

Perceived Risk and the Selection of a Retail Patronage Mode

Jon M. Hawes

University of Akron

James R. Lumpkin

Baylor University

Consumers can select products from a wide variety of retail patronage alternatives. This article examines the amount of perceived risk that is associated with shopping at six different patronage modes. Department and specialty stores are generally considered low risk modes, while media advertisements represent the highest risk alternative. This research also examines the importance of various risk-handling tactics that may help the consumer deal with the perceived risk involved with the selection of a particular retail patronage mode.

It has now been more than a quarter of a century since Bauer (1960) introduced the concept of perceived risk to the marketing literature. During this time there have been hundreds of studies on perceived risk and its impact on consumer behavior. Bauer (1960) had hoped to create a fad in marketing research by suggesting that consumer behavior could be viewed as an instance of risk taking. While few scholars now consider perceived risk to be the sole "fundamental explananda" of consumer behavior, there can be no doubt that perceived risk continues to be a central issue in the study of consumer behavior (e.g., Howard and Sheth 1969, p. 36; Prasad 1975; Puto, Patton, and King 1985; Ross 1974; Taylor 1974).

This article provides a patronage-oriented perspective to the study of perceived risk. An examination of perceived risk that encompasses the patronage variable is provided, and the results of an empirical examination of the amount of perceived risk which six different patronage modes

generate are examined. In addition, this research examines the importance of several tactics which consumers may utilize to deal with the perceived risk associated with selecting a patronage mode for apparel products.

AN EXAMINATION OF PERCEIVED RISK

One of the most common conceptualizations of perceived risk is that of Cunningham (1967). He viewed perceived risk as having two dimensions: the perceived *certainty* of a given event happening, and the *consequence* involved if the event should happen. Several types of risk that consumers perceive can be identified: functional risk, physical risk, financial risk, social risk, and psychological risk (Jacoby and Kaplan 1972). Roselius (1971) provided a slightly different conceptualization of the types of perceived risk by categorizing the possible losses which a consumer may experience due to a purchase decision: time loss, hazard loss, ego loss, and money loss.

Most of the research relating to perceived risk has involved an examination of inherent risk—the selection of a product class (Bettman 1973). Only a few studies have analyzed the perceived risk associated with the selection of a patronage mode (e.g., Cox and Rich 1964; Dash, Schiffman, and Berenson 1976; Hisrich, Dornoff, and Kernan 1972; Prasad 1975; Spence, Engel, and Blackwell 1970). This focus on the product selection rather than the store selection is not uncommon in the marketing literature. As Darden (1980) pointed out, consumer behavior research has traditionally been concentrated on product choice and brand choice behavior.

In perceived risk studies, however, this focus on product selection may represent a suboptimal allocation of effort. When a purchase results in consequences which are not satisfactory for the consumer, what recourse is usually taken? In many instances the consumer simply alters future procurement plans (Berens 1971). In other cases, the

consumer returns the product *to the retailer* and asks for a refund or exchange. When this option is exercised, the consumer is primarily dependent upon the retailer, not the manufacturer, for satisfactory resolution of the problem. A possible (but seldom used) third option is direct contact between the consumer and the manufacturer regarding the problem.

Consequently, since the primary burden for resolving any customer satisfaction problems is placed on the retailer rather than the manufacturer, the perceived risk associated with the selection of various patronage modes is worthy of additional research attention. Additional support for this conclusion is provided by emerging evidence that consumers move from needs, to shopping, to final purchase. In other words, consumers often choose stores in which to shop *before* they begin to consider particular brands (Darden 1980). Thus, the perceived risk experienced in selecting a patronage mode precedes and may, in fact, exceed that associated with product class or brand choice (Hisrich, Dornoff, and Kernan 1972). Furthermore, it is not possible to purchase products without selecting a patronage mode. Thus, the selection of a retail outlet is an essential aspect of every purchase decision.

PREVIOUS RESEARCH ON PATRONAGE ASPECTS OF PERCEIVED RISK

While there have been hundreds of studies relating to various aspects of perceived risk, only a few scholars have directly examined the perceived risk that consumers experience in selecting a patronage mode. Five articles that directly address the patronage aspects of perceived risk have been identified and are examined. Cox and Rich (1964) made an important contribution to the marketing literature by examining the perceived risk involved in telephone shopping. They attempted to determine why most consumers choose to forego the convenience of telephone shopping. They concluded that the higher level of perceived risk associated with this shopping mode was a major factor that discouraged telephone shopping.

Spence, Engel, and Blackwell (1970) compared the risk perceptions between mail order and instore (or direct from a salesperson) purchases for twenty products. In each case, consumers indicated that purchasing by mail was the more risky patronage method. The researchers suggested that this may be due to the following: (1) lack of opportunity to examine products before purchasing, (2) difficulties in returning faulty merchandise, and (3) frequent suspicion of business ethics of some mail-order operations.

Hisrich, Dornoff, and Kernan (1972) studied consumers who had recently purchased carpeting, draperies, and furniture to determine whether the acquisition of additional information was a more salient or a less salient risk-reducing tactic than repeat patronage (store loyalty). The researchers concluded that the quantity of information sought was a direct function of the patronage risk perceived and that store loyalty was *not* employed as a risk-handling tactic.

Prasad (1975) classified a number of products according to economic and social risk. He then compared patronage

attitudes toward discount and department stores over the risk categories. For products that have low social risk, the socioeconomic strata of consumers was unrelated to patronage attitudes. For products having high levels of social risk, however, the upper socioeconomic strata held significantly less favorable attitudes toward discount stores. No differences in patronage attitudes were found based on comparisons of the economic risk associated with particular products.

A comparison of perceived risk between two similar patronage modes was provided by Dash, Schiffman, and Berenson (1976). In this research, consumers who had recently purchased audio equipment were classified as specialty store or department store patrons. Self-confidence, perceived risk, and product importance were subsequently compared across the two shopping groups. Specialty store patrons indicated higher levels of self-confidence and that the product was of greater importance to them. The specialty store patrons, however, experienced lower levels of perceived risk in the purchase of audio equipment. This study provided several useful retailing implications, and the authors suggested future research on the perceived risk associated with other product categories and other patronage modes.

Granzin and Schjelderup (1980) provided an interesting insight regarding the perceived risk associated with retail patronage by examining its situational determinants. They studied automobile repair decisions made by consumers under three different situations. The repair may have been necessary: (1) while the consumer was at home, (2) during the employed consumer's lunch hour, or (3) while stranded 150 miles away from home. Knowing which situation confronted the consumer significantly improved the researchers' ability to predict whether the consumer would patronize his car dealer, a general repair shop, a gas station, or utilize a do-it-yourself approach to the car repair. Furthermore, the research indicated that the highest risk situation (being stranded 150 miles away from home) often resulted in a different patronage decision from that usually selected under conditions of less risk. Consequently, the researchers concluded that perceived risk is a situation-specific variable that does have an impact on the retail patronage modes selected by consumers.

This review demonstrates that significant contributions to our understanding of consumer behavior have been provided by examining the retail patronage aspects of perceived risk. This is a very complex topic, however, and additional studies are needed. Of particular interest, for example, is the amount of perceived risk associated with various patronage modes. Cox and Rich (1964) concluded that telephone shopping is considered more risky than instore shopping, while Spence, Engel, and Blackwell (1970) found that shopping by mail generated higher levels of perceived risk than did the purchase of the same products in a store or directly from a salesperson. Furthermore, Dash, Schiffman, and Berenson (1976) demonstrated that audio equipment shoppers who patronize department stores perceived more risk than did customers who shopped in specialty stores. To date, however, no published research has systematically compared the amount of perceived risk associated with

each of the various alternative retail patronage modes. The present study examines this issue and also analyzes the importance of various methods consumers may utilize to cope with the perceived risk associated with the selection of a retail patronage mode.

METHODOLOGY

Sample

The data for this study were obtained through a nationwide survey. A self-administered questionnaire was mailed to a sample of 1800 households who were participating in a consumer panel operated by a leading marketing research firm. A total of 1462 completed questionnaires were returned, yielding a response rate of 81.2 percent.

While most researchers consider panel data to be a preferred source for many research purposes (Wind and Lerner 1979), there may be some biases contained in even the best-designed panel organizations. The sample utilized for the present research contained some of these often-experienced panel biases.

The proportion of respondents who were married exceeded the national average. The sample was also somewhat upscale in terms of education, occupation, and income. The median age of respondents exceeded that of the U.S. population, and slightly over two-thirds of the sample were female.

Development of the Perceived Risk Scales

Because perceived risk can vary across product classes, it is much more informative to study perceived risk for a particular product class. Apparel was chosen because of its familiarity and purchase frequency. Also, apparel is purchased from a variety of patronage modes, and it should engender sufficient and measurable perceived risk due to its socially visible nature (Prasad 1975). However, different apparel categories should have different levels of risk (i.e., suits would be more risky than, say, a belt). Therefore nine different apparel categories were included in the research.

Respondents indicated the amount of risk associated with the procurement of nine different apparel categories (such as suits, dresses, shoes, etc.) from six different retail patronage modes. The patronage modes studied represent a nearly comprehensive set of retailing alternatives for most consumers in the purchase of apparel. Only the party method and door-to-door selling were excluded from the study, due to their limited use in the marketing of apparel products.

For the purchase of *each* apparel category from *each* patronage mode, a measure of the respondent's certainty of satisfaction was obtained. A three-point scale [not certain (1), somewhat certain (2), and very certain (3)] was employed.

For each of these situations, a measure of the respondent's opinion concerning the seriousness if the purchase proved to be unsatisfactory was also obtained. Again, a three-point scale [annoying but not serious (1),

somewhat serious (2), and very serious (3)] was utilized. This measurement approach is similar to that employed by Dash, Shiffman, and Berenson (1976).

An index was created by following the scoring approach described by Cunningham (1967), which combines the seriousness and certainty scales multiplicatively. The scores were summed across all nine apparel categories and represent the aggregate level of perceived risk associated with the purchase of apparel from each of the six patronage modes. The resulting five-point perceived risk scale ranged from no risk (1) to very high risk (5). Cunningham (1967), Zikmund et al. (1982), and Lumpkin and Massey (1983) have provided convincing arguments in support of the validity of this measurement approach.

RESULTS OF THE RESEARCH

The amount of perceived risk that respondents experienced in purchasing the nine apparel product categories from each of the six retail patronage modes is shown in Table I. An analysis of variance was conducted to determine whether there was a statistically significant difference for the perceived risk associated with the six retail patronage modes. The hypothesis of equal perceived risk values over the six patronage modes was rejected at the .0001 level. Consequently, it can be concluded that there were, in fact, statistically significant differences in the amount of perceived risk associated with purchasing apparel from the various patronage modes.

The average perceived risk for each of the six retail patronage modes is also shown in Table I (low values indicate less risk). The results of Scheffé tests to determine if any groupings or subsets exist among the six shopping alternatives indicate that the perceived risk experienced in shopping for apparel in department stores is not significantly different from that found in specialty stores.

TABLE 1
PERCEIVED RISK DIFFERENCES ACROSS
PATRONAGE MODES^a

Patronage Mode	Perceived Risk ^b
Department Stores	2.455 ^c
Specialty Stores	2.458 ^c
Discount Stores	3.455 ^c
Store Catalogs	3.489 ^c
Other Catalogs and Direct Mail	3.913
Media Advertisements	4.038

^a ANOVA results indicate that there are statistically significant differences among the perceived risk values at the .0001 level.

^b Values range from no risk (1) to very high risk (5).

^c Results of Scheffé tests indicate that these values represent a subset or grouping among the six patronage modes.

Both of these store types presented very low levels of perceived risk to respondents.

Another grouping was determined for discount stores and store catalogs. These two patronage modes presented similar levels of perceived risk, which could be categorized as intermediate or moderate risk patronage modes in comparison with the four other retailing options examined in this research.

Another patronage mode, defined as "other catalogs and direct mail," was considered the second most risky shopping method. The highest risk shopping alternative for apparel among the six retail patronage methods studied was media advertisements.

It is also interesting to note that three instore and three nonstore retail patronage methods were studied. While discount stores and store catalogs had similar perceived risk scores, the other two instore patronage modes had clearly lower perceived risk than the remaining two nonstore shopping options.

These results indicate that various shopping methods present perceived risk of varying magnitudes in the purchase of apparel. In order to cope with the uncertainty of the consequences associated with the selection of a particular retail patronage mode, consumers may engage in a variety of risk-handling tactics. The importance of several such tactics was measured and the results are shown in Table 2.

In selecting a retail patronage mode for the purchase of apparel, price/quality perceptions received the highest average importance as a risk-handling tactic. This suggests that consumers develop generalized perceptions about the price and relative quality of merchandise available from the various shopping alternatives and rely upon these expectations to guide purchase decisions.

Another tactic that was of high importance in handling the risk involved in selecting a retail patronage mode was

personal experience. Consumers gain confidence over time and learn which patronage mode is likely to best satisfy certain procurement needs. This finding supports one of Cox's (1967) early hypotheses and the conclusion reported by Sheth and Venkatesan (1968) that "risk reduction from experience with the brand" is an important method of coping with uncertainty. Hisrich, Dornoff, and Kernan (1972), however, concluded that consumers did not consider "repeat patronage" (a type of personal experience) as a viable risk-handling strategy. Consequently, additional research is needed to further clarify the nature of the relationship between these variables.

The risk-handling tactic ranking third in terms of average importance was money-back guarantee. This patronage attribute would resolve consumer problems relating to possible "money losses" (Roselius 1971). The relatively high ranking of money-back guarantee as a risk-handling tactic in the selection of a retail patronage mode is especially interesting in view of the fact that this variable received generally unfavorable responses in the Roselius (1971) study relating to product selection.

Store reputation had the next highest average importance value. This finding is consistent with the generally favorable responses for "store image" found in the Roselius (1971) study. Evidently, consumers have certain generalized attitudes and expectations toward each shopping alternative that may encourage or discourage patronage. This may also act as a surrogate for "experience."

Comparison shopping among patronage alternatives was also a relatively important risk-handling tactic. This is a way for consumers to gain personal experience and develop perceptions of the price/quality ratio of the various retailing alternatives. Again, this finding is consistent with the results for "shopping" found in the Roselius (1971) study.

Of considerably less importance was brand name reputation. While the brands carried by certain retailers certainly contribute to store image, respondents reported that five other factors were more important in handling the risk associated with selecting a patronage mode for apparel products. The fact that brand name reputation did not rank higher on the list supports our earlier argument that consumers do not usually rely upon the manufacturer for the resolution of problems with purchased products. Instead, consumer expectations of the retailer tend to be of higher importance to consumers.

This also seems to reflect the notion that apparel historically has been less brand-name oriented than other product categories, the designer label trend notwithstanding. Thus, *where* one buys apparel would be more important than for other product categories, and the perceived risk associated with the apparel would reflect the store characteristics. This suggests caution in directly generalizing these findings to other product categories without further research.

Each of the remaining variables examined relate to some type of "information gathering." As shown in Table 2, the other variables are: information from family, information from friends, salespeople, newspaper ads, technical/trade reports, radio, TV, or magazine ads, and

TABLE 2
RELATIVE IMPORTANCE OF RISK HANDLING TACTICS

Risk Handling Tactic	Importance ^a
Price/Quality Perception	4.16
Personal Experience	4.15
Money-back Guarantee	3.98
Store Reputation	3.74
Comparative Shopping	3.67
Brand Name Reputation	3.22
Information from Family	3.11
Information from Friends	2.72
Salespeople	2.64
Newspaper Ads	2.35
Technical/Trade Reports	2.31
Radio, TV, or Magazine Ads	2.12
Endorsements	1.96

^a Measured across nine apparel product categories on a five-point scale ranging from not important (1) to very important (5).

endorsements. It is interesting to note that information from family and friends is of greater value than that provided by less well-known sources such as salespeople, and endorsements, which are controlled by marketing organizations. Also, the greater importance of information provided by face-to-face communication is evident, as all of the mass media information sources rank among the four least important risk-handling tactics shown in Table 2.

The generally lower levels of importance attributed to the "information gathering" tactics were somewhat surprising in view of previous research. Cox (1967), as well as Sheth and Venkatesan (1968), suggested that consumers generally cannot change the consequences of a purchase. Therefore, they usually deal with perceived risk by trying to reduce the uncertainty associated with the purchase. In the present study, however, each of the "information gathering" tactics would be examples of uncertainty reduction methods, but respondents considered these tactics to be the least important of the variables studied. Furthermore, some of the risk-handling tactics that were found to be of greater importance (such as money-back guarantee and store reputation) could be classified as methods oriented toward reducing the unfavorable consequences of purchases. On the other hand, it should be noted that personal experience is a type of information gathering activity that was considered quite important by respondents.

DISCUSSION

These research results provide additional support for the notion that consumers experience perceived risk not only in the selection of products, but also in the choice of a retail patronage mode. Furthermore, the results clearly indicate that varying amounts of perceived risk are associated with different shopping methods. To cope with the perceived risk that is involved in the selection of a retail patronage mode, consumers engage in a variety of risk-handling tactics, and the importance of several are also examined in this research. As a general rule, retailers should try to facilitate these risk-handling tactics, especially those found to be of greater importance. These efforts may be particularly productive when levels of product and/or patronage risk are relatively high.

One of the most important results of this research, that deserves additional emphasis, is that discount stores and store catalogs received similar perceived risk scores. It had been expected that each instore patronage mode would have lower levels of perceived risk than each of the nonstore alternatives. There was no statistically significant difference, however, between the perceived risk associated with discount stores and store catalogs. These modes were, though, significantly higher in risk than department and specialty stores. Discount store retailers should work especially hard to try to overcome the lack of trust placed in their stores by consumers, even though they appear to be in a position to be competitive with store catalogs and other nonstore modes.

On the other side, store catalogs have significantly perceived greater risk than their in-store counterparts. Consumers associate greater risk to purchasing a given apparel item from, say, the Sears catalog than from a Sears retail outlet. While some additional perceived risk from catalog shopping would be expected due to relatively unknown quality, sizing, etc., the magnitude of the difference was unexpected. Further, the perceived risk for this mode of purchasing is as great as for discount stores, which traditionally have had lower quality apparel products. Thus, it appears that discount stores are doing better and/or store catalogs are doing worse than expected with respect to perceived risk.

It seems that discount retailers are being viewed in a better light than previously thought. If in-home shopping is to become the viable alternative it is forecasted to be, these retailers must carefully address the important factors identified in this research: price/quality, guarantees, the ability to comparison shop, and reputation as it relates to these factors.

It should be noted that while these research results are based on a relatively large, nationwide sample, respondent demography was not completely representative of national parameters. Also, this research has examined patronage decisions in only a single merchandise category—apparel products. It is possible that different results might have been obtained if other merchandise categories had been the focus of the research.

Nevertheless, the present research provides a foundation upon which future studies may be based. For example, future research should address the issue of how perceived risk varies across product categories over the retail patronage modes. In addition, the respondents being studied should be classified into risk perceiving groups (e.g., high versus low), and their perceived risk for different product categories and retail patronage modes should be examined.

The possibility of utilizing perceived patronage risk as a retail segmentation variable should also be explored. Considerable progress has been made in utilizing perceived product risk as a segmentation variable in product strategy (e.g., Locander and Hermann 1979; Popielarz 1967; Pras and Summers 1978). Analogous efforts in the retail patronage sector may also be worthwhile.

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ABOUT THE AUTHORS

JON M. HAWES is an Associate Professor of Marketing in the College of Business Administration at the University of Akron. Prior to obtaining his Ph.D. from the University of Arkansas, he was an Account Manager for the NCR Corporation. He is the author of *Retailing Strategies for Generic Brand Grocery Products* (UMI Research Press), and his articles have appeared in the *Journal of Marketing*, *Journal of Business Research*, *Strategic Management Journal*, *Journal of the Academy of Marketing Science*, *Journal of Health Care Marketing*, and elsewhere.

JAMES R. LUMPKIN is the Ben H. Williams Professor of Marketing in the Hankamer School of Business at Baylor University. He has a B.S. in chemistry and an M.B.A. in management, and received his Ph.D. in marketing from the University of Arkansas. Before entering academe, Dr. Lumpkin worked in marketing research for Phillips Petroleum Company. His primary research interests include retail patronage theory, market segmentation, and research methodology, with recent research focused on the elderly consumer. His research has been published in the *Journal of Retailing*, *Journal of Advertising*, *Journal of Business Research*, *Journal of the Academy of Marketing Science*, *Industrial Marketing Management*, *the Gerontologist*, *Psychological Reports*, and in other journals.

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