

Reducing Vulnerability by Assessing Customer Business Styles

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ABSTRACT: One of the reasons many small businesses cease operations is their failure properly to segment the market. Much of the decisionmaking entailed in defining a market has been based on owners' speculations regarding their customers. The more alternatives open to a firm, the less vulnerable the firm will be to unexpected customer opinions and actions. One method for increasing the firm's alternatives can be found in an economical strategy to facilitate communication between a firm and its customers. The combination of depth-type interviews and Q method is employed in an actual case study with a Small Business Institute client to facilitate communication with his customers and, in so doing, to assist in properly segmenting the market.

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Small businesses cease operations for many reasons, but a frequent one is their failure properly to discover and segment their market. Many of these businesses open their doors intending to serve all customers (the "broadcast" approach) rather than serving specific market segments (the "narrowcast" approach). In the past, much of the decisionmaking, particularly about the *strategic planning* entailed in the process of defining a market, has been based on the owners' *speculations and opinions* regarding their customers. Although this is partly because of the high cost of traditional survey research and its brief shelf life, it is also, to a large extent, due to the lack of a more systematic strategy for approaching this critical decisionmaking process.

The complexity of this decisionmaking process has been recognized for some time. For example, El-Ansary and Stern (1972) have addressed the problem of the vulnerability of a firm to the decisions of suppliers and other firms in the distribution channel. Stated more concretely, they have shown not only that a firm's goals can be affected by another firm, but that the fewer the alternatives open to it, the more vulnerable the firm is to its suppliers and competitors (Jacobs, 1974). Furthermore, because, as Boag and Dastmalchian (1988) have suggested, a firm's vulnerability to the decisions of other firms can limit its ability to formulate and implement strategies for prosperity and survival, it becomes imperative for a firm to seek those overarching strategies which will reduce the uncertainties arising from these dependencies.

Within this framework, we contend that claims concerning the dependency of one firm on the decisions of other firms can be expanded to include the dependency of such a firm on the opinions and actions of its customers. From this, logically, the more alternatives open to a firm, the less vulnerable the firm will be to unexpected customer opinions and actions. Accordingly, our goal is to show that one method for increasing a firm's alternatives -- and, thereby, reducing its dependencies on unknown or intuited customer opinions and actions -- can be found in an economical strategy for facilitating communication between a firm and its customers. This is es-

pecially true for small businesses that depend on relatively few customers for the majority of their revenues and those that have limited resources.

To be more specific, we are proposing that a strategy to facilitate communication between a business and its customers can be based on two factors: (1) a comprehensive knowledge of the spectrum of the opinions of customers vis-a-vis the image of the company as well as their various styles of doing business with the firm, and (2) the use of Q method and its technique, which reach deeply into factors of personality and belief.

The primary data for determining opinions and images among customers of a business firm are obtained in depth-type interviews. Such interviews are designed to embrace the interrelationships within a tripartite situation: A, the customer; C, the company; and B, the social mechanism mediating between A and C, namely communication (Stephenson, 1963). In this sense, depth-type interviews will always involve the situation ABC.

Once the interviews have been completed, the problem becomes one of how to analyze the interviews. Here, we propose to solve this problem by adopting the approach of Q methodology (Stephenson, 1953). Employed for the past 30 years by such advertising giants as Young & Rubicam, J. Walter Thompson, and Leo Burnett, Q methodology is almost the least known and most inexpensive solution to the problem of long-range market segmentation. Yet, it falls easily within the budget of many small businesses (Bernstein, 1978).

In essence, we began by making a collection of the statements of opinion from the depth-type interview. A sample of all such statements about the situation ABC was then drawn. And, finally, Q sorting itself proceeded, during which respondents represented their opinions and beliefs in a statistical manner (Nesterenko & Barchak, 1976). Correlation and Q factor analysis completed the process, yielding a number of customer types.

In summary, it is contended that the use of this combination of depth-type interviews and Q methodology will facili-

tate communication between a small business and its customers and, in so doing, reduce its vulnerability to the vicissitudes of customer opinions and actions.

Research Framework

The current research presents a method that allows small business managers to gain a better understanding of their customers' styles of doing business. The study resulted from the client, Stine Lumber Company, a medium-sized building supply dealer, contacting the Small Business Institute at McNeese State University for public relations and marketing assistance in identifying contractor customer profiles. An advanced public relations class was used as a team for the project, and Q technique was utilized as the research procedure.

Customer Research

The first step was to fashion a list of contractors from Stine's Summary Review Customer Base (SRCB). This list was reviewed by the members of the team. The SRCB was supplemented by a list of contractors who do not currently do business with Stine. Contractors were then categorized by the amount of business they probably transact in a year. Three categories emerged: (a) large, (b) medium, and (c) occasional. Each of these groups was then subdivided according to its current status with Stine Lumber Company -- (d) those who currently do business with Stine and (e) those who do not -- producing six categories of businesses: ad, ae, bd, be, cd, and ce.

Each of the contractors to be interviewed was sent a letter stating that a team member would be contacting him. Each agreed to meet privately and, whenever possible, at his place of business. The team constructed a list of open-ended questions designed to elicit the opinions and feelings of the contractors about how lumberyards have served them in the past and how they could best serve them in the future. Twenty

contractors were interviewed, representing all of the combinations described above.

From the combined interview protocols, self-referent opinion statements that would portray contractor feelings were separated from simple factual statements. An example of a simple factual statement is:

Stine has a larger stock than other lumberyards.

An opinion statement, by way of contrast, has "excess meaning" and goes beyond factuality to give interpretation, opinion, or judgment, e.g.:

Good service cannot make up for a lack of inventory.

Because of a lack of knowledge, it may not actually be known if the first statement is correct, but the stock items could be counted at each store and the statement answered as true or false. It is quite a different matter for the second statement. A contractor who values sociability over profit -- not an impossibility in southwest Louisiana -- may disagree with the "opinion" above. A go-getter, on the other hand, may agree with the opinion statement, yet the statement cannot be conclusively proved either true or false. It is, as we say, only a matter of opinion.

Table 1
LASSWELL'S IMAGE SCHEMA

Effects	Levels		
A.	(a) fact	(b) demand	(c) expectancy
B.	(d) wants	(e) needs	(f) policies

A *pro tem* research design was created following Stephenson's (1969) explication of Harold Lasswell's general theory of image evaluation, as shown in Table 1. Thus, nine combi-

nations of the effects for the several levels are available for evaluation one at a time, viz.: ad, ae, af, bd, be, bf, cd, ce, cf. A goal of this research design is to omit nothing of importance regarding delivery, service, salespersons, price, quality and so on -- all the aspects that make up the contractor-servicing business. Each of the statements of the concourse -- that is, all the gathered opinion statements -- were then categorized as belonging to one of the nine combinations in the Lasswell design. Four statements were selected to represent each category. A sample of 36 Q statements (9 combinations \times 4 statements for each) was chosen, potentially balanced for positive, neutral, and negative statements.¹ Each contractor then represented his own point of view by Q sorting the Q statements from agree (+4) to disagree (-4).

Discoveries

Four factors, suggesting four different ways of conceiving the contractors' relationship to supplier, were brought to light by factor analysis of the Q sorts. But the four factors are only that, suggestions. It is up to the researcher to give a meaningful "understanding" to the hitherto unsuspected, underlying consistencies and differences which yield the four factors. Clearly, not one but *at least four different* public relations strategies are required to deal with the Stine company's customers. Other companies may need more or fewer strategies. This depends on the actual ABC situation and derives from the data, not mere proprietor intuition. Once a meaningful description of each factor has been formulated, the basic theme or feeling that runs through the factor may be expressible and, perhaps, captured in a short phrase.

Interpretation of factors requires that the customer's placement of all statements make sense according to the underlying theme. Of greatest assistance to the image evaluation researcher in reaching feeling-theme interpretations are two

¹The 36-statement Q sample and array of factor scores are available upon request.

different assets: (1) arrayed theoretical or weighted "model" Q sorts for each factor, and (2) a table of statement-by-statement comparisons for each factor. Employing both of these aids eventually yielded success. After careful review of the findings, the four groups were designated: (1) Social-Information Seekers, (2) Strictly Business, (3) How About Some Help? and (4) No Frills. What follows is a specific (but condensed) understanding of each business style *derived directly from the research*. Neither the number of factor types nor the explicit detail is attainable without using Q method.

The Sociable Information Seeker

Feelings about, and relationships with, people are at the center of this contractor's business style. A Sociable is not in business just to make money. Although he may be willing to pay a little more for quality products, he will accept an occasional crooked board. He certainly believes that a sales representative can help a job go more smoothly. The Sociable strongly feels that the other people at the lumberyard (check-out clerks, yard supervisors, etc.) are just as important as the contractor sales rep. This type of contractor wants to be treated in a friendly way and has the ability to take the viewpoint of the supplier, i.e., if he should fail to receive his order by 9 a.m., he is willing to wait without complaint for next-day delivery. Whether the supplier chooses to serve both contractors and walk-ins or to set up displays for the do-it-yourselfer is of little or no consequence to the Sociable.

Another component central to this type is the desire to purchase locally. To get cheaper rates for buying in bulk, he declares strongly, a contractor should not have to go out of town. This type of contractor is an information seeker, wanting suppliers to keep an up-to-date inventory book with drawings and pictures to make his job easier. He is interested in newspaper and television advertisements that help him compare prices. It is important to emphasize that because personal relations are held in high regard by the Sociable, if trust is lost, the business may be gone forever.

Strictly Business

Time is money to this type of contractor and he values an impersonal working relationship with an efficient business operation. His business style is very demanding: He expects the supplier to know how he operates and what is acceptable to him. Of equal importance is his expectation of immediate notification if there is a problem with a scheduled delivery. Unlike the Sociable, this type of contractor will not be loyal to a supplier merely because of a "personal relationship" with the sales rep or the owner.

Although Strictly Business wants to be dealt with on a one-to-one basis, he requires quick and precise service rather than friendly small talk. He wants to be met by a sales rep upon entering the store and welcomes visits by the salesman to his office or job site. Contractors of this type want a supplier who "caters to the professional." While they are highly unlikely to take their business out of town, they are quite certain to switch to a different local supplier if prices are better. Small incentives such as free nail aprons, which mean a lot to certain contractors, are not valued by Strictly Business types. Neither do they feel any great gratitude for catered dinners. Nor are these contractors affected by television and newspaper advertisements: They seem to know what's available and at what price. Contractors of this type are adamant about not using their own employees to pick up supplies, demanding instead that the lumberyard deliver. The Strictly Business group comprises many -- but not all -- large contractors, some of whom are Stine customers, others who are not.

How About Some Help?

Contractors represented by this factor have many important and substantial wants -- much like Strictly Business, but they are not likely to realize these aims because their tendency is to avoid communicating with the employees at a lumberyard. This interpretation appears to be the theme of their hypothetical Q sort and is supported by individual compar-

isons with all other business styles. Apparently, factor 3 contractors are not so much demanding, as frustrated by their own nonassertive behavior. Their patience may mask unfulfilled needs. They are, after all, serious about business; they just do not seem ready to communicate.

How About Some Help (HASH)? HASH very much wants the supplier to know how he operates without being told. To put it bluntly, the supplier should read his mind. This is probably what is meant by a "good working relationship." Since almost all of the contractors on this factor are small, it may be they are not being paid attention to and do not understand why. Also, like Strictly Business, HASH would like notification about delayed deliveries but will not jump as quickly to another yard when disappointed. These contractors show a strong preference for an up-to-date inventory book. This would solve the problem of having to ask advice from yard employees. Unique among contractors, HASH feels only discomfort when given work aprons or steak dinners because this might mean getting close to people. He has no imperious attitude, corresponding to that of Strictly Business. If things get busy at the lumberyard, he will send over a man or pick up the supplies himself. Moreover, he will put a bit extra out of pocket to get better quality material, but -- typically -- will accept without protest an occasional crooked board. Like all other contractors, he patronizes the local supplier and can hardly imagine going out of town for cheaper rates. Unlike other contractors, he finds much frustration in having to wait for word from a sales rep. This may be sheer communication apprehension.

As a communication avoider, HASH has a desire to escape personality clashes, saying that cost and quality of materials is not all that matters. By the same token, he does not "expect to be dealt with on a one-to-one basis, quickly and precisely." Communication avoidance extends also to mediated communication, so he is not merely indifferent to newspaper and TV advertisements, but even slightly hostile.

No Frills

Contractors of this type are budget-conscious, energetic, hard-working entrepreneurs who will and can do almost everything for themselves at a lumberyard. They do not imagine that they could utilize the services of a supplier's employees to increase profitability, nor do they see information as a valuable resource to achieve that same end. Although they are appreciative of supplier-paid extras, they are primarily a whirlwind of activity in order to succeed; they are ready to be a virtual one-man-band.

Cost and quality of materials are a central concern of No Frills types and they are unwilling to allow personality clashes to get in the way of obtaining the best at the best price. This was significantly different from all other contractor types. No Frills do want a good working relationship with a knowledgeable supplier, but the range for "good" is so wide that they probably haven't met an employee with whom they couldn't work. Price and quality considerations will send them off to another yard in the blink of an eye.

Because they are budget conscious, No Frills feel quite strongly about being notified immediately of a problem with delivering at the promised time. A supplier should be ready to lose a sale, they say, rather than a customer. No Frills do not pay much attention to the appearance of the store, but want to get in and out quickly. Perhaps their profit margins are minimal. This is further suggested by their desire to avoid even a single crooked board. As self-made men who pay hard cash, No Frills feel quite strongly about not being carried on the company's books. Thirty days is more than enough time to pay up. No Frills find little use for assistance from anyone at the lumberyard. No Frills know or care little about the do-it-yourselfer, but they are mildly appreciative of free work-aprons and steak dinners. They are hard-working, not anti-social.

Conclusion

A small business is vulnerable to more than just the decisions of suppliers and other firms in the distribution channel. Vulnerability clearly extends to the opinions and actions of the business' customers. One way to reduce the uncertainty of this dependent relationship is to employ Q methodology, which has a long history of success in market segmentation studies for leading, large-scale advertising firms, yet falls within the budget of many small businesses. Unlike the products of much survey research, customer types discovered by Q -- which reaches deep into factors of personality and belief -- are likely to have long-term stability and not to require frequent and expensive reevaluation.

The current study for a medium-sized lumber company showed that at least four different strategies are necessary for dealing with its contractor customers. Despite many years of first-hand experience, neither the owner/general manager or his chief contractor sales representative (or anyone else!) was able accurately to envision these multiple business styles prior to the research. In other words, speculation provided only a hazy, partial impression, good enough to make a fair profit in the current market but of uncertain value in situations where dependency and vulnerability might increase, e.g., a general economic downturn.

On the strength of the current research, the Stine Lumber Company has begun to reorganize its contractor business around these newly discovered business styles. Its first step has been to design a narrow-casting newsletter that has different sections for each of the four types. This is to be followed by a detailed and specific research-guided plan of action that includes training employees to serve the several types of customers, using controlled and uncontrolled media to communicate with specific groups of contractors, and arranging expensive promotional events and giveaways only when they might make a difference. For reducing vulnerability to each of the contractor types, the research report also provided Stine Lumber with specific (and targeted) informational, attitudi-

nal, and behavioral objectives, progress towards which can be reported as the program proceeds and is evaluated.

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There are two worlds: the world that we can measure with line and rule, and the world that we feel with our hearts and imagination. (Leigh Hunt)