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# SKYLINE BUSINESS JOURNAL

# GUEST EDITORS

## Gouher Ahmed, Naseem Abidi & Mohit Vij

**Prof. Gouher Ahmed**, PhD, PMP (PMI) USA, has been active over 20 years in various academic, social & business settings worldwide and consulting through North America, South Asia and Middle East. He has played a critical role in helping organizations formulate winning strategies, drive many change initiatives and improve business results and has received numerous Awards and Honors. Prof. Ahmed has accumulated over 125 publications in books, journals, book reviews, highly rated double blind reviewed conference proceedings and participated in 75 different international conferences as a presenter and a keynote speaker, organizer and chair in different International Conferences world-wide. His research publications are focused on international business, foreign trade, emerging markets, strategic leadership and entrepreneurship. He is currently Professor and Chair-Research at Skyline University College, UAE. He can be reached at: gouher@usa.net

**Prof. Naseem Abidi** is a Professor and Head of Quality Assurance at the Skyline University College, Sharjah, UAE, has over 25 years of work experience in government, teaching, research and academic administration in Business Schools. He holds Master of Science in Operations Research degree with university gold medal along with Master of Technology and Doctor of Philosophy degree in future studies and planning. He started his career as a software professional with Government of India and later moved to academics, and taught in leading business schools and universities in India, UK and UAE. Dr. Abidi has supervised doctoral theses and has published several research papers in reputed refereed international journals. His area of research and consulting interest includes, sustainability, economic efficiency, optimization, operations and sustainable supply chain management. He can be reached at: drabidi@yahoo.com

**Dr. Mohit Vij** is serving as Associate Professor in School of Business, Skyline University College, United Arab Emirates (UAE). Recipient of Canadian Scholarship from HEC Montreal, Canada, he has made significant contribution in tourism academia and his papers have been published in leading journals and books, national newspapers and tourism magazines. Dr Mohit has also been actively involved in tourism training projects for UAE Destination Management Organizations (DMOs) such as SCTDA (Sharjah Commerce and Tourism Development Authority), RAKTDA (Ras Al Khaimah Tourism Development Authority) and ATDD (Ajman Tourism Development Department). He was honored with Award for Excellence in Teaching 2017-18; 2011-12 and Award for Excellence in Services 2014-15. Before joining Skyline University College, Dr Mohit served as Head of Tourism Department (undergraduate courses) at Kurukshetra University, India, where he was instrumental in developing and launching Bachelor in Tourism Management (BTM) program.

# EDITORIAL

This special issue of Skyline Business Journal (SBJ) focusses on a broad range of articles from the discipline of ‘Managing Business in a Digital Age: Opportunities and Challenges’. The issue contains a collection of five papers from the “7th International Research Symposium of the SGBED”, (SGBED now renamed as Academy of Business Research & Practice) which was hosted by Skyline University College, Sharjah during 17-19 December, 2018 with the support of Government of Dubai & Emirates Airlines.

Digitization is impacting the aspects of businesses, institutions and society. Diffusion of new technologies such as mobile apps, cloud computing, artificial intelligence, big data, robotics, 3D printing, e-commerce, streaming and other web-based products and services have transformed the lives of people. Digital formats have become production and delivery of a wide range of goods and services. Given the dynamics of the digital age, special issue of Skyline Business Journal (SBJ) for 7th SGBED International Research Symposium, invited conceptual, empirical research papers, and case studies on the following themes:

- Advances in Digital Technologies and Development: Digital Technologies across Urban and Rural Communities; Agriculture, Manufacturing & Services; Health Care, Education; Tourism & Hospitality and Entertainment
- Knowledge, Human Capital & Data Management in a Digital Age: HR, Intellectual Capital, Technology Management, Technological Forecasting & Big Data;
- Entrepreneurship, SMEs, Micro Enterprises in a Digital Age: Mobile Technology, “Apps,” Crowd Funding & Enterprise Development
- Marketing & Consumer Behavior in a Digital Age: commerce; B to B; B to C; C to C Transactions
- Sales Force Management & CRM in a Digital Age
- Integrated Marketing Communications in a Digital Age: Digital Advertising; Social Media & Social Networks
- Supply Chain Management in a Digital Age
- Digital Technology in Government and Delivery of Public Goods & Services: Role of Bio-metric Identity Cards
- Banking, Finance, Accounting, Taxation & Payment Systems in a Digital Age
- Privacy, Cyber Threats & Security Issues

A total of 12 full research papers, out of 120 research papers presented from 27 countries in the symposium, were received for SBJ special issue. After blind peer review process only five full papers have been finalized for this special issue of SBJ.

The first paper of this issue titled as “Performance Measures and the CAMEL Rating of the Banking Industry: The Case of India” by Sivakumar Venkataramany was focused to study on global financial crisis which has led to a contraction of performance of the banking industry worldwide and a series of bank failures in the United States, whereas Indian banks have remained robust. As the government of India is encouraging private banks through its liberal chartering policy, its nationalized banks are able to generate equity funds through the country's dynamic stock market.  Despite cost prohibitive efforts in the introduction of a range of new products and services, banks in India are striving to emerge from an era of development banking into consumer oriented supermarkets. The studies found that, strong performance measures of the Indian banking industry and is ready to adopt the CAMELS rating.

The second paper which is titled as "Organizing The Marketing Actions Around Premium Price in Technological Brands: The Case of Apple" by Simonetta Pattuglia & Sara Amoroso, is aimed  to find out the behavioural differences of each generational cohort and to understand the effect on consumers' willingness to pay a premium price and on brand loyalty in the case of technological brands. The research also aims to explore the impact on companies' strategy and marketing processes. The study follows a quantitative research design and uses a survey as a tool to collect data. The study suggests that marketers and practitioners must recognize and take into consideration the differences across generational cohorts when developing their marketing strategy, which may enable firms to be more targeted in their approach to create competitive advantage and strong relationships with their customers.

The third research paper of this special issue tiltled as "The Role of Public-Private Partnerships in Building Resilient Infrastructure in Emerging Markets and Developing Economies" by Christian Tabi Amponsah and Ganga Bhavani, explored the role of Public-Private Partnerships in building resilient infrastructure in Emerging Markets and Developing Economies (EMDES). The study reviewed literature on Emerging and Developing Economies (EADEs), to show how, when and under what conditions P-P-P can be utilized for participating countries. The findings indicate P-P-Ps can contribute significantly to economic growth with proven effective means of bridging gaps between demand and resource, quality, accessibility, risk and benefits. The study concluded that, the ability to share risk with the private sector, tap resources, and profitability from the private-sector investment is contingent to intellectual capital of policy makers, and flexibility in allocating resources.

The fourth research paper of the issue tiltled as "The Role of Sales Stereotypes in Students' Perception: An Exploratory Analysis on Italian Students" by Silvio Cardinali, Marta Giovannetti, Barbara Kulaga, and  Lorenzo Governatori, explored sales and salespeople stereotype among university students, whereas literature suggested students' lack of awareness, negative perception and stereotyping of sales and salespeople. Students in fact knew little about sales and its evolution over the decades and the low propensity towards the possibility of working in sales has persisted for over 50 years. The results of the study found that sales and salespeople stereotype is still present among students, and that selling as a process tends to be identified mainly as a single activity, as just direct interaction or negotiation. In addition, marketing students tend to refer to the dichotomy between the transactional and the relational paradigm as a reference to define the stereotypical and the ideal selling approach. The findings suggest that a further exposition to sales issues could define and improve the students' knowledge and perception of sales and foster students' intention to pursue a career in sales.

The fifth research paper of this special issue tiltled as “E-Logistics Service Quality in The Digital Era: Key Drivers for Gaining Customer Satisfaction and Loyalty” by Ivan Russo, Ilenia Confente, and Nicolò Masorgo, analyse the significance of e-logistics service quality factors influencing the consumer’s satisfaction in the shopping online, authors propose a survey-based analysis concerning the impact of these elements, assuming that the consumer satisfaction leads to consumer loyalty and retention. The study contributes to extend previous models, by verifying the direct correlation among the ease of use and consumer satisfaction and loyalty. In addition, their results identify the existing trade-off among the price and quality in the e-logistics service quality. Finally, the non-significance of the hypothesis concerning the product returns management introduces the need for further studies.

**Acknowledgements**
Editors of this special issue present their sincere gratitude to the Editor-in-Cheif of SBJ, Prof. Mohammad Inairat, for accepting the proposal to organise this special issue for selected papers presented in the 7th SGBED Research Symposium. His professional assistance was very helpful to achieve completion of this special issue. Following the SBJ journal standards, a review process was applied to all the submitted research papers to this special issue on ‘Managing Business in a Digital Age: Opportunities and Challenges’.

We also express our earnest thanks to the contributing authors for their cooperation and timely submission of the papers without which this issue could have not been possible on time, and to the referees for their very valuable and constructive feedback and critiques. Once again thanks to the Editor-In-Chief of SBJ for his support throughout the release of this special issue. Finally, to our readers around the globe, we thank you for using this journal as your source of information and hope you will find it helpful in your research endeavours.

**Gouher Ahmed, Naseem Abidi, Mohit Vij**

# PERFORMANCE MEASURES AND THE CAMEL RATING OF THE BANKING INDUSTRY: THE CASE OF INDIA

**Sivakumar Venkataramany**

*Professor of International Business, Burton D. Morgan Chair in Business Enterprise*
*Richard E. and Sandra J. Dauch College of Business and Economics,*
*Ashland University, USA*
*svenkata@ashland.edu*

**Abstract**

*While global financial crisis has led to a contraction of performance of the banking industry worldwide and a series of bank failures in the United States, Indian banks have remained robust. As the government of India is encouraging private banks through its liberal chartering policy, its nationalized banks are able to generate equity funds through the country's dynamic stock market. Despite cost prohibitive efforts in the introduction of a range of new products and services, banks in India are striving to emerge from an era of development banking into consumer oriented supermarkets. This paper studies the strong performance measures of the Indian banking industry and its readiness to adopt the CAMELS rating.*

**Keywords:** *India, Banking Industry, Emerging market, CAMEL Rating*

## Introduction

The global financial crisis witnessed the failure of more than 500 banks in the United States and the US government had to use unprecedented bail out procedures to salvage some of its major institutions. All of the central banks of the industrialized economies (the US Federal Reserve, the Bank of England, the European Central bank, and the Bank of Japan) had to resort to an indirect means of monetization through their steps of quantitative easing. Their purpose was initially slated for stimulating their economies but later was expanded into including reaching inflation target and keeping unemployment low. They all uniformly accomplished their singular goal of taking their currencies to their bottom. However, India's banking industry has remained strong through the era of boom and bust of the Latin American debt, East Asian Financial Crisis, Russia's sovereign default, and the currency problems of Argentina and Brazil. Some scholars have attributed the absence of failure of India's banking industry to its past nationalized institutions and to the country's administered interest rate environment. India is world's largest democracy and the legacy of the British raj has helped the country with strong linkages with the West through its proficiency of the English language particularly in the country's legal framework accepting contracts only in English for enforcement purposes. India has consistently introduced steps of economic and financial liberalization starting with the floating of the Indian Rupee in 1991.

A wide range of financial institutions

exist in the country to provide credit to various sectors of the economy. These include (not counting the branches or affiliates) 183 commercial banks, 133 regional rural banks (RRBs), numerous financial institutions, 13,014 non-banking financial companies, and 1,853 urban cooperative banks. In addition to these sources of credit, short-term rural credit at the grass root level is emphasized through 31 state co-operative banks, 367 district central co-operative banks (DCCBs), 108,779 primary agricultural cooperatives. State cooperative and agricultural rural development banks (20) and primary cooperative and agricultural rural development banks (727) serve long term credit needs in rural India. The present landscape of the India banking industry comprises four major groups. First, the State Bank of India group is the largest network across the nation as it plays the role of the country's central bank, The Reserve Bank of India in almost all places where the central bank does not have its office. This group consists of eight institutions. The second group comprises its major nationalized banks, twenty of them in total. There are 30 private sector banks in the third group which includes some of the newly licensed banks. The last and the fourth group represents 35 foreign banks with most of them located in large metropolitan cities.

## Literature Review

The banking industry in India has been the focus of select research topics for various scholarly studies. The country's readiness to adopt the modernized risk management frameworks on the foundations of the Basel agreements has been established [Venkataramany and Bhasin, 2012]. The banking regulators in the United States have consistently used the CAMEL (Capital Adequacy, Asset Quality, Management Quality, Earnings Capacity and Liquidity Management) rating criterion to assess and evaluate the safety of the assets of banks and their soundness of the value as stated in the financial statements. performance and financial soundness of the activities of the bank. The CAMEL rating of the State Bank of India group has been reported through the group's annual financial statement ratios for select years [Sharma, 2017]. Another study identifies the profit per employee as the most impacting factor on the industry's return on assets (ROA) [Kaur, 2015]. The introduction of banking reforms has raised the bar for banks in India to include sensitivity to market risk as the sixth element to make it qualified for CAMELS rating [Sarathbabu and Mehrotra, 2015].

## Methodology

This paper analyzes the banking industry of India through two important dimensions of profitability and efficiency through panel data. It considered all the banking performance ratios for the span of eleven years from 2005-2015 pertaining to the four types of banks namely the State Bank of India (SBI) group, nationalized banks, private sector banks and foreign banks. At the first instant, we intended to find the existence of significant difference among the business performance ratios among the four categories of banks. This attempt would enable us to microscopically identify the difference in the business performance in the span of eleven years from 2005-2015. One-way analysis of variance is applied for four groups of banks and banking performance ratios. It is found that the f-values are significant for several measures. Our study of profitability and efficiency were based on the following models wherein the whole industry is analyzed as an integrated whole with each group being examined distinctively.

**Model 1:**

ROA = $\alpha$ (constant) + $\beta 1$ (cost of deposits) + $\beta 2$ (cost of borrowing) + $\beta 3$ (cost of funding) + $\beta 4$ (return on loans adjusted to cost of funds) + $\beta 5$ (return on invest ments) + β6 (intermediation cost of funds)

**Model 1A:**
ROA = α (constant) + β1 (cost of deposits) + β2 (cost of borrowing) + β3 (cost of funding) + β4 (return on loans adjusted to cost of funds) + β5 (return on invest ments) + β6 (intermediation cost of funds) + β6 (Dummy variable for foreign banks)

**Model 2:**
ROA = α (constant) + β1 (term deposits to total deposits) + β2 (priority sector credit to total credit) + β3 (term liabilities to total liabilities) + β4 (secured credit to total liabilities) + β5 (net interest margin to total assets) + β6 (non-interest income to total assets) + β7 (operating profit to total assets)

**Model 2A:**
ROA = α (constant) + β1 (term deposits to total deposits) + β2 (priority sector credit to total credit) + β3 (term liabilities to total liabilities) + β4 (secured credit to total liabilities) + β5 (net interest margin to total assets) + β6 (operating profit to total assets) + β7 (Dummy variable for foreign banks)

**Model 3:**
ROA = α (constant) + β1 (term deposits to total deposits) + β2 (priority sector credit to total credit) + β3 (term liabilities to total liabilities) + β4 (secured credit to total liabilities) + β5 (net interest margin to total assets) + β6 (operating profit to total assets)

**Model 3A:**
ROA = α (constant) + β1 (term deposits to total deposits) + β2 (priority sector credit to total credit) + β3 (term liabilities to total liabilities) + β4 (secured credit to total liabilities) + β5 (net interest margin to total assets) + β6 (operating profit to total assets) + β7 (Dummy variable for foreign banks)

**Model 4:**
ROE = α (constant) + β1 (Interest income to total assets) + β2 (Net interest margin to total assets) + β3 (Non-interest income to total assets) + β4 (Intermediation cost to total assets) + β5 (Wages to total income) + β6 (intermediation cost of funds)

**Model 4A:**
ROE = α (constant) + β1 (Interest income to total assets) + β2 (Net interest margin to total assets) + β3 (Non-interest income to total assets) + β4 (Intermediation cost to total assets) + β5 (Wages to total income) + β6 (intermediation cost of funds) + β7 (Dummy variable for foreign banks)

**Discussion of Results**
The results that we derived were consistent with regards to expected signs. As evidenced by Table 1, the return on loans adjusted to cost of funds and the intermediation cost of funds were highly significant for the entire industry in producing the Return on Assets (ROA). Neither of this variable was significant for the SBI group but were significant for the other three groups. Similarly, net interest margin and operating profits to total assets were two highly significant variables contributing to the ROA as shown in Tables 2 and 3 for the entire industry. Operating profit displayed its significance for the four groups but net interest margin was significant only to foreign banks. The nationalized banks displayed their unique place among the four groups as the priority sector loans to total loans turned out to be highly significant thereby asserting that they are the implementers of the central government's policies of financial inclusion. Table 4 testifies that the five variables, namely interest income to total assets, net interest margin, non-interest income to total assets, intermediation cost to total assets, and wage bills to total income.

## TABLE 1 REGRESSION RESULTS FOR THE INDIAN BANKING INDUSTRY, 2005-2015

| Dependent Variable: **ROA** | Model 1 | Model 1A for SBI Group | Model 1B for Natonalized banks | Model 1C for Private Sector banks | Model 1D for Foreign Banks |
|---|---|---|---|---|---|
| Constant | 1.148<br>(6.268)*** | 0.171<br>(0.970) | 0.508<br>(2.688)** | 0.239<br>(0.678) | 1.743<br>(5.980)*** |
| Cost of Deposits | -0.094<br>(-2.989)** | -0.383<br>(-1.772)* | -0.188<br>(-3.297)** | 0.651<br>(1.801)* | -0.077<br>(-1.738)* |
| Cost of Borrowing | 0.000<br>(-1.475) | 0.016<br>(2.224)* | 0.000<br>(-2.099)* | 0.000<br>(-1.346) | 0.028<br>(1.856)* |
| Cost of Funds | -0.089<br>(-2.832)** | 0.313<br>(0.147) | 0.046<br>(0.818) | -0.721<br>(-1.854)* | -0.096<br>(-1.792)* |
| Return on Loans adjusted to cost of funds | 0.085<br>(4.275)*** | 0.259<br>(5.562)*** | 0.301<br>(8.324)*** | -0.148<br>(-1.854)* | 0.073<br>(2.640)** |
| Return on Investments | 0.068<br>(2.840)** | 0.004<br>(0.112) | 0.053<br>(1.971)* | 0.181<br>(2.608)* | 0.028<br>(0.782) |
| Intermediaton cost of funds | 0.183<br>(9.842)*** | -0.014<br>(-0.164) | -0.164<br>(-2.504)* | 0.399<br>(3.189)** | 0.143<br>(5.484)*** |
| Adjusted $R^2$ | 0.185 | 0.452 | 0.314 | 0.062 | 0.117 |
| Number of observatons | 950 | 75 | 223 | 254 | 395 |

t-statistics appear in parentheses for each variable; * = significant at 90% confidence level;
** = significant at 95% confidence level; *** = significant at 99% confidence level

## TABLE 2 REGRESSION RESULTS FOR THE INDIAN BANKING INDUSTRY, 2005-2015

| Dependent Variable: **ROA** | Model 2 | Model 2A for SBI Group | Model 2B for Nationalized banks | Model 2C for Private Sector banks | Model 2D for Foreign Banks |
|---|---|---|---|---|---|
| Constant | 0.624<br>(4.100)*** | -0.080<br>(-0.475) | 0.461<br>(2.711)** | 0.321<br>(0.874) | 0.807<br>(3.506)** |
| Term loans to total loans | -0.002<br>(-1.117) | 0.015<br>(3.651)** | 0.006<br>(3.817)*** | 0.004<br>(0.733) | 0.000<br>(-0.117) |
| Priority sector loans to total loans | -0.004<br>(-1.682)* | -0.003<br>(-0.700) | -0.003<br>(-0.908) | 0.011<br>(1.038) | -0.006<br>(-1.748)* |
| Secured loans to total loans | -0.002<br>(-1.198) | -0.003<br>(-1.079) | -0.012<br>(-6.432)*** | 0.003<br>(0.559) | -0.001<br>(-0.348) |
| Net interest margin | -0.148<br>(-4.637)*** | -0.122<br>(-1.579) | -0.012<br>(-0.256) | -0.303<br>(-2.217)* | -0.183<br>(-4.049)*** |
| Non-interest income to total assets | 0.019<br>(1.220) | 0.136<br>(1.633) | 0.049<br>().653) | -0.288<br>(-1.571) | 0.012<br>(0.619) |
| Operating profit to total assets | 0.636<br>(22.617)*** | 0.354<br>(3.503)** | 0.630<br>(9.319)*** | 0.668<br>(4.850)*** | 0.635<br>(17.217)*** |
| Adjusted $R^2$ | 0.495 | 0.495 | 0.553 | 0.097 | 0.520 |
| Number of observations | 950 | 75 | 223 | 254 | 395 |

t-statistics appear in parentheses for each variable; * = significant at 90% confidence level;
** = significant at 95% confidence level; *** = significant at 99% confidence level

## TABLE 3 REGRESSION RESULTS FOR THE INDIAN BANKING INDUSTRY, 2005-2015

| Dependent Variable: **ROA** | Model 3 | Model 3A for SBI Group | Model 3B for Nationalized banks | Model 3C for Private Sector banks | Model 3D for Foreign Banks |
|---|---|---|---|---|---|
| Constant | 0.695<br>(4.787)*** | -0.071<br>(-.397) | 0.485<br>(2.857)** | 0.262<br>(0.729) | 0.881<br>(4.113)*** |
| Demand deposits to total deposits | -0.004<br>(-1.594) | 0.001<br>(0.334) | -0.005<br>(-1.598) | 0.032<br>(3.656)*** | -0.005<br>(-1.817)* |
| Priority sector loans to total loans | -0.003<br>(-1.090) | -0.002<br>(-0.358) | 0.006<br>(3.997)*** | 0.011<br>(1.128) | -0.004<br>(-1.086) |
| Term loans to total loans | -0.002<br>(-1.258) | 0.015<br>(3.534)** | -0.012<br>(-6.454)*** | -0.005<br>(-1.094) | -0.001<br>(-0.295) |
| Secured loans to total loans | -0.002<br>(0.166) | -0.004<br>(-1.181) | -0.012<br>(-6.454)*** | 0.002<br>(0.280) | -0.001<br>(-0.405) |
| Net interest margin | -0.149<br>(-4.819)*** | -0.159<br>(-1.797)* | -0.011<br>(-0.239) | -0.456<br>(-3.224)** | -0.177<br>(-4.102)*** |
| Operating profit to total assets | 0.664<br>(27.192)*** | 0.443<br>(4.972)*** | 0.660<br>(12.572)*** | -0.456<br>(-3.224)** | 0.662<br>(20.394)*** |
| Adjusted $R^2$ | 0.496 | 0.476 | 0.557 | 0.134 | 0.524 |
| Number of observations | 950 | 75 | 223 | 254 | 395 |

t-statistics appear in parentheses for each variable; * = significant at 90% confidence level;
** = significant at 95% confidence level; *** = significant at 99% confidence level

**TABLE 4 REGRESSION RESULTS FOR THE INDIAN BANKING INDUSTRY, 2005-2015**

| Dependent Variable: **ROE** | Model 4 | Model 4A for SBI Group | Model 4B for Nationalized banks | Model 4C for Private Sector banks | Model 4D for Foreign Banks |
|---|---|---|---|---|---|
| Constant | 1.861<br>(1.048) | 1.571<br>(0.370) | 0.416<br>(0.141) | -1.433<br>(-0.293) | 0.609<br>(0.477) |
| Interest income to total assets | 1.895<br>(8.475)*** | 0.803<br>(1.361) | -0.074<br>(-0.204) | 0.641<br>(0.838) | 1.612<br>(7.320)*** |
| Net interest margin | -1.594<br>(-5.074)*** | 2.933<br>(1.785)* | 7.849<br>(8.552)*** | -1.455<br>(-0.829) | -1.039<br>(-4.254)*** |
| Non-interest income to total assets | 1.056<br>(4.004)*** | 15.178<br>(6.419)*** | 10.566<br>(8.464)*** | 4.559<br>(1.675)* | 1.148<br>(7.835)*** |
| Intermediation cost to total assets | 1.056<br>(4.004)*** | -9.343<br>(-2.094)* | -12.980<br>(-6.756)*** | -5.086<br>(-1.976)* | -0.965<br>(-5.521)*** |
| Wage bills to total income | 0.181<br>(4.517)*** | 0.054<br>(0.109) | 0.521<br>(2.978)** | 1.810<br>(6.465)*** | -0.965<br>(-5.521)*** |
| Adjusted $R^2$ | 0.077 | 0.387 | 0.407 | 0.179 | 0.201 |
| Number of observations | 950 | 75 | 223 | 254 | 395 |

t-statistics appear in parentheses for each variable; * = significant at 90% confidence level;
** = significant at 95% confidence level; *** = significant at 99% confidence level

## Conclusion

This paper suggests a policy framework for banking regulation in India to adopt the CAMELS rating system as their counterparts in the United States have done for decades. This will liberate the industry from the financial repression and compete in the global financial servic es industry in terms of competitiveness, modernization, enhanced range of product line, and also for the onset of privatization through increased inward FDI by foreign banks.

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# ORGANIZING THE MARKETING ACTIONS AROUND PREMIUM PRICE IN TECHNOLOGICAL BRANDS: THE CASE OF APPLE

**Simonetta Pattuglia**

*Professor of Marketing*
*University of Rome "Tor Vergata", Italy*
*pattuglia@economia.uniroma2.it*

**Sara Amoroso**

*PhD Fellow in Business Management & Accounting*
*University of Rome "Tor Vergata", Italy*
*amoroso@economia.uniroma2.it*

## Abstract

*The purpose of this study is to find out the behavioural differences of each generational cohort and to understand the effect on consumers' willingness to pay a premium price and on brand loyalty in the case of technological brands. The research also aims to explore the impact on companies' strategy and marketing processes. The study follows a quantitative research design and uses a survey as a tool to collect data. The present work may enable firms to be more targeted in their approach to create competitive advantage and strong relationships with their audiences. Marketers and practitioners must recognize and take into consideration the differences across generational cohorts when developing their marketing strategy.*

**Keywords:** *Brand, Generation, Authenticity, Premium Price, Technological brand.*

## Introduction

The second half of the Twentieth century witnessed the beginning of major transformations regarding technology, globalization, political economy and cultural, social, demographic aspects. A deep change that continues to play itself out impacting on new lifestyle and consumption behaviour, on the one hand, and on managing firms processes, on the other hand. In particular, the past two decades have been marked by incredible technological advancement and innovation. Just think that in 1998, cell phones were still a rarity, and internet was only just catching on.

In this ever-changing scenario of uncertainty and high competition we witness an amplified importance of the intangible assets of brands. Thus, marketing is facing new challenges and opportunities.

Yet the marketing literature posits that the effective implementation of planned marketing strategy is key to linking marketing efforts with firm performance (Olson et al., 2005; White et al., 2004). Further, in practice, implementing planned marketing strategy is widely seen as a problematic managerial task that consumes substantial time, effort and resources but often ends in failure (Sashittal and Jassawalla, 2001; Thorpe and Morgan, 2007). These problems may be even greater for managers dealing with different typologies of consumers that don't share the same behaviour, perception and preferences. In a virtual world, not paradoxically, the “quest for authenticity” from consumers is becoming more emphasized and today it is defined as a socially constructed phenomenon (Beverland and Farrelly, 2010; Napoli et al., 2014; Pattuglia and Mingione, 2016). In line with these, in acknowledging the interpretative nature of brand authenticity, it is evident that consumers may differ in their evaluation, perceiving the same brand as authentic or inauthentic (Rose and Wood, 2005; Beverland and Farrelly, 2010). Moreover, in these times of increasing uncertainty, authenticity seems to be a crucial human aspiration, making it a key issue in contemporary marketing and a major factor for brand success. For all of these reasons the marketing strategy literature suggests that the effective implementation of planned marketing strategy is a key driver of firm performance (Olson et al., 2005; White et al., 2004).

Consequentially, one of the main trend of these last years, after the seminal work about generational themes in economics and society by Mannheim (Mannheim, 1928, 1952), is again the importance of targeting through generational cohorts (Ryder 1965; Howe and Strauss, 2000).

As the years passed the concept of authenticity – in a world of digital and virtual communicative platforms – has become more and more a social constructed phenomenon, and a number of scholars have claimed that brand authenticity has the capability to legitimize a brand within its context and its consumers (Grayson and Martinec, 2004; Kates, 2004; Rose and Wood, 2005; Beverland, 2005, 2006; Thompson et al., 2006; Beverland et al., 2010).

Finally, despite authenticity has been studied and analyzed in many sectors, such as luxury wine, beer, sport, green products, music (Beverland, 2005; Rose and Wood, 2005; Kolar and Zabkar, 2010; Ewing et al., 2012; Spiggle et al., 2012), the hi-tech companies haven’t been analyzed yet.

Moreover, how customers perceive brands as authentic and what motivates them to pay price premium is an important theme in research as well as among practitioners (Anselmsson et al., 2007). The purpose of this research is to establish which attributes make a technological brand authentic for each generational cohort and to understand the effect on loyalty and on the the willingness to pay a premium price. The research also aims to explore the impact on marketing processes and the companies’strategic marketing directions. These are important issues for marketers who aim to develop specific strategies, in order to charge a premium price for the different cohorts. This paper aims to answer the following three research questions:
RQ1: What are the attributes that make a technological brand authentic and allow for a loyalty and a premium price?
RQ2: Is the belonging to a generational cohort a moderator between brand authenticity and its outcomes?
RQ3: What are the impacts of premium prices on marketing processes?

## Literature Review and development of hypotheses

Brand Authenticity: definition, dimensions and outcomes

In an objective sense the “authentic” is often considered as the “original” and is contrasted with the copy, so it is strongly linked to an object and its characteristics (Bendix, 1997; Peterson, 2005). Recent researches consider brand authenticity to be shaped by multiple stakeholders’ perceptions (Beverland and Farrelly, 2010; Napoli et al., 2014; Pattuglia and Mingione, 2016). So, the distinction between the authentic and inauthentic tends to be subjective and socially or personally constructed (Grayson and Martinec, 2004; Leigh et al., 2006). It is a behavior experienced by a person that is and self-determined (Deci and Ryan, 1991).

In this new perspective, consumers may differ in their evaluation, perceiving the same brand as authentic or inauthentic (Rose and Wood, 2005; Beverland and Farrelly, 2010).
Currently, brand authenticity is shaped by sincerity, quality, heritage, originality and reliability (Grayson and Martinec, 2004; Wiedmann et al., 2011; Bruhn et al., 2012; Napoli et al., 2014)

In general, academics from this stream of literature have tried to answer the question: “How do consumers attribute authenticity onto an object/service brand?”. Scholars and practitioners have investigated consumers’ ability to determine the difference between what can be conceived as real or fake (Brown et al., 2003; Grayson and Martinec, 2004; Rose and Wood, 2005; Beverland and Farrelly, 2010; Corciolani, 2014). Empirical findings have revealed that consumers struggle to discriminate the real from the fake (Rose and Wood, 2005; Corciolani, 2014).

Accordingly, Napoli et al. (2014) call for studies that investigate the effect that individual and personal differences across consumers have on brand authenticity perceptions. To the authors’ knowledge, there is only one study that has investigated age-related consumers’ perceptual differences on brand authenticity (Moulard et al., 2015).

Being a socially constructed phenomenon, several scholars have claimed that brand authenticity has the power to legitimize a brand within its environment (Grayson and Martinec, 2004; Rose and Wood, 2005; Beverland, 2006; Thompson et al., 2006; Beverland et al., 2008, 2010).

Holt (2002) suggests that brands might help consumers in producing the self and cultivating their identities. Thus, a brand is authentic only if it is “a genuine expression of an inner personal truth (Postrel, 2003, Beverland, 2005).

Building on an in-depth literature review of brand authenticity this research developed the following hypothesis:

H1: Sincerity, quality, heritage, originality, reliability and image are dimensions of brand authenticity.

H2: The six dimensions of brand authenticity are positively related to consumers’ willingness to pay a premium price.

H3: The six dimensions of brand authenticity are positively related to the brand loyalty.

H4: Trust moderates the relationship between brand authenticity and the consumers’ willingness to pay a premium price.

H5: Trust moderates the relationship between brand authenticity and the brand loyalty.

Building on this, we initially tested our model on brand authenticity, price premium and loyalty (see Fig. 1).

Moreover, we can also postulate different perceptions on brand authenticity within each generational cohort, and different perceptions between the various cohorts.

So, after an investigation through the literature about generational cohorts, it is important to underline that generational cohorts can affect the relationship between brands and consumers’ loyalty and willingness to pay a price premium.

Generational Cohorts: definition and features

From a social point of view, a generation can be defined as a group of individuals born within the same historical and socio-cultural context, who experience the same formative experiences and develop unifying commonalities as a result (Mannheim, 1952; Pilcher, 1994).

Each generation's history limits its members to a specific range of opportunities and experiences, provides them with "collective memories" (Schuman and Scott, 1989) that serve as a basis for future attitudes and behaviours, predisposes them to a certain way of thought and action, and restricts their range of self-expression to certain predefined possibilities throughout their lives (Eyerman and Turner, 1998; Gilleard, 2004; Mannheim, 1952; Ryder, 1965). Although every generation is subject to the developmental processes of the human life course, each experiences a unique historical context that shapes the unfolding of that life course.

The present four dominant generational cohorts (Inglehart, 1977) are considered in this research: Baby Boomers, Generation X, Millennials (or Generation Y) and Generation Z.

In particular, Baby Boomer Generation (1946-1964) is the largest generation (Reisenwitz and Iyer, 2009; Moore, 2012; Loroz and Helgeson 2013). This cohort is characterized by a high spending power, and despite different lifestyles and spending habits from following generations, they are also an important consumer group for technology firms. This generation passed through economic and social changes, so they managed dealing with technology, without mastering it (Jackson et al., 2011; Burnsed and Bickle, 2015). Baby Boomers are more open to new media and technologies than previous generations (Kumar and Lim, 2008).

Xers are people (1965-1980) refer as 'baby busters', due to the drop-off or 'bust' in births following the Baby Boomer generation after World War II (Yu and Miller, 2005; Moore, 2012). The Gen X cohort is well educated, and media and technologically "immigrant" (Eastman and Liu, 2012;). Millennials (1982-1995) are the new "Great Generation", broadly defined as the Generation Y (Howe and Strauss, 2000; Wilson and Gerber, 2008; Meister and Willyerd, 2010). They are often early adopters of new technologies and are extensive users of the internet. They represent the first technological generation and prefer original brands, products or services (Norum, 2003; Moore, 2012),

Finally, Generation Z (1995-2000s) is the newest generation (also known as Post-Millennials, the iGeneration, or the Homeland Generation). In terms of characteristics, lifestyles, and attitudes, Generation Z individuals are the "new conservatives" embracing traditional beliefs, valuing the family unit, self-controlled, and more responsible. They are accustomed to high-tech and multiple information sources, with messages bombarding them from all sides. They have never lived without the Internet (Langford, 2008; Benjamin 2008).

To sum up, strong differences exist between these four generational cohorts. Other hypotheses are posited based on the literature around generational cohorts:

H6: Generational cohort moderates the relationship between brand authenticity and premium price.

H7: Generational cohort moderates the relationship between brand authenticity and brand loyalty.

H8: The driving forces of the willingness to pay a premium price are different for each generational cohort.

H9: The driving forces of the brand

loyalty are different for each generational cohort.

All the hypotheses are represented in Fig. 1.

products on display (touch).

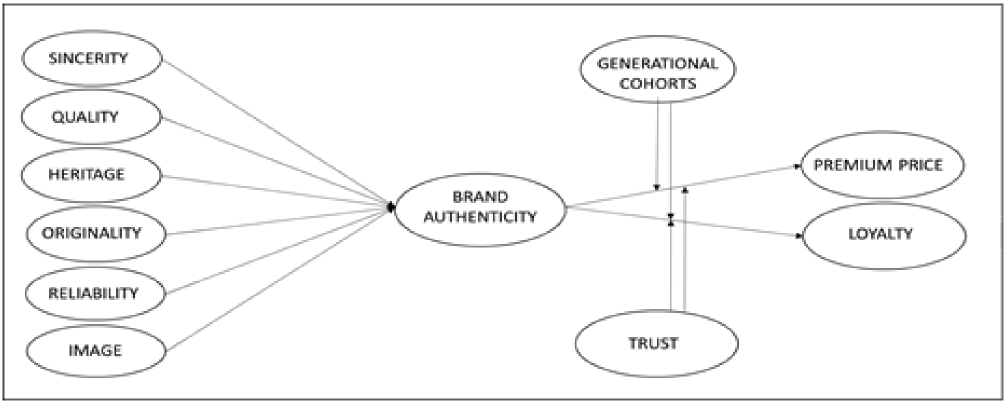


**FIGURE. 1: BRAND AUTHENTICITY AND GENERATIONS CONCEPTUAL MODEL RELATED TO PREMIUM PRICE AND LOYALTY**

Source: our elaboration on the basis of the extant literature

**Methodology**

We selected the brand Apple as case study for four main reasons: first of all because the technology usage represents one of the main characteristics differentiating the behaviour in consuming, consuming media and technological products, such as smartphones, pads, pc etc., of generational cohorts. Second because the brand has high brand awareness (Forbes, 2018; Brandirectory, 2018; Interbrand, 2018; Reputation Institute, 2018) allowing both customers and non-customers to be included in the sample. Third because Apple is a technological brand and there is no research on the authenticity related to brand loyalty and price premium of technological brands. Finally, because Apple can be considered outstanding thanks to its (relatively) long history and, most importantly, its iconicity. It has an innovative design (visual) and stores (Apple stores) allow consumers to use experientially the

Data were gathered throughout a continuous internet survey that was carried out in Italy (EU) in the period 2015-2016 (Baby Boomers, Generation X and Millennials) and in June 2018 (Baby Boomers, Generation X, Millennials and Generation Z) . The constructs of brand heritage, quality and sincerity were adapted from the scale by Napoli et al. (2014); originality and reliability were based on the scale by Bruhn et al. (2012); image, trust, loyalty and price premium were based on the scale by Wiedmann et al. (2011). A seven-point Likert scale was used in all cases.

A correlation analysis was firstly run to test the relationship between the constructs and then Generalized Linear Model (GLM) on SPSS was performed to test the proposed model (Fig. 1).

**Findings**

The survey resulted in a total of 807 usable responses. The sample comprised 175 Boomers (22%), 168 GenXers (21%), 350 Millennials (43%) and 114 GenZed (14%).

Cronbach alphas were estimated to examine the internal consistency and the reliability of each construct. Studies recommend that the generally acceptable threshold level for these tests is 0.7 (Fornell and Larcker, 1981). All Cronbach alpha values were found to be above 0.7 in our study, which confirms the reliability of the constructs.

From a correlation point of view we found that all the six dimensions describing the authenticity are strongly correlated to the willingness to pay a premium price and to the propensity of a consumer loyalty toward the brand (all the Pearson coefficients above the threshold of 0.5).

brand Apple and the propensity to the brand loyalty are intensely linked to the sense of brand image and to the perceived quality. Moreover, the belonging to different generational cohorts strongly influences the relationship between the brand authenticity and the other constructs. In particular, the willingness to pay a premium price and the brand loyalty grow from the Baby Boomers to the Gen Z. Whereas the heritage of the brand seems to be a better predictor of the consumer loyalty affecting previous generations more than Millennials and Generation Z. To conclude, results show that all the 9 hypothesis are verified.

**TABLE 1: STRENGTH OF RELATIONSHIPS BETWEEN DIMENSIONS**

| ***Dependent Variables*** | **Generational Cohort** | **Heritage Index** | **Quality Index** | **Sincerity Index** | **Originality Index** | **Reliability Index** | **Brand Image Index** | **TRUST Index** |
|---|---|---|---|---|---|---|---|---|
| **PRICE PREMIUM 1*** | 0,002 | | 0,033 | | | | 0,000 | |
| **PRICE PREMIUM 2**** | 0,002 | | 0,014 | | | | 0,013 | |
| **LOYALTY 1***** | | | 0,000 | | | | 0,000 | 0,000 |
| **LOTALTY 2****** | | 0,000 | 0,015 | | 0,042 | | 0,005 | 0,000 |
| **LOYALTY 3******* | 0,039 | 0,001 | | | | | | |

* I am willing to pay a higher price to buy brand Apple

** The products of brand Apple are worth a higher price than other products

*** I recommend brand Apple to my friends

**** I am loyal to brand Apple

***** I do not intend to buy another brand than brand Apple

| | |
|---|---|
| p-value= 0,000 | Very high significance level |
| 0,001<p-value<0,009 | High significance level |
| 0,01<p-value<0,05 | Medium significance level |
| 0,06<p-value<0,09 | Low significance level |
| p-value>0,10 | Not significant |

On the basis of the generalized linear model we observed that the willingness to pay a premium price in regard of the

## Theoretical implications

Our study gives a number of contributions to the existing literature on brand authenticity, generational cohorts, the (different) willingness to pay a premium price and the inclination to the brand loyalty.

First, the construct of brand authenticity is multidimensional and its perception is shaped from various dimensions (Bruhn et al., 2011; Napoli et al., 2014, Morhart et al., 2015) that can vary in strength and in length from consumer to consumer. This is especially true for what concern the belonging to different generational cohorts. This evidence is maybe due to the fact that the consumption of technology represents one of the main characteristics differentiating the behaviour of generations.

Our model describes technological brands necessitating most of all high brand image and perceived quality to allow superior sense of brand authenticity and allow for price premium and brand loyalty. We endorse previous research by underlining a positive mediator effect between brand trust and consumers' willingness to pay a price premium and between brand trust and brand loyalty (Choi et al., 2013; Napoli et al., 2014; Choi et al., 2015).

This research also adds some implication to the knowledge on generational cohorts. Noteworthy dissimilarities between generational cohorts were found, especially between the two older generations –Baby Boomers and Gen X- and the younger generations –Millennials and Gen Z-. Our findings suggest that brand image, over than other constructs, positively affects Millennials and Gen Z more than Baby Boomers and Gen X. This result endorses previous researches which explain that as consumers, young generations, especially Millennials, are more affected by the image and by brand allure than previous cohorts (Norum, 2003; Moore, 2012; Loroz and Helgeson, 2013). Moreover, GenXers are disenchanted and cynical about brand products and services (Littrell et al., 2005; Jackson et al., 2011; Moore, 2012) whereas Millennials do not tolerate misalignment between the brand promise and its actual delivery (Pattuglia and Mingione, 2016). Brand Heritage positively influences Boomers more than Millennials and Generation Z. Thus, it seems Boomers recognize the historical value of brands.

Our results, in alignment with previous researches, suggest that Boomers are inclined to be loyal to brands (Jackson et al., 2011; Burnsed and Bickle, 2015). In contrast, Millennials and Zed are the generations less disposed to be loyal. This might be due to the fact that they are very well informed about the existence of various brands, and thus feel a limited loyalty and usually look for the best offerings (Howe and Strauss, 2000; Parment, 2013; Reisenwitz and Iyer, 2009).

**Managerial implications**

A majority of studies on marketing, brand management and research aims to uncover differences between the various generational cohorts that should take into account the peculiar differences among generation especially if we talk about technology.

Our findings highlight relevant managerial implications and show that marketing practitioners should take into account the differences among generations when developing their marketing strategies. This is because brands mean different things to different consumers, especially if we talk about different ages and different background and lifestyle. Thus, while brand management may strive to communicate a specific and consistent image to the market in order to obtain a premium price, consumers may develop different perceptions of the brand, also depending on their background, attitude and relationship with the brand. Brand management and research may be well advised to acknowledge the relationship between knowledge, affectation, behaviour for each generation. This view leads to several relevant implications.

Marketing managers should support a price premium positioning, should communicate credibility in focusing uniqueness and heritage elements.

Moreover, our study suggests to companies to approach targeting more deeply in order to establish effectiveness in relationships with stakeholders. For instance, managers should be aware of keeping their promises and being sincere with Millennials and GenXers, these being key drivers for their willingness to pay a price premium.

New media platforms (mobile and social networks) and shared connections can help to this by maintaining continuity – heritage – from the past, considered as a common framework of brand features and brand values adjusting continuosly the company strategies.

Thus, from a practical point of view, firms should, nonetheless, invest in both generations (old and new) who show belief through communicative actions in social media channels (in order to achieve awareness, image and reputation objectives) but also in advertising and promotion to enhance customers' emotional engagement and willingness to pay a price premium. Regarding communication actions brands should moreover invest in public relations strategies (traditional and online PR) in order to catalize positive words-of-mouth and brand communities, above all regarding the Baby Boomers generation.

In order to cluster and target consumers with generational cohort criteria, our study finally suggests marketing managers should manage a sophisticated Customer Relationship Management (CRM) strategy. Especially regarding Millennials and Gen Z, marketers should invest in factual distinctiveness of the brand with trials and demostrations. Not paradoxically, as said it is important to note that Millennials and Zed are well informed and more skeptical compared to previous generations (their parents) and less influenced by communication activities. Because of this managers should consider a deep implementation of physical touch points and consider a combined online-offline customer journey in order to facilitate the interaction between consumers and products.

## Conclusions, limitations and directions for future research

The objectives of this study were to determine what attributes make a technological brand authentic and allow for loyalty and premium price and to define the moderator effect of the belonging to different generations. The study was based on Apple case.

To the authors' knowledge, this is the first study investigating the driving factors and the behavioural outcomes in the case of technological brand across generational cohorts. We explored the impact of authenticity on price premium and loyalty of four different consumer cohorts in Italy and some important differences were found among the four groups.

The research provides an important step in defining, measuring, and testing the dimensions of perceived authenticity of one of the most well-known and reliable technological brand, Apple. We found that the image, the quality, the heritage and the trustworthiness are the most important drivers in authenticating a technological brand.

This study also identifies an important moderating construct that is the belonging to different generations. The results suggest that younger individuals rely on originality and image more than older ones when assessing technology authenticity, while older individuals primarily rely on heritage and trust.

These findings suggest that for young

generations the brand image is the most important factor to support a premium price and a consumer loyalty, whereas adults are more influenced by reliability and value-structure of the brand. The perception about brand authenticity evolves and varies with age.

The findings of the current research propose how the authenticity about new hi-tech sector can be determined and managed around premium price and loyalty affected by different dimensions (brand image, quality, brand heritage, brand originality).

This study was limited to a single brand in a single country. Further research is required in order to verify and generalize the findings.

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# THE ROLE OF PUBLIC-PRIVATE PARTNERSHIPS IN BUILDING RESILIENT INFRASTRUCTURE IN EMERGING MARKETS AND DEVELOPING ECONOMIES

**Christian Tabi Amponsah**

*Professor of Management, School of Business, Yorkville University*
*Vancouver Campus, Vancouver, British Columbia, Canada*
*chris_tabi@hotmail.com*

**Ganga M. Bhavani**

*Associate Professor*
*School of Business, Manipal University, Academic City, Dubai, UAE*
*ganga.bhavani@manipaldubai.com*

## Abstract

*This paper explores the role of Public-Private Partnerships in building resilient infrastructure in Emerging Markets and Developing Economies (EMDES). Changes in the social economic structure over the past several decades have led to radical responses toward the economic development policies of many governments. Policy officials at different levels of government have discovered that greater economic development and resilient economic stability might be reached only if a more active approach toward attracting investment is made. Rather than passively waiting for business interests to seize on new incentives in the taxes, public officials proactively court businesses in an attempt to secure contractual agreements. This policy has come to be known as Public-Private Partnerships (P-P-P). P-P-Ps assume that the public and private sectors can cooperate and create new value and benefit for all concerned parties. The study reviews literature on Emerging and Developing Economies (EADEs), to show how, when and under what conditions P-P-P can be utilized for participating countries. The findings indicate P-P-Ps can contribute significantly to economic growth with proven effective means of bridging gaps between demand and resource, quality, accessibility, risk and benefits. The study concludes that, the ability to share risk with the private sector, tap resources, and profitability from the private-sector investment is contingent to intellectual capital of policy makers, and flexibility in allocating resources.*

**Keywords:** *Infrastructure, Emerging Markets, Developing Economies, Public-Private-Partnerships*

## Introduction

Since the end of the second world war, infrastructure development has become a key policy concern of many governments. This is as a result of population growth, migration, urbanization, and a search for best practices to deal with infrastructure development, especially in Emerging Markets and Developing Economies (EMDEs). In the 1970s and 1980s, the pressure to change the traditional mode of public procurement arose due to concerns about the level of public debt, which grew rapidly during the macroeconomic dislocation at that time. Since then, governments sought to encourage private investment in infrastructure base on accounting fallacies arising from the fact that public accounts did not distinguish between recurrent and capacity expenditures. Changes in the social economic structures over the past several decades have led to radical responses toward the economic development policies of many governments (Beck, Demirguc-Kunt, & Levine, 2009).

Policy officials at different levels of

government have discovered that greater economic development and resilient economic stability might be reached if a more pragmatic approach toward attracting investors is made. Rather than passively waiting for business interests to seize on new incentives in the tax policies, public officials proactively court businesses in an attempt to secure contractual agreements. This policy has come to be known as Public-Private Partnership, abbreviated variously as; P-P-P, 3Ps, P3, or P3. The assumption behind P-P-P is that the public and private sectors can cooperate and create new value and benefit for all concerned parties. Whereas the conventional approach is to procure separate roles for the public and private sectors, P-P-Ps combine the forces of public and private sectors to create added value projects. Proponents of P-P-P claim that the public and private sectors benefit immensely under the P-P-P approach (Pinto & Slevin, 1988).

Traditionally, private sector participation for infrastructure development has been limited to separate planning, design or construction contracts on a fee for service basis – based on the public agency's specifications. Expanding the private sector role allows the public agencies to tap private sector technical, management and financial resources in new ways to reach some public agency objectives such as greater cost and schedule certainty, supplementing in-house staff, innovative technology applications, specialized expertise or access to private capital. The private partner can then expand its business opportunities in return for assuming the new or expanded responsibilities and risks.

Some of the primary reasons for public agencies to enter public-private partnerships include, accelerating the implementation of high priority infrastructure by packaging and procuring services in new ways, turning to the private sector to provide specialized management capacity for large and complex programs, enabling the delivery of new technology developed by private entities, and drawing on private sector expertise in accessing and organizing the widest range of private sector financial resources, encouraging private entrepreneurial development, ownership, and operation of facilities and/or related assets. The infrastructure risks are then allocated to the party that is best equipped to manage them.

P-P-P models often include incentives that reward private partners for mitigating risk factors and can be applied to a large range of infrastructure across several modes including project conceptualization and origination, design, financial planning and financial management, construction, operation, maintenance, toll collection and program management. These activities are usually bundled into contract packages showing the public agency's objectives related to: schedule and cost certainty, innovative finance, or transfer of management and/or operational responsibility. Typical procurement packages under the P-P-P offering include, private sector operations and maintenance on a performance basis, private sector program management for a fee and/or with program costs and schedule maintenance incentives, design-build for fixed fee on fixed time frame, project Build-Operate-Transfer (BOT) and Design-Build Finance-Operate-transfer (DBFO).

It is factually established within the annals of the World Bank (World Bank Group, 2014) and its development partners that building a modern, sustainable and resilient infrastructure is crucial for meeting the increasing aspirations of billions of people; around the world. Industrial and infrastructure investment helps raise economic growth, offers new economic opportunities, and facilitates investment in human capital.

A significant increase in infrastructure investments in EMDEs is needed to sustain achieve poverty reduction and share prosperity, reach the Sustainable Development Goals (SDGs) and even tackle climate change (World Bank Group, 2014). The emerging markets and developing economies, also known as emerging economies or developing countries, are nations that are investing in more productive capacity are crucial for the study because they account for close to 80 percent of global economic growth, almost double their share from two decades ago (IMF, 2016).

In this study literature is therefore reviewed on EADEs, to show how, when and under what conditions P-P-P can be utilized for participating countries. we seek to find out if there are evidence for effective and efficient delivery of P-P-P in emerging and developing economies as derived from credible and valid evaluative studies.

The problem is, that there is little indication that public investment can address infrastructure's full funding needs in a pragmatic way and the mechanisms for sustaining the funding also appear sketchy. In the light of expected benefits many studies have been conducted, however, the empirical results do not give conclusive evidence of the role that P-P-P plays in building a resilient infrastructure for emerging economies. This review is important from the stand point that, understanding the linkage between P-P-P and infrastructure development may be key to unravel channels through which P-P-P can be used to foster economic performance and consequently, identify the policy levels that may be activated to maximize P-P-P and the gains from P-P-P. The remaining paper is organized as follow; the next section gives an overview of P-P-P in EMDC, followed by brief discussion on the theoretical and empirical studies on the performance of P-P-P. Finally, policy implications are made based on the findings of the study followed by, direction for future research and concluding remarks.

**Overview of P-P-P in Emerging and Developing Economies**

On account of the World Bank Group's (2016), Private Participation in Infrastructure (PPI) database, from 8,700 infrastructure projects with private participation, dating back from 1984s to 2016, analysis of trends in investment over the past four years shows a decline. However, investment commitments in infrastructure with private participation in (EMDE) in the First Half Year (FHY) of 2017 seems to be showing signs of recovery, with the investment level during the FHY slightly more than half that of the full-year of 2016 level, and historically, higher investment levels are typically recorded in the latter half of each year as indicated in figure 1. If this trend continues, there is the likelihood that the full-year 2017 investment levels could possibly be higher than those of 2016.

The number of projects dropped slightly from 138 in FHY of 2016 to 132 in FHY of 2017. The average project size increased marginally by three percent from US$269 million in full-year 2016 to US$278 million in the first year of 2017. This figure demonstrates a slight drop in project size below the average project size of US$280 million for projects recorded over the past five years. Further, the World Bank Group (2017) reports that the median project size increased from US$80 million to US$99 million denoting that small- and medium-sized projects received higher investment commitments than in the previous year.

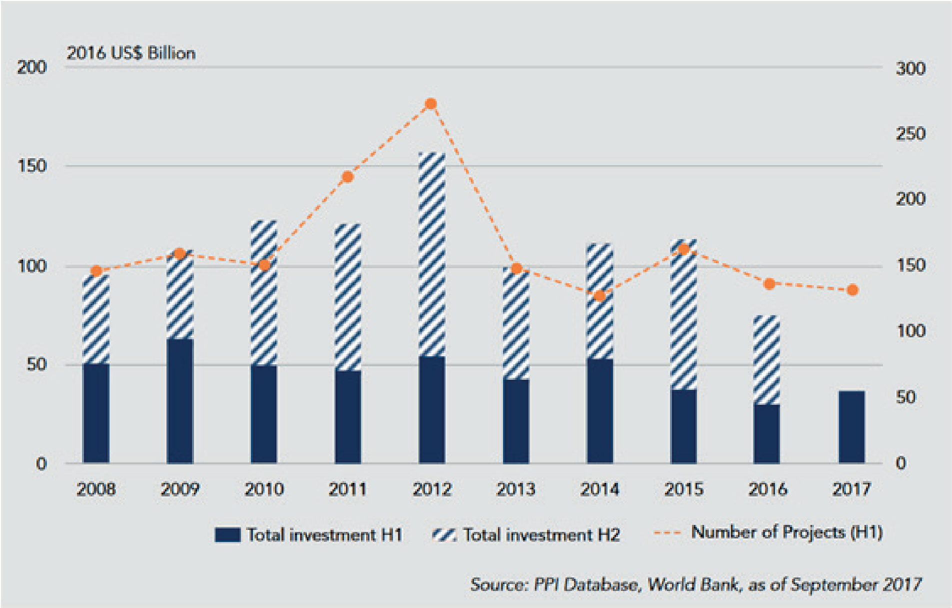


**FIGURE 1: INVESTMENT COMMITMENTS IN INFRASTRUCTURE PROJECTS WITH PRIVATE PARTICIPATION IN EMDES, FHY-2008 TO FHY-2017**

In 2016, 242 projects were recorded, representing 27 percent lower than the number of projects in 2015, which had 334 projects reach financial closure, and 57 percent lower than the annual average of 421 projects per year over 2011–2015. Furthermore, not counting concession fees, which gave 2015 a disproportionate bump, average project sizes stayed relatively constant throughout the six-year period at approximately $240 million. This indicates that the declining trend in investment is due to fewer projects, not smaller project sizes.

In the FHY 2017, greenfield projects accounted for more than two-thirds of the total investment commitment, or US$24.9 billion, while brownfield projects accounted for the remaining 32 percent, with US$11.8 billion. There was only one management contract of US$7 million for a water project in China; no divestiture transactions were recorded. The number of divestitures have been declining over time with only three recorded in full-year 2015, but in full-year 2016 there was a slight revival recorded with seven divestitures. Among greenfield projects in FHY 2017, projects adopting a build, operate, and transfer (BOT) model account for US$14.2 billion of investments, followed by build, own and operate (BOO) model projects, with investments of US$8.9 billion.

The problem is that there is little indication that public investment can address infrastructure's full funding needs.

Investment commitments (investments) in infrastructure with private participation in EMDEs fell sharply in 2016. The US$71.5 billion committed across 242 projects in 2016 represents a 37 percent decline in investment compared to 2015 and a 41 percent decline compared to the annual average of US$121.4 billion over 2011 to 2015. The year-on-year drop in 2016 can be explained by a precipitous decline in investment in Turkey, which had a banner year in 2015, as well as steep declines in South Africa and Peru.

Similarly, the lower investment relative to the five-year average is largely driven by declining private investment in infrastructure in three key markets, which together accounted for a majority of investment from 2011–2015: Turkey, India, and Brazil. All are countries where large programs over the last decade boosted the total number of investments in EMDEs. The number of infrastructure projects with private participation in EMDEs also declined substantially as shown in figure 2.

It should be noted, however, that commitments in 2015 included several large projects in Turkey, including one of particularly significant value: the US$35.6 billion IGA airport project in Turkey, which included US$6.5 billion in investment in physical assets and US$29.1 billion in expected concession fees to be paid over the life of the concession. If this project is subtracted from the 2015 data-set, investment in 2015 would have totaled US$77.8 billion, only an 8.2 percent decline, and discounting all projects in Turkey, investment from 2015 to 2016 would have stayed even. However, investment amounts in 2016 were 41 percent lower than the preceding five-year investment average of US$121.4 billion, hence the decline in investment remains significant. The commitment amount in 2016 was also the lowest in 10 years.

On the Regional front, East Asia and Pacific (EAP) received the highest level of private initiative investment in FHY of 2017 (US$12.7 billion), led by China and Indonesia. The region's 48 new PPI projects account for more than one third (35 percent) of total global investment during the first half-year of 2017. China and Indonesia together account for 91 percent of EAP PPI investments in H1 2017. In China, 36 projects received investments amounting to US$3.7 billion, which accounted for 29 percent of EAP investment, while Indonesia captured 62 percent of total EAP regional investment

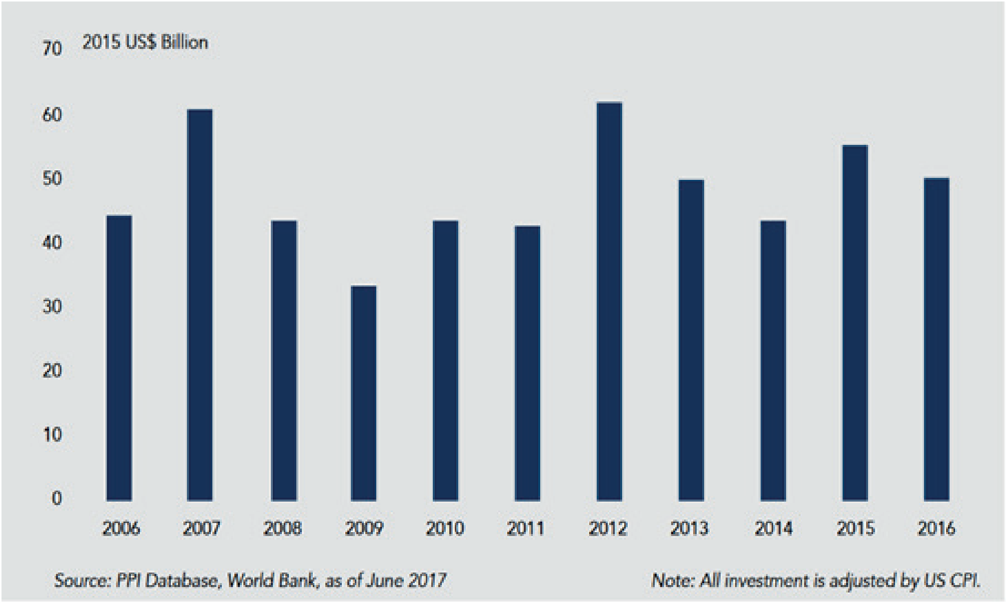


**FIGURE 2: INVESTMENT COMMITMENTS IN INFRASTRUCTURE PROJECTS WITH PRIVATE PARTICIPATION IN EMDES WITHOUT TURKEY, BRAZIL AND INDIA 2006 TO 2016.**

(US$7.8 billion) with only six projects. Several large projects in Indonesia, including two multibillion-dollar coal fired power projects (worth US$4.2 billion and US$2.2 billion) also made it the country with the highest PPI investment level globally. While PPI investment for China relative to its global counterparts appears large, it is a small proportion of the GDP or the total infrastructure spend in the country.

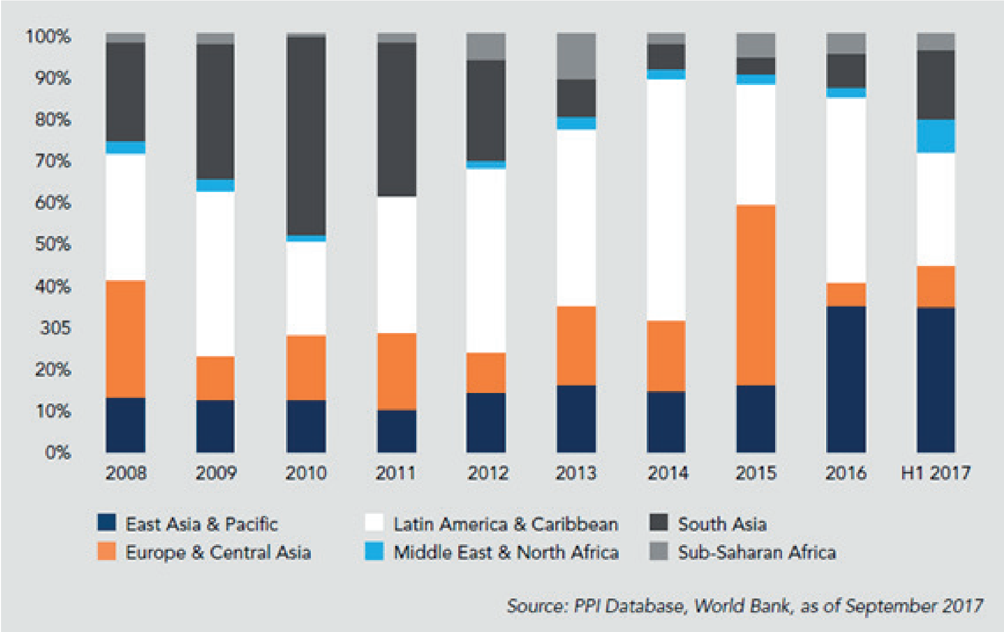


**FIGURE 3: REGIONAL SHARE OF INVESTMENT COMMITMENTS IN INFRASTRUCTURE PROJECTS WITH PRIVATE PARTICIPATION IN EMDES, 2008-2016 AND FHY-2017**

The overview information of Public-private partnership project indicated above give credence to two main facts; first, even though the volume of P-P-P funding continue to increase increased substantially over the years there still remains large infrastructural deficit in EMDEs. Second, every country has its own unique challenges, priorities, and financial constraints. In some cases, PPPs can provide benefit by leveraging the management capacity, innovation and expertise of the private sector, but other times a traditional public-sector approach could be more appropriate.

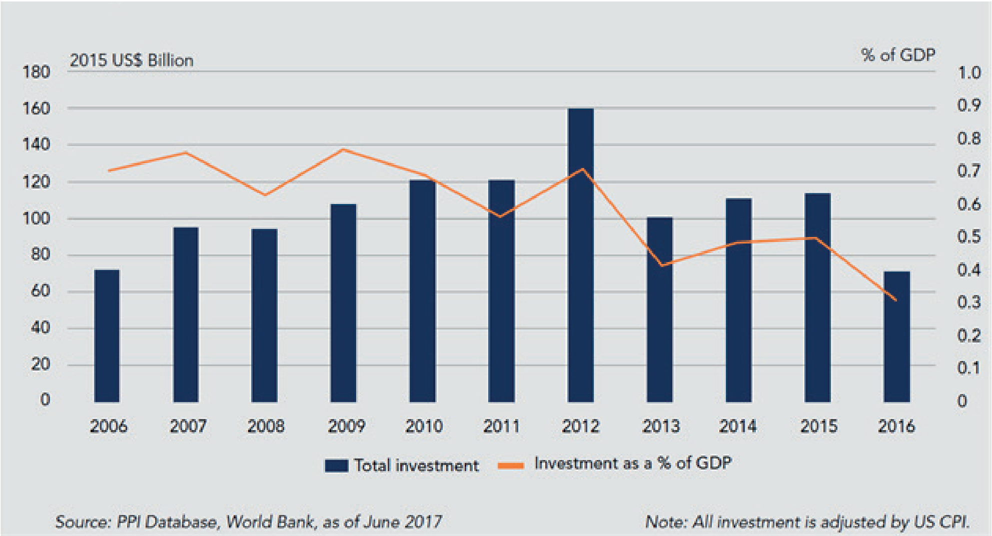


**FIGURE 4: INVESTMENT COMMITMENTS IN INFRASTRUCTURE PROJECTS WITH PRIVATE PARTICIPATION IN EMDES AS PERCENTAGE OF GDP, 2006-2016**

In the first half year of 2017, private initiative in investment in Middle East and North Africa (MENA) tripled compared to the level in FHY-2016 and has already surpassed the region's full-year 2016 investment level. This increase is driven primarily by investment in Jordan, where a US$2.1 billion oil shale-fired power plant reached financial closure in FHY-2017. Three additional projects in the region include a port project in Egypt and solar power projects in Morocco and Jordan.

### Theoretical Literature

Several models and theories underpin research on P-P-P initiatives. The ones that resonates the most are those that appear in strategic research. The strategic research explores three theoretical perspectives, namely; transaction cost economics, innovation economics and economic geography.

First, transaction cost economics deal with coordination, control, governance, and regulation, with hierarchy in cooperation relations, with trust, opportunistic behaviour, and the absorptive capacities of the partners. The fundamental prerequisite for this theory is anchored on incentive that reward private partners for mitigating risk. Hence, in the transaction cost approach, P-P-Ps are one form of coordination in the field of research and development. As all market transactions, they are not free from risks and they pose a spectrum of challenges to the partners involved in such relationships (Bapuji et al. 2011; Caloghirou et al. 2004; Escribanoet al. 2009; van de Vrande et al. 2010; Du et al. 2014). Within the transaction cost economics, we seek to fine answers to the question on how the political, legal, social, economic and financial environment in host countries influence risk perceptions and hence, the participation of the private sector in infrastructure PPPs.

Second is innovation economics which can be applied for analyzing the kind of distributed-ness of innovation processes, the openness of innovation, knowledge generation and exploitation processes, the role of human resources, and market orientation. According to innovation economics' recent understanding, innovation is an interactive and systemic process that creates novelties (Bathelt and Glückler, 2012: 51-52). These novelties (inventions) become an innovation when they successfully reach the market stage and create demand. Innovation can be technological, process-related, organizational, social and cultural. Concerning the level of private sector investments, the effect of such "social" factors, if any, is not so clear, as for instance, if we try to explain private sector participation in infrastructure projects, given their "development" mission. Nevertheless, recent empirical studies have showed that civil freedom may encourage foreign direct investment (Harms & Ursprung, 2002).

Economic geography, brings in the perspective of spatial and cultural proximity in exchange processes, the role of embeddedness, and the kind of knowledge which is relevant for face-to-face contacts. Geographical proximity refers to the spatial or physical distance between economic actors, while social proximity is related to the fact that economic relations are always embedded in a social context (Boschma, 2005: 66-69). The macroeconomic environment can also affect project risks and the participation of private sector in PPPs.

**Empirical Literature**

The literature on P-P-P covers a wider spectrum of research area and like the theoretical part it is not conclusive in its findings. In the light of expected benefits many studies have been conducted, however, the empirical results do not give conclusive evidence of the role that P-P-P plays in building a resilient infrastructure for emerging economies. For example, Boyer, Cooper, & Kavinoky, 2012 and Shediac, Abouchakra, Hammami and Najjar (2014) show significant role that P-P-P can play on economic growth, others give evidence to the contrary (Vining and Boardman, 2008). Further, other studies suggest that, the use of P-P-P on improvement of emerging economies, depends largely on the participating country's market size, purchasing power of infrastructure flows and institutional quality matters (Basilio, 2011) mostly for the decision to invest in emerging countries. Hammami, et al. (2006), also intimate that larger markets, stable inflation and more political competitiveness lead to more P-P-Ps investments. In addition, a significant time effect has also been reported. Other seminal works confirm that PPPs can indeed lead to improvements inefficiency but not necessarily so. The econometric evaluation of various types of P-P-P experiences shows indeed that the careful choice of control variables, the proper framing of the P-P-Ps institutional and sectoral context and the careful avoidance of selection biases in sample choices matter to the conclusions reached by empirical tests of the impact of PPPs on efficiency. Recognizing the relevance of these factors allows the identification of the circumstances under which PPPs are likely to enhance efficiency and those under which they will not.

Hodge (2010) points to the multidisciplinary character of P-P-Ps as one of the major challenges. Law disciplines raised their interest in PPPs. Economists study the societal impact of PPPs and will assess the social marginal cost. Engineers will be involved in the feasibility studies and project management scholars will ensure an adequate planning of the project. Due to the often-high dependency on the capital market for e.g. financial risk management, raising equity capital and debt finance, financial institutions and finance practitioners will also be involved. Bloomfield (2006) identifies substantial public benefits, cost savings and the risk sharing opportunities in P-P-Ps, of course, the appraisal often depends on a country-specific infrastructure. Some governments are not yet prepared to engage in P-P-P projects and other legislations will never be suitable for P-P-P contracting. Other popular criticism relates to the more expensive to raise capital from the market for the private company than for the public sector. Consequently, in order to create value for money, the cost savings and efficiency gains should outweigh the higher cost of capital. Other often encountered disadvantages are based on the complexity of the contract and the inherent dangers (e.g. lock-in, moral hazard and adverse selection) (Zouand Fang, 2008).

In a recent survey conducted by Pricewaterhouse Cooper and Esorys (2013) on behalf of the European Union, corrupt procurement processes was cite as a significant issue, in particular in infrastructure. In a sample of 8 EU countries, the survey finds that the highest probabilities of corruption are the staff development services (23–28%) and the construction of wastewater plants (22–27%). The probability of corruption is lower for rail (15–19%), for road (11–14%), and airport runway construction works (urban & utility construction): (11–13%). The overall direct costs of corruption in public procurement in 2010 ranged between EUR 1.5 billion and EUR 2.3 billion, about 19% of the estimated value of tenders for public expenditures on works, goods and services published in the EU electronic tendering system in the 8 EU Member States covered by the survey.

**Conclusion and Policy implications**

The review from the theoretical and empirical overview of research on P-P-P as a vehicle for building a resilient infrastructure shows that countries all around the world are confronted with glaring infrastructure deficits, particularly the EMADs. The developed economies are grappling with the problems of high cost of re-investment to replace or modernize the ageing infrastructure while in developing countries the large and growing gap between infrastructure availability and needs is due to higher growth leading to unprecedented demand for infrastructure services in producing goods and services and in maintaining supply and distribution chains efficient, reliable and cost effective. To narrow the infrastructure deficits governments have increasingly turned to PPPs, which once used to be rare and limited to a handful of countries and infrastructure sectors. One offshoot of the rapid worldwide growth of P-P-P-Ps for infrastructure is that countries remain at vastly different stages of understanding and sophistication in using innovative partnership models. Another general conclusion to be derived from this short theoretical and empirical overview of research on P-P-Ps' efficiency is that they deal with specific hazards that are not present for private contracts and that understanding the drivers of these hazards is essential to understanding the extent to which P-P-P will help or hurt efficiency. Spiller (2009) wisely argued that: "the perceived inefficiency of public or governmental contracting is simply the result of contractual adaptation to different inherent hazards, and as such is not directly remediable". Although PPPs may not be appropriate for every infrastructure project, they offer an additional delivery mechanism for public officials seeking out innovative approaches for leveraging limited fiscal resources. The final dimension deals with the sustainability of any efficiency gain achieved by a P-P-P. Economists and political scientists have been very effective in recent years in increasing collective awareness of the various dimensions of governance, from weak institutions surrounding P-P-P to the overwhelming politics of P-P-P. Berg et al (2012) point out in their study of telecoms that it affects more private firms than government -owned firms. For transports, Galilea and Medda (2010) suggest that corruption is not just about procurement. Governance and democratic accountability also matter to the impact of a P-P-P on the sustainability of the sectoral efficiency gains they may have delivered. Galilea and Medda (2010) find a positive association between a low accountability level and a P-P-P's success for all transport sectors except toll roads. Less accountable governments "seem more willing to fulfil the long-term requirements" or are maybe easier to make accountable when the PPP process increases the transparency of transactions in the sector.

Those different hazards linked to institutional context are now well-identified and increasingly well documents. They are, however, still waiting for a general theory (Estache and Wren-Lewis, 2009) to guide and structure empirical research. This is particularly important as politicians continue to make efficiency commitments on behalf of PPPs that do not really determining the ways to improve PPPs efficiency. In this context, the evidence also shows that regulators and competition agencies have a stronger role to play that they are credited for by the policymakers betting on PPPs.

Future studies should focus more on theoretical developments and empirical investigations to understand how economic sectors tentatively deal with the various challenges identified with P-P-Ps, and whether this could be enhanced by innovation in contractual and/or institutional design. This should be a top research agenda, especially because problems that plague P-P-Ps are increasingly recognized and are also present in traditional procurement contracts in a business.

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# THE ROLE OF SALES STEREOTYPES IN STUDENTS' PERCEPTION: AN EXPLORATORY ANALYSIS ON ITALIAN STUDENTS

**Silvio Cardinali**
*Associate Professor in the Management Department at the Economics Faculty "G. Fuà" and Vice Rector for Communication, Università Politecnica delle Marche, Ancona, Italy*
*s.cardinali@univpm.it*

**Marta Giovannetti**
*Università Politecnica delle Marche, Ancona, Italy*
*m.giovannetti@pm.univm.it*

**Barbara Kulaga**
*Università Politecnica delle Marche, Ancona, Italy*
*b.kulaga@pm.univm.it*

**Lorenzo Governatori**
*Università Politecnica delle Marche, Ancona, Italy*
*governatori.lorenzo@gmail.com*

## Abstract

*The present work intends to explore sales and salespeople stereotype among university students; previous literature has already pointed out students' lack of awareness, negative perception and stereotyping of sales and salespeople. Students in fact show to know little about sales and its evolution over the decades and the low propensity towards the possibility of working in sales has persisted for over 50 years. This exploratory analysis was conducted to analyze the perception of salespeople, in the context of university students, and understand the orientation of students to sales career. Data were collected and analyzed using qualitative research method. Results show that sales and salespeople stereotype is still present among students, and that selling as a process tends to be identified mainly as a single activity, as just direct interaction or negotiation. In addition, business (marketing) students tend to refer to the dichotomy between the transactional and the relational paradigm as a reference to define the stereotypical and the ideal selling approach. Findings suggest that a further exposition to sales issues could define and improve the students' knowledge and perception of sales and foster students' intention to pursue a career in sales.*

**Keywords:** *salesperson, sales stereotypes, perception, university students, focus group*

## Introduction

The present work intends to explore sales and salespeople stereotype among students; previous literature has already pointed out students' lack of awareness, negative perception and stereotyping of sales and salespeople, and the impact on their feelings toward selling (Karakaya, Quigley, & Bingham, 2011; Ballestra et al., 2017). Students in fact show to know little about sales and its evolution over the decades and the low propensity towards the possibility of working in sales have persisted for over 50 years.

In addition, in today's competitive business environment, selling requires more and more professionalism, organizational capabilities, and knowledge of adaptive and consultative services (Cron, Baldauf, Leigh, & Grossenbacher, 2014). Indeed, sales has shifted from an isolated and operational function to a more complex, cross-functional and strategic one (Honeycutt, Ford, Swenson, & Swinyard, 1999; Ingram, LaForge, & Leigh, 2002; Storbacka, Ryals, Davies, & Nenonen, 2009). Moreover, particularly in business-to-business, the salesperson has acquired a crucial role, not only in creating and developing relationship with customer, but also in being considered beyond a relationship manager, a value creator (Blocker, Cannon, Panagopoulos, & Sager, 2012; Weitz & Bradford, 1999). For these reasons, firms need salespeople that are solution developers, a definition that evidently contrast from the past ones, or at least from the stereotypical idea of the salesperson as opportunistic and manipulative. Nowadays' salespeople need to be bright, motivated, capable, and well-trained individuals who have the skills to adapt well to a quickly and continuously changing business environment (Pettijohn & Pettijohn, 2009). Scholars have already observed the tendency of companies to look for adequate and qualified salespeople among university graduates, to better face the challenges of modern business and selling (Weeks & Muehling, 1987; Swenson, Swinyard, Langrehr, & Smith, 1993; Amin, Hayajneh, & Nwakanma, 1995; Wiles & Spiro, 2004; Deeter-Schmelz et al., 2018).

Historically, students tendentially avoid applying or interviewing for sales positions (Dubinsky, 1981; Weeks & Muehling, 1987) despite personal selling can offer a rewarding and fulfilling career, because society in general and students in particular often have a negative opinion of selling and thus their intent to pursue a sales career is very low (Manning, Reece, & Ahearne, 2010; Karakaya, Quigley, & Bingham, 2011).
Despite the stereotype though, many graduates in marketing and business disciplines often spend at least a period of their professional life in sales, either while moving from one job to another or as a first job after graduation. Moreover, if students hold negative stereotypes of salespeople then this will influence their behaviour on the job and general well-being. Finally, there is also the possibility that those individuals who feel to conform to the negative stereotype will wish to take sales positions, following and adverse selection mechanism. This situation could lead to undesirable recruits and a higher level of negative selling behaviour – further perpetuating the negative stereotype of sales amongst the general public and potential recruits. This work tries to build on previous literature (Lee, Sandfield, & Dhaliwal, 2007; Karakaya, Quigley, & Bingham, 2011; Fournier et al., 2014; Ballestra et al., 2017) and to further investigate this phenomenon of the negative sales stereotype, often perpetuated by mass media, and even to study the misconception of what selling involves as a job and the consequent assumptions made towards salespeople.

This exploratory research was conducted to analyze the perception of salespeople from Italian university business students, where sales education research is scarce, trying to enrich the existing literature with a new work, specific on sales stereotype, in an under-investigated context, as Italy is, and to understand the orientation of students to pursue sales careers. Data was collected and analyzed using qualitative research method.

The paper is furtherly structured as follows: next paragraph includes a literature review concerning salespeoples' stereotypes, the following section illustrates the study methodology, then results are presented and discussed. Finally, some conclusions reflect on implications, limitations and possible further development.

## Literature Review

Students' perceptions of personal selling as a less than desirable job has been recognized in the academic literature since the 1950s, and this negative sentiment has remained unchanged to the present days (Peltier, Cummins, Pomirleanu, Cross, & Simon, 2014).

Both salespeople and the sales profession suffer from a negative stereotype (Lee, Sandfield, & Dhaliwal, 2007) that inhibits entry into the profession by qualified people and makes it more difficult for salespeople to achieve success. Indeed, according to these authors, the negative stereotypes may attract salespeople not fully convinced of the importance or value of the sales profession, or attract people unable to fully fulfill the sales function in a professional manner, reinforcing adverse stereotypes and images of salespeople.

Studies on students and sales can be divided into three different streams: the first focuses on student attitudes, perception, or preferences for selling; a second group focuses on students' individual traits; and last, studies on the relationship between image and other actions, such as students' attitudes and perceptions of a sales career (Fourneir, et al., 2014). In this work in particular we refer and try to contribute to the first stream of research, and also to add a few implications in terms of intention towards a sales career, which belongs to the third one. Therefore, in the first stream of research we find many works in which salespeople have been considered money hungry, aggressive, pushy, hardworking, dishonest, and ambitious people (Swenson, Swinyard, Langrehr, & Smith, 1993; Lee, Sandfield, & Dhaliwal, 2007; Spillan, Totten, & Ziemnowicz, 2007). Their reasons may include a misperception of what selling involves as well as the negative stereotypes often perpetuated by mass media, and the reason for this negative sentiment may be embedded in the perception that selling involves manipulating others and is not considered a reputable activity (Lysonski & Durvasula, 1998; Lee, Sandfield, & Dhaliwal, 2007). However, other studies found that students' perceptions of salespeople and sales careers were generally positive (Dubinsky, 1981; Muehiling & Weeks, 1988; Amin, Hayajneh, & Nwakanma, 1995).

As what regards the third research stream, most research has focused on the identification of possible predictive factors that influence students in pursuing a career in sales, such as gender (Meuhling & Weeks, 1988; Amin et al., 1995), age, race (DelVecchio & Honeycutt, 2002), nationality (Honeycutt, Ford, Swenson, & Swinyard, 1999; Barat & Spillan, 2009; Karakaya, Quigley, & Bingham, 2011; Fournier et al., 2014), enrollment in sales management courses (Bristow, Gulati, & Amyx, 2006; Peltier et al., 2014), and familiarity with salespeople (among relatives or friends). Again according to Peltier et al. (2014), there are four dimensions that comprise students' intentions to pursue a career in sales: sales job attributes, salesperson attributes, knowledge of the salesperson's job, and, finally, the ethics of the profession.

Among those reasons why students have a negative perception of a sales career, there is the lack of a full understanding of the role assumed by salespeople (Dubinsky, 1981; Peltier et al., 2014). More specifically, recent research has defined many different 'types' of selling which are appropriate to different markets or products and services. For example, key account management and consulting styles of selling have evolved in various industries, which are considerably different from more traditional ideas of business to business and business to consumer personal selling (Blythe, 2005; Moncrief, Marshall & Lassk, 2006). However, students may still hold stereotypes which are based around more 'traditional' modes of selling like cold-calling, delivery, order-taking, or missionary sellers. If this is the case, students may have even less accurate perceptions of selling as a career. In other words, stereotypes may not only be inaccurate representations of the sales career, but the focus of the stereotype itself (e.g. the type of salesperson it refers to) may be inaccurate (Lee, Sandfield, & Dhaliwal, 2007).

In fact, Peltier and colleagues (2014) have demonstrated that knowledge, experience or even exposure to sales (even only classes or seminars), allow them to become more familiar with sales, with a consequent positive impact on sales perception and orientation towards sales career.

It follows that a better understanding of the evolution and the importance of the salesperson's role may have a positive influence on students' intentions to choose a career in sales. Most of these studies, however, compare business to non-business students; students enrolled in a sales course versus those who are not enrolled; and students versus salespeople. There are not many works, done on measuring the students' level of comprehension regarding the evolution experienced by salespeople and the sales function (Ballestra et al., 2017).
In this regard, another important aspect to stress is that, despite the call for more international sales research (Lee, Sandfield, & Dhaliwal, 2007; Cummins, Peltier, Erffmeyer, & Whalen, 2013), students' perceptions and intentions to pursue a sales career have been studied primarily in the U.S., with only a few exceptions (Honeycutt et al., 1999; Lee, Sandfield, & Dhaliwal, 2007; Barat & Spillan, 2009: Fournier et al., 2014; Karakaya et al., 2011; Ballestra et al. 2017). This study is presented as a response to several calls to conduct more international research coming from the areas of sales management (Panagopoulos et al., 2011; Fournier et al., 2014) and sales education (Cummins, Peltier, Erffmeyer, & Whalen, 2013).

## Methodology

The chosen technique for developing this exploratory work is the focus group (Lederman 1990; Krueger & Casey, 2000), involving a total of 57 business university students from 5 EU countries (Italy, Spain, Slovenia, Poland, Bulgaria). This work focuses on the results from the analysis conducted in Italy (N=12).
Focus group technique was chosen to gather information, to ask information to participants and solicitate free discussion and contemporary are asked questions in an interactive setting and are encouraged to discuss thoughts freely with other participants.

During the focus group sessions, data was collected through different mean and techniques, primarily transcripts, students' notes and researchers' annotations (Kruger, 2000). The students were business courses attendees, from bachelor or master's degree programs. They were selected because in the last years firms have turned to universities, looking for business graduates to cover sales positions (Wiles & Spiro, 2004; Agnihotri-et al., 2014; Deeter-Schmelz et al., 2018) therefore their perceptions and intentions towards sales are key inputs.

**TABLE 1. DESCRIPTION OF THE SAMPLE**

| **Participants** | |
|---|---|
| **Profile** | Students |
| **N.** | 12 |
| **Description** | Master's degree students<br>• 11 Marketing<br>• 1 Business Administration |
| **Age range** | 22-26 |
| **Gender** | F=7; M=5 |

The focus group was conducted in February 2018, in 2 consequent sessions (6 participants each, to maximize information gathering and participants' involvement), in the interviewees first language, and the research teams provided for translation.

Printed participation forms helped with data collection: there was one for every interviewee, to help following the discussion and taking notes.

The focus group interviews were conducted to ensure the best comprehensibility of the topic and to foster the discussion by every group of subjects, with different levels of education and experience (Bachelor or Master's Degree programs attendees). The group interview consisted of mainly two semi-structured questions, followed by a general participants' discussion.

Following an abductive approach, the first question asked students to associate an animal to the salesperson (Jensen, 2006), allowing them to look at this phenomenon through different lenses, looking for unique similarities and characteristics helping in defining the objects (salespeople / animals) that have similar traits or characteristics, furtherly developed the second question on attributes and traits: in order to investigate the pervasiveness and content of salesperson stereotypes amongst students, a projective word association technique was used, as in other in sales and other psychological research (e.g. Andersen and Klatzky 1987; Babin, Boles and Darden 1995; Lee, Sandfield, & Dhaliwal, 2007). The aim of this stage was ultimately to form an set of 'most associated characteristics' (MACs) of salespeople, other than allow students providing more articulated responses and foster interaction. Finally, students were asked about the most important sales activities, to assess their effective level of knowledge and comprehension of sales roles and sales career.

**Results**

To better understand students' general perception of salespeople, we asked them to associate an animal to the salesperson, thanks to the metaphor technique: "associate an animal to the salesperson". Interviewees' responses are summarized in table 2.

It was not purposefully specified whether the salespeople of reference were B2B or B2B. When asked, the indication was to avoid referring to retail assistants or shopkeepers, but instead considering the focus on B2B salespeople.

Most of the responses were fox (3), chameleon (2), cat (2), then results show one reference for each of the following animals: lion, tiger, dog, elephant, shark/kangaroo.

## TABLE 2. METAPHOR RESPONSES SUMMARY

| ***Animal*** | ***Relevant Quotations*** |
|---|---|
| *fox* | *Fox, because it is sly, astute, agile, adaptable, but also, loyal and reliable towards its family, so the salesperson is with the client. I don't really picture myself like a fox, I think that a successful salesman is the one who's perceived as a rulebreaker and I'm not just like that.* (Interviewee n. 2)<br><br>*Fox: communicative, sly, knows how to appear reliable even lying, knows the products' strength and weaknesses, knows how to lead/drive the conversation.* (Interviewee n. 6)*<br><br>*Fox is sly, manipulative, waits for the right moment and occasion to acquire a customer, start a relation, it waits ultil the perfect moment to have to have an opportunity.* (Interviewee n. 10)<br><br>*A fox knows the best techniques to capture the listeners' attention, to be captured and convinced by the salesman arguments.* (Interviewee n. 12) |
| *cat* | *knows how to be appreciated/loved, but is also very selfish.* (Interviewee n.3)<br><br>*Cat. The salesperson is like a cat because it is reassuring with the boss/customer, suspicious and sly, it lets you think you're important but for its scopes, not indifferent but interested, charismatic and in long run relationships.* (Interviewee n.4) |
| *chameleon* | *Chameleon is small and agile, it transforms, can be more eclectic or professional, it changes based on the context, is present but not intrusive.* (Interviewee n.1)<br><br>*It adapts to the environment, transforms, as the salesman adapts to situations and contests, considers both the rational and irrational aspects of the decision process.* (Interviewee n.11) |
| *lion* | *I choose lion for aggressivity, objective achievement, because it is confident and charismatic towards the client and it leads to relationship.* (Interviewee n.5) |
| *dog* | *Salesmen is dog: it easily interacts with anyone, is intelligent, friendly and cuddly, like a Labrador. He also knows its environment.* (Interviewee n.7) |
| *shark/kangaroo* | *I see the salesperson as a shark, which main trait is aggressivity. However, nowadays competition is not price based anymore, and here we speak about b2b, so… I see the salesman as what it should be: a kangaroo. Because it keeps the client, it takes care of it.* (Interviewee n.8) |
| *elephant* | *Salesman is an elephant: chameleon was good, however, elephant is as I think a salesman should be, because big ears makes it good listener, it is big, not to be overwhelmed by the client, it has fangs, those represent being valuable for the customer, it lives in a warm environment (because Africa or India) so it makes the customer feel comfortable and incline to a relationship, is strong but knows not to be the king (because the lion is).* (Interviewee n. 9) |
| *tiger* | *Goal-oriented, aggressive, firm, maintains the position.* (Interviewee n. 6)* |

In the list we find mostly predators, felines, aggressive or transforming/manipulative animals, according to the stereotypical idea that salespeople need to be aggressive and borderline with honesty and clarity to be successful. A quick look to results' quotations underline that the main selling situation which students refer to are communication and negotiation, in addition to some spare references to after sales, particularly to customer relationship management. Nevertheless, a further look to quotations can help understanding the complexity of some answers.

Although, it needs to be furtherly stressed, the majority of answers refer to the negative stereotype, some answers are richer and slightly ambiguous, in the sense that there seem to be a complexity, a multidimensionality as well. For instance, interviewee n.2 chose fox because "it is sly, astute, agile, adaptable"; however, maybe because of the animal he chose, or purely because of idea he had about salespeople, he also specified the fox to be "loyal and reliable towards its family", as he felt the salesperson is with the customer. So, although at the end of the question he still remarked the lack of morality and values of salespeople (a successful salesman is the one who's perceived as a rulebreaker) he acknowledged a strong relational, almost familiar, bond between salesperson and customer.

Furthermore, it is worth focusing on the elephant response: the interviewee clarified that he referred to the ideal salespeople as good listener, solid and firm, not only creating value and comfort for the customer, but also for the "king" (entrepreneur/manager). Although this answer seems rich and out of the box, in a way it refers quite entirely to strategic marketing and the relational paradigm, because of the attention on external stimuli, to be composed with internal critical success factors. However, except from the reference to the sales' frontier position, as he mentioned both the customer and the "lion" (manager/entrepreneur), although this answer catches some emerging issues, as the need for a further integration between marketing and sales (Guenzi, & Troilo, 2006; Homburg, Jensen, & Krohmer, 2008), it appears missing the focus on sales to some extent, as in fact generally students tend to miss what sales are really about (see next paragraph).

The last answer was twofold: shark / kangaroo. The interviewee said she meant to refer to what many salespeople are (shark – aggressive) or used to be, as opposed to what she thinks they should be or act nowadays (kangaroo – taking care of the customer), referring to the customer relationship as a familiar, very natural and strong kind of relationship. This answer is not only interesting in being twofold, for the contraposition between ideal and real, but also because it refers to a past domain of the stereotype, as opposed to an ideal mature and more professional, managerial approach to sales, that seems to be more on the relational side. This is interesting, especially thinking to emerging themes in the field of professional selling (Cuevas, 2018).

Moreover, each respondent was asked to provide a few specific characteristics or traits of the animal they associated to the salesperson to enrich their answers with projective word association technique (Andersen and Klatzky 1987; Babin, Boles and Darden 1995; Lee, Sandfield, & Dhaliwal, 2007), but also to stimulate further explanation and interaction. Since previous research using similar techniques has suggested that the initial thoughts of respondents are the most valid and representative of actual opinions (Stafford & Stafford 2003), respondents were instructed to only to name and take note of their immediate responses. The list of attributes resulting from interviewees' notes and dialogue, confronted, and controlled for redundancy, were coded (Hay, 2005) ensuing minimal interpretative bias, thanks to the animal metaphor previous discussion, resulted in a set of MACs (-Most Associated Characteristics-), the majority of which have negative connotations.

**TABLE 3. ATTRIBUTE ANALYSIS**

| Attributes | Frequency |
|---|---|
| *smart* | 5 |
| *sly* | 5 |
| *loyal* | 4 |
| *strong* | 3 |
| *aggressive / predator* | 3 |
| *meditative (observes and attacks)* | 2 |
| *manipulative* | 2 |
| *flexible* | 2 |
| *confident* | 2 |
| *agile* | 2 |
| *protective* | 2 |
| *independent* | 2 |
| *friendly* | 1 |
| *persistent* | 1 |

MACs are actually in line with the animal metaphor answers, since students mentioned qualities and traits coherent with aggressive or dangerous animals (smart, sly, strong, predator, etc.), with some exceptions, due to the already mentioned relational elements present as well (protective, friendly). Therefore, to sum up, in addition to the list and the frequency of the mentioned traits, an emerging aspect is the general presence of both positive and negative aspects:

- Positive: salesman is adaptable, agile, present but not intrusive, knows how to be appreciated, studies the situation and knows when to intervein, charismatic, solid, strong but not overwhelming, easily starts and develops relationships, good listener, faithful and reliable with his "family".

- Negative: sly, aggressive, manipulative, false, selfish, insistent/persistent.

**Sales activities**

The second question asked to students was, "what do you think are the most important activities in a salesperson job", was responded with a strong focus to starting and building the customer relationship (top ranked activity for 6 on 12 interviewees).

A lot of answers also emphasize the study phase, with direct references to product knowledge, market analysis etc, those actually belong to the marketing field more than the sales one, (see the elephant answer). Another frequently mentioned type of answer is meeting the customer, negotiating and selling.

The interviewed students never mentioned activities like prospecting, (self) organization, budgeting, coordinating with other units for sales, problem solving, or service (after sales support). Students' attention tended to be in the pre-selling, as communicating, in the selling itself (as negotiating), and post-selling, in terms of "relationship" strictly.

If students were asked what skills are associated to those core-activities in selling, they mainly answered with soft skills, with -positive- personal qualities and characteristics ("Soft-er skills": communicative, good listener, empathic, persuasive, reassuring, reliable, honest, charismatic) more than technical, functional, organizational features ("Hard-er skills": analytic, knowledgeable, organized). It is coherent with the students' emphasis on communication and relation with customer. But still very close to the stereotype.

## TABLE 4. ACTIVITY-RELATED SKILLS RESPONSE QUOTATIONS

| |
|---|
| *communicative (with direct contact with the customer), persuasive (with selling), reassuring.* (Interviewee n.7) |
| *being a good listener, communicative, analytical skills.* (Interviewee n. 8) |
| *interpersonal/relational skills, credibility, knowledgeable (being believable, convincing), persuasive.* (Interviewee n.9) |

**Findings**

Results show that sales and salespeople stereotype is still present among students, and that sales as a process tends to be identified as a single activity, quite exclusively as negotiation, direct interaction and customer relationship. In addition, business (marketing) students tend to refer to the dichotomy between the transactional and the relational paradigms as a reference to define the stereotypical and the ideal selling approaches.

In particular, students were asked to associate salespeople to an animal and to a set of attributes, and to indicate the most important activities of a selling role. Students form the sample enlisted mainly of aggressive, feline, manipulative animals (tiger, lion, chameleon, ecc.), as opposed to some independent, clever and adaptable creatures (fox, cat) and some friendly, faithful and loyal ones (elephant, dog). They often referred to the stereotypical idea of the salesperson, or they explicitly addressed the answer dividing it in what a salesperson is, opposed to what they would like the salesperson to be, in some cases, with addition to the perception of the complexity of a frontier role.

In general, students supposedly took the sales prejudice as a benchmark: what the salesperson "is" (traditional hard-seller) and what should be (relational/partnering seller, which has a strategic and long-term approach towards sales and is strong in loyalty, ethics, preparation, problem solving and value co-creation).

Furthermore, in the attribute analysis, the MACs, provided by the interviewees (Lee, Sandfield & Dhaliwal,2007) express both positive (salesman is adaptable, present but not intrusive, knows how to be appreciated, studies the situation and knows when to intervein, charismatic, solid, strong but not overwhelming, easily starts and develops relationships, convincing, good listener, faithful and reliable with its "family") and negative (sly, aggressive, manipulative, false) attributes, in line with the previous results.

Differently from other studies, students have maintained to the above mentioned dimensions, avoiding expressing negative emotions, personal image characteristics or strong moral assumptions (besides being sly and manipulative). In fact, other studies' results have emphasized personal appearance, misbehavior (annoying, a nuisance, rude) (Lee, Sandfield & Dhaliwal, 2007), personal/ethic judgement (disgusting relationships, always lying, sell their value for money) (Ballestra et al., 2017) and education (Fournier et al., 2014).

An explanation could be that these interviewees had been exposed to relational paradigm theories in their university curricula, and consequently have cues of some emerging issues in the evolution of personal selling. In fact, besides lacking experience and a complete understanding of sales roles, students perceive the importance of salespeople's relationship with customers based on trust and collaboration, but some of them acknowledge, someway, the hunting/proactivity attitude of salespeople, to acquire new clients showing a more aggressive nature (Cuevas, 2018).

Somehow, education is still a missing theme in our results, in coherence with the stereotypical idea that the keys to success for a salesperson are personal intuition, perseverance and manipulation, rather than an equilibrated mix of education, organization, trust building, value proposition and co-creation with the customer.

Moreover, generally students seem to refer more to personal qualities rather than professional and technical skills, again referring to the importance they attribute to communication and negotiation.

Therefore, it can be suggested that students still hold stereotypes which are based on more 'traditional' modes of selling like cold-calling, delivery, order-taking, or missionary sellers, showing that students may have even less accurate perceptions of selling as a career. In other words, results show that stereotypes may not only be inaccurate representations of the sales career, but the focus on any type of selling (any type of sales of reference) (Moncrief, Marshall & Lassk, 2006) is very general, if not inaccurate, and only based on the stereotype (Lee, Sandfield, & Dhaliwal, 2007).

Finally, the students' top ranked sales activities, in their opinion were selling/negotiating, customer relationship, contacting/informing customers (in line with the traditional and relational paradigm simultaneously). This result, on one hand is encouraging and aligned with the theory, aiming for a closer interface and integration between marketing and sales, but on the other hand, again, students seem to have little knowledge of what selling is really about, with consequent low opinions regarding the possibility of pursuing a career in sales (Karakaya, Quigley & Bingham, 2011).

In fact, students seem to look at selling as an act, not as a process, prioritizing negotiation and customer relationship, they do not pay much attention to customer insight and organization/reporting/budgeting, coherently with their scarce level of knowledge, experience and expectations towards sales.

Furthermore, when it emerged in the discussion whether students would like to work in sales, only one student responded positively. This is in line with prior studies those enhance the reticence of students towards the intention to pursue a career in sales. It is well known that it is important to know and understand the real dimensions of the sales profession (Peltier et al., 2014) and the teaching of strategic sales management (Cummins et al., 2015; Jaskari & Jaskari, 2016) to change he attitude toward pursuing a career in sales, otherwise the feeling towards selling (Ballestra et al., 2017) will continue being driven by the scarce understanding of salespeople role, as well as the misconception and stereotyping of sales job and salespeople attributes.

Findings suggest that a further exposition to sales issues could define and improve the students' knowledge and perception of sales and foster students' intention to pursue a career in sales (Allen, et al., 2014). And this is particularly important nowadays, since professional selling has become more complex, managerial and technical under many aspects (even the international ones, according to the global competitive evolution of businesses), needing for highly educated and work-ready sales recruits (Deeter-Schmelz et al., 2018).

## Conclusion

This exploratory research was conducted to analyze the perception of salespeople from Italian university business students, where sales education research is scarce, trying to enrich the existing literature with a new work, specific on sales stereotype, in an under-investigated context, as Italy is, and to understand the orientation of students to pursue sales careers.

Data was collected and analyzed using focus group research method, involving Italian university students.

Results confirm that sales and salespeople stereotype is still present among students, that despite their high education, they still have a vague idea of what selling really consists of, and this is an indication also for (European) universities. Moreover, selling tends to be identified as a single activity, quite exclusively as negotiation, direct interaction or at least customer relationship. Quite interestingly, in addition, business (marketing) students tend to refer to the dichotomy between the transactional and the relational paradigms as a reference to define the stereotypical and the ideal selling approaches, seeming to refer to the continuity between marketing and sales, but also, intuiting the necessity for their integration.

In general, students supposedly took the sales prejudice as a benchmark: what the salesperson "is" (traditional hard-seller) and what should be (relational/partnering seller, which has a strategic and long-term approach towards sales and is strong in loyalty, ethics, preparation, problem solving and value co-creation), in coherence with the recent issues emerged in business and developed in sales literature.

One Reasoning could be that these interviewees had been exposed to relational paradigm theories in their university curricula, and consequently have cues of some emerging issues in the evolution of personal selling. In fact, besides lacking experience and a complete understanding of sales roles, students perceive the importance of salespeople's relationship with customers based on trust and collaboration, but some of them acknowledge, someway, the hunting/proactivity attitude of salespeople, to acquire new clients showing a more aggressive nature (Cuevas, 2018).

Moreover, the students' top ranked sales activities, in their opinion were selling/negotiating, customer relationship, contacting/informing customers (in line with the traditional and relational paradigm simultaneously). This result, on one hand is encouraging and aligned with the theory, aiming for a closer interface and integration between marketing and sales, but on the other hand, again, students seem to have little knowledge of what selling is really about, with consequent low opinions regarding the possibility of pursuing a career in sales (Karakaya, Quigley & Bingham, 2011). In addition, generally students seem to refer more to personal qualities rather than professional and technical skills, again referring to the importance they attribute to communication and negotiation.

The general knowledge and understanding of the selling process appeared limited, and consequently feeling towards selling and intention to pursue a career in sales, when emerged, were limited or poor. Besides, scholars enhance the importance of experience, relevant people in one's life or exposition the sales profession and the teaching of strategic sales management to change the attitude toward pursuing a career in sales, otherwise the feeling towards selling will continue being driven by the scarce understanding of salespeople role, as well as the misconception and stereotyping of sales job and salespeople attributes. As literature and findings suggest, a further exposition to sales issues could define and improve the students' knowledge and perception of sales and foster students' intention to pursue a career in sales, which should be very important for nowadays businesses, since the second most searched professionals worldwide are still salespeople (Manpower, 2008, 2018). Moreover, this is particularly important nowadays, since professional selling has become more complex, managerial and technical under many aspects (even the international ones, according to the global competitive evolution of businesses), needing for highly educated and work-ready sales recruits. In addition, it needs to be considered that generally in Europe sales courses are very limited in the university environment, particularly in marketing area university courses in Italy (N= 1050), within 126 universities, 413 degree programs include at least one marketing related exam. Only 15 courses (1,4%) include the word "sales" (sales management, sales and trade management ecc.). Therefore, there seem to be room not only for sales research, but also for further introduction of sales education in HEI.

This work presents some limitations due to the sample consisting of only Italian students, when in fact there should be the possibility of further research in a cross-cultural setting. An additional weakness of the study is that it follows the literature path in continuing analyzing business students' perceptions, even if usually they are the ones ending working in sales positions, and that literature indicates as particularly suitable to successfully work as tomorrow's successful professionals, enhancing their businesses' performances and their own careers.

Further studies should therefore make an effort in trying to close these gaps in cross-cultural perceptions, even engaging different cultural models, to verify how cultural models interact with these perceptions. In addition, research could broaden its investigation spectrum involving more diverse samples in terms of preparation and background, other than business university students. Finally, these type of works on students' stereotype perceptions could provide quantitative testing of these research stimuli, engaging a social science multi-disciplinary approach.

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# E-LOGISTICS SERVICE QUALITY IN THE DIGITAL ERA: KEY DRIVERS FOR GAINING CUSTOMER SATISFACTION AND LOYALTY

**Ivan Russo**
*Dipartimento di Economia Aziendale, University of Verona,*
*Via Cantarane 24, 37128, Verona, Italy.*
*ivan.russo@univr.it*

**Ilenia Confente**
*Dipartimento di Economia Aziendale, University of Verona,*
*Via Cantarane 24, 37128, Verona, Italy.*
*ilenia.confente@univr.it*

**Nicolò Masorgo**
*Dipartimento di Economia Aziendale, University of Verona,*
*Via Cantarane 24, 37128, Verona, Italy.*
*nicolo.masorgo@univr.it*

## Abstract

*In the digital era, where customers are shopping online, the internet has represented a new challenge and opportunities for retailers to reach customers. While the development of this channel has benefited consumers in terms of monetary and time savings, on the other hand the e-commerce retailing scenario has introduced new issues which are not related to merely the price and quality of the service but also relative to e-logistics service quality (e-LSQ). Thus, in order to analyse the significance of e-logistics service quality factors influencing the consumer's satisfaction in the shopping online, we propose a survey-based analysis concerning the impact of these elements, assuming that the consumer satisfaction leads to consumer loyalty and retention. The multiple regression analysis has confirmed the significance of the site ease-of-use and the Physical Distribution Service Quality (PDSQ) in predicting the customer satisfaction, whereas other antecedents, such as the Physical Distribution Service Price (PDSP) and the product returns management (PRM), has been disconfirmed. The study firstly contributes to extend previous models, by verifying the direct correlation among the ease of use and consumer satisfaction and loyalty. In addition, the results identify the existing trade-off among the price and quality in the e-logistics service quality. Finally, the non-significance of the hypothesis concerning the product returns management introduces the need for further studies.*

**Keywords:** *E-logistics service quality, customer satisfaction, customer loyalty, last mile.*

## Introduction

In the digital era, where customers are daily shopping online, the internet development has been seen as a fundamental tool that allows retailers to run their business in this new channel. The electronic home shopping in a B2C context brings some challenges for retailers, because it requires specific characteristics, which are identifiable in speed, connectivity, information sharing, goods exchange and service. Since consumers have been finding the online shopping as a source of benefits, such as monetary savings (Close & Kukar-Kinney, 2010; Pappas, Kourouthanassis, Giannakos, & Lekakos, 2017) and time savings (Miyatake, Nemoto, Nakaharai, & Hayashi, 2016), one of the e-retailers' aim is to identify the elements of the purchasing experience on-line. Accordingly, a recent report (KPMG, 2017) found that among the main reasons why consumers purchase online, the majority is focused on the aforementioned benefits of money and time saving.

Furthermore, the consumers' familiarity with the e-commerce is growing as well as their propension to share online shopping experiences and feelings, giving feedbacks on what they have bought, for instance, through the Word of Mouth (WOM). Hence, the e-retailers are considering the consumer's satisfaction as an important element to be studied (Cristobal, Flavián, & Guinalíu, 2007), in order to firstly understand what the consumers expect, then to provide an appropriate customer's service and a pleasant online shopping experience. Indeed, the customer service has been proven to retain existing customers (Zeithaml, 2000): three out of five online customers would not purchase if the customer service is considered inadequate (Meola, 2016; Wertz, 2017).

While the e-commerce retailing scenario brought several benefits, it has also introduced new challenges for the practitioners: what has been emerging is the difference among the offline and online physical distribution. In the first, the consumers are asked to reach a brick-and-mortar store, whereas the second requires that the retailers manage the fulfilment process. In other words, what has raised complexities is the "last mile process", which is that portion of the supply chain delivering products directly to the consumer (Kull, Boyer, & Calantone, 2007) and it represents the only personal contact existing between the retailer and the customer. Thus, it has a repercussion on the consumer's satisfaction, the e-WOM and retention.

This study is based on the concept that the consumer's satisfaction in the online shopping leads to his/her loyalty and retention, therefore the existing relationship is deeply investigated. Thus, the research idea is to focus on the consumer's satisfaction, considering in particular the effects of high-levels e-Logistics Service Quality (e-LSQ) on satisfaction. In particular, this study takes into account the impact of Physical Distribution Service Quality (PDSQ), Physical Distribution Service Price (PDSP), and the role of product returns management (PRM) on the overall customer satisfaction. In addition to these variables, a context specific variable is considered, regarding the ease of use of the e-tailer website. The paper is structured as follows: a literature review and hypotheses will be detailed; then the method and main results will be provided. Last, a discussion and conclusion section will be illustrated.

## Literature Review

Customer satisfaction and loyalty in the online retailing have been widely analysed in the literature. Several aspects have been investigated, particularly among their antecedents, such as the influence of service quality, thus comprehending the impact of the order procurement and fulfilment process (Heim & Sinha, 2001), the effects of pre-purchase, transaction-relation and post-purchase on the customer's loyalty (Jiang & Rosenbloom, 2005; Otim & Grover, 2006) and the overall service quality for the site-to-store purchases (Swaid & Wigand, 2012).

Although the achievement of customer's satisfaction does not always equate customer's loyalty, a significant stream of research recognizes the first as a key predictor of the second (Cheng, 2012; Chiou & Droge, 2006; Davis-Sramek, Droge, Mentzer, & Myers, 2009). In addition, other studies investigated how the relationship between these two variables might be different if offline-online comparison is considered (Cheng, 2012). Therefore, the literature has begun to examine the online retail supply chain under a customer's perspective.

Since each customer might differently perceive the quality of the service, the determinants that influence the consumers' purchase experience required to be identified. Among such determinants, the ease-of-use of the website (Liu, Tucker, Koh, & Kappelman, 2003), and the relationship among the price paid and the quality of the distribution service (Brynjolfsson & Smith, 2000; Cao & Zhao, 2004), are all drivers of the customers' experience. In addition, the returns management process provided by the e-tailer can play a key role in determining customer satisfaction (Griffis, Rao, Goldsby, & Niranjan, 2012),

These determinants are defining the measures that ensure an accurate analysis of the retailers' performance, not only in terms of price, but also in terms of product fulfilment process and the consumers' expectation about the service. One of the key determinants of the consumer satisfaction in the online shopping is the ease-of-use of the website.

The ease-of-use is defined as the ease with which a customer is able to use an e-commerce site, thus the customer's opinion that the online shopping requires less effort (Chiu, Chang, Cheng, & Fang, 2009; Collier & Bienstock, 2006; Lin & Sun, 2009). The relation among this independent variable and the customer satisfaction has been confirmed by considering the greater perceived website usability (Belanche, Casaló, & Guinalíu, 2012; Flavián, Guinalíu, & Gurrea, 2006). Thereafter, other studies occurred with the specific aim of analysing this causality: while Lin & Sun (2009) observed a positive impact of the website service quality, which is formed also by the ease-of-use, in the e-satisfaction, (Deng Turner, Gehling, & Prince, (2010) proved a more general concept based on the perceived utilitarian performance of an IT, which positively influences the IT satisfaction. Recently, Jain, Gajjar, Shah, & Sadh (2017) carried out a research comprehending the E-business quality, a variable similar to those already mentioned, which includes the ease-of-use of the website, with the aim to measure the service quality of e-tailers. Nonetheless, the relation among the ease-of-use and the customer satisfaction has not fully developed in the literature yet. Thus, being the first step for creating a nice and positive experience for the customer, the first hypothesis is the follow:

H1: site ease positively affects customer's satisfaction

A considerable stream of research has established the importance of the Logistics Service Quality (LSQ) to achieve customer satisfaction (Carol C. Bienstock, Royne, Sherrell, & Stafford, 2008; Davis-Sramek, Mentzer, & Stank, 2008; Mentzer, Flint, & Hult, 2001). LSQ refers to the customer service activities related to the logistics, which enhance product value by identifying time, place and form utility (Carol C. Bienstock et al., 2008). Mentzer, Flint, & Kent (1999) conceptualized this concept by identifying a LSQ scale based on nine different dimensions: as final results, they stated that LSQ must be linked to specific measures, such as loyalty, WOM, price sensitivity and others related to the supplier point of view. A considerable stream of research has established the importance of the LSQ to achieve customer satisfaction (C. C. Bienstock, Royne, Sherrell, &

Stafford, 2008; Davis-Sramek et al., 2008; Mentzer et al., 2001).

However, few studies considered the online environment (Bouzaabia, Van Riel, & Semeijn, 2013; Griffis, Rao, Goldsby, & Niranjan, 2012). While the markets have evolved to better match the customer's requirements, the literature followed this trend by studying the consequences of the e-LSQ on the customer's satisfaction. Even though some studies have provided relevant theoretical and managerial contributions (Rao, Goldsby, Griffis, & Iyengar, 2011; Stank, Pellathy, In, Mollenkopf, & Bell, 2017), further investigations seems necessary.

The Physical Distribution Service Quality (PDSQ) can be defined as a framework to measure in which ways firms provide customer value through logistics, considering the dimensions of availability of products, timeliness in the duration of the order delivery cycle, condition of order and return (Mentzer, Gomes, & Krapfel, 1989). In other words, it is a technical component of LSQ that has the process of delivery as its function (Rafiq & Jaafar, 2007). More recently, the PDSQ literature has been expanded to the omni-channel strategy (Murfield, Boone, Rutner, & Thomas, 2017), where the evolution of the logistics service was considered, respectively from LSQ to e-LSQ (Rao et al., 2011) and from PDSQ to e-PDSQ (Xing, Grant, McKinnon, & Fernie, 2010). Indeed, when the e-commerce grew relevance, the traditional distribution has evolved from the brick-and-mortar to the online retailing, in which the supply chain partners play a fundamental role, because they are distributing directly to the end customer (Vinhas et al., 2010). In other words, the physical store position as unique channel for the distribution has been partly replaced and, at the same time, completed replaced by the online channel. Therefore, the hypothesis is concerned with the online purchase satisfaction of the consumer and how the PDSQ influences it. The second hypothesis is:

H2: PDSQ positively affects customer's purchase satisfaction.

The consumer needs to find a reasonable similarity among the price paid for the logistics service and the actual service. Initially, even though the price represents an important variable to determine the consumer satisfaction, the literature concerning the LSQ had not issued a proper study of this determinants: price was cited as less important than the level of PDSQ (Bienstock, Mentzer, & Bird, 1996). However, the service provided by the e-tailer is proportional to the economic feasibility of the quality standard, so that a high quality service is yielded if the sellers is able to do that at a competitive price that allows them to obtain a profit (Rabinovich & Bailey, 2004). Hence, online retailers should seek ways to improve PDSQ while simultaneously reducing associated costs. Rabinovich, Rungtusanatham, & Laseter (2008) investigated the drop-shipping, a practice aimed at reducing the costs of shipping products by centralizing warehousing and storage through outsourcing these activities. The concept of Physical Distribution Service Price (PDSP) determines a need for the online retailers to provide a service at a certain affordable cost, without reducing the quality standard that consumers are supposed to receive. Accordingly, the customer will not be satisfied if the service quality is not balanced to the perceived economic effort. Therefore, consumers' satisfaction and PDSP are connected, because the second is strictly connected to the first: the positive impact of the PDSP and consumers satisfaction was studied by Rao et al. (2011). Following studies (Rao, Rabinovich, & Raju, 2014) linked the risk of returns with the PDS price by stating that the e-tailers service should be tailored to the type of consumer, favouring those that have a longer relationship. In conclusion, companies have to find the right trade-off between the price and the level of the service and consumers respond to the trade-off with satisfaction or dissatisfaction, and this leads to the third hypothesis:

H3: PDSP positively affects customer's purchase satisfaction

In the online environment, the customer's dissatisfaction of the product leads to a product return, which follows a specific procedure identified in the website. The customer materializes the satisfaction in returning the product if he can actually do that, in other words if the instructions are enough easy for him. The product returns management (PRM) intervenes in the customer's satisfaction and loyalty when these variables are understood in their negative meaning, so that one of the reasons behind returns is the customer's dissatisfaction (Jaaron & Backhouse, 2016). Accordingly, the consumer receiving late, damaged or faulty products, will decide to return the items (Potdar & Rogers, 2012), thus confirming a poor logistics service quality provided by the retailer. On the other hand, customer service can benefit from the returns management (Chen, Anselmi, Falasca, & Tian, 2017; Rogers, Lambert, Douglas, Croxton, Garcia-Dastugue, , 2002; Stock & Mulki, 2009), because it alleviates the consumer's remorse feeling (Chen, Anselmi, Falasca, & Tian, 2017; Rogers, Lambert, Douglas, Croxton, Garcia-Dastugue, , 2002; Stock & Mulki, 2009), (Walsh, Albrecht, Kunz, & Hofacker, 2016) or discrepancies with the expected features (Rao et al., 2014). Since e-retailers aim at satisfying the consumers, a lenient returns policy (Janakiraman, Syrdal, & Freling, 2016; Wood, 2001) and an efficient reverse logistics are drivers of consumer satisfaction. This introduce our last hypothesis:

H4: Efficient product returns management (PRM) positively affects customer satisfaction towards the e-tailer

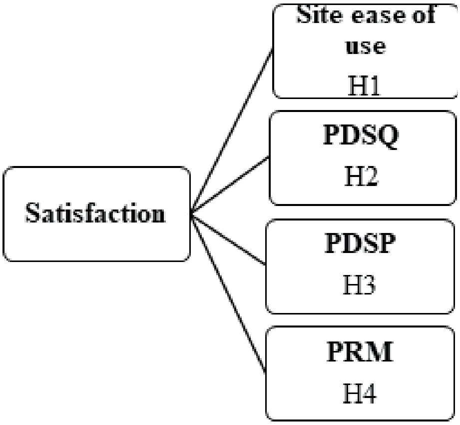


**FIGURE 1. RESEARCH MODEL**

**Method**

We asked participants to complete an online survey based on their experience of being consumers of online retailers. The survey was sent to participants through the Survey Monkey platform, with the link posted on various social media pages.

Participants were asked to answer questions related to their satisfaction about several dimensions that constitute their overall satisfaction toward the online purchasing experience. They were asked to provide the name of the main retailer they purchase from. In particular, respondents were asked to evaluate the relevance of four main satisfaction antecedents that are site ease of use, PDSQ, PDSP and returns management. All the scale were taken from existing literature and each item was measured with a 7-point Likert scale (from 1 = highly dissatisfied to 7 = highly satisfied). In particular, respondents were asked to

evaluate the relevance of four main satisfaction antecedents that are site ease of use (Heim & Sinha, 2001), PDSQ (Rao et al., 2011, 2014), PDSP (adapted from Rao et al., 2011)(Rao et al., 2011, 2014), PDSP (adapted from Rao et al., 2011) and PRM (Mollenkopf, Rabinovich, Laseter, & Boyer, 2007). All the scales were taken from existing literature and each item was measured with a 7-point Likert scale (from 1 = highly dissatisfied to 7 = highly satisfied).
Two more constructs were inserted to capture the overall satisfaction (Mollenkopf et al., 2007) and loyalty (Rao et al., 2011) toward the e-tailers by respondents; (Rao et al., 2011) toward the e-retailer by respondents.

A further section of the survey related to exploring the demographic characteristics of the sample (gender, age, education and frequency of use of internet and online purchases) was added.

A total of 195 participants filled in the survey. The ages of the participants ranged from 19 to 29 years old. 38% of respondents were males and 62% were females.

Table 1 presents the means and standard deviations of the selected variables. An average, PDSQ represents the dimension consumers are more satisfied with, although all the selected variable have received an average mean of more than 5 to 7 point scale. Regarding the dependent variables, the average mean was 6 for satisfaction and 6.20 for loyalty, although the latter one has a great standard deviation (st.dev=2) while the former has a standard deviation of 0.88, with more homogeneous results.

**TABLE 1. DESCRIPTIVE STATISTICS.**

| Variables | Mean | St.Dev. |
|---|---|---|
| Site Ease of use | 5,72 | 0,86 |
| PDSQ | 5,90 | 0,72 |
| PDSP | 5,30 | 0,98 |
| Returns management | 5,02 | 1,14 |
| Customer satisfaction | 6,00 | 0,88 |
| Customer loyalty | 6,20 | 2,04 |

**Results**

Data analysis was realized via a multiple regression analysis adopting SPSS software.

The regression analysis indicated that two of the four antecedents that were investigated as predictors of customer satisfaction were significant, that are Site Ease of Use (H1 supported) and PDSQ (H2 supported).

On the contrary, PDSP and Returns management were found to be not significant predictor for customer loyalty (H3 and H4 not supported). Table 2 summarizes the main results. Overall, the model had a good fit with a R2 of .463.

**TABLE 2. RESULTS FROM THE REGRESSION ANALYSIS.**

| Variables | Unstandardized coefficients | | Standardised coefficients | t | Sig. |
|---|---|---|---|---|---|
| | Beta | St.Dev. error | Beta | | |
| (Constant) | .630 | .439 | | 1.436 | .153 |
| Ease of use | .424 | .064 | .413 | 6.631 | .000 |
| PDSQ | .392 | .073 | .321 | 5.355 | .000 |
| PDSP | .065 | .053 | .072 | 1.224 | .222 |
| Returns management | .059 | .048 | .076 | 1.216 | .225 |

In addition, as the present study focuses on the main antecedents that help e-retailers to gain high levels of customer satisfaction, the last step of analysis is to verify, whether the relationship between satisfaction and loyalty exists in our research setting.
In doing so, we conducted a second regres sion analysis where satisfaction was the predictor of our outcome variable, custom er loyalty. Results show a significant and positive impact of customer satisfaction on customer loyalty ($ß=.290$, p-value<.001).

**Implication, limitations and future research**
Consumers buying online are increasing on a daily basis and data prove that they are more interested in purchasing online. Achieving consumer satisfaction and loyalty have become relevant and challenge goals for every companies. Since all retailers are facing the omni-channel/multichannel issue by putting interest on build a cost-optimized distribution across channels, this leads to the aim of increasing performance and preserve customer satisfaction.

This paper tries to provide a highlight on the role of logistics service in a B2C online context. The antecedent involved in the study are primarily the quality of the physical distribution service, the cost/quality of the distribution service, the product returns management and lastly the ease-of use of the websites. Thus, this study contributes to research and practice by identifying and testing factors that affect consumer satisfaction and loyalty in the e-commerce retailing.

This study contributes to confirm the validity of previous models about the positive relationship between ease of use and consumer satisfaction and loyalty (Belanche et al., 2012). Further, this research highlights the need to invest more on the quality aspect of the distribution service because it has the strongest impact on the customer's satisfaction and loyalty instead to concentrate on physical distribution service price. Delivery is the service that has the major importance with the customer interaction and the rapidity is one of the best challenges. The complexity and the cost of delivery are higher in order to meet customer expectations for that retailers are also offering different delivery service options as a way to retain customers. This last aspect needs further research to understand better the right match between delivery speed (same day, next day, within two-day, etc.), the destination (customer's home or pick up from the store) and time scheduling (morning instead of evening) consistent with Ishfaq, Defee, Gibson, & Raja, (2016).

However, as a second implication our data showed product returns management is not significant for our sample.

This probably happens for the millennials, who constitute our sample as they consider returns policy as a part of regular service. This controversial aspect needs further studies in future particularly in the case of service failure.

Third, our findings indicate that the impact of PDSP on satisfaction and loyalty is not significant, thereby establishing the complexity of the necessary drivers on consumers. This is consistent with the shift of economy toward servitization. Under this perspective, one of the key elements is a strong customer centricity (Confente, Buratti, & Russo, 2015). The main concept is that firms should be able to face price competition through the offering of an augmented product where the physical distribution service price is important but again it is part of the consumers' expectations. This is probably the Amazon effect with free express shipping for Amazon prime customer that poses challenge for several e-retailer (PWC, 2018).

PDSP and PDSQ highlight a typical trade-off between service and efficiency across the supply chain. Efficiency may require cost optimization and the most appropriate delivery choice while logistics service may require speed and reliability. Our findings show how PDSQ is perceived as more important than PDSP. Further research need to investigate how to calibrate better PDSP to have an effect on customer satisfaction and loyalty. For example, recent survey by PWC reveals that consumers are willing to pay more for same-day or faster delivery. We encourage future research to further unpack the interactions between satisfaction, loyalty, and willing to pay more in order to provide a better understanding of the thresholds at which same day delivery become germane to loyalty.

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