☐	☐
Product guarantee	☐	☐	☐	☐	☐
High status consumption	☐	☐	☐	☐	☐
Recalling good memories (e.g. holidays, parties)	☐	☐	☐	☐	☐
Direct mail a present to someone	☐	☐	☐	☐	☐
Saving time	☐	☐	☐	☐	☐
Nostalgia and tradition (e.g. homemade/handmade)	☐	☐	☐	☐	☐

Other (Please specify up to 3 aspects and indicate your level of enjoyment)

1. _____	☐	☐	☐	☐	☐
2. _____	☐	☐	☐	☐	☐
3. _____	☐	☐	☐	☐	☐

8. How satisfied are you with your mail-order purchases?
   (Please indicate for each aspect below by ticking one box)

Satisfaction with:	very satisfied	satisfied	somewhat satisfied	not satisfied	very dissatisfied
Enquiry service (customer information/enquiry service)	☐	☐	☐	☐	☐
Product selection	☐	☐	☐	☐	☐
Product quality	☐	☐	☐	☐	☐
Price	☐	☐	☐	☐	☐
Catalogue presentation	☐	☐	☐	☐	☐
Delivery service	☐	☐	☐	☐	☐
Ordering process	☐	☐	☐	☐	☐
Payment terms	☐	☐	☐	☐	☐
Overall satisfaction with mail-order	☐	☐	☐	☐	☐

9. How likely is it that you will continue to buy food on mail-order in the future?

definitely	likely	not sure	not likely	definitely not
☐	☐	☐	☐	☐

10. Apart from food, do you shop for other products by mail-order?
   (Please tick boxes as necessary or leave blank.)

☐ Collectibles or decorative items

☐ CDs, cassettes, books, or videos

☐ Clothes

☐ Footwear

☐ Jewellery or fashion accessories

☐ House appliances

☐ Cosmetics

☐ Kitchenware

☐ Gardening items

☐ Other (Please specify up to 3 non-food products)

   1. _____

   2. _____

   3. _____

11. Apart from mail-order, have you bought products in response to any of the following?
   (Please tick boxes as necessary or leave blank.)

☐ Press or magazine advert

☐ Telephone call

☐ Teletext

☐ Internet

☐ Vendor ordering computer

☐ Door to door sales

☐ Other (Please specify up to 3 others)

   1. _____

   2. _____

   3. _____

12. Have you ever had any problems in shopping by mail order?
(Please tick boxes as necessary or leave blank)

☐ Ordering process
☐ Product delivery
☐ Product quality
☐ Payment terms
☐ Product return / refund
☐ Other (Please specify up to 3 other problems)

    1. _____

    2. _____

    3. _____

13. Do you regard Mail-Order shopping as being more or less risky than store shopping?
(If you have never tried Mail Order please give your impressions of risk.)

Aspect of risk:	much less risky	less risky	same	more risky	much more risky
Product quality	☐	☐	☐	☐	☐
Product safety	☐	☐	☐	☐	☐
Delivery time	☐	☐	☐	☐	☐
Condition on delivery	☐	☐	☐	☐	☐
The product is as you expected	☐	☐	☐	☐	☐
Price	☐	☐	☐	☐	☐
Ordering procedure	☐	☐	☐	☐	☐
Seller's credibility	☐	☐	☐	☐	☐

Other (Please specify up to 3 other aspects and indicate risk)

	much less risky	less risky	same	more risky	much more risky
1. _____	☐	☐	☐	☐	☐
2. _____	☐	☐	☐	☐	☐
3. _____	☐	☐	☐	☐	☐

14. Please indicate the importance of each item below in helping you make up your mind about using mail order shopping.

Assurances in the form of:	very important	important	not sure	not important	absolutely not important
Money back guarantee	☐	☐	☐	☐	☐
Competitive price	☐	☐	☐	☐	☐
Special offers (e.g. free gifts)	☐	☐	☐	☐	☐
Good quality	☐	☐	☐	☐	☐
Uniqueness or exclusiveness of the product	☐	☐	☐	☐	☐
Well-known brand name or product	☐	☐	☐	☐	☐
Reputable manufacturer	☐	☐	☐	☐	☐
Past experiences with product(s)	☐	☐	☐	☐	☐
Past experiences with company	☐	☐	☐	☐	☐
Only available by mail-order	☐	☐	☐	☐	☐
Recommended by people you know personally	☐	☐	☐	☐	☐
Recommended by a public figure	☐	☐	☐	☐	☐
Presentation in a brochure or catalogue	☐	☐	☐	☐	☐
Sample / trial	☐	☐	☐	☐	☐
Official / certified quality standard (e.g. BS5750)	☐	☐	☐	☐	☐

Others (Please specify up to 3 other forms and the level of importance)

	very important	important	not sure	not important	absolutely not important
1. _____	☐	☐	☐	☐	☐
2. _____	☐	☐	☐	☐	☐
3. _____	☐	☐	☐	☐	☐

15. Do you usually buy food products from the same place (mail-order and store) ?

☐   No. Go to Question 16

☐   Yes. Why? Please indicate your agreement on each of the following reasons.

Because:	strongly agree	agree	neither agree nor disagree	disagree	strongly disagree
You have no other choice	☐	☐	☐	☐	☐
You don't like change	☐	☐	☐	☐	☐
It takes time to find a new place	☐	☐	☐	☐	☐
It is troublesome to try new places	☐	☐	☐	☐	☐
It offers better service	☐	☐	☐	☐	☐
It offers better quality produce	☐	☐	☐	☐	☐
It offers better bargains or special offers	☐	☐	☐	☐	☐
The personal relationships are better	☐	☐	☐	☐	☐
It has a better image	☐	☐	☐	☐	☐

Others (Please specify up to 3 other reasons and indicate agreement)

	strongly agree	agree	neither agree nor disagree	disagree	strongly disagree
1. _____	☐	☐	☐	☐	☐
2. _____	☐	☐	☐	☐	☐
3. _____	☐	☐	☐	☐	☐

16. Is shopping in a store a pain or a pleasure for you? Please indicate your agreement with each of the following statements.

	strongly agree	agree	neither agree nor disagree	disagree	strongly disagree
Shopping is fun	☐	☐	☐	☐	☐
I enjoy shopping with friends	☐	☐	☐	☐	☐
I enjoy meeting people when I shop	☐	☐	☐	☐	☐
Most shop assistants are well-informed	☐	☐	☐	☐	☐
Most shop assistants are courteous	☐	☐	☐	☐	☐
Shopping wastes time	☐	☐	☐	☐	☐
Traffic is a problem	☐	☐	☐	☐	☐
Parking is a problem	☐	☐	☐	☐	☐
Air pollution puts me off	☐	☐	☐	☐	☐
Crowds are a problem	☐	☐	☐	☐	☐
Shop opening hours are a problem	☐	☐	☐	☐	☐

17. How would you describe the public transport service to your usual shopping place?

very convenient	convenient	neither convenient nor inconvenient	inconvenient	very inconvenient
☐	☐	☐	☐	☐

18. How concerned are you about each of the following issues:

	very concerned	quite concerned	not sure	not concerned	not concerned at all
Local community affairs	☐	☐	☐	☐	☐
World affairs	☐	☐	☐	☐	☐
Global environment and green issues	☐	☐	☐	☐	☐
Animal welfare	☐	☐	☐	☐	☐
Health and diet	☐	☐	☐	☐	☐
Natural foods / ingredients	☐	☐	☐	☐	☐
Exercise / Sport / Fitness	☐	☐	☐	☐	☐

19. Please indicate your gender.

☐ Female   ☐ Male

20. Please indicate your age group.

☐ 18 - 24 years old   ☐ 25 - 34 years old   ☐ 35 - 44 years old

☐ 45 - 54 years old   ☐ 55 - 64 years old   ☐ 65 years old or over

21. How would you best describe your household?

☐ Adult under 25 living at home or full-time student

☐ Adult or Adults 18-35 years living in own home, no children

☐ Adult or Adults 18-65 years living in own home, with children

☐ Adult or Adults over 35 years no children or children not at home

22. How many adults/children live in your household? Please indicate numbers below including yourself.

	number
Adults	_____
Children under 5	_____
Children aged 5 - 11	_____
Children aged 12 - 17	_____

23. How often do you usually do your main food shopping?

☐ Every day   . ☐ Every other day   ☐ Twice a week

☐ Once a week   ☐ Less often than once a week

24. How much do you spend on household food each week (not including restaurant spending)?

☐ More than £ 60   ☐ Approximately £ 50 - £60

☐ Approximately £ 40 - £ 50   ☐ Approximately £ 30 - £ 40

☐ Approximately £ 20 - £ 30   ☐ Approximately £ 10 - £ 20

☐ Less than £ 10   ☐ Do not know

25. Which of the following corresponds to your education or qualification?

☐ O-level or equivalent qualification

☐ A-level or equivalent qualification

☐ Trade / technical education or qualification

☐ Professional training

☐ Degree / postgraduate

26. Do you read any of the following national newspapers regularly?
(Please tick as necessary or leave blank)

☐ Financial Times   ☐ Guardian   ☐ Observer   ☐ Independent

☐ Sunday Independent   ☐ Telegraph   ☐ Sunday Telegraph ☐ Times

☐ Sunday Times

27. Do you read any type(s) of the following magazines regularly?
(Please tick as necessary or leave blank)

☐ Arts / Music / Entertainment

☐ News / World Affairs (e.g. Times, Economist)

☐ Food / Wine (e.g. BBC Good Food)

☐ Home Interests (e.g. DIY, Gardening, sewing, decoration)

☐ Sports / hobbies

☐ Trade / Professional

☐ Women's Interests (e.g. Cosmopolitan, Vogue)

☐ TV guide

--- End of Questionnaire ---

Thank you very much for your time. Please return the questionnaire in the Freepost envelope provided.