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Mid Term Exam

Academic Year : 2011/2012

Course : **Business Research Method**

Exam Rule : Closed Book

PROBLEM 1

Profit of Sampoerna Agro Grew 85% to Rp 469 Billion

PT Sampoerna Agro Tbk (SGRO) booked profit of Rp 468,62 billion in the third trimester 2011, which means it grew 85.9% compared to the profit booked last year of Rp 252,01 billion. This growth is pushed by increasing sales, which nearly doubled from sales last year. As quoted from the corporate financial performance report, sales from that business unit of Sampoerna Group exceeded Rp 2,516 trillion in the end of September, which rose from the sales figure of Rp 1,369 trillion realized last year. Cost of goods sold of the corporation increased up to Rp 1,6 trillion from the figure last year of only Rp 885,34 billion in the third semester 2011. Increasing cost of goods sold held the growth of gross profit, from Rp 483,75 billion to Rp 914,28 billion this year. Cost of sales increased from Rp 10 billion in the first nine month of last year to Rp 124,78 billion this year. (As quoted from detikfinance, October 2011)

What managerial problem could you extract from the article above? Translate the problem into valid research problem!

PROBLEM 2

One journal article stated its research hypothesis as follows:

H1 : When exposed to advertising with gender content, children with higher gender flexibility will have significantly more positive attitudes than will children with low gender flexibility for both attitude toward the ad (advertising) and attitude toward the brand.

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Draw the research model based on the relationship between variables as stated by the hypothesis above!

PROBLEM 3

Formulate working definition for the construct of “Brand Loyalty” based on the literatures provided below, describe the dimensions (if any) and create operational statement to measure the construct (items). (Hint: your items will be evaluated using content validity concept)

LITERATURES

**Arne Floh & Horst Treiblmaier (2006) “WHAT KEEPS THE E-BANKING CUSTOMER LOYAL?”
Journal of Electronic Commerce Research, 7(2)**

The concept of loyalty is defined from three different angles. The modelling of loyalty has a long tradition in academic literature research (Jacoby and Kyner 1973). The majority of early studies define loyalty as the repeat purchasing of a particular service or product (Homburg and Giering 2001). This approach has been long criticized by numerous scholars for the missing differentiation between true and spurious loyalty: “The key point is that these spurious loyalty buyers lack any attachment to brand attributes, and they can be immediately captured by another brand that offers a better deal...” (Day 1969). In order to avoid the pitfall of equating repeat of purchasing with loyalty, the combination of attitudinal and behavioral attributes is recommended (Gisaffe 2011). This paper therefore applies a two-dimensional conceptualization of loyalty consisting of both attitudinal and behavioral elements, with recommendation and repeat purchasing acting as sub-dimensions of the construct.

Papassapa Rauyruen, Kenneth E. Miller & Nigel J Barret (2010) Relationship Quality as a Predictor of B2B Customer Loyalty, SSRN Working Paper Series

Loyalty has been largely studied in the consumer context (e.g. Brown 1952; Cunningham 1956; Dick and Basu 1994; Farley 1964; Fournier 1998; Jacoby 1971; and Jacoby and Kyner 1973, Oliver, Rust and Varki 1997; Sirgy and Samli 1985) and service market (e.g. Andreassen and Lindestad 1998;

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Fisher 2001; Selnes 1993; Zeithaml, Berry and Parasuraman 1996). The concept of loyalty, however, has not been widely studied in the B2B context.

There are three main streams of research in loyalty; behavioral loyalty (e.g. Tellis 1988; Tucker 1964), attitudinal loyalty (e.g. Bennett and Rundle-Thiele 2002) and composite loyalty (e.g. Day 1969; Jacoby 1971; Jacoby and Kyner 1973; Chaudhuri and Holbrook 2001). In an early school of thought Tucker (1964) argued that behaviour (past purchases of the brand / product) completely accounts for loyalty. Consistent with this view point, Jacoby and Chestnut (1978) observed that in behavioral loyalty studies the focus was on interpreting patterns of repeat purchasing in primarily panel data as manifestation of loyalty. Loyalty in this behavioral manner is believed to be stochastic not deterministic (Uncles and Laurent, 1997). On the other hand, attitudinal concepts can be identified as providing positive word of mouth (e.g. Zethaml et al., 1996; Andreassen and Lindestad, 1998), recommending the service to others (Zethaml et al., 1996), and encouraging others to use service (Bettencourt and Brown, 1997).

A reconciliation of both behavioural and attitudinal components of loyalty was first proposed by Day (1969) as he cautions that loyalty viewed in terms of purchase decisions may not distinguish between loyalty and spurious loyalty. There was a need to extend typical definitions and measurement approaches of loyalty (Baldinger and Robinson 1996). It was suggested that one should study the attitudinal components for additional understanding of the stochastic representation of behavioral loyalty (Jacoby and Chestnut 1978; Uncles and Laureng 1997). This study follows the composite loyalty approach providing both behavioral aspects (purchase intentions) and attitudinal loyalty in order to fully explain the concept of customer loyalty.

Ron Garland & Philip Gebdall (2004) Testing Dick and Basu's Customer Loyalty Model.

According to Uncles, Dowling, and Hammond (2003), customer loyalty is commonly conceptualized in three different ways. Loyalty may be conceived in terms of favourable attitudes or beliefs towards a brand, manifested in an emotional attachment to the brand. Or, it may be thought of purely in terms of behaviour the regular purchasing of a particular brand. Finally, there is what Uncles et al, describe as the contingency approach, which assumes that the relationship between

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attitudes, behaviour, and loyalty is moderated by variables such as an individual's current circumstances or the particular situation, or both.

While some researchers and practitioners propose that loyalty has only single dimension, it is generally argued that loyalty is a two-dimensional construct, incorporating both attitudes and behaviour. This two-dimensional conceptualization, integrating behavioural and attitudinal elements, originated with Day (1969). Since then, various modifications of this structure have been suggested, with some of the best known being those proposed by Jacoby and Kyner, Jacoby and Chestnut, Backman and Crompton, Pritchard, Havitz and Howard. However, the most widely cited model is the loyalty typology developed by Dick and Basu.

Dick and Basu's (1994) customer loyalty model is an elegant conceptualization of the combined effects of attitude to a brand, or store, and their repeat purchase behaviour for that brand or store. Customers with high attitudinal and behavioural loyalty are described as 'true loyals', those with high behavioural loyalty but low attitudinal loyalty as 'spurious loyals', those with high attitudinal loyalty but low behavioural loyalty as 'latent loyals'. And those with low attitudinal and behavioural loyalty as 'non loyals'.

Implicit in the Dick and Basu model is the assumption that classification of customer into four loyalty groups on the basis of relative attitude and repeat patronage should then allow the prediction of other loyalty measures such as retention and defection. However, East et al (2000), Bennet and Bove (2001), and Bove and Johnson (2002) point out, few attempts have been made to test this predictive ability. Nevertheless, one study did attempt to do this was conducted by East et al in 2000. These authors applied the Dick and Basu model to supermarket shopping in both Britain and New Zealand, suggesting that the model would be much more compelling if it could predict other behaviours related to supermarket loyalty, such as advocacy (recommendation of the store), retention and store penetration.

East and his colleagues found that in only one of the six cases (recommendation retention, and number of different supermarkets used in Britain and New Zealand) did the results fit the Dick and Basu typology. In a further test, they showed that prediction was not improved by the inclusion of a variable for the interaction between attitude and behaviour (in this case, share-of-category loyalty). East et al, concluded there was little support in their study for Dick and Basu's typology. Nevertheless, because their study was one isolated test, set in a supermarket context, further work was recommended to 'test the effect of attitudinal and behavioural in fields such as financial services and automobiles' (p 12). This paper extends the works of East et al, by reporting a test of the Dick and Basu model in personal retail banking.

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PROBLEM 4

After attending a salesmanship seminar titled "Salesman Dahsyat", one HR manager of a multinational company wants to know whether the training package offered by the training consultant will truly increase the performance of sales personnel in his company as promised in the seminar. In order to answer it, the HR manager plans to conduct an experiment.

- a. How should the experiment be conducted? Formulate the research hypothesis, determine the variables used in the experiment (measured, manipulated, and controlled) and explain the procedures to measure, to manipulate and to control the variables you have mentioned.

- b. The term "random sampling" is known in survey design, while in experimental design we have "random assignment". Explain the differences between two and whether each influences internal and/or external validity.

PROBLEM 5

- a. Explain the difference between probabilistic and non-probabilistic sampling technique!

- b. Heru is an FEUI student planning to do research to test the influence of product involvement on the effectiveness of sponsorship in the case study of Persib Bandung FC sponsorship. In order to accomplish the research, Heru must perform the research using a sample of 146 supporters with involvement with Persib Bandung FC which he met in ITB campus, Viking (Persib supporter's community secretariat office, Persib Cafe and the Persib stadium (both in Bandung, the home field of Persib FC)

Based on information above, which sampling method employed by Heru to obtain his respondents? Explain your answer!

Bonus question : Can you suggest a better technique? Explain your suggestion!