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**MUSTANG JOURNAL OF MANAGEMENT & MARKETING**  
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Welcome from the Editor


All articles that appear in this volume of the *Mustang Journal of Management & Marketing* have been recommended for publication by the Reviewers/Advisory Editors, using a double, blind peer review process. Personal thanks are extended to the Reviewers/Advisory Editors for all their hard work and dedication to the *Journal*. Without their work, the publication of this Journal would be impossible.

This is my first year as Editor-in-Chief, and I wish to express my sincere thanks and appreciation for all the support, encouragement, assistance and advice throughout this year. The publishing of the journal is an intense educational experience which I continue to enjoy.

Congratulations to all our authors. I extend a hearty invitation to submit your manuscripts for future issues of Mustang Journals!

Please also consider joining us at one of our friendly conferences. Our next conference is in February 26-28, 2015 in Las Vegas! I hope to see you then.

Perwaiz Ishmaili
Editor in Chief
*International Journal of Social Science Research*
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MARKET SELECTION IN RETAIL INTERNATIONALIZATION
A CASE STUDY OF AN EMERGING MARKET FIRM

Jay van Wyk
Pittsburg State University

ABSTRACT

The literature of international market selection (IMS) is extensive. Large MNE retailers from developed countries have received most of the attention. Emerging market retailers (EMRs), a growing phenomenon, have received less attention and are the focus of this analysis. A case study is presented for Shoprite, a South African firm and the largest retailer in Africa. The relevance of two theories, psychic distance and economic opportunity, is investigated to explain Shoprite’s IMS outcomes. The findings indicate that geographic proximity and culture (language) explain Shoprite’s IMS choices. However, economic opportunity, i.e. growth rates, offers the most compelling motivation for Shoprite’s IMS.

INTRODUCTION

The internationalization of emerging markets retailers (EMR) is a new phenomenon with interesting challenges for students of International Business. The attractiveness of emerging markets for large, retail multinational enterprises (MNE), such as Walmart, Tesco and Carrefour, has received considerable attention (Coe and Lee, 2006; and Ming-Ling et al, 2011). However, the analysis of international market selection by EMRs in foreign markets, especially in transitional/developing economies, is still in an embryonic phase. EMRs are late movers in internationalization. Their expansion opportunities are unattractive in mature developed country markets and even in some emerging markets. Nevertheless, the perception of EMRs is that markets neglected by large MNEs in developing and transitional countries offer favorable returns despite high risks and challenging business environments.

Shoprite, a South African retailer, has within three decades become the largest food retailer on the African continent. The firm has 1,334 owned outlets and 406 franchise outlets in 17 countries with a market capitalization of more than R94bn (South African Rand), and more than 100,000 employees on the payroll (Shoprite Holdings, 2012). In a world dominated by retail MNEs from developed countries, retailers from emerging markets, such as Chile, Turkey and South Africa, are rapidly taking market share in neglected markets in developing, transitional and other emerging markets. The literature of rapid internationalization of emerging market multinational enterprises has largely dealt with firms in the manufacturing and resource-seeking industries, rather than with retail (Arbix and Caseiro, 2011; Ramsey et al, 2010; Wood et al,
The primary aim of this paper is to provide a case study of Shoprite’s international market selection (IMS) outcomes.

The organization of this paper is in four sections. In the first section, IMS is discussed within the context of internationalization theory. The second section is a literature review of IMS in the international expansion of retail. To understand the IMS process of a retailer from an emerging market, insights are gained from various internationalization theory streams pertaining to international business, international marketing, retail and emerging market multinational enterprises. The relevance of psychic distance theory and economic opportunity theory for IMS is well established in International Business. The first instinct is to argue that these theories may also be relevant for IMS by EMRs. The third section is a case study of the IMS processes of Shoprite, a well established retailer in South Africa. Finally, conclusions are drawn regarding managerial implications and a preliminary agenda for future research is outlined. Propositions for future analysis of the IMS of EMRs are explored.

IMS IN THE CONTEXT OF THE INTERNATIONAL PROCESS

The internationalization of retail has produced an extensive literature which is fundamentally based on theories of international marketing, while the theories of international business, as mentioned above, have received less attention. A number of review articles provide a macro-view of the process of retail internationalization. Swoboda et al (2009) emphasized the motives for internationalization, internationalization strategies, market selection, entry strategies, market operations (standardization versus adaptation), and international performance (failures, divestment). Alexander and Doherty (2010) identified patterns of retailer activity, host market characteristics, motivations for international activity, market selection, market entry methods, operational management (supply chain, marketing, brand management), and divestment. However, Alexander and Doherty (2010) pointed out that motives and strategy of retail internationalization were neglected fields of inquiry. An empirical study by Evans et al (2008) found that the retail internationalization process consists of drivers of and impediments to international expansion and business strategy. International expansion was driven by multiple motivations including profit growth, domestic market saturation and exploitation of core competencies. The study also identified the main impediments to expansion: the regulatory environment, domestic market conditions, past experience, resource commitment, core competencies, and issues related to competition and cost. In terms of strategy, the study found that the choice between standardization and adaptation was not clear cut. Firms often implemented a hybrid strategy depending on conditions in host markets. The findings confirmed the basic tenants of transaction cost theory, resource based theory and marketing strategy. However, the study, which was based on the internationalization of retailers from the USA and UK, may not be applicable to retailers from emerging markets.
The internationalization of retailers from emerging markets is still an underdeveloped area of research. Retail internationalization research has primarily dealt with large MNEs from developed countries which have expanded on a global scale such as Walmart, Tesco, and Carrefour (Da Rocha and Dib, 2002; Di Gregorio et al, 2008; and Myers and Alexander, 1996). This is understandable since emerging market multinational retailers are late movers in internationalization and tend to focus on markets in developing countries neglected by large MNEs. The literature pertaining to retail in emerging markets offers few examples of the internationalization of EMRs. Many of these studies focus on the entry of large MNEs, such as Ahold, Carrefour, Walmart and Auchan, into emerging markets as well as their competition with domestic retailers (Alexander and de Lira e Silva, 2002; Coe and Hess, 2005; Gielens and Dekimpe, 2007; Lorentz et al, 2006; and Roberts, 2005). However, a growing literature on the internationalization of EMRs is now in evidence. Examples include the financing of the internationalization of the African retailer Shoprite (Okeahalam and Wood, 2009); Turkish retailers (Eren-Erdogmus et al, 2010); a case study of the internationalization of Falabella, a Chilean retailer (Bianchi, 2009); the operations of Woolworths, a South African retailer in Australia ((Wilkinson and Cheng, 1999); and the internationalization of Brazilian firms including retailers (Casanova, 2010). However, little is currently known about IMS by EMRs which entered markets in developing/transitional economies. The growth of these retailers, and their likely internationalization, is a beginning of a new business phenomenon which has remained under the radar of mainstream International Business and International Marketing.

Africa is still regarded as a peripheral region for international business vis-à-vis other regions. Shoprite’s expansion into Africa, from its home base in South Africa, has established the firm as the market leader on the continent. An analysis of Shoprite’s IMS choices will be an instructive preliminary investigation regarding the growing internationalization of those retail firms from emerging markets that have expanded into neglected markets in developing countries. According to the consulting firm Deloitte (2012), the 50 fastest-growing retailers (2005-2010) include an increasing number of firms from emerging markets: Magnit (Russia); China Resources Enterprise (Hong Kong); Censosud and Falabella (Chile); Migrosticaret (Turkey); Grupo Pao de Acucar (Brazil); Agrokor (Croatia); Soriana and Chedraui (Mexico); Dalian Dashang and Nonggongshang (China) and Spar, Shoprite and Woolworths (South Africa).

LITERATURE AND THEORIES OF IMS

The second phase of the retail internationalization process is concerned with strategic decisions: selection of countries with attractive market opportunities (host countries) as targets for international expansion; selection of appropriate entry modes for such host countries; and management of business operations of subsidiaries. Two broad theoretical perspectives are useful
regarding the international expansion of the firm, and in this case, IMS choices. First, such choices are based on rational optimization and efficient resource allocation. Examples include the eclectic theory (Dunning, 1988), the comparison of rates of return (Buchley and Casson, 1998; and Terpstra and Yu, 1988), and economic opportunity. The argument of both economists and International Business scholars is that internationalization is primarily driven by opportunity, entrepreneurship and cost savings (Kirzner, 1979). Second, international expansion choices are determined by the flow of information between host and home countries, and gaining experiential knowledge to counter risk and uncertainty in foreign markets. The Uppsala school of internationalization and psychic distance theories are representative of this view (Johanson and Wiederheim-Paul, 1975; Johanson and Vahlne, 1977; Dow, 2000; Engwall and Wallenstal, 1988; Nordstrom and Vahlne, 1994; O’Grady and Lane, 1996; and Stottenger and Schlegelmilch, 2000).

**Psychic Distance Theory**

Psychic distance theory is based on the premise that firms tend to expand to host or target countries which approximate the characteristics of their home country (Johanson and Vahlne, 1977; and Mitra and Golder, 2002). Johanson and Wiedersheim-Paul (1975) describe psychic distance as the sum of factors preventing or disturbing the flow of information between firm and markets. According to Andersen and Buvik (2002), psychic distance is the perceived difference between home countries and target markets. Therefore, a lower psychic distance between home and host country will influence IMS choice (Cicic, Patterson and Shoham, 1999). This describes distance, i.e. similarity or difference in regard to the degree or amount of separation between two points (Sykes, 1987). Psychic refers to the mind’s processing in terms of perception and understanding. Thus, psychic distance refers to the perceived degree of similarity or difference between the home and host markets. However, as a firm gains experiential knowledge of foreign operations, the influence of psychic distance on IMS declines (Benito and Gripsrud, 1992; Dunning, 2003; Chetty and Campbell-Hunt, 2004; and Petersen and Pedersen, 1996). Likewise, Dow (2000), in a study of Australian exporters, found that the impact of psychic distance on IMS decreases with international experience.

Although some scholars treat psychic distance as similar to cultural distance (Evans and Mavondo, 2000), psychic distance is a broader concept that may include cultural distance. The Hofstede Index (1980) of cultural differences has been used as a proxy for psychic differences (Engwall and Wallenstal, 1988; and Benito and Gripsrud, 1992), but Hofstede’s work does not address other potential psychic differences related to language, religion, education, political and legal systems, or levels of economic development. Countries may display psychic differences despite cultural similarities (Nordstrom and Vahlne, 1994; and O’Grady and Lane, 1996). Psychic differences have been operationalized in terms of language, culture, education, political systems, business practices, level of economic development, time zones and laws (Chetty and Campbell-Hunt, 2004; Child, Ng and Wong, 2002; Conway and Swift, 2000; Dow, 2000; Dow
and Karunaratna, 2006; Evans and Mavonda, 2002; Evans, Treadgold and Mavondo, 2000; Kim and Rhee, 2001; and Stottinger and Schlegelmilch, 2000). Brewer (2007) measured psychic distance in terms of commercial, political, historical, geographic, social and information ties, and level of development.

Inconsistent results in empirical research have cast some doubt on the explanatory power of psychic distance theory to explain the market selection choices of firms that expand internationally. Alexander et al (2001) found a positive relationship between geographical distance and IMS. Others found that cultural and geographical distances have a significant impact on firms’ decisions to select international markets. However, geographical distance declined in importance as firms gained international experience and for subsequent entry into other countries (Edwards and Buckley, 1998; Buckley and Casson, 2009; Clark and Pugh 2001; and Dow, 2000). The sequence of internationalization by Brazilian companies reflected a gradual approach by choosing to enter countries that were closer in terms of psychic distance, i.e. Latin American countries in order to accumulate experience in those markets. After initial international expansion, Brazilian companies progressively entered markets in more distant regions (Cyrano et al, 2010). In a study of the IMS of Russian MNEs, Annushkina and Colonel (2013) found that geographical proximity and political similarity of host markets to Russia had a positive and significant coefficient. When controlled for industry differences (natural resources versus other industries including retail) psychic distance was not a significant driver of IMS. They also found that economic distance was not related to IMS. This is in line with findings that psychic distance determines IMS for EMRs from other emerging markets in terms of cultural, economic, geographical and political proximities (Morck et al 2008). Some conceptual studies, notably the linkage, leverage and learning frameworks (Mathews, 2006) and the accelerated or springboard framework (Bonaglia et al, 2007; and Luo and Tung, 2007), claim that EMRs expand rapidly abroad without following the incremental approach inherent to psychic distance. However, these frameworks are not based upon empirical testing. In international retail, findings supported the argument that geographical distance was more influential than cultural distance with regard to retailers’ choice of foreign markets (Gripsrud and Benito, 2005; and Alexander et al, 2007). By contrast, Robertson and Wood (2001), Mitra and Golder (2002) and Terpstra and Yu (1988) found no impact of cultural and geographical distance on firms’ selection of international markets. Administrative or political distance was also a strong determinant of country selection. Countries with weak and corrupt institutions tended to attract investments from similar countries (Hotchkiss, 1998; and Lambsdorff, 2002). However, firms view countries with political institutions weaker (corruption, government inefficiency) than that of their home country as a barrier to entry. Such dissimilar environments are seen as impediments to business due to higher costs and uncertainty (Kaufman et al, 2007; and Weitzel and Berns, 2006). The impact of economic distance on foreign market selection has received less attention. Similarity in economic indicators in both home and potential host countries tended to influence market selection choice. Such indicators include GDP per capita, consumer spending, and trade flows.
(Ghemawat, 2001; and Mitra and Golder, 2002). These economic indicators are more commonly associated with economic opportunity theory.

The operationalization of psychic distance remains a topic of investigation. However, institutional differences are at the core of psychic distance (Kogut and Singh, 1988). In International Business literature per se, institutional differences between home country and host country influence most expansion decisions of MNEs (Arslan, 2012). From that point of view, the CAGE framework of psychic distance has considerable prowess and will be utilized in this study. According to Ghemawat (2001), the CAGE framework focuses on four distance factors between home and host countries: cultural, administrative (political), geographic and economic distance.

Research Question 1a: Will geographic, political, economic and cultural distance influence IMS?

Research Question 1b: Will psychic distance determine initial IMS? Will experiential learning diminish the influence of psychic distance on later international expansions?

**Economic Opportunity Theory**

Economic opportunity theory, as a determinant of IMS, has received prominent attention in the literature. While manufacturing companies typically enter foreign markets to exploit location factors, as outlined in Dunning’s (1995) eclectic paradigm, international retail activity is more likely to be determined by demand factors (Gripsrud and Benito, 2005). Godley and Fletcher (2000), in a study of attractiveness of the UK retail market, found that purchasing power is the prime determinant of target market selection. In the push-pull factors of internationalization (Etgar and Rachman-Moore, 2008), the pull factors were pivotal in determining the attractiveness of foreign markets. It is a growing trend in research that the economic pull of foreign markets is a dominant determinant of target country selection. Studies by Alexander (1990) and Williams (1992) highlighted the importance of such factors as niche opportunities, growth prospects, market size and the uniqueness of the retail offer. Quinn (1999), in a survey of 41 retail firms, found that the size of foreign markets, level of economic prosperity, and niche opportunities were determinants of market attractiveness. Retailers regard middle-income and, even developing countries with higher growth rates than developed countries, as attractive target markets (Huang and Sternquist, 2007). Walmart’s entry into Brazil, Mexico, and recently South Africa was evidence of this trend.

Population size and per capita income levels are important indicators of market attractiveness. Countries with large populations, such as China and India, possess a large potential demand even though per capita levels of income are low (Makino et al, 2002). According to Chan et al (2011), retailers should target lesser developed countries with relatively
high income levels. Karande and Lombard (2005) emphasized the strategic competitive advantage of a sizeable segment of high income consumers in such countries. The above findings indicated that market attractiveness based on high income consumers in developed countries, as outlined by Alexander et al (2007), may be viewed as a partial explanation as developed country markets have become saturated. In case studies of Hong Kong exporters, market size has been more important than psychic distance. Exporters entered large markets in the USA and Europe first rather than the psychically closer markets in East and Southeast Asia (Ellis, 2000; and Child et al, 2002). If markets are of comparable size, it is not difficult to see that a firm would choose to enter the psychically closer market. However, markets are rarely equal in size and the attractiveness of larger markets may compensate for the disadvantages of distance (Ellis, 2000; and Gripsrud, 1990). A substantial literature supports the view that psychic distance and market size are complementary; that they both directly and independently affect the sequence in which foreign markets are entered (Johanson and Wiedersheim-Paul, 1975; Dow, 2000; Mitra and Golder, 2002; and Terpstra and Yu, 1988).

The findings of Malhotra et al (2009) placed distance and economic theories of market selection in perspective. The authors’ found, that for MNEs from developing countries, psychic distance theory was an important driver for market selections. Utilizing the CAGE framework, their findings showed that cultural, administrative (political), geographic, and economic distance determined market selection. However, when market potential was introduced as a moderating factor, i.e. the GDP of the potential host country, market potential trumped the CAGE distance factors as a determinant of target market selection.

Growing demand in foreign markets may be linked to Levitt’s well-known claim regarding the globalization of markets (Levitt, 1983). Due to economic and demographic changes, global markets create mass markets for low cost goods. A logical extension of this argument is that such development should also generate a growing global demand for mass-market retailing which delivers such goods (Etgar and Rachman-Moore, 2008).

Research Question 2: Will economic opportunity moderate the initial influence of psychic distance IMS? Will economic opportunity, after experiential learning rather than psychic distance, determine IMS?

THE IMS OF SHOPRITE: A CASE STUDY

Shoprite, a South African retailer, has within three decades become the largest food retailer on the African continent. The firm has 1,334 owned outlets and 406 franchise outlets in 17 countries with a market capitalization of more the R94bn (South African Rand), and more than 100,000 employees on the payroll (Shoprite Holdings, 2012).
A single, in-depth case study methodology is used. The case study method is a valid tool of academic inquiry in International Business research (Ghauri, 2004). According to Welch et al (2011), one in four case studies in International Business is based on the single rather than the multiple case study method. Given the underdeveloped literature on the growing phenomenon of emerging market retailers, an in-depth, contextual analysis of this unique situation is justified (Yin, 2003). Flyvbjerg (2004) supports the analysis of a single case study in its entirety. The uniqueness of this case study is twofold: MNEs from South Africa have received little attention; and business operations in Africa are still regarded as peripheral by mainstream inquiry in International Business studies.

A qualitative rather than a quantitative approach is followed. IMS may be viewed as a stepwise screening process. A systematic methodology of IMS begins with a screening process that involves gathering relevant information on each potential foreign market and removing the less desirable countries from consideration (Koch, 2001; and Robertson and Wood, 2001). The IMS process may be viewed as consisting of three stages: market screening, market identification, and market selection. (Cavusgil, 1985; and Kumar et al, 1994). Others have presented variations on the stages of IMS choice (Brewer, 2001; Rahman, 2003; and Alon, 2004). The assumption that all IMS choices are based on such systematic screening has been questioned. Papadopoulos and Martin Martin (2011) regard IMS as bounded rational decisions constrained by a firm’s cognitive limitations, i.e. limitations of time, market information and resources to conduct market research. They pointed out, and this is particularly relevant to this case, that advanced knowledge is almost totally unavailable for developing countries. Even basic data are unavailable, dated or suspect. The notion that the IMS choices of managers may be based on subjective or intuitive rather than systematic considerations is well represented in the literature (Sarasvathy, 2001; Westhead et al, 2001; and Papadopoulos and Martin Martin, 2010). Even after careful screening, shifts that change market attractiveness may also feed into the bounded rationality of the IMS process (Martin Martin and Papadopoulos, 2005).

For the purposes of this study, the focus is more on the outcomes of IMS rather than peering into the black box of managerial decision making processes. This qualitative approach offers two advantages. First, the methodological problems associated with survey research, the most common quantitative approach to case study analysis, are avoided. Survey research is subject to considerable reliability and validity issues such as poor response rates, cultural differences in questionnaire design, and measurement concerns related to conceptualization and operationalization. Second, the IMS choices Shoprite made are a matter of historical record and are measurable with secondary data. According to Jones and Khanna (2000), strategic decisions may be based on the historical record of the company. The documents, financial statements, and result presentations of Shoprite provide a rich source of information regarding the company’s strategic choices and performance (http://www.shopriteholdings.co.za). The CEO, Whitey Basson, is not only a colorful personality, but is an expert in public relations with the media,
which often quotes and interviews him at length about the activities of Shoprite. More than 800 journalistic sources about Shoprite have been analyzed for the purpose of this case study (lexis-nexis.com, bdive.co.za).

In essence, the relevance of existing theory is evaluated for this particular case (Dyer and Wilkens, 1991). Following Bonoma (1985), the Shoprite case study will provide additional perspectives on the research problem being explored, i.e. the internationalization process of an emerging market retailer.

Psychic distance is measured in terms of four variables: geographic distance, cultural distance, political system distance and economic system distance. Geographical distance is measured as the distance between Pretoria, the capital of South Africa, and the capital cities of all the countries hosting Shoprite operations (GlobalFeed.com, 2013). As stated above, basic data for developing countries are in short supply. The well-known indexes of Hofstede, GLOBE, Lewis and Trompenaars cover too few of Shoprite’s host markets in Africa (Smith, 1010). However, language has served as a proxy for cultural distance. The essence of psychic distance is the communication of information which requires some common language usage (Alexander et al, 2007). In this study, cultural distance is measured in terms of whether or not host markets share English as a commercial and official language with South Africa. The Index of Political Freedom (Freedom House) is used as a proxy for political system, i.e. politically free countries have democratic governments and countries that are not free have authoritarian governments. The Index of Economic Freedom (Heritage Foundation) is used as a proxy for economic freedom, i.e. high levels of economic freedom indicate free market capitalism and low levels of economic freedom indicate more government intervention in the market place. For both political freedom and economic freedom, hybrid systems may be identified between the continuum poles of free and not free.

**FINDINGS**

The first research question postulates whether psychic distance influenced Shoprite’s IMS choices. The order in which Shoprite entered foreign markets was clearly influenced by geographical distance. The first five markets entered (Namibia, Zambia, Mozambique, Swaziland, Zimbabwe) are neighboring countries or, in the case of Zambia, in close proximity in the Southern African region. The next two countries entered (Uganda, Egypt) are further away from South Africa. This decision was probably based on opportunity for an acquisition and a joint venture, respectively. The next two countries entered (Malawi, Lesotho) are also neighbors of South Africa. After that, Shoprite entered markets further afield in West Africa, the Indian Ocean Islands and South Asia. The importance of geographical distance in the case of Shoprite fits the more conventional incremental approach to internationalization. Firms first enter more familiar neighboring markets or markets in close geographical proximity. Once firms gain
experience and knowledge of foreign markets, they will expand to markets which are further from their home base and which may be more dissimilar in business environment (Johanson and Vahlne, 1977). However, the deviation from close geographical distance in the cases of Uganda and Egypt is in line with the fact that economic opportunity will moderate psychic distance as a motivator of IMS.

Does psychic distance in terms of language cast light on Shoprite’s sequence of IMS choice? If we take official language and commercial language *per se* as a proxy for cultural distance, a clear pattern emerges: Shoprite’s choice of foreign markets, chronologically speaking, shows a preference for countries where English is one of the official languages. Five of the first six countries Shoprite entered were English-speaking. In total, 11 of the 16 foreign markets were English-speaking (see Table 1). English, one of the 11 official languages of South Africa, is also the language of commerce. The origin of English as a commercial language is based upon former colonial ties to the UK and current membership of the British Commonwealth (an international organization linking the UK and her former colonies). Although Namibia was not a British colony, the territory was governed by South Africa since the end of the First World War until its independence in 1990. After independence, Namibia joined the British Commonwealth and adopted English as an official language.
In terms of cultural distance, Shoprite’s CEO Basson described the move from operating in South Africa to setting-up a Checkers store in the Egyptian capital of Cairo as cultural shock (Lipton, 12/8/2002). Divestment from failed, foreign operations is a common occurrence for international retailers (Burt et al, 2003). In the case of Shoprite, shops were closed in Egypt and India with the firm completely exiting these countries. Various reasons for divestments may be advanced. Basson explained the Egyptian divestment as part of a broader business decision: withdrawal from unsustainable operations. The company incurred losses of R91m in Egypt (Steinacker, 9/27/2009). The Egyptian operation was closed after four years. Only seven stores were opened which fell far short of plans for 100 stores over a ten year period. Basson cited supply-chain problems and bureaucratic “red tape” as reasons for the withdrawal (Blom, 2/23/2006). The divestment matched Shoprite’s policy to pursue opportunities despite high risk, but the company would divest if expectations were not met (Mawson, 4/7/2008). The entry into Egypt was an effort to exploit opportunities arising from the government’s privatization program (Africa News, 2/15/2000), but poor performance led to divestment. In terms of distance theory, the firm’s choice of Egypt did not fit the cultural compatibility of language, i.e. Arabic rather than English was the official language, which had eased doing business in Sub-Saharan Africa.
As outlined in Fig. 2, cultural distance, apart from value creation, would have complicated managing a foreign operation in Egypt. Since Shoprite prioritized opportunity above risk, the high Uncertainty Avoidance Index (UAI) in Egypt was likely a drag on entrepreneurship.

Economic distance did not influence the sequence in which Shoprite entered foreign markets.

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<thead>
<tr>
<th>Table 2: Economic Distance</th>
<th>CURRENT ECONOMIC DISTANCE</th>
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<tbody>
<tr>
<td><strong>ECONOMIC DISTANCE AT ENTRY</strong></td>
<td>South Africa</td>
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<tr>
<td><strong>HOST</strong></td>
<td><strong>COUNTRY</strong></td>
</tr>
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<td>Moderate Free</td>
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<td>Moderate Free</td>
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<td>Moderate Free</td>
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*Source: Heritage Foundation (2012)*
All neighboring markets Shoprite entered, with the exception of Namibia, were less economically free than the firm’s home market in South Africa. Even when Shoprite entered host markets further away, economic freedom was not a determining consideration. Only one of these markets, Mauritius, had a level of economic freedom similar to South Africa.

The summary in Table 3 shows mixed results related to the political similarity of markets entered. When Shoprite entered Namibia in 1990 the country had already transformed into a democracy, but South Africa, at that time, still had an authoritarian government under the apartheid regime. South Africa and Zambia had comparable political systems when Shoprite entered the Zambian market. The same occurred when Shoprite entered Botswana in 1997. In 1994, South Africa became a democracy and Botswana was already a functioning democracy at the time.

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<tr>
<th>SOUTH AFRICA</th>
<th>HOST</th>
<th>HOST</th>
<th>SOUTH AFRICA</th>
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<tbody>
<tr>
<td>Partly free</td>
<td>Free</td>
<td>Namibia</td>
<td>Free</td>
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<tr>
<td>Partly Free</td>
<td>Partly Free</td>
<td>Zambia</td>
<td>Partly Free</td>
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<tr>
<td>Free</td>
<td>Partly Free</td>
<td>Mozambique</td>
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<td>Not Free</td>
<td>Swaziland</td>
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<td>Botswana</td>
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<td>Partly Free</td>
<td>Zimbabwe</td>
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<td>Free</td>
<td>Partly Free</td>
<td>Uganda</td>
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<td>Free</td>
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<td>Egypt</td>
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<td>Malawi</td>
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<td>Madagascar</td>
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<td>Free</td>
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<td>Mauritius</td>
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<td>Free</td>
<td>Partly Free</td>
<td>Tanzania</td>
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<td>Ghana</td>
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<td>Angola</td>
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<td>India</td>
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<td>Nigeria</td>
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<tr>
<td>Free</td>
<td>Not Free</td>
<td>Congo DR</td>
<td>Not Free</td>
</tr>
</tbody>
</table>

**Source: Freedom House (2013)**

All the other neighboring states entered by Shoprite had less political freedom than South Africa at the date of Shoprite’s entry. For these cases, similarity in political systems did not determine IMS or the sequence of entry. For subsequent markets entered, most host markets had less political freedom than South Africa. The exceptions were Mauritius and India which were democracies like South Africa.

The second research question postulates that Shoprite’s IMS has been driven by economic opportunity, particularly by market size and economic growth rates in host markets.
Shoprite’s CEO offered various reasons for the attractiveness of the foreign markets which the firm entered. These included high economic growth rates in Africa, and the fact that consumers were status driven and aspired to purchase top-end labels (Blaine, 8/27/2012). Basson also offered other explanations: people are now used to air conditioning, cell phones, movies and decent stores --- there is no way they will turn back (Planting, 4/3/2009). In the absence of data on consumer demand, Basson obviously thought that rising consumer demand was a driving force of IMS.

Other statements of CEO Basson, as quoted in the business press, allude to economic opportunity:

“We think the Congo is quite a wealthy country. It’s quite stable at the moment. It’s got a lot of resources ---. We know that we can trade there though it’s obviously unchartered waters” (Ndzamela, 10/7/2009 at 1).

“Africa has wealth. Its lack of infrastructure is an advantage to us because we can expand without competition” (Lipton, 12/8/2002 at A2).

“We are trading very well in most parts of Africa and we are looking at oil-rich countries” (Mathe, 8/26/2009 at 5).

“Once the infrastructure (in Africa) meets that of the South African market, the ambition (demand) is probably as good or better than the South African situation” (Business Day South Africa), 8/23/2012 at B1).

Basson, however, points out that expansion after entry may be put on hold due to deteriorating circumstances in a host country. He cited, for example, uncertainty in the Zimbabwean economic and political climate but he added that despite neglect, the country still had an infrastructure superior to other African countries where Shoprite was doing business. Basson continues to regard Zimbabwe as a promising market and on Shoprite’s radar if conditions improve (Kamhuga, 10/13/2009).

Figures 3a-j illustrate the difference in market size between South Africa and host countries at the date of Shoprite’s entry into these markets.
In terms of the sequence of internationalization, as stated above, Shoprite initially entered markets geographically closer to South Africa before it entered markets further away from its home base. As the figures above illustrate, market size did not drive the initial internationalization. Only Botswana had a GDP by purchasing power parity comparable to South Africa. In terms of more conventional economic output, Botswana’s GDP was only $6.452bn compared with South Africa’s GDP (constant 2005 US$) of $191.021bn in 1997 (World Bank, 2013). Economic size was a determinant for some of Shoprite’s later IMS, notably Egypt, India and Nigeria. However, as discussed above, Shoprite has since divested from Egypt and India. It is clear that Shoprite preferred to enter foreign markets with smaller economies than South Africa. Other factors may have influenced IMS, i.e. Shoprite as a modern “big box” retailer may have a competitive advantage to enter markets with a fragmented retail sector.

Market growth has been a strong motivation for Shoprite’s internationalization (see Fig. 3). Expansion occurred in 14 markets with a faster growth rate than South Africa. Psychic distance was likely trumped by opportunity whether markets were similar or different than Shoprite’s home base in South Africa. The importance of opportunity was also reflected in the comments, quoted above, of Shoprite’s CEO. The growing demand for consumer goods by Africa’s upwardly mobile middle class has been astutely identified by Basson.
CONCLUSION

A case study of Shoprite, a South African retailer, was conducted. The study was based on the historical record of the firm’s IMS choices which were garnered from the public knowledge domain. The focus was less concerned with gaining insight into the “black box” of managerial decision-making, but rather, to evaluate the IMS decisions that have been made. The analysis was concerned with known IMS choices and how such decisions related to our theoretical understanding of IMS theories such as psychic distance and economic opportunity. The findings support some of the tenets of psychic distance theory. From the perspective of geographic proximity, Shoprite’s sequential entry of foreign markets started with a preference for countries with close geographic proximity to South Africa and then moved to countries geographically more distant from South Africa. This supports the findings and viewpoint that initial internationalization is affected by geographical proximity, but that geographical distance is less relevant for later internationalization (Alexander et al, 2011; and Dow, 2000). Shoprite, as an EMR, internationalized in a similar sequence to firms from other emerging markets (Cyrano et al, 2010; and Annushkina and Colonel, 2013). In addition, geographical proximity declines in importance as Shoprite entered markets further away. This is in line with other findings in the literature (Clark and Pugh, 2001).
Psychic distance in terms of cultural distance was difficult to measure due to the lack of data for many of the African countries which Shoprite selected for expansion. The findings, however, indicated that the use of English as a commercial and/or official language was strongly related to Shoprite’s IMS decisions. This supports the view that language may be used as a proxy for cultural distance (Conway and Swift, 2000; and Dow and Karunaratna, 2006). These supplement findings that colonial links may influence IMS. The argument may be advanced that colonial links not only influence commercial ties between colonial powers and their former colonies, but also, that the colonies of the same former colonial empire may be closer in terms of psychic distance especially due to a shared commercial language.

Psychic distance in terms of similarity in political system and economic system between home country and host country, respectively, had little bearing on Shoprite’s IMS choices. Only Shoprite’s first foreign entry into Namibia reflected similarity in economic distance between home country and host country. After that, Shoprite selected 15 out of 16 foreign markets with economies less free than the South African economy. This supports findings that economic distance was less important in the firm’s IMS choices (Annushkina and Colonel, 2013). Shoprite, as a late mover in internationalization, had to select more risky markets in developing or transitional countries since large retail MNEs had first mover advantage in developed markets as well as many emerging markets. However, if business prospects are based on a longer view, it is notable that host markets such as Namibia, Botswana, Uganda, Madagascar and Ghana have implemented economic liberalization policies and currently have similar levels of economic freedom to South Africa, i.e. moderately free (Heritage Foundation, 2013). Distance in terms of political systems between home and host countries had little influence on Shoprite’s IMS. This supports the findings of Kaufman et al (2007). This contradicts the findings of Dow and Karunaratna (2006) that differences in political systems will be negatively associated with intensity of trade between countries. However, given the dearth of democracies in Africa, Shoprite’s expansion target, the contradiction is understandable. South Africa adopted a democratic political system in 1994, but political liberalization has been constrained in Africa with the result that Shoprite mostly entered foreign countries with less political freedom than its own. One exception was Mauritius which had more free political-economic institutions. India was also a democracy when Shoprite entered that market, but the firm has since divested from India. The CEO of Shoprite is on record that the company is prepared to enter markets with considerable political economic risk exposure if the opportunities for growth and profitability are favorable. “If we can’t expose ourselves to risk, we shouldn’t be in business. We are cowboys from time to time; we do take risks. But we look at our numbers and are very responsible.” (Planting, 2007 at B1; and Planting, 2009 at 3).

The impact of market opportunity of Shoprite’s IMS produced mixed results. Market size did not feature in the sequence of IMS. This is in contrast with findings that market size is an important determinant of IMS (Ellis, 2000; Child et al, 2002; Gripsrud, 1990; and Mitra and
Golder, 2002). Shoprite, as a late mover in internationalization, was compelled to enter underserved markets in the retail business in Africa. Market growth rates of host markets have been the most important factor influencing Shoprite’s IMS. The faster economic growth rates on the African continent, compared to slower growth rates in South Africa, were the entrepreneurial driving forces for Shoprite to enter other African markets.

**FUTURE RESEARCH**

More future research on the IMS of EMRs is required. The Shoprite case study explored the relevance of psychic distance and economic opportunity theories for IMS. The results are at best preliminary, qualitative insights into IMS based on secondary data. The validity of these findings requires quantitative analysis of primary data generated by survey research. Future research may target EMRs from other emerging markets. Case studies, either single or comparative, may investigate EMRs such as Magnit from Russia; China Resources Enterprise from Hong Kong; Spar, Shoprite and Woolworths from South Africa; Censosud and Falabella from Chile; Migrosticaret from Turkey; Grupo Pao de Acucar from Brazil; Agrokor from Croatia; Soriana and Chedraui from Mexico; and Dalian Dashang and Nonggongshang from China.

Apart from psychic distance and economic opportunity, other theories of IMS may be tested, including country risk analysis, environmental scanning, location or eclectic theory, transaction cost, resource-based view and push-pull theories (Papadopoulos and Martin Martin, 2011; Eren-Erdogmus et al, 2010; and Sharma and Iramilli, 2004).

Based on the Shoprite case, a number of propositions for future research are advanced. These propositions may be tested for the growing number of retailers from emerging markets (EMRs) that have internationalized their operations.

**Proposition 1:** EMRs are more likely first to enter foreign markets in close geographic proximity to their home country before they would enter markets located further away.

**Proposition 2:** For EMRs, psychic distance in terms of language differences will be negatively related to the sequence of entering foreign markets. EMRs are likely to enter markets with common language initially before entering markets with differing language(s).

**Proposition 3:** Mutual membership in former colonial empires by home and host countries, will be positively related to the sequence of IMS choices by EMRs, moderated by regional location.

**Proposition 4:** Psychic distance, in terms of political and economic systems in home and host countries, will have little bearing on IMS choice or sequence of internationalization for EMRs.
Proposition 5: Economic opportunity in host countries will be positively related to the sequence in which EMRs enter foreign markets

Proposition 6: Even when psychic distance is negatively related to the sequence of IMS, economic opportunity will be more significant than psychic distance in IMS choice for EMRs.

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THE PURITANS’ VISION AND MODERN MARKETING SUCCESS

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ABSTRACT

Applying historical research method, we analyze the ways Puritanism contributed to economic prosperity in American history: liberated workers, enhanced human capitals, and increased competitive advantage. We then propose how U.S. firms can extend their comparative marketing advantages by adapting these legacies. Our analysis shows historical examples can provide valuable insights for modern marketing practitioners and scholars.

INTRODUCTION

There are several historical lessons that might help the marketing managers of global firms select the best approach for meeting international competition. Although many firms have adequate resources to remain competitive globally, managers with neither a historical perspective nor a clear set of values cannot make sound marketing plans. As John Thorbeck found when he was CEO of G.H. Bass & Company, “organizations that turn their backs on their history and traditions are often turning their backs on their values, on their need for vision and purpose, and on their own particular competence” (Thorbeck, 1991 at 58). As Collins and Porras note in their seminal work Built to Last: Successful Habits of Visionary Companies (1994), companies with a rich heritage and understanding of their core values are the most successful over the long haul.

Any search for effective past commercial strategies eventually would lead to the first successful captains of U.S. commerce, the early Puritans. Although commonly represented as a religious errand into the wilderness ─ an effort to found a pure church beyond the reach of Britain's Anglican bishopry ─ colonial New England was also a successful economic experiment.

Many economies have faced challenges; some survived, some recovered, and some prospered, but few scored so decisive or so brilliant a triumph as early New England. Luck alone did not allow the Puritans' to turn a potential disaster into wealth and stability unequalled by any other North American colony.

Why resort to such historical examples? Various theoretical and practical rationales justify history and its study as helpful for understanding current markets and identifying marketing strategies that avoid traps, embrace opportunities, and secure vital resources. Unlike the study of inanimate objects, history entails the study of human beings’ purposive activities (Mahoney and Rueschemeyer, 2003; von Mises, 1957). Clearly, marketing activity is a historical phenomenon (Casson and Lee, 2011; Shaw and Jones, 2005). Many modern marketing strategies were adopted by merchants centuries ago (Fullerton, 1988). As managerial decisions and their outcomes cannot be understood fully absent their historical context, it is wise to “bring people back in[to]” a historical awareness (Zaltman, 1997). The historical study of marketing thought helps managers evaluate and improve different marketing strategies (Shaw and Jones, 2005; Ptikus, 2010). This analysis may lead to a revitalization of theory that still pertains. Clearly, the perennial issues—such as product development, diffusion, and logistics—that face all companies are not temporally limited.
Many influencing factors that shape the scale and scope of marketing are history-driven; that is, these factors must be interpreted contextually (Ankersmit, 2012; Baussiere, 2005; Casson and Lee, 2011; Kotler, 2005). The history that situated these factors can reveal underlying processes, holistic features, and/or hidden meanings of marketing strategy and practice (Golder, 2000; Mahoney and Rueschemeyer, 2003; Sherry and Kozinets, 2001; Tamilia, 2011). For example, to better understand an advertising tactic, such as why male or female images appeared in cigarette or cosmetic ads, one must understand the ads’ historical context (Peiss, 1998; Sivulka, 1998).

To achieve their marketing goals, firms must be adaptive and learn from their mistakes and the mistakes of others (Lawrence, 1984; Nevett, 1989; Witkowski and Jones, 2006). However, firms also can learn from successes — even four-century-old ones. Admittedly, modern U.S. society is far removed from Puritan society, not only in time, but also in religion, mores, laws, and family structure. Even so, marketing strategists should study every success, such as that of the Puritans, if for no other reason than to mine it for strategic motifs.

Despite their constant search for new ideas, marketing scholars and practitioners have ignored the Puritans. This oversight may be due to common stereotypes — partly created by people who rebelled against the sexual and moral repression of a former age — that make the Puritans seem unlikely role models. By rejecting some Puritanical mores, however, we also may be rejecting a framework for recognizing today’s best marketing strategies.

Modern marketing managers can learn many things from the Puritan economic experiment. For example, some scholars have argued the success of U.S. firms before 1965 rested on domestic rather than international sales; after all, the U.S. economy consumed 90% of what these firms produced (Peters and Austin, 1984). Only after 1965 have many U.S. firms’ financial success depended on a healthy export trade and have non-U.S. firms seriously threatened the domestic market share held by U.S. firms. Although seemingly correct from a twentieth-century perspective, this argument ignores an important Puritan legacy: prosperity through international trade.

We neither criticize U.S. firms for strategic marketing myopia nor recommend one prototypical marketing strategy; rather, we suggest that marketers look to sources in addition to modern business when they develop their strategies. As Clark and Hayes (1988) wrote, we also “are not suggesting that the key to success in today’s world lies in imitating the past; rather, that there are recurring patterns in the ebb and flow of enterprise whose identification can teach much about what is fundamental and enduring in industrial success” (Clark and Hayes at 10).

THE FIRST LESSON: LIBERATE WORKERS

Consider this analogy between founding New England and creating a modern corporation. Late in 1630, John Winthrop founded Boston, thereby becoming the Massachusetts Bay Colony's first governor (Dunn, 1962). By analogy, Winthrop was the colony's first CEO, the Massachusetts Bay Colony was the parent corporation, and the local towns were highly autonomous SBUs.

Governor Winthrop, organizing his new colony, faced a challenge similar to that facing a CEO who organizes a new corporation. Winthrop created a loosely organized confederation of towns, with town officials holding the balance of power between the colony and the towns. These town officials, who were elected by a majority of local voters, ruled both on petitions for town admission and local residents’ requests for land grants. Winthrop's first idea for his colony had been far less democratic: common folk were to have no voting rights and only limited land ownership. However, Winthrop quickly realized his colony would prosper only if generous political and economic rights were extended to all colonists. A modern analogy is 3M—a company that cultivates an entrepreneurial spirit in its workforce (Bartlet and Ghoshal, 1993).

In fact, seventeenth-century Puritan towns operated more like modern corporations than most 21st century towns (Lockridge, 1970; Morone, 2003; Powell, 1963). In the initial settlement phase, a group of Puritans incorporated a town on land granted them by the colonial legislature. They then distributed the land among themselves, with family needs and social status in mind. Later applicants relied on personal references and work credentials when petitioning to become townspeople. New townspeople received generous political and economic privileges in exchange for contributions to the local church’s and community’s welfare. After many years of personal sacrifice and devoted public service, these townspeople could ascend to the highest church and political positions. Thus, Winthrop's colony was not organized around a governor (CEO) and colonial assembly (upper management) holding all power. Although they regulated the colony's external affairs and set economic incentives, the governor and the colonial assembly held only limited power over each town's internal affairs. Much of the colony's economic success was due to government incentives that encouraged and rewarded towns engaged in constructive economic activities, especially foreign trade.
APPLYING THE FIRST LESSON

Informal institutions, such as values, norms, and cultures, affect the economic performance of people, companies, and countries (North, 1990). Indeed, Puritan values meaningfully facilitated the U.S.’s economic take-off (Bercovitch, 1978; Morone, 2003; Yan, 2013). As de Tocqueville wrote, “It seems to me that I can see the entire destiny of America contained in the first Puritan who came ashore” (de Tocqueville, 2002). The early Puritans prospered because they shunned autocratic rule, which led to decentralized decision making, a less hierarchical organizational structure, and an ability to adapt to changed circumstances. Likewise, more participative corporate cultures, less centralized operations, and flatter company hierarchies should lead to larger profits for U.S. firms. By encouraging worker autonomy and democratic decision making, companies increase their productivity and product quality while reducing costs and employee turnover. Ralph Stayer, the CEO of Johnsonville Foods, encouraged his workers to “insist on being responsible” and he compensated them on the basis of their contribution rather than tenure. As a result, machine downtime dropped from 40% to 10%, reject rates dropped from 5% to less than 0.5%, and return on assets increased significantly (Stayer, 1990).

Democracy and local autonomy are improbable without committed, responsible, and self-sacrificing workers (Dahl, 1986; Gitlin and Leibovitz, 2010). Firms can no longer afford uncaring workers who toil merely for themselves; rather, firms need workers who feel obligated to each other. Of course, workers will not commit to, care about, or sacrifice for autocratic managers or visionless, amoral firms. However, they might do these things for firms interested in building a better world for them and for their children. The Puritans believed “it was each individual’s chore to work his own arduous way into salvation” and hard work is one way for everyone to “prove oneself” (Gitlin and Leibovitz, 2010 at 69-70). These values created a shared sense of purpose and identity. From a branding perspective, they engaged in what today would be called ‘living the brand’. All Puritan citizens ‘lived the brand’ because they understood the importance of hard work and quality to their community’s overall success, much the same way many contemporary companies build corporate identities and relationships with workers (Gotsi and Wilson, 2001). Today, U.S. firms must harness their worker's growing needs for self-actualization (Yankelovich, 1982). Harris and Yankelovich (1989 at 37) reported “53%...a close majority, now work not for money alone, but for money — plus challenge, identity, collegiality, power, the chance to learn new skills, creativity, and growth.” These results have been verified in recent employee motivation studies (Lin 2011).

From 1870 to 1980, smokestack industries led the U.S.’s first industrial revolution. The ‘low discretion’ jobs that dominated the era required workers to perform routine tasks, follow orders blindly, and trade material well-being for job enrichment and self-fulfillment (Yankelovich and Immerwahr, 1984). The ‘high discretion’ jobs that dominate now require creative, thinking, and involved workers. “The move to a high-discretion workplace has elevated the work ethic to a position of strategic importance. To the extent that managers can no longer stimulate effort through the existing reward system and through traditional methods of supervision, they must rely on the internal motivations of jobholders to guarantee high levels of effort and good quality work” (Yankelovich and Immerwahr, 1984 at 63).

THE SECOND LESSON: DEVELOP HUMAN CAPITAL

Colonial New England merchants and sailors had an economic drive founded on two Puritan concepts: work and community (Morone, 2003; Hopper and Hopper, 2009). To seventeenth-century Puritans, work was more than an individual's endeavor; it fulfilled a never-ending social and religious obligation or a sense of mission (Bercovitch, 1978; Damrosch, 2010). Puritans believed “it was each individual’s chore to work his arduous way into salvation” (Gitlin and Leibovitz, 2010). As a social obligation, work let townsfolk reciprocate the efforts of others and improve their community’s collective welfare. As a religious calling, work let townsfolk find their true stations in life (Foster, 1971). “Precisely because men labored for God and for gold (or status or honor), they had to emphasize continued working in their callings constantly: material needs or even the desire for riches might be satisfied at some finite point, God never” (Foster 1971 in 104).

Puritan society reflected its work-related valuing of collective efforts. On every day except Sunday, all older children and adults typically worked ten to twelve hours. Local ordinances required men to repair roads and to perform other civic duties. Adults encouraged children to define and pursue their own careers. Townsfolk prized collective welfare over both individual achievement and personal wealth (Ziff, 1973), which were only means to the end of social development. Investing in the local economy and contributing to charity were the accepted norms (Foster, 1971). “The Puritans owed much of their productivity to multiplex social relationships, in which persons are
linked in more than one context (neighbor, fellow worker, fellow parent, coreligionist, etc.)...The central property of a multiplex relation is that it allows the resources of one relationship to be appropriated for use in others” (Coleman, 1988 in 108-109). For example, the close personal ties formed in church, in town meetings, in school, in the militia, or in civic road-building brigades, allowed a Puritan farmer who had discovered some new method to quickly inform other farmers of the discovery (Jones, 1974).

The Puritans recognized the value of churches and schools in producing motivated and skilled workers (Adair, 1982; Morone, 2003). However, church and school played secondary roles to the family in molding the character and skills of Puritan children (Greven, 1977). The Puritans inculcated their children with religious norms and obligations (Morgan, 1944). By instilling an ethic of self-denial and of obedience to elders, they hoped to transform their children from "little animals" and "self-gratifying beings" into responsible adults (Greven, 1977 at 29).

The time and attention the Puritans devoted to their children created large stocks of human capital. For example, many parents devised rigorous educational and apprenticeship programs for their young children (Morgan, 1944); even seven- or eight-year-olds endured difficult apprenticeships that taught them a skilled trade and proper values. From such apprenticeships, children acquired an ethic that emphasized success regardless of personal cost (Greven, 1977). Success was more a community norm and a religious obligation than a mere personal value.

Figure 1
Puritan Work Ethic in Seventeenth Century New England

<table>
<thead>
<tr>
<th>Issues</th>
<th>Puritan Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>Work in general</td>
<td>A moral calling</td>
</tr>
<tr>
<td>The primary purpose of work</td>
<td>Individual religious growth and the furtherance of the common good</td>
</tr>
<tr>
<td>Choice of career path</td>
<td>God's predetermined plan, which one must accept and follow</td>
</tr>
<tr>
<td>Work-related social attitudes</td>
<td>Diligence and efficiency</td>
</tr>
<tr>
<td>Parental responsibility for a child's work status</td>
<td>An economically self-sufficient adult by the end of a child's education</td>
</tr>
<tr>
<td>Leisure</td>
<td>Periodic leisure to reinvigorate workers for more and better work</td>
</tr>
<tr>
<td>Personal wealth</td>
<td>A steward to advance the common good</td>
</tr>
<tr>
<td>Profiteering</td>
<td>No unrestrained profiteering</td>
</tr>
<tr>
<td>Conspicuous consumption</td>
<td>Contempt of luxury and waste; praise of &quot;honest parsimony&quot;</td>
</tr>
<tr>
<td>Personal debt</td>
<td>A source of shame</td>
</tr>
</tbody>
</table>

APPLYING THE SECOND LESSON

The early Puritans prospered because they created and retained human capital. Likewise, marketing managers should encourage senior employees to become mentors to junior workers. Mentors serve many useful functions. They provide coaching, protection, exposure, visibility, and challenging assignments. They also serve as role models, friends, and counselors (Kram and Isabella, 1985). Protégé’s are more successful, more satisfied with their jobs, and more loyal to their firms (Dreher and Ash, 1990; Logan, 1984). Clearly, firm productivity and profitability increase when employees perform better, are more satisfied and have high level of morale, and require less frequent replacement (Aaker, 2008).

Because relation-building activities, such as attending the same church or civic functions, no longer occur naturally (Putnam, 2000; Putnam and Sander, 2010), firms must foster multiplex social relationships among employees. Without such relationships, firms cannot encourage collective entrepreneurialism, i.e. team efforts (Dahl, 1984). Historians often overlook stories of collective entrepreneurship, such as Puritan efforts to build towns, schools, churches, and a flourishing overseas trade. The employees most enmeshed in networks of coworker relationships have the most positive attitudes toward their firm and job (Lincoln, 1989). Despite conventional wisdom about rugged individualism (Reich, 1990), U.S. workers appreciate their firm’s efforts to create a ‘happy family’ via picnics, sports teams, newsletters, and the like. Company efforts to foster networks of coworker relationships will be both productive and well-received.

Robert Reich (1991) argues that the goal of today's global manager is “to exploit the opportunities created by the high-powered technologies of worldwide communication and transportation and by relaxation of national controls
over cross-border flows of capital. The global manager efficiently deploys capital all around the world, seeking the highest returns” (Reich, 1991 at 78). He goes on to say that in a commercial world without loyalties to company, to community, or to country, the national goal should be “to get global managers to site good jobs [i.e. the highest value-added jobs] in the United States” (in 78). Because the highest value-added jobs consume much human capital, continued economic success depends on the continued development of human capital.

THE THIRD LESSON: DISCOVER AND USE YOUR COMPETITIVE ADVANTAGE

Although they were pleased to escape the political and religious oppression of Britain, the Puritans continued to prefer British-made clothing, food, utensils, and household furnishings (Bailyn, 1955; Morone, 2003; Rutman, 1965). Early on, they paid for these imported goods with money they earned from sales — food, livestock, lumber, and land — to the thousands of new immigrants who were arriving each year (Morgan, 1958).

In 1638, the English Puritans, under Cromwell's leadership, chose to create their perfect church in England rather than in New England. When the annual flood of new Puritan immigrants slowed to a trickle, so did indigenous trade with new immigrants; New England experienced seven years of severe economic depression (Gottfried, 1936). Puritan leaders feared that a New England with no new source of income would remain a cultural backwater.

Relative to their Spanish rivals in the New World, the Puritans were disadvantaged: the Spanish had cheaper labor, more precious raw materials, and more financial capital. The Puritans found only a virgin wilderness in New England, not the cities of silver and gold the Spanish Conquistadors found in Mexico and Peru. The Massachusetts Bay Company paid the few available laborers of lightly populated New England comparatively high wages. Much of New England's mineral wealth was inaccessible through existing extraction methods.

The Puritans were even more disadvantaged relative to the British. In addition to having competitive disadvantages in materials and labor, the Puritans also had a less developed commercial infrastructure. The colonial setting precluded independent banks and a single currency; therefore, interest rates were exorbitant and investment capital was scarce. The industrial capabilities of the Puritans were primitive at best, and their water-based transportation was crude and inflexible.

Despite high costs and inferior commercial infrastructure, the Puritans needed a way to achieve economic success. Under British mercantilism, each colony produced and exported raw materials for British use. The Southern colonies, such as Virginia and South Carolina, produced indigo, tobacco, and other semitropical agricultural goods. Not blessed with the South's climate, the Puritans adopted a different strategy for economic survival (Chan and Mauborgne, 1999). They turned their inwardly-focused agrarian society into an export-oriented society (Morgan, 1958). In the early 1640s, Boston merchants and shippers began exporting fish, foodstuffs, raw lumber, and wooden goods to Southern Europe and the Wine Islands. In the late 1640s, other New England merchants began to export these goods and finished leather goods to the West Indies. Thus, New England became a corner in the new triangle of trade between the West Indies and London (McCusker and Menard, 1985).

Figure 2
International Trade: New England versus Other New World Colonies and Britain, 1640 to 1660

<table>
<thead>
<tr>
<th>Economic Resources</th>
<th>Other Non-British Colonies</th>
<th>Britain</th>
</tr>
</thead>
<tbody>
<tr>
<td>Size and wages of labor force</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Industrial base</td>
<td>+</td>
<td>-</td>
</tr>
<tr>
<td>Transportation system</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Natural Resources</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mineral resources easily exploited</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Easily grown, high-price farm export (e.g., West Indian sugar)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Large land mass and fertile soil</td>
<td>-</td>
<td>+</td>
</tr>
<tr>
<td>Large internal water system of rivers and lakes</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Ocean seaports</td>
<td>+</td>
<td>-</td>
</tr>
</tbody>
</table>
Commercially viable offshore fishing  +  -
Disease-free/famine-free environment  +  -
Temperate climate  +  -
**Human Capital Resources**
Percent of middle-class immigrants  +  +
Percent of European immigrants  +  -
Community ethos (church and community participation encouraged)  +  +
Universal and affordable educational system  +  +
Concept of individual work tied to religious calling and community service  +  +
Large and sedentary native population  -  -
**Social Capital Resources**
Access to overseas financial credit  +  -
Personal ties to European merchants  +  -
Personal ties to merchants in other colonies  +  -

Key: + = comparative advantage for the Puritans
      - = comparative disadvantage for the Puritans

Sources: Lockridge (1970), Morgan (1975), and Ziff (1973)

Elected officials encouraged the growth of New England's export trade by granting tax and land incentives to those who launched export ventures (Gottfried 1936). For example, local residents who entered the fishing industry received free land and had their property taxes reduced (Vickers, 1984). In addition, regulations ensuring product quality and product uniformity made Puritan goods more attractive (Gottfried, 1936; Rutman, 1965).

Profits did not come from the exploitation of skilled artisans, for merchants paid well. In fact, wages increased after artisans formed exclusive guilds. Good pay entitled these merchants to demand long and hard hours from artisans, as well as uniform (semi-processed or full manufactured) goods of high quality. The higher demand for these superior goods compensated for the additional labor costs.

In the short run, the Spanish strategy ─ sending small groups of upper-class administrators, middle-class bureaucrats, merchants, and church prelates to exploit the mineral resources and cheap unskilled labor of Latin America ─ produced huge returns. Unfortunately, so small a group of European immigrants could not foster human capital in the native societies of colonial Latin America (Morgan, 1975). The failure to overcome cultural barriers kept native Latin Americans from developing human capital and ultimately doomed the Spanish strategy for both Spain and Latin America; inadequate stocks of human capital continued to impede economic development in Latin America after 1800 (Prado, 1967).

Compared to the few entrepreneurial, professional, or skilled Europeans who came to the Latin American colonies, thousands of such newcomers came to New England (Bailyn, 1955; Morgan, 1975). Few male Puritan immigrants of the late 1630s were single young adults, whereas this was the dominant group of European males who came to colonial Latin America (Breen, 1980). Instead, many Puritan males were married and older than thirty. They came from urban areas (especially seaport towns or regional trading centers), and they were either skilled artisans, small businessmen, or technologically-competent farmers.

The Puritans outperformed the Virginia colonists for several reasons. First, the Puritans’ social character and demographics gave them an advantage. Before 1650, many Virginia colonists were opportunistic males who sought to make quick fortunes and return to London (Morgan, 1971); hence, they preferred speculative ventures to farming and indulged in personal vices. In contrast, the work-oriented Puritans immigrated as entire families (Foster, 1971). Second, Puritan communities quickly prospered because the values of local officials matched the values of local merchants and farmers (Breen, 1980). Absent this match, Virginian communities lagged. Finally, luck favored the Puritans, as the deadly semitropical diseases that thrived in Virginia could not breed in the cooler New England climate (Morgan, 1975).

International trade created economic opportunities for local, middle-class Puritans (Gottfried, 1936; Rutman, 1965). The resulting wealth was not concentrated in the hands of an elite class, as was wealth in colonial Latin America; rather, it was evenly distributed among the Puritan upper and middle classes. For example, in the early
1700s, one-third of the adult males in Boston owned stock in ships engaged in overseas or coastal trade (Henretta, 1965).

Human capital (i.e. job skills and knowledge) and a unified vision do not entirely explain the Puritans’ economic success. Many London merchants, who hoped to capitalize on the booming New England economy, settled in Boston. Once they established themselves in Boston, their strong ties to the London business community gave them ready access to cheap credit and information about overseas markets (Bailyn, 1955; Rutman, 1965). As all British colonies in the Americas suffered from chronic shortages of financial capital, credit from suppliers was critical (Price, 1989).

To facilitate trade between Jamaica and Boston, many young Bostonian merchants moved to the West Indies (Bailyn, 1955; Rutman, 1965), learned about local markets, and formed strong personal ties with local sugar producers. As a result, New England became the major rum and sugar distiller of the continental colonies (McCusker and Menard, 1985).

**APPLYING THE THIRD LESSON**

From this chapter of Puritan history, U.S. marketing managers should learn that the need for a strong export trade is not new. Had the Puritans failed to export their goods, or had they not served effectively as international middlemen, colonial America would have floundered. Thus, success in international markets has a central place in U.S. history.

Development of human capital does not stop at the U.S. border. In early Boston, many merchants held human capital in the form of a European education and training in the London merchant community. In contrast, relatively few modern U.S. managers are educated overseas. Overseas assignments may improve a manager’s ability to plan, anticipate new business trends, and communicate with persons of other backgrounds.

To succeed, firms must create and hold the proper long-term values, clear visions, and positive images, which consolidate the integration of firm resources and goals as well as help them retain and increase their competitive advantage (Hatch and Schultz, 2001). Robert D. Haas, the chairman and CEO of Levi Strauss & Co., believes that “a company's values ─ what it stands for, what its people believe in ─ are crucial to its competitive success. Indeed, values drive the business” (Howard, 1990 at 134). These values must be shared by management and labor. “[H]ealthy organizations are coherent communities whose personalities, capabilities, and attitudes are consistent with their acts, while unhealthy organizations either lack this coherence, or...aspire to it against overwhelming opposition...all too often from management” (Thorbeck, 1991 at 53).

Finally, Boston merchants succeeded because of their network with London businessmen. Likewise, U.S. firms rely increasingly on ‘dynamic networks’ (Miles, 1989) and intra- or inter-firm synergy (Aaker, 2008). In a dynamic network, “several organizations [are] hooked together for perhaps only one product 'event'” (Miles, 1989 at 17). Dynamic networks are more flexible and more efficient than “a single organization with design, engineering, manufacturing, distribution, and sales under one corporate roof...[because] firms can introduce more new products faster if they are not bound by the capacity of their own plants, engineers, or distributors” (Miles, 1989 at 17, 20).

However, the ‘coordinator’ of a dynamic network will assume the blame for shoddy workmanship by network partners. The ‘coordinator’ reduces its risk that key components will be either unavailable or of poor quality when networked organizations share social capital. All these works help firms achieve super-additivity in economic performance. That is, the holistic advantages generated from well-integrated firm resources and goals will exceed the sum of individual or departmentalized competitive advantages.

**CONCLUSION**

History matters to more than comprehending underlying economic processes, factors, and mechanisms; it also helps in avoiding past mistakes and enabling U.S. firms to retain or even increase their global competitive advantage. U.S. firms’ long-run success depends on marketing managers’ ability to select good strategies. By studying history, marketing managers may uncover better strategies for their firms. After all, we benefit from hindsight when we study history; when we take a historical perspective, we often uncover the hidden issues and solutions that escape our routine, historically myopic attention.

Prior to 1640, Puritan culture succeeded because it emphasized democracy and local autonomy, a strong work ethic, and the creation of human and social capital. After 1640, New England succeeded because of its long-term values, a vision shared by management and labor, a fair distribution of profits, copious high-quality exports, and
nonlocal social capital. Thus, the early economic success of the U.S. did not rest on its being the world's wealthiest nation, nor did it depend on a large supply of cheap, unskilled workers, nor did it spring from an unlimited abundance of natural resources. Historically, the enduring competitive advantage of the U.S. has been its human and social capital.

Japan's post-war economic success (Herbig, 1995a,b; Ouchi, 1981) and China’s most recent economic ascendancy (Yan, 2013) are due, at least in part, to the human capital created by the coordinated efforts of their social institutions. The economic legacy of the Puritans suggests neither is unique. The coordinated social institutions of seventeenth-century Puritan society produced a cornucopia of human capital. Parents prepared each child for schooling by endowing him or her with basic learning skills, strong motivation, and self-discipline. Only the best teachers, hired and paid by town governments, further educated each child. The church provided basic moral training and reinforced moral lessons learned at home and at school. By working together, these institutions — family, school, and church — cultivated a highly motivated and educated work force.

To satisfy their human capital needs, U.S. firms must coordinate social institutional efforts that create human capital. After all, companies do not hire workers who are *tabulae rasae*; companies develop the human capital already created by parents at home, teachers in secondary schools, trainers in government training programs, and so forth. Because U.S. firms lack the resources to fulfill their human capital needs single-handedly, they must become the *channel captains of human capital*; in this role, they must encourage and guide other nurturers of human capital. For example, top business schools such as Harvard and N.Y.U. have changed their curricula at the behest of U.S. business.

In 1620, the Puritans arrived on the shores of the New World aboard the Arabella, and brought with them the seeds of a mighty and prosperous nation. In 2014, U.S. businesses are ready to restart their Arabellas in a renewed quest for international and domestic markets. Will modern U.S. marketing managers have the courage and vision to relaunch their Arabellas in the spirit of the Puritans? Only time will tell.

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COMPLEXITY IN MARKETING SIMULATIONS: MIGHT SIMPLER BE BETTER

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ABSTRACT

For years, the trend for marketing professors has been to utilize continually increasing complexity within electronic simulations. Increasing complexity is considered desirable by many professors and students for its increased realism. In chasing this complexity, however, marketing professors are sacrificing the ability to demonstrate the effects of any one specific variable on business outcomes independent of other variables. This research calls for a research stream to challenge conventional wisdom by critically examining the relative advantages of simple and complex simulations. As a starting point, this research empirically tests MBA students’ perceived learning after experiencing a complex simulation as compared to a simple simulation that only incorporates a single marketing variable.

INTRODUCTION

Marketing professors have long embraced the benefits of active, experiential-based learning techniques (Zych, 1997). Cannon and Feinstein (2005) suggest that experiential learning reaches both higher and lower levels of Bloom’s taxonomy by adding a level of flexibility that permits the learner to use acquired knowledge to solve new and unexpected problems. It would appear that the desire to gain the benefits of higher levels of learning has led some educators to embrace experiential learning modalities. With significant enhancements in technology over the last couple of decades professors have had the opportunity to provide experiential learning through the addition of marketing simulations into their curriculum.

Electronic simulations require students take an active role in making decisions that simulate the real world. Students engage in dynamic decision-making and they can receive quick (sometimes immediate) feedback on their decisions. Using an electronic simulation, students are free to learn, therefore, both from their success and from their mistakes without incurring real world consequences.

As a pedagogical tool, simulations offer a variety of advantages. Among its educational benefits, electronic simulations allow students to apply theoretical concepts and to integrate these concepts across business disciplines (Faria and Wellington 2004). Simulations also allow students to develop teamwork skills and to facilitate students’ decision-making experiences (Faria and Wellington 2004).
As marketing professors have increasingly incorporated electronic simulations into their course requirements (Tonks, 2005), they have demanded progressively greater simulation complexity (Teach and Murff 2008). Their argument is that the greater complexity of a simulation, the more accurately that simulation will “simulate” the extreme complexity of the real business world. These demands have resulted in complex, large-scale simulations known as “total enterprise simulations” that require students make a series of multifaceted decisions (typically over several weeks).

Contrary to current trends, however, Teach and Murff (2008) propose marketing simulations would offer greater value by providing more simplicity – not complexity. They suggest marketing professors revise their curriculums to incorporate a series of short simulations focusing on a single variable or on very few variables.

Teach and Murff (2008) acknowledge that a large complex simulation offers enhanced realism. They suggest, however, that complexity could simultaneously obscure specific principles the student should understand in order to solve problems. The sheer number of input variables, a key component of mirroring reality, might conceal the effect of a change in an independent variable on the result. Without a clear understanding of the specific relationship of one, of two, or of a few variables, the student may see results in the context of a game of chance rather than the result of a strategic decision.

Assessing the legitimacy of Teach and Murff’s (2008) assertions will require substantial empirical testing. Since previous research, however, has yet to provide such empirical studies, extensive exploration into understanding the educational benefits of complex marketing simulations as compared to simple marketing simulations is severely needed. This research, therefore, calls for much more critical testing of the wisdom of the ever-increasing demand for complexity within marketing simulations. In so doing, this research provides an initial empirical test as a starting point. Using graduate business students this research compares student perceived individual and group learning between more complex and less complex simulations. A one-shot simulation (completed in one class period) and a complex total enterprise simulation (completed over several weeks) were compared.

The current literature does illustrate other advantages of simple simulations as compared to complex simulations. Faria and Wellington (2004) surveyed a number of professors who had stopped using simulations in their courses. Two of the top reasons cited were a negative relationship between the time involved and the benefits derived from the simulation, and use of software that was too complex for their student population. A simple simulation would typically offer advantages in each of these areas. In examining long simulations with multiple decision times, Patz (2001) found that students who achieved the most successful results in the early rounds often put themselves in a position to dominate their competitors throughout the remaining rounds of the simulation. Patz (2001) questioned how students learned from the simulation experience after the initial few rounds as a result of this domination effect.

Fraser (1986) suggested that a series of one-shot simulations could be helpful in group leadership. He noted that the “team leader” in a total enterprise game is frequently the student with the strongest personality, particularly if the other team members are generally quiet and/or non-confrontational. A series of games offers multiple leadership opportunities, thus enhancing the learning experience for each team member. Student perceived learning has been shown to offer valuable insights into the students’ actual
learning. Gosen and Washbush (1997, 1998), for example, suggested eight student characteristics most likely to be related to simulation performance, two of which were perceptions toward the simulation, and perceptions about simulations as learning tools. Other research studies have examined student self-perceptions of learning from a variety of perspectives. Lizzio, Wilson, and Simons (2002) demonstrated that student self-perceptions of learning were enhanced when students viewed their environment and their learning activities as being conducive to learning. Other variables that might seem equally important have demonstrated inconclusive findings on simulation outcomes. Simulation complexity, for example, does not seem to be a good predictor of individual student performance. Wellington, Faria, and Hutchinson (2007) demonstrated that students who outperform their peers on a more simplistic simulation will typically outperform their peers on a more complex simulation.

HYPOTHESES

The simplicity of a one-shot simulation highlights the effects of one variable, thus clarifying a specific marketing concept. Students who participate in a simple one-shot simulation, therefore, should perceive greater content-specific learning. Students participating in a complex total enterprise simulation should perceive greater integration-specific learning. With a range of decisions and outputs, students should perceive greater value in a group process with the complex simulation as opposed to a simple simulation.

H1. Student will perceive more content learning in a simple simulation targeted at a single issue than in a complex simulation with a broader scope.

H2. Student will perceive a broader array of concept learning in a complex simulation than in a simpler simulation with fewer variables.

H3. Students will perceive greater value in group learning when completing a complex simulation in groups rather than in a less complex simulation.

METHODOLOGY

This study compared a complex simulation, CapSim to a simpler simulation, Universal Rental Car. CapSim (a product of Capstone Management Group) is a complex total enterprise simulation with a marketing component along with other business functions. Students can make up to 8 business decisions. The simulation includes ten different success measures and the decisions of each team affect the results of all other teams. This study examined only CapSim’s marketing component as students made a series of decisions over several weeks.

Universal Rental Car focuses on competitive pricing, new product decisions and target market decisions. Students can play against the computer or each other or both. The one class period simulation (a product of Harvard Business Publication) focuses on a single element of the marketing mix, pricing. Students competed against the computer in making decisions in 12 periods, so decisions made by one team do not affect the results of other teams. This format allows student to gain immediate feedback without having to wait on other teams to complete their decision making. Several success measures are used including profitability, market share, and customer satisfaction.
The sample consisted of 173 part time EMBA and MBA students at a mid-Atlantic university. All students participated in a simulation as part of a marketing course requirement. The students consisted of two groups, with 54 utilizing CapSim and 119 utilizing Universal Rental Car. CapSim participants submitted decisions over a series of multiple class meetings. Debriefing was conducted at the end of the semester. Students in the Universal Rental Car made all 12 decisions during one class. Debriefing was held the same day. Students in both groups participated in teams of 2-5 students.

All items utilized a Likert format with a 5 point scale that ranged from strongly agree to strongly disagree. The questionnaire consisted of two parts, one to assess perceived learning in marketing; and a second to determine perceived value with the group decision making process. Three items measured perceived learning in the marketing discipline and three measured the perceived value of teamwork (see Table 1 for the items).

RESULTS

Overall results demonstrated a high perceived value in using simulations as learning tools within marketing. Students rated both simulations as effective learning experiences confirming the results of Lizzio, Wilson, and Simons (2002). All results were analyzed using a t-test. Hypothesis 1 anticipated that students would perceive more content learning in a simple simulation targeted at a single issue than in a complex simulation with a broader scope. The simple simulation was perceived to be powerful in increasing the students understanding of marketing concepts. The Universal Rental Car, strictly a pricing simulation, scored higher on the marketing question 1 and question 2, however, neither was significantly higher than the more complex game. Therefore, hypothesis 1 could not be supported.

As predicted, the CapSim simulation was perceived as significantly increasing marketing understanding as it related to other functions of a business. This result is intuitively appealing since a more complex integrated game should demonstrate the effect of marketing decisions on other business functions. Hypothesis 2, therefore, was supported.

Hypothesis 3 anticipated that perceived group learning would be enhanced in a complex simulation as opposed to a noncomplex simulation due to the more complex nature of the complex simulation. Examination of the mean scores for each group decision making question revealed no clear difference between the simulations. Students found the group work as productive in the complex simulation as the noncomplex. The hypothesis, therefore, was not supported.

CONCLUSIONS

Both simulations fared well on all tested dimensions suggesting that students found the experiential learning to be worthwhile. The results did not demonstrate MBA student perceptions of the overall learning experience were either higher or lower with simple simulations as compared to complex simulations. From an educational perspective, it is important to determine the objective of the simulation. The complex simulation fared
better on integrating decisions within the framework of the entire company, while the simpler simulation fared directionally better for single function decisions. From the perspective of learning objectives and time management, a complex simulation such as CapSim causes the student to invest more time in playing the game and thereby potentially limits the time available for other learning activities but provides a better insight into the effect of marketing decisions on the enterprise as a whole. The study results suggest that either format will yield positive outcomes. Success however, must be couched in terms of learning objectives. If the learning objective is topic specific, then a single issue simulation which can be completed in a single class period would seem to offer the most efficient simulation to use. However, if the objective is to demonstrate the relationship between marketing and other business functions, then a more complex simulation would be necessary. The results of this study suggest that student perceived learning is a function of course and student objectives as much as the complexity of the simulation.

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### Table 1
Results

<table>
<thead>
<tr>
<th>Questions</th>
<th>Simulation</th>
<th>Mean</th>
<th>SD</th>
<th>t-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Increased my understanding of the marketing concepts discussed in this course</td>
<td>Integrated</td>
<td>4.11</td>
<td>0.79</td>
<td>1.03</td>
</tr>
<tr>
<td></td>
<td>Single Topic</td>
<td>4.23</td>
<td>0.63</td>
<td></td>
</tr>
<tr>
<td>2. Increased my understanding of additional marketing concepts not discussed in this course</td>
<td>Integrated</td>
<td>3.80</td>
<td>0.92</td>
<td>1.67</td>
</tr>
<tr>
<td></td>
<td>Single Topic</td>
<td>4.00</td>
<td>0.65</td>
<td></td>
</tr>
<tr>
<td>3. Increased my understanding of how marketing is integrated with other business functions within an overall business structure</td>
<td>Integrated</td>
<td>4.54</td>
<td>0.79</td>
<td>2.42*</td>
</tr>
<tr>
<td></td>
<td>Single Topic</td>
<td>4.24</td>
<td>0.74</td>
<td></td>
</tr>
<tr>
<td>4. Group members increased my understanding of marketing concepts</td>
<td>Integrated</td>
<td>4.20</td>
<td>1.00</td>
<td>.322</td>
</tr>
<tr>
<td></td>
<td>Single Topic</td>
<td>4.16</td>
<td>0.71</td>
<td></td>
</tr>
<tr>
<td>5. Group led to our making better decisions</td>
<td>Integrated</td>
<td>4.30</td>
<td>1.10</td>
<td>.366</td>
</tr>
<tr>
<td></td>
<td>Single Topic</td>
<td>4.24</td>
<td>0.77</td>
<td></td>
</tr>
<tr>
<td>6. Group increased my understanding of developing a marketing strategy</td>
<td>Integrated</td>
<td>4.13</td>
<td>1.13</td>
<td>-.054</td>
</tr>
<tr>
<td></td>
<td>Single Topic</td>
<td>4.14</td>
<td>0.75</td>
<td></td>
</tr>
</tbody>
</table>

*Significant at the .05 level
FEELING ILL: GO SEE A DOCTOR (IN SINGAPORE OR COSTA RICA)
GLOBALIZATION IN HEALTH SERVICES

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Introduction

We do not normally associate the concepts healthcare and globalization. Healthcare seems to be all about the local—local doctor, local pharmacy, local hospital—while globalization conjures up images of manufactured goods and parts being shipped between a bewildering array of countries. Yet, a growing number of healthcare processes are proving to be as much about globalization as are imported Audis and exported Hollywood movies. Some of these developments are quite new, such as patients from the US traveling to India and Thailand for low cost, high quality heart surgeries, while others, such as the migration of skilled healthcare professionals from developing to developed countries have been around for decades. This essay examines one dimension of the internationalization of healthcare and the various factors contributing to it.

The first step is to clarify what exactly is meant by the phrase “the internationalization of health care.” For some readers, this may conjure up the work of organizations such as the World Health Organization (WHO), the division of the UN charged with coordinating and monitoring health issues for member countries. Its primary focus is on promoting public health initiatives and policies, and it pays particular attention to medical issues that cross national boundaries. For others, it may bring to mind comparisons between the health system in the US and other countries. TR Reid’s book The Healing of America and his PBS video Sick Around the World highlight several other national health programs in his quest to figure out what they are doing right (and the US wrong). Yet, as important as these two areas are, neither of them really captures what we mean here by this phrase.

As the examples in the opening paragraph suggest, a growing number of healthcare processes spanning the healthcare value chain—from provider to insurer, from production to delivery—are increasingly crossing national boundaries and entering the realm of international business transactions. Lawton Burns (2002) presents a five section model of the US healthcare value chain that consists of: a) payors such as the government, employers, and individuals; b) fiscal intermediaries such as insurers, HMOs, and pharmacy benefit managers; c) providers such as hospitals, physicians, and pharmacies; d) purchasers such as wholesalers and group purchasing organizations; and e) producers including pharmaceutical companies and medical device companies. While Burns developed this schematic to help explain the workings of the US healthcare market, the international of health care focuses on how more and more hospital, insurance company, physician, nurse, and patient transactions that were not too long ago all done domestically are now crossing national boundaries.

Using this value chain as an organizing principle, there are six primary ways in which healthcare is internationalizing: a) medical value travel in which patients travel from one country to another for healthcare; b) clinical and non-clinical offshoring in which physicians, medical offices, hospitals and pharmaceutical companies offshore an array of processes and services including, research and development, medical transcription and telemedicine; c) cross border movement of skilled healthcare professionals such as physicians and nurses; d) the establishment of medical education facilities in new
countries such as Qatar and the United Arab Emirates; e) the emergence of multinational hospital and insurance companies; and f) the continued internationalization of healthcare supplier firms including pharmaceutical, information technology, and medical device companies. This essay focuses on the first of these, medical value travel (or medical tourism), and it examines the steps taken by two similarly sized countries—Singapore and Costa Rica—to promote this rapidly growing, skill intensive sector.

**SECTION 1: SO, WHAT IS MEDICAL TOURISM?**

Let us begin by defining the concepts of medical tourism and medical value travel more precisely. The terms medical tourism and medical value travel are frequently used interchangeably. Historically, the term medical tourism emerged to describe the number of elective, cosmetic surgical procedures patients received in other countries: often, these procedures were bundled with stays in resort hotels and visits to a beach. However, over time, the range of procedures evolved into more serious, non-elective medical care. This led to the emergence of a new, more descriptive term: medical value travel: here, the emphasis moved from combing care with a visit to a beach to focusing on cost affordable, high quality care. Thus, while the terms are interchangeable, medical value travel tends not to focus as much on elective, cosmetic care; the more popular term-medical tourism-can and does refer to both non-elective and elective care.

According to the Medical Tourism Association, a non-profit trade association, “Medical Tourism is where people who live in one country travel to another country to receive medical, dental and surgical care while at the same time receiving equal to or greater care than they would have in their own country, and are traveling for medical care because of affordability, better access to care or a higher level of quality of care. “Domestic Medical Tourism” is where people who live in one country travel to another city, region or state to receive medical, dental and surgical care while at the same time receiving equal to or greater care than they would have in their own home city, and are traveling for medical care because of affordability, better access to care or a higher level of quality of care” (Medical Tourism Association).

This definition emphasizes several key points. First, patients may travel between countries for medical care because of “greater affordability.” This helps differentiate the recent phenomena of medical tourism from the type of travelling for medical care that has long existed. For example, the United States has long supported a number of the world’s top hospitals (while the list is very long, the top would certainly include institutions such as the Mayo Clinic, the Cleveland Clinic, and the Johns Hopkins Hospital), in the world, and wealthy patients from countries lacking such medical expertise have travelled to these facilities for top quality care; but, this care was never inexpensive. The Mayo Clinic has a web page devoted to patients from other countries travelling to one of its three US facilities in Minnesota, Arizona, or Florida. While they work with patients from a number of countries, they are particularly accommodating to patients from Spanish, Portuguese, and Arabic speaking countries: they have detailed language specific documents and staff for patients from these countries. They also have information offices in several countries that provide help in scheduling appointments, coordinating the visit to the Mayo facility and in working with the billing and insurance offices.

The Cleveland Clinic also targets wealthy patients from abroad. They too have a special web section for global patients and they regularly provide services in Arabic, Spanish, Portuguese, Turkish, Russian, Japanese, French, Greek and Italian, and they will also provide complementary language help for many other languages when notified in advance. Yet, while the Mayo Clinic, the Cleveland Clinic and scores of other US health care institutions provide top quality care, it has long been expensive, and it is rapidly becoming increasingly more expensive.

**SECTION 2: THE ROLE OF PRICE**

Thus, medical tourism does not refer to the relatively small numbers of wealthy elites who have traditionally gone from poorer, developing or emerging market countries to more economically developed countries for medical care (e.g., from Saudi Arabia, Indonesia, and El Salvador to the US), but to the movement of ever growing numbers of patients from developed to developing (and some very cost competitive developed) countries and the significant cost differences are a necessary part of this process. Non-elective medical care is serious, and travelling long distances and to foreign countries and cultures does not make this process any easier. So, lower costs become a necessary pre-condition for this market to develop.
Table 1 overviews some of the significant cost differences for a range of surgical procedures between the US and several other countries.

Table 1: Comparative Cost Data for Select Surgical Procedures (2010)

<table>
<thead>
<tr>
<th>Procedure</th>
<th>US</th>
<th>Costa Rica</th>
<th>India</th>
<th>Thailand</th>
</tr>
</thead>
<tbody>
<tr>
<td>Heart Bypass</td>
<td>$144,000</td>
<td>$25,000</td>
<td>$5,200</td>
<td>$15,100</td>
</tr>
<tr>
<td>Angioplasty</td>
<td>57,000</td>
<td>13,000</td>
<td>3,300</td>
<td>3,800</td>
</tr>
<tr>
<td>Heart Valve Replacement</td>
<td>170,000</td>
<td>30,000</td>
<td>5,500</td>
<td>21,000</td>
</tr>
<tr>
<td>Hip Replacement</td>
<td>50,000</td>
<td>12,500</td>
<td>7,000</td>
<td>8,000</td>
</tr>
<tr>
<td>Knee Replacement</td>
<td>50,000</td>
<td>11,500</td>
<td>6,200</td>
<td>15,000</td>
</tr>
<tr>
<td>Spinal Fusion</td>
<td>100,000</td>
<td>11,500</td>
<td>6,500</td>
<td>14,000</td>
</tr>
</tbody>
</table>

Source: Medical Tourism Association

The data in Table 1 illustrate some of the huge differences in the cost of a wide range of surgical services. The gap is huge on both a percentage basis and in terms of the absolute dollars involved. For example, a bypass in the US will be quoted at nearly $150,000, an amount six times the average rate in Costa Rica, nearly nine time higher than the rate in Thailand, and over 20 times the average rate in India. These data do not include PPO discounts that US insurance companies typically receive. So, the typical PPO will negotiate a much lower payment rate for a heart bypass; but, it is often very difficult to find public listings of the rates that PPOs and other payors secure in their negotiated provider contracts.

SECTION 3: THE EQUALLY IMPORTANT ROLE OF QUALITY

Now, medical care, like many services, has long been less expensive in developing countries: so, lower prices do not explain why medical tourism emerged in the 1990s, grew rapidly in the 2000s, and is expected to continue its rapid growth over the next several decades. For medical tourism, lower prices are a necessary but not sufficient condition; patients from developed countries also require high confidence in the quality of care as well. As was noted above, for much of the 20th century, there was a significant gap between the top health care facilities in countries such as the US and the care available in lower cost countries. This began to change several decades ago, and by the 1990s and early 2000s, new facilities were emerging in an increasing array of countries that could provide very high levels of care for an expanding range of services—and, they could do this often for a fraction of what US facilities charged.

Unlike beauty, health care quality is not simply in the eye of the beholder. There are objective measures by which we can compare facilities, such as age, gender, and illness severity adjusted morbidity and mortality rates. Yet, trying to assemble and compare such data sets is not easy; early promoters of medical tourism, both at the association level and at the level of individual facilities, realized there was a need for an easier, more transparent way to assess quality across international health care facilities. For years, the Joint Commission for the Accreditation of Health Care Organizations (JCAHO) has assessed health care institutions in the US. This nonprofit association accredits US healthcare facilities according to an array of quality measures. In the 1990s, JCAHO realized there was a growing need for comprehensive quality assessments across countries and they founded the Joint Commission International (JCI) to bring the same accreditation standards used by JCAHO to its evaluation of facilities in other countries. Its first international accreditation was Hospital Israeleita Albert Einstein, a private, hospital in Sao Paulo, Brazil, in 1999. Since then, JCI has accredited over 300 health care organizations in 39 countries. While JCI is not the only organization active in international health care accreditation, it is arguably the most important; this importance derives in large part from the simple fact that American patients constitute a very significant total of the world medical tourism population. American patients, their employers, and their insurance companies are most familiar with and most trusting of their own accreditation agency, so JCI’s importance has grown as more and more Americans travel abroad for healthcare.

So, it is the combination of lower costs and high quality standards that underlie the emergence of medical tourism. Deloitte Touche released a detailed report on Medical Tourism in 2008 projecting that by
2017, over 15 million Americans would likely be travelling overseas annually for a range of medical and dental care; their upper bound estimate was for nearly 25 million overseas medical visits by Americans (Deloitte Touche, 2008, 3). In a 2009 update to their initial report, Deloitte found that the economic recession had a significant negative impact on the number of people travelling abroad for health care; but, they also emphasized that a number of factors continue to suggest that the number of people travelling abroad will continue to rise over this decade. A growing number of insurance companies are developing policies in cooperation with JCI accredited facilities overseas, and several US states have passed legislation facilitating such programs. Complementing these reimbursement and regulatory changes, several other factors are also combining to stimulate increase demand for overseas health care including the increasing sophistication of medical tourism companies that help coordinate pre and post US medical care with overseas care, the increasingly globalized US workforce, new telecommunication technologies that enable seamless and low cost communication to patients, providers and facilities across a wide range of locations, and low cost and convenient international air transportation.

So, a wide array of data suggests that medical tourism is set to continue to grow. But, thus far, we have examined this process almost entirely from the perspective of the US. Also of great interest is what countries are emerging to the fore in this market and why? Every continent has JCI accredited facilities now, though there has been particularly rapid growth in Mexico and Central America, part of Europe, the Gulf region of the Middle East, and South and South East Asia. Each region has specific factors that have contributed to their rise. For example, for Mexico and Central America, proximity to the US and large numbers of Spanish speaking patients throughout this region have played particularly important roles. For India, the diaspora of highly educated Indian physicians, who have worked abroad in Anglophone countries such as the US and the UK and who for family and culture reasons decide to return back to India, gives them a unique human resource advantage. Yet, interestingly, two countries-Singapore and Costa Rica-that have become very successful medical tourism destinations in their respective regions are relatively small in terms of population and size, but both are relatively developed, especially compared to their neighbors. Just as many countries would like to re-create their own versions of Silicon Valley, so too many view the development of a robust medical tourism market, with world class hospitals, physicians, dentists, and other health care professionals, as a good way to promote economic development. So, let us now examine how and why these two countries have developed their capabilities in medical tourism.

Section 4: Medical Tourism and the examples of Singapore and Costa Rica

While these two countries are quite different, there are interesting similarities that make a comparative study useful. First, both have relatively small populations: Singapore has roughly 5 million people, while Costa Rica has 4.2 million people. Singapore is only 275 square miles (it is really a city state), while Costa Rica is 20,000 square miles. For comparison, Mexico is 112 million people and 762,000 square miles; Malaysia is 28 million people and 127,000 square miles. Clearly, Costa Rica and Singapore are much smaller in terms of area and population than their nearby rivals: yet, despite their much smaller size, both countries have developed robust medical tourism markets.

Costa Rica currently has three JCI accredited hospitals: Hospital CIMA, first accredited in 2008, Hospital Clinica Biblica, first accredited in 2007, and Hospital La Catolica, first accredited in 2009. All three of these facilities are in or around the capital, San Jose. Currently, Mexico has 7 accredited hospitals and 1 accredited ambulatory care facility; and, no other Central American country has any JCI accredited facilities. So, Mexico, despite having a population nearly 30 times larger than Costa Rica has only four more JCI accredited hospitals: clearly, for its population, Costa Rica is unique in its geographical area.

Singapore, by contrast, has 13 JCI accredited hospitals and 5 accredited ambulatory care facilities. Its JCI accredited hospitals are: Alexandra (2005), Changi General Hospital (2005), Institute of Mental Health/Woodbridge Hospital (2005), Johns Hopkins Singapore Medical Center (2004), KK Women’s and Children’s Hospital (2005), National Heart Centre of Singapore (2008), National University Hospital, Parkway Hospitals-East Shore Hospital (2007), Parkway Hospitals-Glenelagles Hospital (2009), Parkway Hospitals-Mount Elizabeth Hospital (2006), Singapore General Hospital (2005), Tan Tock Seng Hospital (2005). Its ambulatory care facilities are: National Cancer Center of Singapore (2005), National Dental Centre of Singapore (2010), National Healthcare Group Polyclinics (2008), National Skin Centre (2007), Singapore National Eye Center (2009). Not only does Singapore have many more JCI accredited facilities
than Costa Rica, but many of its facilities were in the early wave of receiving JEI accreditation, and many have already received their follow up reaccreditation, a testimony to their on-going efforts to maintain high quality standards.

Singapore is really in a class of its own in terms of how many JCI facilities it has for the size of its population. India, with a population of 1.2 billion has only 16 JCI accredited hospitals, three more than Singapore. In a sense Singapore is quite different from countries trying to develop and promote medical tourism sectors because it is a developed country that is able to compete with low, though not the lowest, prices in the international medical tourism market.

So, why has this paper proposed comparing Singapore and Costa Rica? Well, apart from the fact that both countries have a much higher ratio of JCI facilities compared to any other countries in their regions, both countries also share a common approach to the development of a medical tourism cluster. Although JCI is accredited at the level of the facility, it is interesting that both of these countries have utilized similar private-public partnerships to bolster the overall international health care appeal of their markets. This approach has much in fact with Michael Porter’s work on cluster development and the competitive advantages that nations can develop. Porter has argued that even in a Thomas Friedmanesque “flat world,” clusters can develop in specific countries that play off a country’s unique development and fostering of four key variables: a) demand conditions (for healthcare, this would involve patients, both domestic and international who articulate clear and consistent standards regarding their health care treatments), b) factor conditions (for healthcare, this would include hospitals, doctors and other healthcare professionals, and businesses related to health and wellness), c) related and supporting industries (for healthcare, this would include medical schools, medical and pharmaceutical research centers, public and private universities, and the range of firms/markets related directly and indirectly to health care and international health care such as patient transportation services, travel agencies that specialize in medical tourism, and pharmaceutical services), and d) firm-level decisions regarding strategy and structure (for healthcare, this consists of the efforts of firms to develop valuable, rare, and difficult to imitate capabilities such as the ability to obtain international accreditation standards such as JCI) (Peng, 2009).

In 2003, Singapore’s Ministry of Health helped develop SingaporeMedicine, “a multi-agency government-industry partnership committed to strengthening Singapore’s position as Asia’s leading medical hub, and promoting Singapore as a world destination for advanced patient care”. Three distinct though related government agencies help support SingaporeMedicine: a) The Economic Development Board “promotes new investments and develops capabilities in the healthcare industry,” b) International Enterprise Singapore “facilitates the growth and expansion of Singapore's healthcare players overseas,” c) The Singapore Tourism Board “spearheads the branding and marketing of Singapore's healthcare services overseas, nurtures the medical travel market and promotes the development of overseas referral channels to strengthen the seamless delivery of quality healthcare to international patients” (SingaporeMedicine). Together, though the combined efforts of the individual facilities, the healthcare providers, and this unique public-private partnership, Singapore has transformed itself into one of the leading destinations for medical tourism. Healthcare remains a key growth area that the government hope to develop further, and its efforts will be coordinated through SingaporeMedicine.

• In Costa Rica, the government and the set of hospitals that were interested in developing their medical tourism potential jointly decided to form a public-private partnership called PROMED. As stated on its webpage, PROMED “coordinates the efforts carried out to ensure the quality of services provided by the private health industry in Costa Rica and their international promotion, with the intention of consolidating the country as a center for global medicine and a major destination for medical tourism”. The government and the private medical sector recognized that by collaborating they could better promote the development of this highly desirable sector. In addition to developing regulatory standards and working with international accrediting agencies such as JCI, PROMED also seeks to: Secure Costa Rica’s position internationally as a medical tourism and retirement destination based on high-quality medical services and the hospitality image that already distinguishes the country.

• “Ease the opening of new international markets by comprehensively promoting health and medical tourism.
• Support the efforts of health authorities to standardize medical attention services.

• Participate actively in the development of national strategies for promoting and attracting investment that benefits both industries.

• Educate and support the creation of a more highly professional and specialized human capital within the tourism and health industries to improve their competitiveness”.

PROMED is concentrating its efforts in three specific areas: a) medical treatments and surgical procedures, b) care for retirees, and c) wellness programs. Currently, PROMED consists of the following organizations: Clinica UNIBE, Costa Rica Medical Holding, Medical Services of Costa Rica, MED Travel Costa Rica, Health Choices Costa Rica, CIMA Hospital, Clinica Biblica Hospital, UCIMED, La Catolica Hospital Hotel, and Grupo Casa Conde.

In a FAQ on its website, PROMED provides a list of the healthcare and medical tourism activities that it is trying to connect and organize:

• Public and private hospitals
• Specialist’s clinics and doctor’s offices
• Businesses related to health and wellness
• Health professionals
• Boarding and lodging companies
• Travel agencies
• Tour operators who specialize in medical tourism
• Transportation companies
• Public and private universities
• Medical and pharmaceutical research centers
• Training centers with careers related to health and well-being
• Pharmaceutical companies
• Manufacturers of medical equipment
• Providers of healthcare industry materials
• Dental laboratories
• Pharmacies
• Clinical laboratories
• Medical tourism infrastructure developers

Each of these bullets can be fitted into the Porter Diamond discussed above. The first four bullets (public and private hospitals, specialist’s clinics and doctor’s office, businesses related to health and welfare and health professionals) are all examples of factor conditions. The remaining bullets connect most closely to the box in Porter’s Diamond concerning Related and Supporting Industries. Porter’s box on Firm Strategy and Structure is exemplified by the wide and growing range of connections between entities in the Factor and Related & Supporting Industry boxes.

While some of the details differ, there are significant overlaps between how Singapore and Costa Rica have both deliberately set out to develop and promote their capabilities in the rapidly growing area of medical tourism. In each case, public-private partnerships have played crucial roles in developing and fostering the broad environment in which a market such as medical tourism can flourish. In a world in which supply chains are becomingly more and more global, it is interesting to review an area such as medical tourism that shows the importance of cluster development and private-public collaboration. Michael Porter’s work on cluster development highlights how important geography and regional capabilities can be: the successful efforts taken by Singapore and Costa Rica in building up their medical tourism capabilities provides another example of how nations can improve their competitiveness.
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CASE STUDIES: SOUTHWEST AIRLINES, STARBUCK’S & DISNEY SOCIAL MEDIA CROSS-CASE ANALYSIS

Chon Holman
Tiffin University

ABSTRACT

Southwest Airlines, Starbuck’s and Disney social media case study analyzed each company’s social media presence and marketing strategies. Brands were chosen based upon corporate success and high social media consumer acceptance amongst online social media communities. The purpose of the case studies was to comprehend how Southwest Airlines, Disney and Starbuck’s used social media marketing to affect brand resonance (Loyalty, Attachment, Community and Engagement). The study seeks to identify social media marketing strategies successfully used to foster innovative branding and consumer emotional attachment within top companies.

INTRODUCTION

Southwest Airlines, Starbuck’s and Disney social media case studies analyzed brand social media presence and marketing strategies. Brands were chosen based upon corporate success and high social media consumer acceptance amongst online social media communities. All corporations possessed a strong social media following, cult branding and strongly utilized social media. Three different case studies were performed for each corporation. The case studies were conducted between March, 2014 and April, 2014.

The purpose of the case studies was to comprehend how Southwest Airlines, Disney and Starbuck’s used social media marketing to affect brand resonance (Loyalty, Attachment, Community, Engagement). The study seeks to identify social media marketing strategies successfully used to foster innovative branding and consumer emotional attachment within top companies. Corporations were selected based on meeting certain requirements including a cult brand following, significant target market revenue achievement, strong social media presence, innovative social media strategies and high social media rankings. These were determined based on customer-based brand equity. Three evidential sources applied: company, social media documentation in newspapers and journals; archival records of company and social media user statistical data, performances and records; and direct social media observations. The case studies were performed separately using cross case analysis between independent cases.

Individual case studies generated several common themes to social media success and brand resonance. All companies shared several themes that embraced direct social media consumer communications, listening, blogging, leveraging employees, social media servicing and marketing. Companies encouraged cult brand followers’ direct interaction instead of ignoring consumer feedback. All companies urged social media customer feedback online. Furthermore, companies fostered brand communities linking social media brand followers to each other eliciting emotions, connections, friendships and experience sharing.

Common social media practices surfaced as the answers how Southwest Airlines, Starbuck’s and Disney utilized social media while achieving emotional brand attachment. Practices were based on cross case findings and are not listed in any particular order of significance.

- **One on one engagement interaction via Facebook and Twitter.**
  Southwest Airlines, Starbucks and Disney strongly used one on one social media interactions to encourage sharing brand experiences, ideas and concerns. Key success factors were centered around directly responding to consumers on Facebook and Twitter.

- **Company one on one social media communication was casual.**
  All companies utilized casual tones when communicating with social media users. Direct company responses were short, casual and to the point.
• **Employee social media leveraging.** Numerous employees were leveraged on social media to encourage authenticity and realness. Employees shared behind the scene stories, information and job duties. Leveraging allowed employee connections to online brand consumers and cult brand followers building rapport.

• **Listening to social media consumers.** All companies were skilled at listening to social media users requesting feedback, comments, concerns and new ideas.

• **Social media servicing and marketing.** Social media teams responded to customer service issues or questions directly on Twitter or Facebook encouraging brand connections. Similarly, all companies participated in social media marketing, specials, promotions and exclusives.

• **Informational social media strategy.** Social media brand resonance was achieved by providing informative behind the scenes, employee daily life and exclusive company videos. Social media users were treated to these special videos telling the company story, how products were made or special company traits.

• **Community.** Social media communities connected brand lovers to each other allowing them to share experiences and commonalities. People sharing the love for the same brands were brought together. Community was defined as company fan bases such as Twitter, Facebook and YouTube.

Further in the case study in depth practices are disclosed with company descriptions, evidential information and cross case analysis.

**CASE STUDY PURPOSE**

Social media marketing has become the backbone to innovative marketing success. Consumers constantly log onto social media platforms to connect with family, friends and their favorite brands. Companies properly utilizing social media captured brand cult followings and emotional brand attachment. Consumers were brand loyal and drawn to instantly expressing themselves online. Smart companies constructed social media teams to capture consumer online marketing. What began as simple social media marketing turned into massive online followers, brand communities, loyalty, emotional attachment and increased revenue. Over the last 10 years several companies mastered social media marketing drawing in loyal customers and instant consumer feedback with smaller budgets. Southwest Airlines, Starbuck’s and Disney have proven themselves social media marketing gurus (Ranking, 2014). The case study research question was:

• *How are Southwest Airlines, Disney and Starbuck’s using social media marketing to affect brand resonance (Loyalty, Attachment, Community and Engagement)?*

**CASE STUDY DESIGN AND CRITERIA**

All case studies incorporated three evidence sources: company, social media documentation in newspapers and journals; archival records of company and social media user statistical data, performances and records (social media research data and rankings were extremely important) as well as J.D. Powers social media research findings; and direct social media observations on Facebook, Twitter, YouTube and company blogs.

Companies were chosen based on social media rankings, followers and public information research data results. For case study purposes social media companies were defined as companies or corporations leading their target markets, actively participating in social media marketing and possessing brand cult followers. Companies selected for the case study met certain criteria:

• A minimum of 3,000,000 Facebook likes
• A minimum of 1,000,000 Twitter followers
• A company blog
• Employed a social media team
• Actively engaged in social media marketing
Moreover, all companies were required to be listed on Fortune’s world’s most admired annual company list. Company list inclusions signified brand achievement, target market competitive advantage and strong understanding of key success factors. It was important companies were powerfully admired by consumers to establish emotional brand resonance solidifying the case study. The 2014 list ranked Starbucks number four, Walt Disney number seven and Southwest Airlines number nine (Fortune, 2014). High list rankings revealed consumers felt emotionally attached and safe with these companies.

COMPANIES

Starbucks Coffee Company

Starbucks Coffeehouse is the number one world wide coffee chain delivering tasty coffees, teas, foods and pastries. This specialty eatery boasts an inviting atmosphere where patrons are encouraged to meet, talk and visit with friends. The company provides free Wi-Fi at every location and custom makes each coffee order. Starbucks sells individual coffee products in store, retail and online. The company powerfully participates in social media marketing striving to connect with consumers, build community, brand loyalty and attachment (Starbuck’s Inc., 2014).

Southwest Airlines

Southwest Airlines is a 38 year old regional airlines based in Dallas, Texas. Although, Southwest Airlines is regional it’s listed as the ninth most admired company (Fortune, 2014). The airline is known for cheap fares, zero baggage fees, complimentary snacks and fun atmosphere. Seats are not reserved and the flying environment is casual. Southwest airlines were an adamant social media marketer encouraging direct one on one consumer communication via employee leverage. Southwest Airlines social media team was dedicated to inspiring emotional community and brand loyalty (McNeil, 2011).

Walt Disney Company

The Walt Disney Company is the world’s largest family entertainment and multi-media corporation. Disney’s segmentation includes media networks, parks and resorts, studio entertainment, consumer products and interactive media (Disney, 2014). Disney launched in 1920, as a cartoon studio and has grown to worldwide success. Disney holds over 1,000 social media accounts for Disney brand products. The corporation utilized social media to showcase behind the scenes footage, connect Disney lovers, communicate with fans and market products. Disney holds the most Facebook likes amongst all case study companies.

COMPANY SOCIAL MEDIA INFORMATION

Table 1

Table 1 displays three case study companies and social media rankings. Companies were selected based on target market success, social media rankings and world’s most admired company ratings. I specifically chose companies with high social media followers. Company representation was chosen across several industries providing unbiased cross case analysis. Industries were specialty eatery, regional airlines and entertainment. Ultimately, companies were chosen based on consumer social media emotional attachment and brand magnetism.
All case studies were performed independent of each other. Individual case studies were performed separately on Starbuck’s, Disney and Southwest Airlines. The case study sought to answer the research question and comprehend social media marketing and emotional brand attachment. Every part of the case research was performed separately and then cross case analyzed for common practices and unbiased results. Cross-case analysis consisted of assessing each individual case for common themes, characteristics or practices (Yin, 2009). Common characteristics were charted in word tables and again analyzed for mutual practices. Chosen characteristics held true across Disney, Starbuck’s and Southwest Airlines social media marketing practices.

**CROSS-CASE SYNTHESIS DISCOVERIES**

The cross case analysis method produced several common themes important to social media marketing. Table 2 details the characteristics of one on one social media engagement, casual communication styles, leveraging employees, corporate listening, social media servicing and social media marketing.

*Table 2: Successful Social Media Marketing Characteristics*

<table>
<thead>
<tr>
<th>Company</th>
<th>1 on 1 Social Media Engagement</th>
<th>Casual communication style on social media</th>
<th>Leverage employees on social media</th>
<th>Listens to consumers, desires &amp; feedback</th>
<th>Social media servicing</th>
<th>Social media marketing</th>
<th>Cross markets on all platforms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disney</td>
<td>✅</td>
<td>✅</td>
<td>✅</td>
<td>✅</td>
<td>✅</td>
<td>✅</td>
<td>✅</td>
</tr>
<tr>
<td>Starbucks</td>
<td>✅</td>
<td>✅</td>
<td>✅</td>
<td>✅</td>
<td>✅</td>
<td>✅</td>
<td>✅</td>
</tr>
<tr>
<td>Southwest</td>
<td>✅</td>
<td>✅</td>
<td>✅</td>
<td>✅</td>
<td>✅</td>
<td>✅</td>
<td>✅</td>
</tr>
</tbody>
</table>

**ONE ON ONE SOCIAL MEDIA ENGAGEMENT**

A common characteristic among the three case studies was one on one social media engagement. All companies directly used the phenomenon of engaging customers and social media followers. Corporations strategically employed social media employees to question and respond to followers. Social media engagement embraced sharing brand experiences, ideas and concerns. Companies directly responded to consumers on Facebook and Twitter. For instance, Disney replied to questions and comments on their Facebook page. Southwest Airlines regularly used one on one communication on Twitter and Facebook.
Several Twitter followers received direct answers to flight concerns. Southwest even retweeted consumer tags and direct communications. Starbuck’s answered numerous customer concerns and complaints via Twitter and Facebook. Customers were referred to specific telephone numbers addressing refunds, issues or comps.

*Figure 1: Starbucks Twitter Direct Response Example (Starbuck’s Twitter, 2014)*

**CASUAL COMMUNICATION STYLES ON SOCIAL MEDIA**

Another reoccurring theme was the casual nature of communication between companies and social media users. Companies direct responses to concerns and questions were typically short and casual. Due to the short length of tweets and posts casual responses fit. Casual communication traits were less formal encouraging emotional attachment, friendships and bonds. The casual communication style increased cult brand followers’ interpretation of companies as friends or family triggering emotional brand attachment.

For example, Disney viewed social media as a direct avenue connecting with fans. Disney took a casual stance when communicating on social media. Andy Mooney, the chairman of Disney Consumer Products revealed, “The tone and the content is more casual and insight-based and insider-based, especially for the most ardent fans of the franchises” (Warren, 2011). Southwest Airlines and Starbuck’s utilized casual responses on Twitter and Facebook as well. Direct observation of Southwest Airlines and Starbuck’s Twitter and Facebook revealed the same casual response phenomenon.

**LEVERAGED EMPLOYEES ON SOCIAL MEDIA**

Leveraging employees on social media was a major developing theme. Leveraging employees consisted of using numerous employees on social media platforms to follow up with customers or in social media marketing. In fact, employees were encouraged to participate in company social media via day in the life and demonstrations videos cross promoted on all platforms. Employees were instructed on social media interaction rules and regulations. Leveraged employees aided consumers in emotionally connecting to companies online.

Southwest Airlines used bag handlers and pilots for company day in the life videos. Southwest media specialist, Christie McNeil believed leveraging employees made Southwest’s social media communication authentic and real (Stelzner, 2011). Employee leveraging allowed consumers to see and feel company uniqueness and realness. Disney revealed it leveraged a variety of their TV personalities and talents to engage social media fans (Disney Social Media Index, 2014). In addition, Starbuck’s used employees on YouTube showcasing how to make coffee and employee on the job videos (YouTube, 2014).

**LISTENS TO CONSUMERS FEEDBACK**

Listening to consumer feedback was the first characteristic strongly emerging during cross case analysis. In all cases there was a major tendency toward requesting consumer feedback on Twitter,
Facebook or company blogs. In fact, on mystarbucksidea.com the corporation requests online consumer ideas, votes and discussions. Starbucks details follow up actions to consumer concerns. Southwest Airlines asks consumers to provide flight feedback by submitting comments, pictures and videos on Twitter and Facebook. Not only does Southwest listen to consumers it takes pride in responding. Likewise, Disney actively listens to fan feedback to products, entertainment and media on social media platforms. The company strongly considers social media listening imperative to success opening social media accounts for all Disney products.

**SOCIAL MEDIA SERVICING**

All three case studies revealed companies participated in social media servicing. J.D. Powers research firm suggested social media servicing was responding to customers’ questions and concerns. J.D. Powers found (67% of consumers) utilized social media servicing in comparison to (33% of consumers) using social media marketing (J.D. Powers, 2014). Among airline carriers, Southwest Airlines ranked second in both social media servicing and marketing (J.D. Powers, 2014). In addition, Starbucks’ Twitter and Facebook pages showcased countless displays of strong social media servicing. Starbucks’ individually responded to Twitter and Facebook complaints on social media. Disney did not actively participate in daily social media servicing, but the company occasionally answered questions or complaints on social media.

**SOCIAL MEDIA MARKETING**

Social media marketing was a general theme in each case study. All corporations used social media marketing for special events and promotions. Southwest Airlines marketed promotional sales on Twitter and Facebook. Disney marketed movies, media and park sales on Facebook. Furthermore, Starbucks took social media marketing to new heights. In 2013, the company launched #Tweetacoffee, a revolutionary marketing campaign allowing consumers to share coffee and gifts on Twitter. Tweet-a-Coffee permitted customers to give $5 gift cards to friends by placing "@tweetacoffee" and the friend's handle in a tweet. Customers linked their personal Starbucks account to Twitter and their credit card to that account (Starbucks.com, 2014). The Tweet-a-Coffee campaign was successful grossing over $183,000 and 27,000 users (Keyhole Research, 2013).

**BRAND RESONANCE SOCIAL MEDIA CHARACTERISTICS**

The cross-case analysis revealed specific brand resonance characteristic traits noted in all individual cases. Emergent categories were informational social media, company story explanations and building online communities. Informational social media delivered behind the scenes company stories, employees and brand information. Companies used YouTube for behind the scenes exclusive videos, interviews, press conferences and specials. Additionally, companies told their stories on social media. This was accomplished with blog pictures, videos, commercials and day in the life posts. This process helped explain to consumers how companies were different. Lastly, was the practice of community building. Companies believed communities connected brand lovers allowing them to share experiences. Communities brought consumers together sharing love of the same brand. Table 3 explores common traits within case study companies.

*Table 3: Company Brand Resonance Characteristics*
CONCLUSIONS

All companies in this cross-case study innovatively applied social media marketing practices. Companies chosen ranked amongst the top ten most admired companies in the world. In addition, companies ranked high on social media platforms Facebook, Twitter and YouTube. All corporations placed highly on social media marketing ratings scales. Companies were in different industries permitting unbiased cross case analysis. Company industries were specialty eatery, regional airlines and entertainment. Individual cross case analysis revealed numerous social media marketing practices companies utilized to build emotional attachment. Although in different industries companies shared common social media marketing strategies. Discovered practices were one on one social media consumer engagement, casual communications on social media, leveraging employees, listening to consumers, social media servicing and social media marketing.

One on one consumer engagement on social media encouraged consumer to business interactions. Companies desired consumer connections by listening to ideas, concerns or experiences. All corporations within the study directly responded to Twitter and Facebook comments. Companies stimulated engagement by using casual communications. Informal communications provided an online atmosphere of enthused social media followers. Employee leveraging was a huge theme amongst all cases. Employees strongly participated in social media platforms signifying authenticity and sincerity.

Equally, all corporations practiced social media listening requesting online feedback. Companies followed feedback with completed action response plans. Lastly, all corporations applied different methods of social media servicing and social media marketing. Each company strategized different forms of social media servicing and marketing. Strong customer service responses and marketing occurred across social media channels. Companies purposefully developed servicing practices and marketing campaigns to achieve social media development and brand attachment. They established emotional attachment using informational social media videos, vividly telling company stories and building brand communities.

A common success practice among these companies was executing all strategies together. Each company employed a variation of all practices permitting social media marketing coverage. Consumers received response, engagement, community, listening, realness and information. Social media marketing and brand resonance was achieved by collaborating on all practices. Success may not appear without applying all common practices.

<table>
<thead>
<tr>
<th>Company</th>
<th>Informational Social Media</th>
<th>Explains Company Story</th>
<th>Builds Online Community</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disney</td>
<td>Utilizes Youtube for behind the scene exclusive videos, interviews, press conferences &amp; specials.</td>
<td>Post pics, videos, day in the life and commercials to blog. Expresses to consumer how company is unique.</td>
<td>Connects brand lovers to each other. Brings people together sharing love for the brand including employees &amp; customers.</td>
</tr>
<tr>
<td>Starbucks</td>
<td>Utilizes Youtube for behind the scene exclusive videos, interviews, press conferences &amp; specials.</td>
<td>Post pics, videos, day in the life and commercials to blog. Expresses to consumer how company is unique</td>
<td>Connects brand lovers to each other. Brings people together sharing love for the brand including employees &amp; customers.</td>
</tr>
<tr>
<td>Southwest</td>
<td>Utilizes Youtube for behind the scene exclusive videos, interviews, press conferences &amp; specials.</td>
<td>Post pics, videos, day in the life and commercials to blog. Expresses to consumer how company is unique</td>
<td>Connects brand lovers to each other. Brings people together sharing love for the brand including employees &amp; customers.</td>
</tr>
</tbody>
</table>
It is recommended companies use all social media marketing practices to gain consumer brand resonance and emotional brand attachment. At minimum, companies should hire social media employees to perform social media servicing and social media marketing. Southwest Airlines, Starbucks’s and Disney were highly ranked on the world’s most admired company list. Their social media marketing key success factors are imperative to comprehending social marketing media strategies. This multi-case study revealed social media marketing success and brand resonance is built using a variety of common innovative practices.

REFERENCES


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MASON HAIRE AND THE ADDITION OF KEURIG

W. D. English
Texas A&M University – Central Texas

ABSTRACT

This is a redo of the famous Mason Haire Nescafe study, but with the Keurig single cup system included. It was hypothesized that the Keurig users would be seen as younger and more prosperous than the Maxwell House and Nescafe users. That hypothesis was supported.

The List and a Changed World

Here is the original list of seven items used by Mason Haire (Haire, 1950):

- Pound and a half of hamburger
- 2 loaves of Wonder bread
- bunch of carrots
- 1 can of Rumford’s baking powder
- 1 lb. can of Maxwell House Coffee (Drip Ground) or Nescafe instant coffee
- 2 cans Del Monte peaches
- 5 lbs potatoes

The grocery world has changed markedly in the 65 years since Dr. Haire created that list. Today, almost every item on that list has been transformed, sometimes radically. Consider:

* 2 loaves of Wonder bread: Aside from the fact that Wonder bread does not even exist any more, why would anyone need two loaves? But also consider what has happened to the bread category in general. At a typically large grocery store, I counted 60 bread SKUs. And note that this did not count the bread items produced by the in-store bakery.

* bunch of carrots: The grocery store of 1949 was a very different creature than the large grocery stores that most people shop at today. Grocery stores were usually small, almost neighborhood stores, often owned locally. A bunch of carrots would have been washed, but still with the green tops on the bunch. At the large grocery store where I shop, there were no ‘loose’ carrots with green tops. Everything was washed, cut, and put into a plastic bag. In that store could be found:
  - 1 lb. regular carrots
  - 1 lb organic carrots
  - 2 lbs regular carrots
  - snack pack, four 3oz packages in one unit
  - petite 12 oz
  - organic petite 12 oz
  - shredded carrots
  - 1 lb baby carrots
  - 1 lb organic baby carrots
  - 2 lbs baby carrots

These are 10 carrot options that in 1949 were not available. But today they are, and each option would say something different about the lady who bought them and the size, and wealth, of her family.
* baking powder: Very few people, and particular younger consumers, buy any baking powder.

* Coffee: Maxwell House, Nescafé, and added for this study, Keurig

* 2 cans of Del Monte peaches. Two cans?

* 5 lbs potatoes. Even potatoes are not the same. To buy a 5 lb sack of potatoes to fix ‘meat and potatoes’ was quite common. In 1949, probably the only ‘freezer’ item was ice cream. Not so, today. At a typically large grocery store, the following potato items were found in the frozen section for a total of 29 different frozen potato options:
  - Crinkle, 9 options (of brand or size)
  - Curly, 2 options
  - Hash Browns, 5 options
  - Patties, 2 options
  - Regular cut french fries, 5 options
  - Shoestring, 1 option
  - Tater Tots, 3 options
  - Waffle cut, 2 options

  Pretests of the questionnaire that tried to use 5lbs of potatoes showed that the respondents tended to focus on just that one item and declared that the shopper must be poor and have a large family.

**THE LIST AND QUESTIONNAIRE FOR THIS TEST**

In addition to revising the list of items, three objective questions were asked. It was hypothesized that the Keurig users would be seen as younger and more prosperous. Therefore questions were added that would provide objective answers to these issues.

It was also found that a grocery list of only 7 items to be selected was generating a lot of commentary. Sixty-five years ago, the neighborhood grocer was indeed your neighborhood grocer. Today, to run in and only buy 7 items struck many as strange, so a statement was added to try to make a seven-item list seem more plausible.

The actual questionnaire with the revised list is shown on the next page:
This is a very short questionnaire. It is totally anonymous and should take under five minutes.

Please read the shopping list below. A woman made a quick stop to pick-up a few last-minute items. Try to project yourself into the situation as far as possible until you can more or less characterize the woman who bought the groceries.

**Shopping List**
- pound and a half of hamburger
- loaf of sandwich bread
- package of carrots
- box of Arm & Hammer baking soda
- 1 lb. can of Maxwell House Coffee (Drip Ground) [or Nescafe instant coffee, or Keurig]
- can of Del Monte peaches
- head of lettuce

Regarding this woman:

1. Please provide any thoughts or descriptions you might have about this woman and her house:
   
   ____________________________
   ____________________________
   ____________________________
   ____________________________

2. Your estimate of her age: ____________

3. Your estimate of the income of her family: ____________

4. On a 1(worst) to 10(best) scale, please rate the attractiveness of this woman: ____________

Thank you so much for your time.

If you have any questions, please contact Dr. W.D. English, supervising professor
w.english@ct.tamus.edu
254-541-6348
THE RESULTS

As seen below, the Keurig user was described as younger, richer and more attractive, compared with the other two coffees. (The sample size was n = 50 for each coffee.)

<table>
<thead>
<tr>
<th></th>
<th>Avg Age</th>
<th>Avg Income</th>
<th>Avg Attractiveness</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maxwell House</td>
<td>35.0</td>
<td>$38,818</td>
<td>6.6</td>
</tr>
<tr>
<td>Nescafe Instant</td>
<td>35.2</td>
<td>$33,840</td>
<td>6.3</td>
</tr>
<tr>
<td>Keurig</td>
<td>32.9</td>
<td>$43,739</td>
<td>6.9</td>
</tr>
</tbody>
</table>

SINGLE MOMS

Some of Mason Haire’s most interesting comments came from his analysis of the descriptions of the women who bought the various lists. In this current effort, it was interesting to note the number of times that “Single Mom” was specifically mentioned. (The sample size was n=50 for each coffee.)

<p>| | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Maxwell House</td>
<td>5 mentions</td>
<td>Single Mom</td>
<td>(10%)</td>
</tr>
<tr>
<td>Nescafe Instant</td>
<td>6 mentions</td>
<td>Single Mom</td>
<td>(12%)</td>
</tr>
<tr>
<td>Keurig</td>
<td>1 mention</td>
<td>Single Mom</td>
<td>(2%)</td>
</tr>
</tbody>
</table>

PROJECTIVE TEST TRIVIA

One of the assumptions of all projective tests is that the respondents ‘project’ themselves into the situation. For fun, I gave this same Mason Haire redo survey to a small class of seniors at church. Although the results were generally consistent with the former results, look how much older these senior respondents visualized the shopper who bought the list. (The original results have been included for comparison.)

<table>
<thead>
<tr>
<th></th>
<th>Avg Age</th>
<th>Avg Income</th>
<th>Avg Attractiveness</th>
</tr>
</thead>
<tbody>
<tr>
<td>orig Maxwell</td>
<td>35.0</td>
<td>$38,818</td>
<td>6.6</td>
</tr>
<tr>
<td>seniors Maxwell</td>
<td>61.0</td>
<td>$30,000</td>
<td>5.0</td>
</tr>
<tr>
<td>orig Nescafe</td>
<td>35.2</td>
<td>$33,840</td>
<td>6.3</td>
</tr>
<tr>
<td>seniors Nescafe</td>
<td>47.0</td>
<td>$23,067</td>
<td>6.0</td>
</tr>
<tr>
<td>orig Keurig</td>
<td>32.9</td>
<td>$43,739</td>
<td>6.9</td>
</tr>
<tr>
<td>seniors Keurig</td>
<td>48.5</td>
<td>$54,250</td>
<td>5.5</td>
</tr>
</tbody>
</table>

CONCLUSION

It is a changed world, and it is an especially changed grocery store from 65 years ago. As a consequence, many items from Mason Haire’s original grocery list had to be changed, although it was always the intent to follow his list as closely as possible.

As hypothesized, the Keurig users were seen as younger, more prosperous, and more attractive than the users of the other coffees. It would be interesting to redo this test of the three coffees with list items that were selected to infer a rich family perhaps with small children, or a large family with multiple mouths to feed.
REFERENCES


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