



## The Impact of the Marketing Activities of Family Owned Businesses on Consumer Purchase Intentions

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### Abstract

It has been suggested that family owned businesses are unique. Having been perceived as trustworthy and customer focused, consumers should view their strategies differently, perhaps positively. It then follows that consumers will respond favorably to the marketing activities of family owned businesses. This paper examines the impact of family businesses' marketing activities on consumers' purchase intention. Respondents to a mail survey indicated their degree of willingness to respond to sixteen marketing stimuli presentations of family businesses. The original sixteen items were then reduced to six variables (one dependent and five independent) using Factor analysis. Five activities-customer service, product creation, communication, delivery, and exchange were regressed against the dependent variable-purchase intention. The results showed that customer service, communication, and delivery significantly affected purchase intention. Managerial implications were then drawn from the findings.

**Keywords:** Purchase intention, Marketing, Customer service, Exchange, Delivery, Communication

### 1. Introduction

Models of consumer buying behavior (e.g., hierarchy of effects, AIDA) have shown that before consumers actually buy a product, they would have positive attitudes towards the brand and/or company (Pope and Voges 2000). These positive attitudes must translate to "purchase intentions," before the actual exchange (sale) takes place (Whitelark, et. al. 1994). In other words, purchase intention is the last step in consumers buying process. So, many studies (e.g., Landon Jr. 1974; Woodside and Taylor 1978) have tried to determine stimulants of purchase intentions, as separate from the actual sales. Despite the surplus of research on purchase intentions, its applicability to family businesses has not been explored.

Yet, family businesses are unique (Ibrahim, et. al. 2008; Prabhakar 2008). Studies have shown that their uniqueness can translate to a competitive advantage (Ward 1997; Miller, et. al. 2008; Cooper, et. al. 2005). For instance, Carrigan and Buckley 2008 tag it as "familiness." Marketing departments in family owned businesses (hereafter referred to as 'FOB'), as in other firms seek to create, capture, communicate, and deliver value to their customers (Dashew 1996). In return, they expect certain responses from their customers in terms of sales, purchase, and patronage (Srinivasan and Hanssens 2009). Consensus is developing that being a family business elicits some advantages in the marketplace (Sundaramurthy and Kreiner 2008). While studies are demonstrating differential customer response to the stimuli of family versus non-family businesses, few have actually linked it to patronage. For instance, Orth and Green (2009) showed that consumers evaluate family business better in terms of service, frontline employee benevolence, and

problem solving orientation. But they fall short of indicating whether such evaluation actually leads to purchase intention, an antecedent step to actual performance measures such as sales and profits. So this study brings together the two schools- purchase intention and family businesses together. The purpose of this research is to determine whether consumer perceptions of the marketing activities of FOBs translated to purchase intentions (willingness to buy).

This paper first provides a brief overview of our theoretical and conceptual foundations related to this issue and uses them to present the research hypothesis. In the second section, the research methodology is provided and rationalized. Next, the data analysis methods are discussed. Then, the results are presented. Finally, the managerial implications and conclusions are provided.

## **2. Conceptual Origins and Hypothesis**

Researchers have always been interested in consumer reactions and responses to firms' efforts (see, McDonald and Oates 2006). Understanding the effect of marketing activities on consumer purchase intention is important (Verhoef and Leeflang 2009). If the impact is positive, it buttresses other streams of research that show that certain activities influence performance. For instance, many studies have shown the product quality improves profitability (Kimes 2001; Lin and Germain 2003; Agus 2005).

### *2.1 Communication and Purchase Intention*

Advertising affect is an important determinant in the formation of attitude (Teng and Laroche 2007) which could ultimately influence sales (Wang et. al. 2009; Requena-Silvente and Walker 2007; Kim 2005)). Burke et. al. (1990) looked at the influence of product related announcements on consumer purchase intentions in the microcomputers industry and found some significant relationships. Daneshvary and Schwer (2000) examined the impact of association membership on purchase intention. Because advertising is often maligned, Daugherty, et. al. (2000) sought to determine how consumers perceive it. They found that the more consumers think of advertising as a valuable force to society and the economy, the more positive their attitude towards it as an institution. Liu's (2007) finding of the effect of loyalty programs on consumer purchase behavior is interesting (also, see Chu and Liu 2008). They found that consumers that are slow to participate become more loyal customers of a store franchise in the long term.

Promoting via video direct mail has a positive effect on consumer purchase intentions (Tripp et. al. 1993). Cornwell and Coote (2005) established a positive relationship between consumers' identification with a nonprofit organization and their intentions to purchase sponsors' product. Message presenters (e.g., entertainers and athletes) have been known to influence adolescent purchase intentions (Martin and Bush 2000). Positively framed messages are more persuasive than negatively framed messages when coupled with informational evidence (Dardis and Fuyuan 2005). Bae and Lee (2005) found that using 'scarcity' message was more effective than a 'non-scarcity' message in eliciting purchase intention. Conclusively, these studies established a direct linkage between promotion and communication activities to consumer purchase intention.

### *2.2 Product Creation and Purchase Intention*

Purchase intentions can be influenced by feelings of trust towards the brand. Early studies of purchase intentions have correlated it with brand quality (Woodside and Taylor 1978). Later, Teng and Laroche (2007) showed that brand cognitions impact brand attitudes and confidence that ultimately affects purchase intentions. Another study shows that product quality has an indirect link to financial performance (Lakhali and Pasin 2008). Alternatively, a subset of studies has focused on the purchase intentions pertaining to specific products. For instance, Xu et. al. (2004) found that personality trait and social acceptance (among other variables) influenced purchase intention for a controversial product-American alligators (also, see Summers, et. al. 2006). Amyx et. al. (2007) focused on certifications and credentials and found that they influenced purchase intention. Overall, the few studies cited above suggest a positive link between product creation activities and consumer purchase intention.

### *2.3 Price, Exchange, and Purchase Intention*

Price represents value to customers. So perceptions of value can affect purchase intention (Chang and Wildt 2004). Besides the price, adjustments to that price can be significant purchase motivators. For instance, Cai and Suri (2007) showed that double discounts caused consumers to overestimate savings and thus increases their propensity to purchase. Another tool used by marketers is pricing thresholds (Lambert 1978; Suri, et. al. 2008). To conclude, we anticipate a direct relationship between purchase intention and this marketing activity.

### *2.4 Customer Characteristics, Service and Purchase Intention*

Focusing on customer service can be beneficial to business performance (Chen and Quester 2009). Similarly, fostering a marketing orientation can be rewarding (Gonzalez-Benito, et. al. 2009). Studies have shown that consumers expect better service from family businesses relative to non-family businesses (Orth and Green 2009). In the retailing industry, Taylor and Baker (1994) found that customer satisfaction was a moderating variable to purchase intention. Consumer characteristics influence purchase intention. Moon, et. al. (2008) found that individualism influences purchase intention.

Luo, et. al. (2008) found that consumers' perception of subjective characteristics (e.g., ease of use) is a good predictor of purchase preferences. In the case of Indian consumers, a need for uniqueness led to a positive attitude towards US brands quality (Prabhakar 2008).

### *2.5 Place and Purchase Intention*

Firms benefit from providing greater access and platforms for consumers to acquire their offerings (Yan and Pei 2009). Pioch, et. al. (2009) investigated the relationship between salient patronage norms, patronage behavior, and market position. In the online environment, brand trust is influenced by interrelationships between complex components- e.g., security, privacy, etc. (Hong-Youl 2004). Later Hong-Youl and Perks (2005) suggest that brand trust is achieved through brand experience, familiarity, and customer satisfaction. An interesting study, Chu et. al. (2005) looked at the interaction effects of online versus manufacturer brand reputation on purchase intention. They found that a well known online retailer brand increases purchase intention for a weak manufacturer brand. Having a web site 'personality' is can influence web site quality and purchase intention (Poddar, et. al. 2009).

### *2.6 Other Variables and Purchase Intention*

A research stream has assumed that consumers would respond to a marketing stimuli based on the reputation of the provider. This has been the focus of many FOB studies (Orth and Green 2009; Craig, et. al 2008). Regarding other organizations, Ou and Abratt (2007) found that corporate reputation does not have a significant impact on shopping expenditure, time traveled, and patronage frequencies. Marketing presentations by organization (e.g., religious) can be perceived positively or negatively in correlation with perceptions of the organization (Attaway, et. al 1995). Kumar et. al. (2009) showed that purchase intention can be influenced by country of origin, while Summers et. al (2006) focused on purchase intentions pertain to a controversial luxury apparel. Based on the literature analysis, the activities discovered earlier will increase the likelihood of customer patronage. So the tested hypotheses are;

**H1:** *The promotion and communication activities of FOBs will be positively related to customer purchase intention.*

**H2:** *The distribution and delivery activities of FOBs will be positively related to customer purchase intention.*

**H3:** *The product creation activities of FOBs will be positively related to customer purchase intention.*

**H4:** *The pricing and exchange activities of FOBs will be positively related to customer purchase intention.*

**H5:** *The customer service activities of FOBs will be positively related to customer purchase intention.*

**H6:** *The communication, delivery, exchange, product creation, and customer service activities of FOBs will be positively related to customer purchase intention.*

## **3. Research Methodology**

### *3.1 Sample*

A random sample of 450 consumers from the midwestern United States was conducted. This area was chosen because its characteristics represent mirror the typical US consumer. The sample was randomly selected from Ameritech's telephone directory "White" pages. Data was collected via a mail survey. It was considered appropriate to address research on family business issues (Handler 1989). Mail survey was considered superior to other formats such as web survey because of external validity concerns.

### *3.2 Characteristics of Respondents*

In addition to obtaining their views, the characteristics of consumers were obtained. Slightly more than half of the respondents were males (53%) versus 45.5% that were female. The age distribution was as follows; 15-25 years (2.7%), 26-35years (17.6%), 36-45years (24.3%), 46-55years (28.4%), 56-65years (10.8%), 66-75years (13.5%), and over 75 years (2.7%). Another demographic description of the respondents is annual income. The highest percentage distribution was 38% (\$11,000-\$14,000) and 36.6% (\$41,000-\$80,000). In terms of ethnic identity, most identified themselves as European Americans (86.5%) followed by African American (5.4%). The final demographic reported was 'years of formal education.' Majority had 13-17 years of formal education (56%), followed by 'more than 18 years' (24%). To conclude, the typical respondent was a white male or female, 26 to 35 years old, earning \$11,000 to \$80,000 dollars a year, with 13 to 17 years of formal education.

### *3.3 Questionnaire*

A questionnaire was designed to capture the key decisions made by marketers. The key decision as identified in many marketing textbooks (e.g., Armstrong and Kotler 2009; Grewal and Levy 2010) were considered. Sixteen items related to product, promotion, distribution, target market, and pricing activities (see, Table1) were developed and tested. Again, the items were selected to be representative of the main marketing tasks involving creating, communicating, delivering, and exchanging offerings (Armstrong and Kotler 2009). For instance, "coupon redemption" was used because it would be the sales promotion tool recognizable to consumers. The question was "if the product or service provider is a Family

Owned Business, I will be more likely to..." Responses were collected using Likert's five point scale... strongly disagree (SD) to strongly agree (SA).

### 3.4 Data Collection

A pre-test sample of ten (10) respondents indicated that there were no major problems in understanding and constructing the questionnaire. The initial mass mailing was sent and a follow-up mailing two months thereafter. Seventy-five usable responses were received from both mailings achieving a response rate of about 16 percent. So the number of valid cases used for analysis was effectively sixty-four (64). However, this number of usable responses and rate of response is typical of consumer studies. For instance, McDonald and Oates (2006) used 78 consumers to report their findings.

### 3.5 Data Analysis

We wanted to determine the relationship between marketing activities and purchase intention. First, the initial sixteen items were combined by judgment to create new variables (Table 2) -consumer purchase intention, customer service, product creation, communication, delivery, and exchange. The posited relationship was as follows;

$$\text{Purchase intention} = f(\text{customer service, product creation, communication, delivery, exchange})$$

Please note that a factor analysis determined combination of the items resulted in a weaker model. A simple regression was then run with purchase intention as the dependent variable and the proposed determinants- customer service, product creation, communication, delivery, and exchange as independent variables in the regression model. In addition to the regression results (Table 3), correlations of the variables were produced. All analysis was done using SPSS, version 15.0 software (SPSS 2006).

## 4. Results

Based on the Pearson correlation coefficients results, none of the created variables was highly and insignificantly correlated to each other (Table 2). The regression analysis shows that three of the activities (customer service, communication, and delivery) were positively and significantly related to purchase intention (Table 3). So hypothesis H1 (customer service), H3 (communication), and H4 (delivery) were supported. Hypothesis H2 (product creation), and H5 (exchange) were not supported. However, the overall model hypothesis (H6) was significant. The model was significant in explaining the variance of the dependent variable ( $p < 0.000$ ;  $R^2 = .638$ ).

### 4.1 Independent Variables

As stated above, customer service provided by family owned businesses ( $\beta = .492$ ;  $p < 0.003$ ) appears to influence consumers purchase behavior positively. This composite variable included the item "likely to expect better customer service." On this item 90.7% of respondents either agreed or strongly agreed versus only 0% that disagree or strongly disagreed. This is a very convincing difference. Another item comprising this variable was "likely to obtain information from the FOBs website." About 37.3% of respondents agreed and strongly agreed versus 18.6% disagreeing and strongly disagreeing. The last item making up this variable was "visiting the company website." In their response, 33.4% were agreeable, while 18.7% in disagreement. So our results go further than studies (e.g., Orth and Green 2009; Sundaramurthy and Kreiner 2008) that show favorable consumer ratings for FOBs to indicate that such ratings can translate to purchase intention.

Another independent variable that was significant pertained to distribution decisions ( $\beta = 1.204$ ;  $p < 0.007$ ). Consumers by 42.7% agreed to "rely on the company distribution systems." Only 12% disagreed. The third significant variable focusing on promotion decisions was the final significant variable ( $\beta = 0.462$ ;  $p < 0.043$ ). This variable comprised three items. Respondents were willing to believe FOB's advertising (65.4%) compared to those distrusting it (8%). And in terms of 'believing company sales representatives,' 66.7% were agreeable compared to 5.3% that disagreed. Willingness to utilize its coupons was favorable by 64% (for) to 6.7% (against).

## 5. Discussion of Findings

Some of the theoretical specificities of FOBs that yield this findings include the fact that they are trusted (Orth and Green 2009) and uniquely positioned to care about their clients (Craig et. al. 2008). Besides the theoretical underpinnings, the results point to some significant implications for marketing managers. If their main objective is to get consumers to buy their products, it appears that they should focus on their communications, customer service, and delivery operations. Obviously it cannot be done to the detriment of their offerings.

### 5.1 Customer service focused operations

Customer service operations provide time, place, and possession utility to the customer. These operations can occur before the customer purchases the product (front end) or after the purchase (back end). Today many approaches to offering long term customer retention have been presented such as relationship building (e.g., Hanley and Leahy 2008), and customer relations management (e.g., Cooper, et. al. 2005). The methods and techniques used in those approaches can be relevant to the managers of family businesses. Deriving from this study, we suggest the increased use of websites marketing. Our study shows that customers do visit company websites and obtain information there from. It appears that creating an attractive website that can be easily assessed (e.g., through search engines) is rewarding. In addition to creating websites, the sites should provide information to the customers. The kind of information desired by customers was not determined from our study. But such information should serve to create trust in consumer, as this is critical to web users.

### 5.2 Promotion

Promotion efforts designed to inform customers about a firm's marketing offering is important to purchase intentions. Marketing managers should create advertising that is believable to customers. What makes an advertisement believable? Again, this issue was not obtained from our research; however it has been addressed in the marketing literature. The typical suggestion is that believable advertisements are those that credibility either via the reputation of the presenter or factual demonstrations. Most importantly, the advertisements should use cues and themes that encode to family ownership. Personal selling is another tool used to inform and obtain patronage. Our finding that the salespersons of FOBs are more believable suggests not only that using salespersons can be effective, but their sales technique should include the notion of family business. For instance, the sales person in their presentation should seek to emphasize the 'family owned' characteristic of their business and offerings. If the salespersons wear company uniforms, the uniforms should include badges announcing their FOB characteristics. Identity cards used by salespersons should also show this identification. Coupon usage is associated with this variable. This tool primarily heightens quick sales, not long term patronage. If the managers goal is to stimulate short terms sales by moving merchandise out of the door, then couponing becomes appropriate. Our study suggests that the coupon management process (creation, execution, and redemption) will be more effective if it is tied to the 'familiness' of the organization. For instance, the FOB could issue special 'family owned discount' coupons periodically.

### 5.3 Delivery strategies

The results suggest that managers of FOBs should pay greater attention to their distribution systems. Consumers rely on their distribution systems to obtain value from the company. A carefully designed channel or channels that provide products and services at promised places and times can elevate purchase intention. Since, websites are a channel, it should be utilized since it was represented in the customer service variable that was significant and discussed earlier.

## 6. Conclusions

This purpose of this research was to examine the impact of family businesses' marketing activities on consumers' purchase intention. Consumers were surveyed and asked to indicate their agreement/disagreement with sixteen questions items. The questions typically read, "If the product or service provider is a Family Owned Business, I will be more likely to purchase its product." The initial sixteen items were then grouped into five variables representing the marketing function. Following a co-linearity check, the five variables or activities-customer service, product creation, communication, delivery, and exchange were then subjected to a regression analysis to determine significance and variance explained. The results showed that customer service, communication, and delivery significantly affected purchase intention. This finding supports some studies dealing with purchase intention (e.g., Xu et. al. 2004) but refutes others (e.g., Chang and Wildt 1994). Managerial implications were along the lines of developing strategies that maximize the effectiveness of these activities.

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Table 1. Identification on variables and items

Type	Composite Variable	Items	# of Items
Dependent	Purchase Intention	* <b>Purchase its product;</b> patronize its services; <b>travel farther to purchase its product,</b> order products from its website, <b>try its new product;</b> and repeat my purchase	6
Independent	Communication/Promotion**	<b>Believe its advertising;</b> believe its salesperson; <b>use it coupons</b>	3
Independent	Exchange/Price	<i>Expect cheaper prices</i>	1
Independent	Delivery/distribution**	<b>Rely on its distribution system</b>	1
Independent	Product creation	<i>Expect better product quality;</i> <b>expect better warrantee offers</b>	2
Independent	Customer Service**	<i>Expect better customer service;</i> <b>visit its website;</b> <i>obtain information from its website</i>	3

\*"If the product or service provider is a Family Owned Business, I will be more likely to..."

\*\* Significant at  $p < 0.05$

Table 2. Pearson Correlations (n=66)

Type	Variables	Purchase Intention	Promotion and Communication	Pricing and Exchange	Distribution and Delivery	Product Creation	Customer Service
Dependent	Purchase Intention	1.00(000)@					
Independent	Promotion and Communication	.698(.003)	1.000	.			
Independent	Pricing and Exchange	.340(.000)	.273(.013)	1.000			
Independent	Distribution and Delivery	.635(.000)	.608(.000)	.240(.026)**	1.000		
Independent	Product Creation	.522(.000)	.589(.000)	.455(.000)	.439(.000)	1.000	
Independent	Customer Service	.599(.000)	.555(.000)	.194(.059)**	.393(.000)	.226(.34)**	1.000

@ Decimals in parenthesis indicate level of significance (1 tailed)

\*\* Not significant; all others are significant at the .05 or .01 levels.

Table 3a. Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t		Sig.					Collinearity Statistics	
	Beta	Std. Error	Beta	Lower Bound	Upper Bound			Tolerance	VIF	B	Std. Error	
(Constant)	2.881	1.984		1.452	.152							
Promo* (sig)	.462	.224	.255	2.064	.043	.698	.257	.160	.397	2.519		
Price	.347	.384	.079	.903	.370	.340	.116	.070	.780	1.282		
Dist (sig)	1.204	.428	.279	2.813	.007	.635	.341	.219	.612	1.633		
Product	.385	.282	.145	1.364	.178	.522	.173	.106	.534	1.874		
Cuserv (sig)	.492	.157	.300	3.133	.003	.599	.375	.244	.660	1.515		

i. Predictors: (Constant), cuserv, price, dist, product, promo

ii. Dependent variable: purchase intention

\*promo=promotion and communication; price=pricing and exchange; dist=distribution and delivery;

cuser=customer service

Table 3b. Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
	R Square Change	F Change	df1	df2	Sig. F Change	R Square Change	F Change	df1	df2	Sig. F Change
	.798	.638	.607	2.59656	.638	21.104	5	60	.000	1.840

i. Predictors: (Constant), cuserv, price, dist, product, promo

ii. Dependent variable: purchase intention

Table 3c. Anova Results

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	711.412	5	142.282	21.104	.000(a)
Residual	404.527	60	6.742		
Total	1115.939	65			

i. Predictors: (Constant), cuserv, price, dist, product, promo

ii. Dependent variable: purchase intention

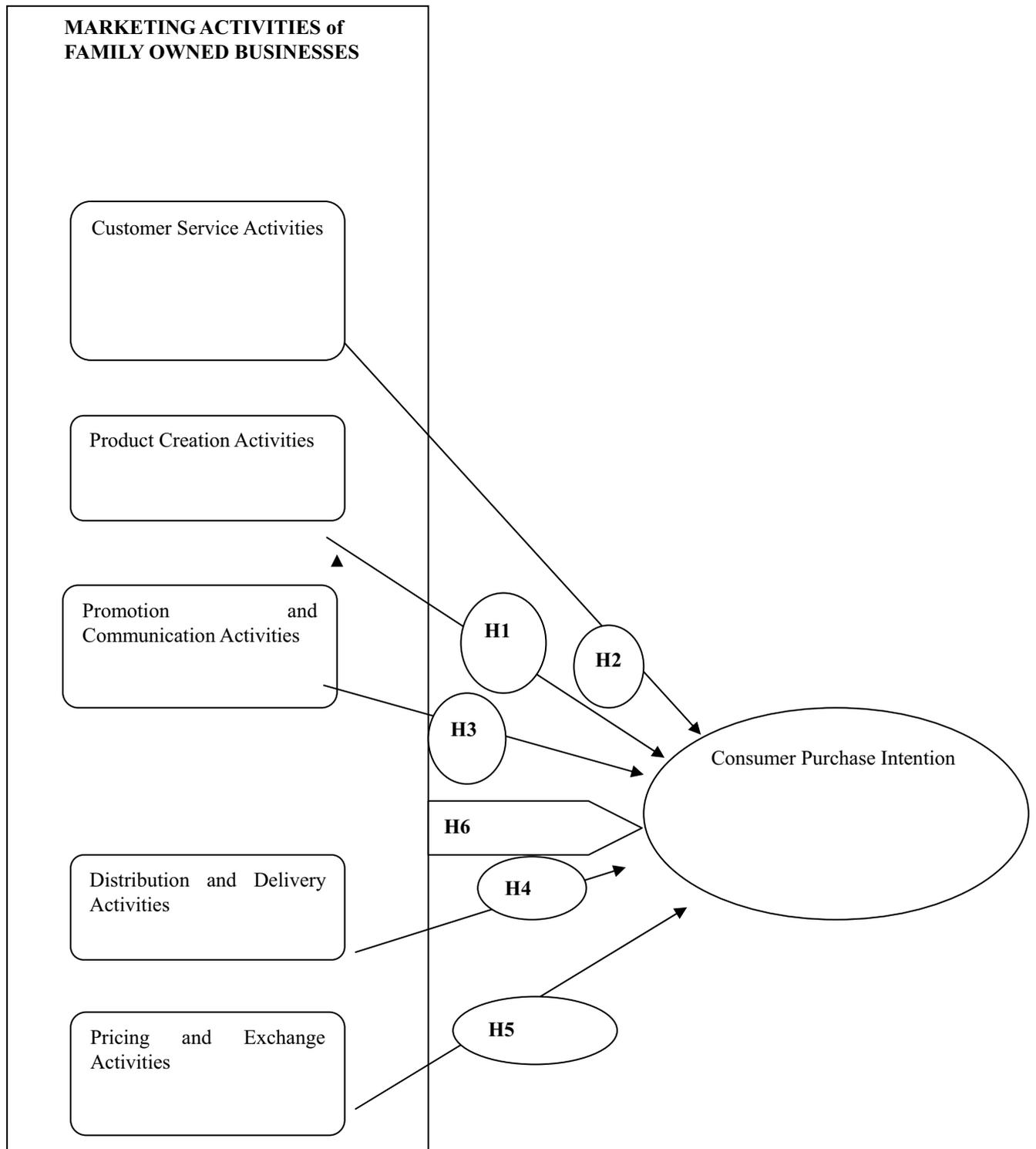


Figure 1. Conceptual Model showing Hypothesized Relations