

RELATIONSHIP BUILDING IN SMALL BUSINESSES - THE CASE OF LINKING PERSONAL SELLING WITH COLLECTIVISM

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Abstract

This paper examines the link between personal selling and collectivism found in small clothing and shoe retailers in New Zealand, Portugal and Hungary. The study uses three culturally similar, predominately Anglophone nations, as most prior research with a cultural factor is conducted in culturally dissimilar nations and the results are hard to generalise across culturally similar countries. The results of the study show a strong link between choice of personal selling as a promotional tool and the collectivist orientation on the part of the retailers. The main conclusion of this paper therefore, is that where there is a definitive link between personal selling and collectivism in small clothing and shoe retailers, there also needs to be an understanding on the part of these retailers of how to most effectively use personal selling in their business.

1. Introduction

In today's highly technical and fast paced market, consumers are increasingly becoming aware of the need to gather more information regarding products and services before they make a final purchase decision. This information is often available mainly through the form of sales personnel, who act as communicators of a company's market offerings and are seen as somewhat more reliable as the less personal forms of promotion tools such as print and broadcast advertising. Due to the direct contact that a salesperson has with current and potential customers, personal selling is being perceived as a critical contributor to a firm's business success (Brooksbank 1995). To a small firm, who may find that their promotional efforts go relatively unnoticed in the mass of media communication already in the market, personal selling may be a way to differentiate themselves or to build and maintain effective customer-firm relationships that will continue in the future (Manning and Reece 1998). Satisfied customers often recommend the business to other potential customers, adding a certain amount of extra value to the sale itself, or highlight other product or service needs that the firm may not have easily identified without the two-way communication that personal selling brings (Manning and Reece 1998). A number of studies have examined why retailers choose promotional tools such as personal selling, identifying several reasons such as the nature of the business (Greenley

and Shipley 1992), the target audience (Nowak, Cameron and Krugman 1993), the cost effectiveness of the tool (Jackson, Hawkes and Hertel 1979) and the media attributes (Otnes and Faber 1989). However, few studies look at the cultural influence behind promotional tool choice (Fam and Merilees 1998).

This study aims to establish the main cultural influence that drives small retailers to focus on personal selling as an important promotional tool for their business and looks at clothing and shoe retailers across three predominantly Anglophone countries (New Zealand, Portugal and Hungary). The research examines the choice of the personal communication method and seeks to illustrate a connection between this form of promotional tool use and the cultural nature of the retailers who employ it. Small, independent retailers have been chosen because they have been "the numerically dominant retail form in many countries for a very long time" (Smith and Sparks 2000, p.205).

2. Background Literature

2.1 Personal Selling

Personal selling can be defined as "a seller's presentation conducted on a face-to-face basis with a buyer" where advertising and other promotional tools are largely a non personal sales presentation paid for by an identified sponsor, usually directed to a large number of potential customers (Marks 1997). The main attribute of personal selling is that there is essentially a two-way communication flow between the seller and the potential buyer (Manning and Reece 1998). The ability on the part of the customer to check their understanding of the product or service offered and request further information from the sales person highlights the difference between other promotional tools and the personal selling method (Marks 1997). These factors show that personal selling as a promotional communication method is inherently more flexible in its ability to be tailored to an individual consumer, can have a greater impact on that consumer and has the advantage of being able to impart a much more complex message to potential customers.

Personal Selling as a Promotional Tool

Personal selling is regarded as an important promotional tool because the appearance of salespersons, knowledge of products and friendliness are equally effective compared to the other promotional tools available when communicating information regarding a firm and the products and services it offers. The use of personal selling as a promotional tool is important for retailers as salespersons can be used to convince the consumers that the more expensive products possess attributes which justify their premium prices (Fam and Merrilees 1998). For small retailers, where the very nature of being a small business often precludes them from being able to match the cheaper product or service offerings of larger firms (Smith and Sparks 2000), the use of personal selling via experienced and approachable salespeople can help create a more friendly and helpful shopping environment for the consumer, which gives the impression that the retailer *cares* about their current and potential customers. These retailers desire to cultivate a friendly relationship with members of the community and consider that this can be achieved by working closely with their target market. These retailers are deemed to possess cultural values such as collectivism, a community-based value that encourages relationship building amongst its members (Fam and Merrilees 1998).

Personal Selling and Small Retailers

Smith and Sparks (2000) believe that small retailers have an inherent sense of self-preservation that causes them to work very hard at their business to succeed. The authors state that this may be manifested in a small retailer's greater understanding of the local market and an appreciation of the service requirements of customers. This underlies the idea that small retailers would find the promotion tool of personal selling as greatly suited to their needs in maintaining this understanding of the retail market that they operate in. Competitive pressures such as poor site location and reduced customer flow due to increased activity by larger competitors who are able to offer more products and services at lower prices, highlights the need for small retailers to establish a distinctive competence to differentiate itself from the competition, and personal selling may be the most obvious way of doing this.

Personal Selling and Culture

Culture is described as a shared knowledge system, necessary for one to adapt to one's environment successfully (McCort and Malhotra 1993). There are many definitions of culture, but all seem to focus on the way in which culture

influences the behaviour of those who belong to a cultural group (McCort and Malhotra 1993) and the impact that cultural values have on perception and choice within these groups (Runyon and Stewart 1987). Culture has many interrelated parts which are derived from family, language, communication, education, technology, activities, social and economic structures (Baligh 1994). These parts shape the way an individual from a particular culture perceives various things. Things that are more acceptable to a cultural group are likely to have a stronger influence on an individual action (Hall 1976) and thus promotional tools that reinforce cultural norms or values are likely to have a better effect than those that are culturally foreign to a specific group.

2.2 Collectivism

Hofstede (1980) describes collectivism as one of the core cultural values that influence the form of social arrangements, customs and practices of society and he believes that collectivism belies the value of harmony in interpersonal relationships. In essence, collectivism is said to indicate a closely-knit, social framework, that is built on trust and sharing between its members (Hofstede 1980). Teamwork and an enhanced sense of belonging are highly prized by members of a collectivist society (Fam and Merrilees 1998) and collectivists are encouraged to work as a team and therefore strive for team recognition (Hofstede 1980). Fam and Merrilees suggest a link between the cultural disposition of retailers and their perceptions of the different promotional tools available, and that collectivism in a retailer's cultural environment indicated a preference for the personal selling promotional tool.

2.3 Collectivism and Personal Selling

Fam and Merrilees (1998) believe that a high score on the collectivism index means that a retailer's preference for interpersonal promotional tools such as personal selling will be increased. Personal selling on the whole is more flexible than other promotion tools as two-way communication is an integral part of its use. Salespersons are able to customise a sales message according to the needs and interests of the customer (Boone and Kurtz 1992). Customers can also use the salesperson as a source of information and reliability (Hawes, Rao and Baker 1993). These attributes of personal selling make it an important tool in bridging the buyer/seller gap in collectivist societies. To date however, most literatures have focused on the construct for cross-cultural comparison suggested by Hofstede (1980) where a country of highly collectivist culture would be compared with one of a strong individualistic nature (Money, Gilly and Graham 1998; Aaker and Maheswaran 1997) with the assumption that most citizens of eastern countries are collectivist and those of western countries individualistic. Bond (1991) questions this idea by suggesting that there may be differences in the levels of collectivism within a particular country. The focus of this study therefore is to identify how the different levels of collectivism affect promotional tool choice by clothing and shoe retailers in New Zealand, Portugal and Hungary, and if, as suggested by Fam and Merrilees (1998), the more collective a retailer, the more likely they are to choose interpersonal promotional tools such as personal selling over the other tools available.

3. Hypothesized Relationships

According to Smith and Sparks (2000), retailing is no longer a nice, cosy business environment and small retailers are finding it necessary to differentiate themselves from their competitors, whilst maintaining the community and social role that being a small retailer demands. Since collectivism is about developing and maintaining group harmony, one can expect that retailers who possess the cultural value of collectivism will perceive personal communications methods like personal selling as *more* important than impersonal promotional tools (Fam and Merrilees 1998). Small stores are often seen as a contribution to the community or a sense of identity for locals (Smith and Sparks 2000), and personal selling emphasizes the retailer's commitment to this ideal. This suggested the following hypothesis:

H: *That retailers who are culturally collectivist in nature will perceive personal selling as more important than other promotional tools.*

4. Methodology

4.1 Data Collection

The sampling frame for the New Zealand data set was the cities' Yellow Pages list of clothing and shoe retail stores in the main cities of New Zealand - Auckland, Wellington, Christchurch and Dunedin. Two sets of mailings occurred, three weeks apart. In each mailing, a cover letter with the University letterhead, a questionnaire and a reply-paid

envelope were directed to the manager of each retail store. For large retailers, the questionnaire was mailed to the head office. The Portugal questionnaires were administered personally and the sampling frame was the most recent Retailers Union and Franchising Institute Directories. Most of the interviews were completed in the five main cities of Portugal - Porto, Lisbon, Braga, Aveiro and Coimbra. The Hungarian questionnaires were administered in the same way as those in Portugal, in 10 cities throughout the country, including Budapest, Zalaegerszeg, Tatabanya, Debrecen, Veszprem. These five towns are regional capitals with approximately 60-210,000 inhabitants. The New Zealand sample yielded a response rate of 39% (287 responses), the Portugal, 94% (161) and the Hungarian sample a response of 96% (328 responses). The differences in response rates between the two European countries and New Zealand is attributed to the fact that in New Zealand the questionnaires were sent by post to the respondents, yet in Portugal and Hungary they were personally delivered which allowed the researcher to explain the program personally and resulted in a much higher response rate.

4.2 Research Instruments

The first set of items on the questionnaire relates to retail demographics. The second relate to promotional tool perception (i.e. perception of personal selling, print advertising, broadcast advertising, in-store promotion, direct mail, price mark-downs, public relations, sponsorship and sales promotion). The collectivism variables were measured by three items. They were drawn from studies undertaken by Kirbride and Chaw (1987), and Kelley et al. (1986). Each statement was measured with a seven-point Likert scale (see Table 2). A check item was included in the questionnaire to establish each respondent's job responsibility within the retail firm. The questionnaire was pre-tested. The Portuguese and Hungarian questionnaire sets were translated into their languages by a native speaker and, although there are many common aspects between European and New Zealand economies and social reality, some minor changes to the questionnaire were introduced after a pre-test involving a small group of retailers in each country.

4.3 Sample Characteristics

The respondents were the managers of retail stores because these people (in a smaller store environment) usually have the final say in the choice of promotion. Clothing stores accounted for a larger portion of the responses with 74.2%, 90.6% and 88.7% in New Zealand, Portugal and Hungary respectively. There were 89.2% responses from small and independent retailers in the New Zealand, whereas 68.3% in Portugal 95.7% in Hungary. Small and independent retailers were defined as the ones with between one and five outlets (the majority of the sample having just one outlet) and less than ten employees. The sample choice is similar to that used by Smith and Sparks (2000) in their analysis of the role and function of small firms in Scotland, where they define a small firm as "a retail establishment of any form of organisation (most commonly independently owned)...and having fewer than 10 FTE employees" (p.207).

5. Results

Table 1 National Differences in Work-Related Cultural Values				Table 2 Collectivism and Promotional Tool Choice		
	NZ n=287	Portugal n=161	Hungary n=328	NZ n=287	Portugal n=161	Hungary n=102*missing values
	Mean	Mean	Mean	Mean	Mean	Mean
Collectivism	5.36	-	5.26	5.97	6.39	5.69
Q1	6.06	6.47	5.90	6.75	6.06	6.48
Q2	6.60	6.30	5.97	4.68	3.39	4.70
Alpha	0.71	0.52	0.70	3.67	2.68	3.72
CumulativeVariance	69%	57%	63%	3.05	1.98	3.69
				4.25	5.06	3.51
				5.14	5.49	5.52
				4.25	4.53	3.86
				2.20	2.68	3.24
				1.60	1.02	4.52

Notes: Likert Scale 1 = very unimportant, 7 = very important
 - Item was deleted
 Q1 = I prefer to work together and share rewards more than to strive for individual recognition
 Q2 = I believe in sharing responsibilities, helping each other, learning from each other
 Q3 = I believe in mutual trust and respect

Note: Likert Scale 1 = very unimportant, 7 = very important

Table 1 shows that all three of the Anglophone countries studied exhibit a collectivist nature in terms of their cultural orientation, with all three sets of respondents also exhibiting a similar level of collectivism. Hungary's collectivism scores are slightly lower than those of New Zealand and Portugal, but this can be somewhat explained however by the fact that Hungary has recently moved from a communist society and Hungarian retailers are still coping with the changes this has brought to their industry to some extent. The comparison of retailers' promotional tool choices and their levels of collectivism in Table 2 support the hypothesis that retailers who are collective in their cultural nature will choose personal selling over other promotional tools. This hypothesis is supported across all three countries to a similar level and the choice of alternative promotional tools is relatively less than that of personal selling.

6. Discussion

One might question that the very nature of small businesses requires personal selling as a promotional tool. If this were so, then these findings are of little value. We conjecture however, that the fact that the finding is consistent across all three countries studied proves that there is indeed a linkage between collectivism and choice of personal selling. Whilst it may be true that personal selling is an inherent part of small businesses, the results show that collectivist retailers choose personal selling as a more important tool for their business than other tools.

Of the three work-related cultural values that centre on collectivism (see Table 1), questions two and three were consistently rated most highly by retailers in the three countries studied. Question two, a belief in working sharing responsibilities, helping others and learning from others encapsulates the essence of a good personal selling focus. Sales people should work together, not only with other sales staff, but also with their customers, to achieve and maintain lasting relationships within the retail environment. Question three, the belief in mutual trust and respect also fits well with the essence of personal selling in that the sales person should represent a trustworthy and reliable source of information for the customer and the customer-salesperson relationship should therefore be based on a mutual amount of respect. In terms of promotional tool choice (see Table 2), personal selling best fits the nature of collectivist societies as it reinforces the concept of relationship building (an important concept in marketing at present) and tailoring a promotional package to fit the needs of individual consumers. Relative to the other promotional choices available to retailers in the three countries studied, personal selling, as mentioned previously, was seen to be the most chosen method of promotional communication. This reinforces the link outlined in the literature between personal selling and collectivist cultures, whilst showing that this link indeed holds true across three, somewhat culturally similar, predominately Anglophone nations.

7. Managerial Implications

It is apparent from this study that small clothing and shoe retailers who exhibit a strong collectivist orientation will favour personal selling as a means of promoting their products and services. This link highlights the fact that, for these collectivist retailers, skills in the personal selling area, as well as competent sales staff, are critical to the success of their business. We suggest then, that small clothing and shoe retailers need to conduct an audit of their abilities in terms of the personal selling communication tool and consider whether the current objectives of their business meet the requirements of a personal selling focus. This may mean that small retailers of this type are forced to learn new skills in terms of using the personal selling tool more effectively in their business and will come to consider personal selling as a means of competitive advantage over their rivals in the clothing and shoe market. It is of no use to a retailer to simply choose a promotional tool over others available without making the best use of this tool possible for their firm. We reinforce the point then, that if small, collectivist clothing and shoe retailers emphasise personal selling so heavily, they need to become aware of the most valuable ways in which it can be used to benefit their business in long term.

8. Future Research Implications

This study could be expanded into other countries to further test the reliability of the results and could also be tested on other small retailers outside of the clothing and shoe market. This study suggests that a similar study be conducted with larger retailers in the clothing and shoe market to help define whether the results of this study are generalisable to a larger population of retailers or whether the results are more indicative of smaller retailers in general.

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